

IRELAND

Over the past 15 years, growth in GDP per capita has been the fastest in the OECD. However, labour participation has only reached the OECD average and further efficiency gains can be achieved in some areas.

Priorities supported by indicators

Strengthen work incentives for second earners and lone parents with young children

The rapid growth of the economy owes a lot to the rising participation of women. Nonetheless, the huge rise in participation was from such a low level that the female participation rate is still below the OECD average.

Actions taken: Support for families with children was increased substantially in the 2005 Budget but in an unconditional way, and therefore does not improve work incentives. Subsidies are supporting the creation of childcare places.

Recommendations: Continue to reduce average and marginal effective tax rates on low-income second earners. Tie childcare support such as the Early Childcare Supplement to employment or the use of childcare services and phase out the Home Carer's Tax Credit. Provide job search assistance to lone parents while strengthening their job search requirements. Reduce the phase-out rate of the One Parent Family Payment.

Strengthen competition in network industries

Insufficient competition in the electricity, telecoms and transport sectors raises prices, creates bottlenecks and holds back growth.

Actions taken: Plans have been presented to provide additional electric inter-connection capacity with Northern Ireland and Great Britain.

Recommendations: Split up the incumbent electricity company by separating the transmission grid from the generation capacity. Investigate competitive practices in the telecom sector and speed up unbundling. Liberalise bus routes.

Improve access to education

Pre-school attendance of young children is low. In secondary schools, too many youngsters are leaving without upper-secondary qualifications, while higher education is under-funded.

Actions taken: Primary school curricula have been revised.

Recommendations: Generalise pre-primary education from the age of three. In primary and secondary education, step up efforts to help children with learning difficulties. Increase tertiary education funding by levying tuition fees backed by student loans with income-contingent repayments.

Other key priorities

- Close infrastructure gaps in a cost-efficient fashion. Speed up the planning process. Fully charge all users of water supply and sewage treatment services and introduce a congestion charge in Dublin.
- Improve governance and streamline the funding of research institutions and innovation support programmes. Concentrate resources on a few centres of excellence in order to improve their quality and reach critical mass.