

IRELAND

Growth in GDP per capita had been among the highest in the OECD until the current downturn. Recent and planned reform efforts aim to improve infrastructure and enhance innovation capacity, but additional measures are required, notably in the areas below.

Priorities supported by indicators

Strengthen work incentives for women

The female participation rate remains below the EU average, despite a rapid rise over recent years. Participation is held back by a lack of affordable childcare and disincentives in the tax-benefit system.

Actions taken: The National Childcare Strategy aims to provide 50 000 additional childcare places by 2010.

Recommendations: Improve the targeting of child support to strengthen the incentives for second earners and lone parents with young children to work. Further increase the supply of childcare places.

Strengthen competition in telecommunications and transport industries

Weak competition in telecommunications and transport industries reduces productivity, raises prices and adds to infrastructure bottlenecks.

Actions taken: The telecommunications regulator (COMREG) has issued a consultation document on the pricing of access to the unbundled local loop. The government has committed to reforming bus licensing regulation, although a proposal to open some new routes in Dublin to competition has been shelved.

Recommendations: Ensure that there is effective unbundling of the local loop and improve competitive practices in the telecommunications sector. Liberalise the bus market, appoint an independent bus regulator and allow more private firms to compete on routes.

Enhance R&D spending and innovation

Innovation capacity is weak, with adverse effects on productivity levels. Government spending on R&D as a share of national income is below the OECD average, despite recent increases, and public resources in this area could be used more effectively.

Actions taken: Substantial additional resources have been channelled through the Strategy for Science, Technology and Innovation (SSTI), which is part of the National Development Plan.

Recommendations: Government support may benefit from being less widely spread across different institutions and bodies. Improve links between universities and the private sector.

Other key priorities

- **Infrastructure.** Continue to upgrade the infrastructure to remove bottlenecks. Apply comprehensive user charges to ensure that the use of infrastructure is efficient, particular in water-related services. Introduce a congestion charge in Dublin when public transport is sufficiently developed.
- **Educational standards.** Extend the availability of pre-primary education. Consider a system of upfront tuition fees for higher education financed by loans to make institutions more responsive to students' needs.

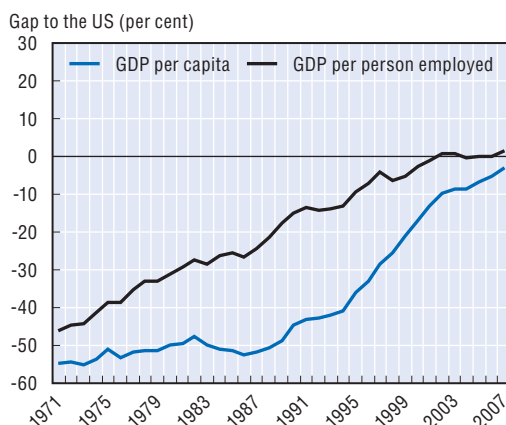
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Structural indicators

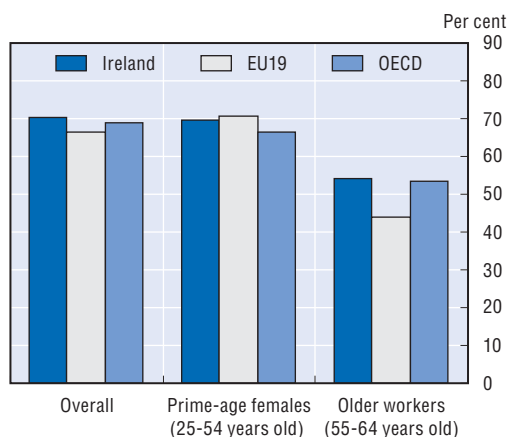
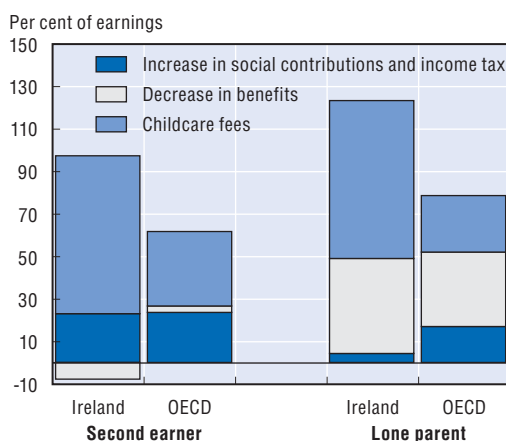
Average annual trend growth rates, per cent

	1997-2007	1997-2002	2002-2007
GDP per capita	4.8	6.5	3.2
Labour utilisation	0.8	1.2	0.4
of which: Employment rate	1.9	2.5	1.4
Average hours	-1.1	-1.2	-0.9
Labour productivity	4.0	5.2	2.8
of which: Capital intensity	1.6	2.0	1.2
Multifactor productivity	2.4	3.2	1.6

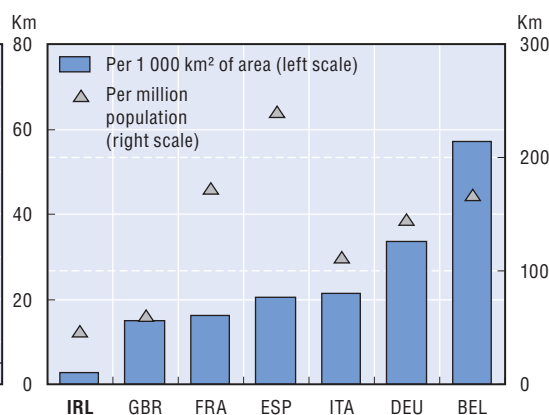
Source: Estimates based on OECD Economic Outlook, No. 84, Vol. 2008/2.

A. The remaining gap in GDP per capita is small¹


B. Employment rates are close to the OECD average, 2007

C. Disincentives to labour force participation for women with children are relatively high, 2004²

D. The motorway network is sparse, 2004



- Percentage gap with respect to US GDP per capita and per person employed (in constant 2000 PPPs).
- Based on implicit tax on returning to work, defined as the cost of childcare, reductions in income-related benefits and increases in social contributions and personal income taxes, all relative to earnings in the new job. Measured for second earners and for lone parent with income equal to two-thirds of average earnings.

Source: Chart A: OECD, *National Accounts Database*; Chart B: OECD, *Labour Force Statistics Database*; Chart C: OECD, *Benefits and Wages*; OECD Indicators; Chart D: European Commission (2007), *Panorama of Transport and New Chronos Database*.StatLink  <http://dx.doi.org/10.1787/533853331362>