

National Irish Bank

Increasing Productivity in Ireland

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8th October 2009



Productivity

- is productivity the primary challenge right now?

GDP

P



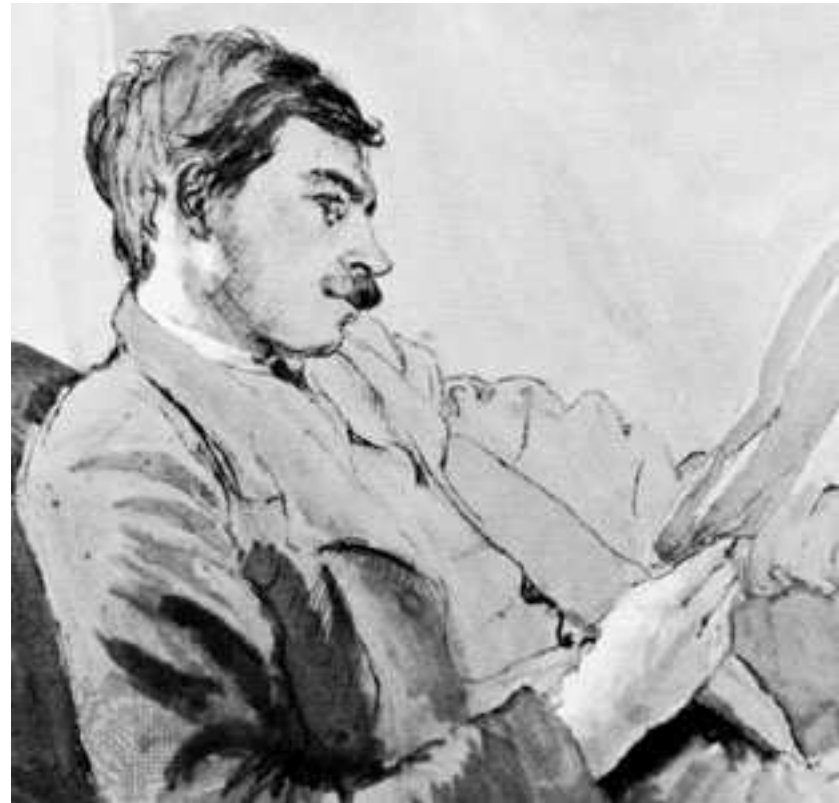
Productivity

- is productivity the primary challenge right now?

$$\frac{\text{GDP}}{P} = \frac{\text{GDP}}{L} \times \frac{L}{P}$$

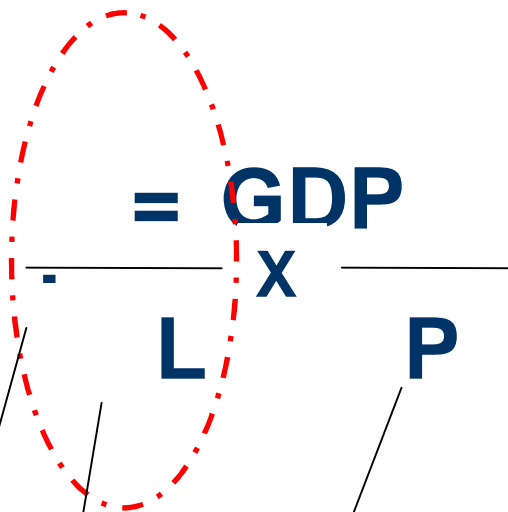
Productivity

- is productivity the primary challenge right now?



Productivity

- is productivity the primary challenge right now?

$$\frac{\text{GDP}}{\text{P}} = \frac{\text{GDP}}{\text{L} \times \text{P}}$$


- Amount of Employment - **Short Term**
- Composition of Employment - **Medium Term**
- Pure Productivity, Skills – **Long term**



Productivity

- where are we now?

Nationally

1995-2000: 3% per annum

2000-2007: 2% per annum



Productivity

- where are we now?

It's been said:

“Our construction sector grew too much”

and

“Our productivity growth has been weaker”



Productivity

- where are we now?

Nationally

1995-2000: 2% per annum

2000-2007: 3% per annum



Productivity

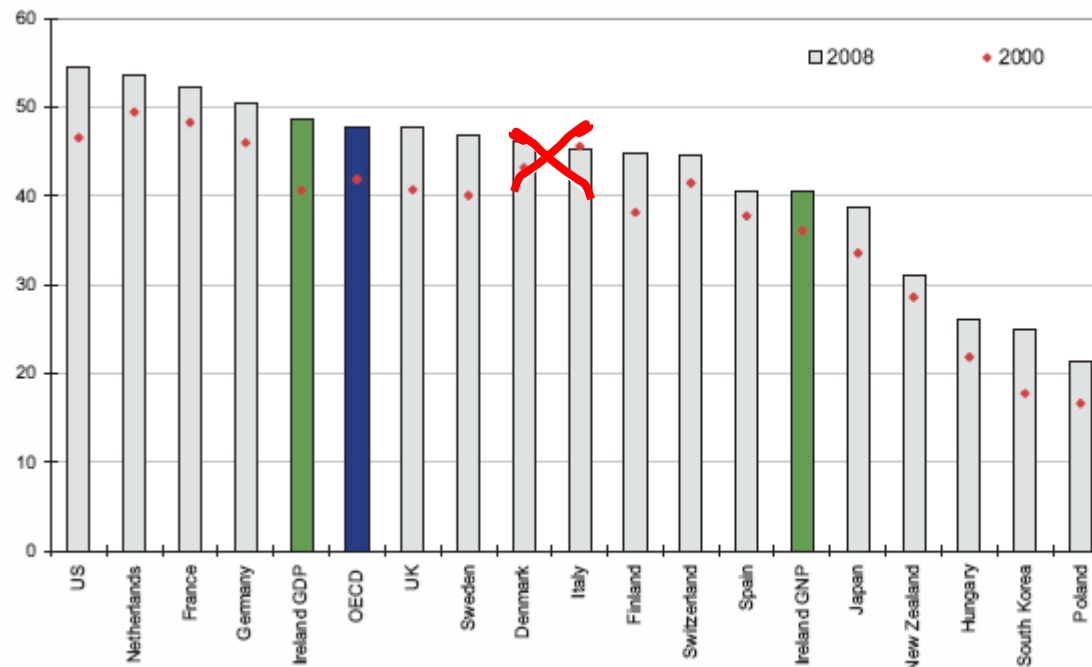
- where are we now?

- 1. Export Sector**
- 2. Locally Traded Sector**
- 3. Public Services**

Productivity

- where are we now?

Figure 3.10 Per Hour Output, (EK\$) 2008⁵⁵



'GDP per hour worked' productivity figures indicate that Irish productivity has been among the highest in the world since the late 1990s. Using GNP figures, a more realistic measure, Irish productivity levels remain below the OECD average.

OECD-28 Ranking:
 GDP: 9 (↑4)
 GNP: 18 (-)

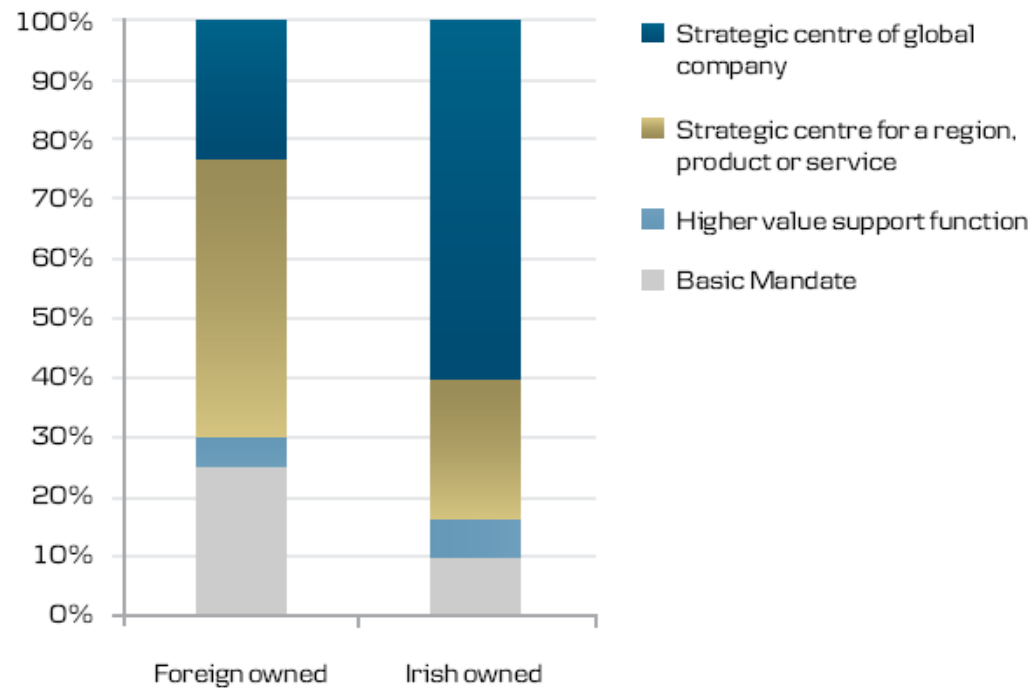
Source: Groningen Growth & Development Centre, Total Economy Database, January 2009



Productivity

- where are we now?

Figure 3.1: Strategic Role of Irish Subsidiary





Productivity

- where are we now?

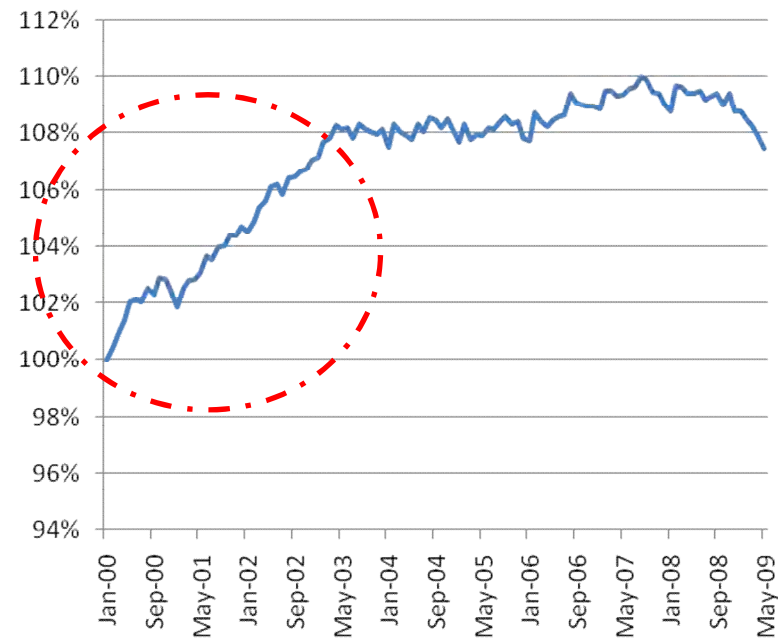
1. **Export Sector**
2. **Locally Traded Sector**
3. **Public Services**



Productivity

- where are we now?

Irish Inflation Relative to Europe





Productivity

- where are we now?

1. **Export Sector**
2. **Locally Traded Sector**
3. **Public Services**



Productivity

- public services (view 1)

“

The analysis of the sale of state owned enterprises demonstrates a clear pattern of improved performance prior to change of ownership. The post-privatisation productivity performance is not as clear cut, with the specific case studies highlighting the importance of product market competition as a driver of sustained productivity growth.

”

Productivity

- public services (view 1)

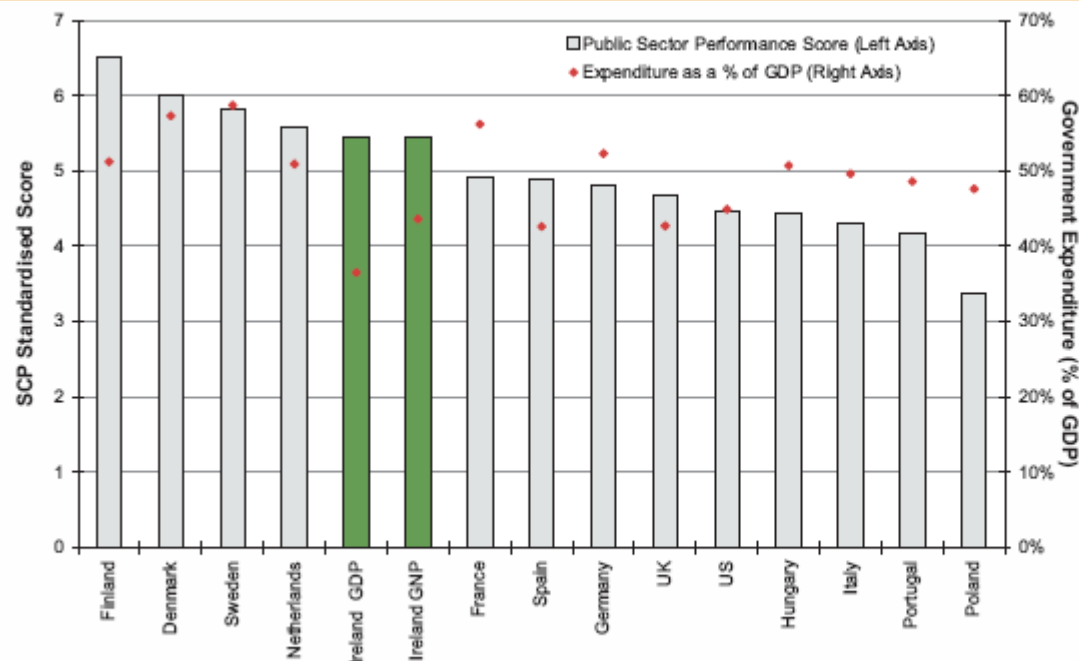
Table 12.2: Productivity Growth in British Telecom and British Gas (annual percentage change)

| | Late 1970s/ early 1980s | Mid 1980s | Post-privatisation | Mid 1990s |
|-------------------------|----------------------------|-----------|--------------------|-----------|
| British Telecom: | | | | |
| Labour Productivity | 2.8 | 8.7 | 4.3 | 15.0 |
| TFP | 7.1 | 4.8 | 2.9 | 4.7 |
| British Gas: | | | | |
| Labour Productivity | 2.7 | 7.1 | 2.6 | 6.0 |
| TFP | 0.8 | 3.5 | 0.1 | -1.3 |

Productivity

- public services (view 2)

Figure 3.17 Productivity Performance and Expenditure in the Public Sector, 2004



This chart indicates that Ireland performs relatively well in relation to the main functions of the public sector by international standards. However, it should be stressed that the techniques for measuring public sector productivity are at an early stage, and these preliminary findings must be interpreted with caution.

Group Ranking of 14:
 Productivity
 Performance: 5

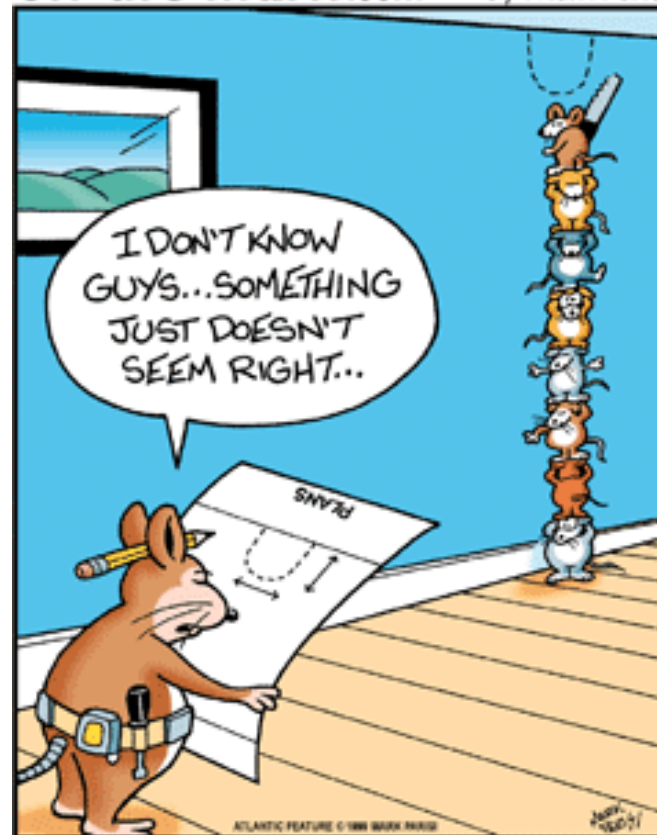
Source: Social & Cultural Planning Office, Netherlands; OECD Education at a Glance



Policy

- what to do now

off the mark.com by Mark Parisi





Policy Response

- the 'Smart Economy' documentation set out productivity policy

1. Export Sector

2. Locally Traded Sector

3. Public Services



Policy

- what to do now



Locally Traded Sectors

- Very sector specific
- Competition Authority Recommendations

For some sector, how much is spent dominates (e.g. infrastructure)

For many others, how it is spent is equally important (e.g. education)



Everyone can help improve our productivity