



Northern Ireland
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Competitiveness Scorecard for NI

Summary paper,
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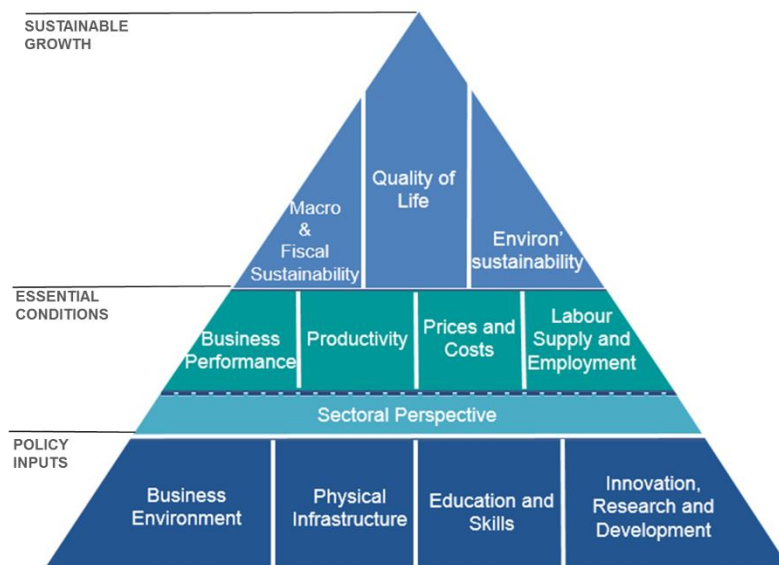
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NI Competitiveness Scorecard

1.1 Benchmarking NI's relative competitiveness

The Competitiveness Scorecard benchmarks NI's competitiveness relative to a range of European and OECD countries over the most recent five-year period across more than 150 indicators. The methodology employed is based on the National Competitiveness Council's competitiveness scorecard that is used in the Republic of Ireland, with some revisions to take account of NI specific factors, including an NI perspective, a sectoral consideration and a more in-depth assessment of quality of life indicators in line with global competitiveness research.

Figure 1.1: UUEPC Competitiveness Scorecard



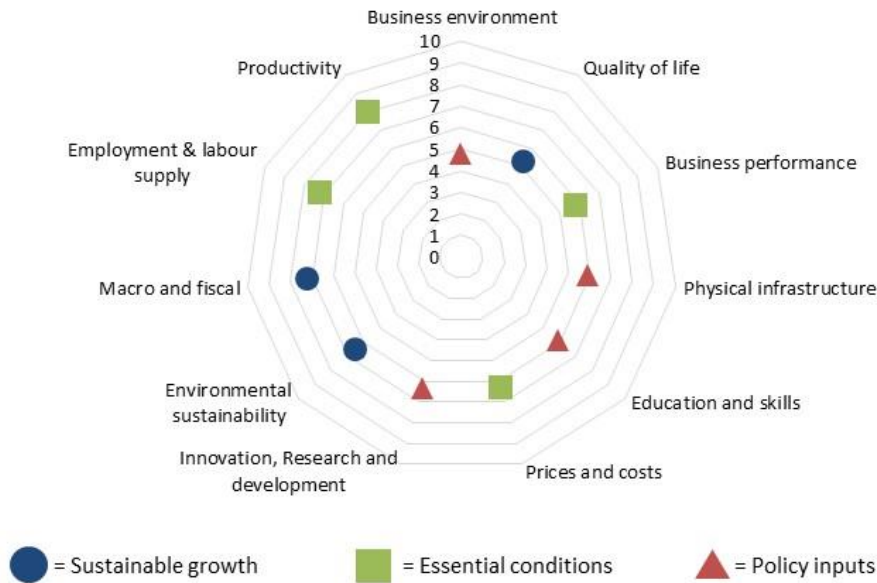
Source: UUEPC

1.2 Significant competitiveness challenges for NI to address

NI's competitiveness performance has improved slightly over the last 5 years, but remains below average for the countries analysed in the Competitiveness Scorecard. The results of the Competitiveness Scorecard provide an indication of the scale of the challenge facing NI across a large range of indicators. If NI is to deliver upon the economic aspirations in the Programme for Government and the Economic Strategy, NI must play to its relative strengths and improve performance in a number of areas.

NI's relative competitiveness in each element of the Competitiveness Scorecard is illustrated in figure 1.2. It shows that NI's business environment, quality of life and business performance pillars score most highly and that productivity, employment & labour supply and macro & fiscal are the lowest scoring.

Figure 1.2: Relative competitive performance by components of the Competitiveness Scorecard



Source: UUEPC

Notes: Competitiveness performance is defined as the average decile placement of the indicators within that element of the Competitiveness Scorecard.

NI's relative competitiveness has improved marginally over the past five years. The most significant improvement was in the business performance pillar, driven by increasing business stocks, churn and exports. Physical infrastructure and macro and fiscal pillars also improved slightly. Education & Skills and Employment and Labour Supply were the only two pillars in which NI's relative performance deteriorated and whilst NI's performance improved, competitor nations advanced more rapidly, outpacing NI

Figure 1.1: Relative competitive performance by components of the Competitiveness Scorecard over the past 5 years, in deciles

Pillar	5 years previous	Current	Change in decile
Business performance	7.2	5.8	1.4
Physical infrastructure	6.3	5.9	0.4
Macro and fiscal	7.6	7.2	0.4
Prices and costs	6.6	6.3	0.3
Environmental sustainability	6.5	6.5	0.0
Quality of life	5.3	5.3	0.0
Business environment	4.8	4.8	0.0
Innovation, research and development	6.4	6.4	0.0
Productivity	8.0	8.0	0.0
Education and skills	5.4	5.9	-0.5
Employment & labour supply	6.8	7.3	-0.5
Overall average	6.2	6.1	0.1

Source: UUEPC

Notes: Decile placements range from 1 – 10, with 1 denoting a strong competitive position and 10 a weak position. A positive figure in change in decile denotes an improvement in NI's relative competitiveness and vice versa. The overall average is calculated using a simple average of all of the indicators in the scorecard

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1.3 Sustainable growth

Sustainable growth – the top level of the pyramid – which is the outcome of past competitiveness is an area where NI is below average (6.3 in terms of decile placement). This outcome is influenced positively by high levels of life satisfaction and quality of life, strong environmental credentials and the stability provided as part of a larger, relatively strong economic unit. Negative factors include a small private sector, which generates limited tax revenue with which to fund public services and a subsequent deficit and issues with poverty.

1.4 Essential conditions

Essential conditions – the middle tier of the pyramid – are generally weaker with an average decile placement of 6.8, putting more than two thirds of countries ahead of NI. These findings present a significant challenge for improving the sustainable growth tier in the future.

Employment has increased and unemployment rates have declined following the recession, helped by competitive labour costs, office rents, industrial water rates, a strong performance in FDI job creation and increasing export demand. Whilst the overarching data are positive, an examination of some more specific indicators reveals that the low skilled (NEET's), the long term unemployed and many youths are struggling to secure employment, which is in turn linked to high levels of benefit dependency. Productivity is a significant driver of the overall level of competitiveness as the weakest of the elements contained within the Scorecard, growing productivity will be a key policy challenge.

1.5 Policy inputs

Policy inputs – the foundation tier of the pyramid – averaged 5.7 in terms of decile placement, making this the best performing tier of the Scorecard, suggesting that improvements are likely in the tiers above as the impact of policy inputs feed through. Whilst the performance in this element is relatively strong in the context of the three tiers of the Scorecard, it demonstrates that NI is below average in international terms. These findings present a significant policy challenge for NI as it is at the policy input level where most impact can be made. As drivers of future competitiveness, NI will need to improve its performance on policy inputs in order to improve the economic environment and contribute to sustainable growth in the future.

Significant improvements have been made in terms of education and skills over the past five years. Despite these improvements, NI's relative competitiveness in this pillar has been eroded as other nations improved more rapidly, presenting a significant challenge to NI for the future. Issues are emerging in terms of literacy and the large proportion of the population with low qualifications are finding it difficult to secure employment. These issues will have longer term implications for benefit dependency and detachment from the labour market.

NI's Business R&D performance is strong, although a closer examination of the figures reveals that FDI companies are responsible for most of the increase and the subsequent decrease during 2014. R&D by FDI companies is of significant benefit to NI in terms of bringing new knowledge, skills and technology which can spill over into the broader economy. Over the past year, the main risks are that, whilst it may be difficult given the knowledge and people involved, that FDI companies might reduce spending or move the R&D to another location outside NI and also that spill overs can be limited if the research is in a niche area that few companies in NI are involved. There is merit in further research to identify the barriers that might exist for domestic companies and explore what measures may be required to increase R&D in these companies.

Business environment is the best performing pillar of the scorecard, driven by strong UK credentials such as regulation. Physical infrastructure benefits from NI's advanced technological infrastructure, but dependence on imported fuels remains a significant issue.

1.6 Summary

The NI Competitiveness Scorecard provides a comprehensive overview of NI's relative competitiveness in more than 150 indicators within the eleven elements of the competitiveness pyramid. NI's relative competitiveness has improved slightly, but remains below average for the countries included in the analysis over the past five years.

These findings highlight the scale of the competitiveness challenge for NI. More importantly, it highlights that action must be taken in order to boost relative competitiveness in order to improve NI's performance and grow the economy, delivering higher standards of living for all of NI's citizens.

