

# Research Bulletin 21/5 | Northern Ireland's International Competitiveness

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## Summary

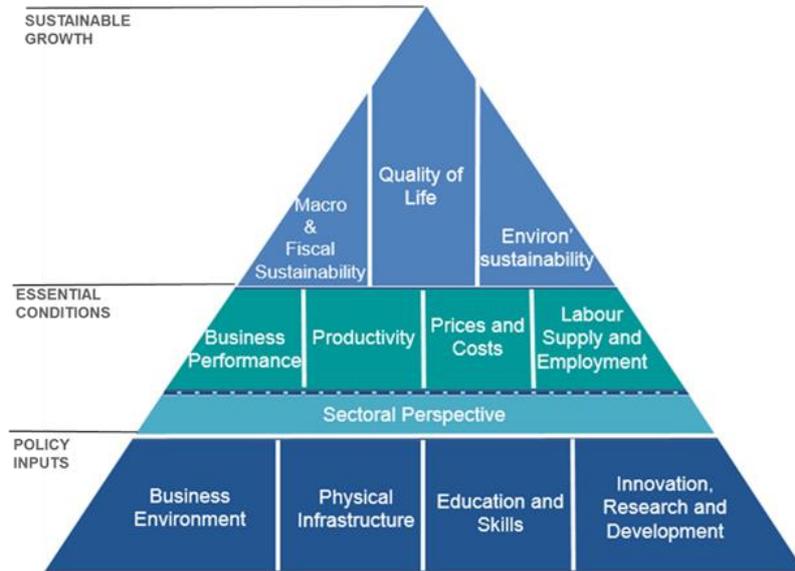
Competitiveness is a key determinant of the incomes, living standards and quality of life of our citizens. It encompasses a broad range of institutional frameworks, policies, inputs and activities, including infrastructure, skills, entrepreneurship, innovation and much more. The research reveals that NI's Competitiveness has been slowly eroded as other nations have improved more rapidly. Whilst many improvements have been made, there are lessons to be learned from others including the Nordics, Northern Europeans and in some cases the UK and Ireland. The research concludes by suggesting a roadmap of policy actions that could be deployed to improve competitiveness, environmental sustainability, inclusion and the wellbeing of NI's citizens, leading to a more buoyant and resilient future for NI.

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The World Economic Forum defines competitiveness as ***"the set of institutions, policies and factors that determine the productivity of a country"***<sup>i</sup>. A competitive economy is a productive one, driving economic growth, growing incomes and the tax base with which to fund public services. In recent years however, the debate has moved on to focus on more than GDP alone – to include the wellbeing of citizens and environmental factors. Indeed, a recent poll by YouGov<sup>ii</sup> revealed that 8 out of 10 people felt that the health and wellbeing of citizens should be prioritised over GDP during the Covid-19 crisis and 6 out of 10 thought that the UK should prioritise improved social and economic outcomes when the pandemic is over.

The Competitiveness Scorecard<sup>iii</sup> for Northern Ireland, published in 2016 and 2020 is based on a framework that measures competitiveness across more than 100,000 data points for 30 countries over two decades. It encompasses the traditional measures of Competitiveness (Macroeconomic and Fiscal Sustainability) and includes Environmental Sustainability and Quality of Life as outcome measures, encompassing these important broader measures of societal progress.

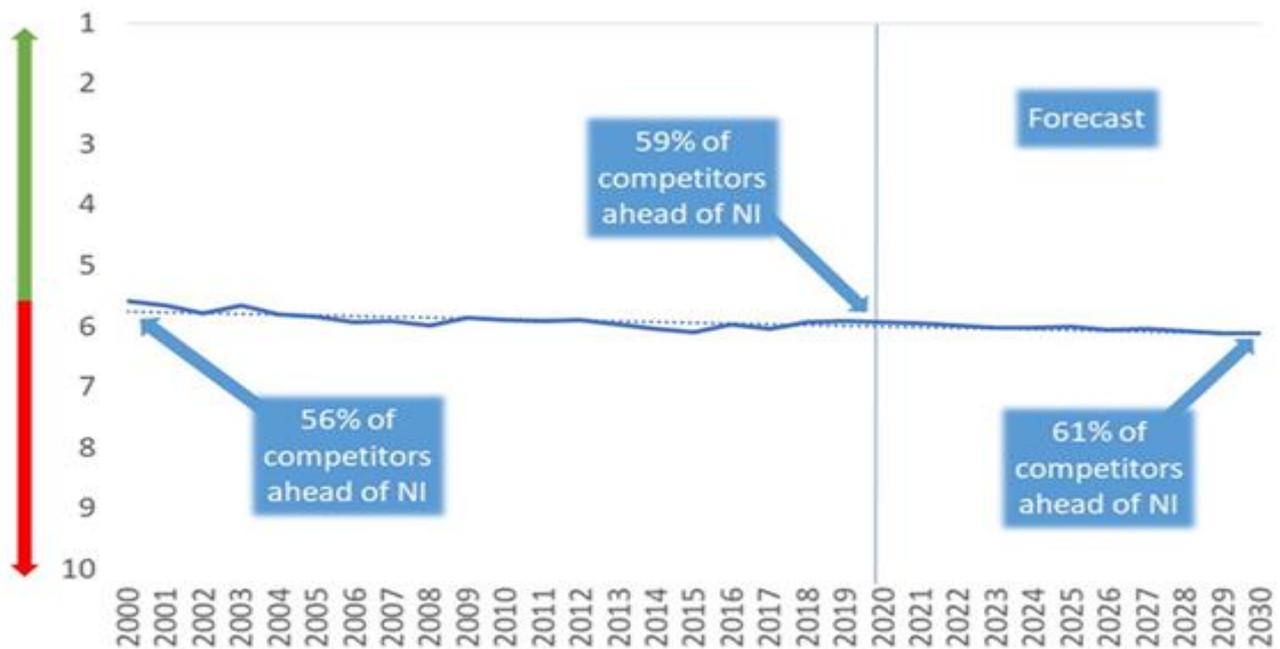
**Figure 1: Competitiveness Scorecard**



Source: UUEPC

The 2020 Competitiveness Scorecard highlighted that NI's competitiveness has been slowly eroding over the past two decades, and without significant policy change, this trend is likely to continue. The research concluded that there are a number of bright spots in which NI has outpaced competitor economies, such as the proportion of electricity generated from renewable sources. However, the overall conclusion is that whilst NI has improved in a historical context, other economies have improved at a more rapid rate and gained further competitive advantage.

**Figure 2: NI's Relative Competitiveness, 2000-2030**



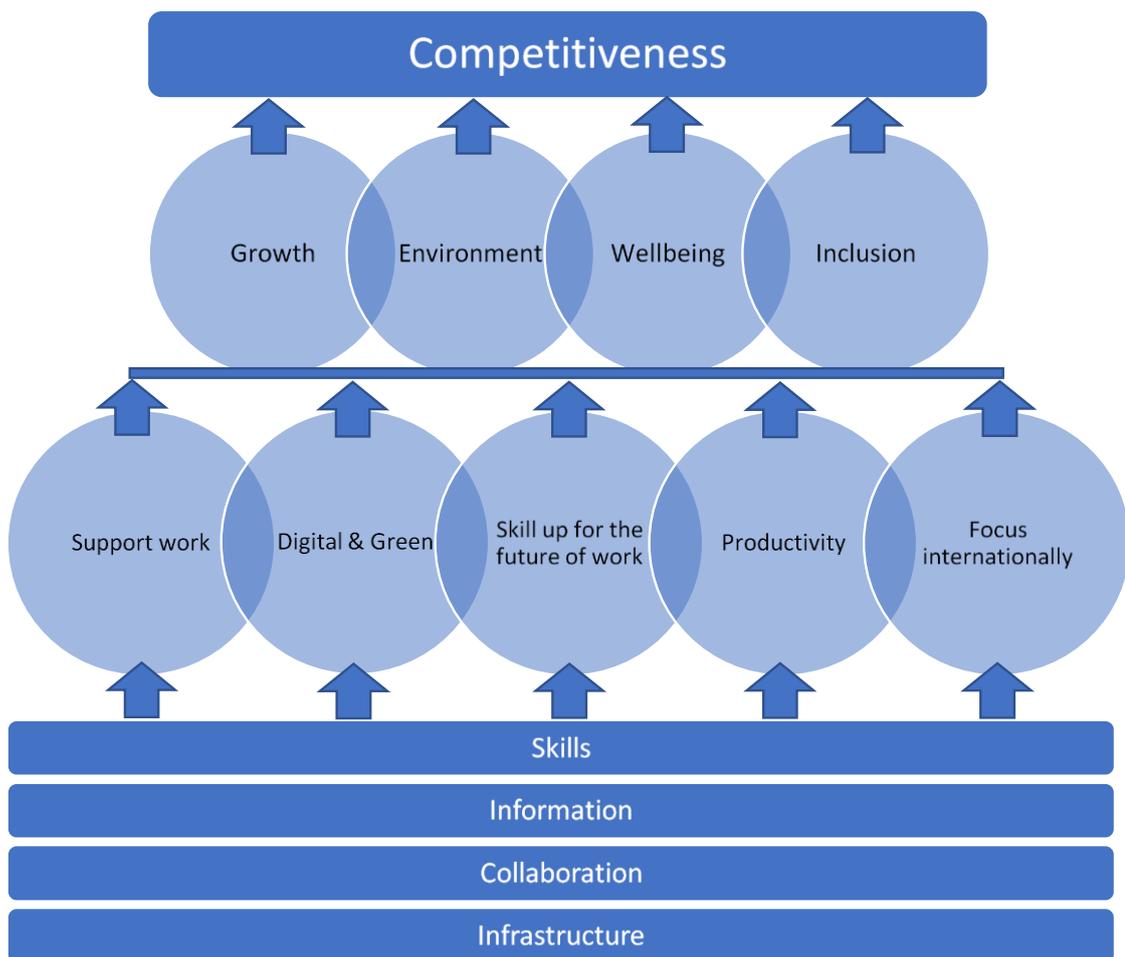
Source: UUEPC

The Competitiveness Scorecard provided a comprehensive analysis of the key strengths and challenges facing NI. Building upon this foundation the Competitiveness Challenges<sup>iv</sup> report published during September 2021 added stakeholder insight and policy focussed research on competitor nations aiming to learn from their successes in certain areas. What emerged were five key areas for policy focus in the context of historical competitiveness challenges, the ongoing pandemic, EU exit and the implementation of the NI Protocol. These are;

- Supporting people into work;
- Digital and green progress;
- Skilling up for the (more technological) Future of Work;
- Boosting productivity; and
- Focussing internationally.

It also became abundantly clear that there were a number of cross-cutting issues which impact upon all five of the competitiveness drivers. These were Skills, Information, Collaboration and Infrastructure. Each of these underpins or cuts across all of the pillars and are fundamental to forward competitiveness, as one will not work without the others.

**Figure 3: Competitiveness Foundations, Drivers and Outcomes**



Source: UUEPC

The findings of this research are supportive of the direction of a range of strategies implemented, or under consultation including the Draft Programme for Government, DfE's 10x Strategy, Skills Strategy and the Covid-19 Recovery Plan. However, the research delves into more operational depth, identifying a range of policy actions that could be deployed in order to boost NI's competitiveness over the next decade and reverse the decline.

In terms of the individual pillars - **Supporting people into work** was a priority due to COVID impacts on the labour market. However, the strong labour market recovery has now diluted the need for some policy intervention in this area, although the employment rate remains lower than the UK and RoI averages and additional wraparound support is still required for those furthest from the labour market to help them access training and employment opportunities. Policy suggestions focus on **enabling people to fulfil their potential and achieve a better work-life balance**. In order to deliver, there is a need for

- A formal flexible working strategy
- A review of the 16-hour cap on working while on Universal Credit and
- Research on the costs and delivery mechanisms for childcare.

COVID has also accelerated **digital uptake**, shunting forward e-commerce by a decade in some indicators while the **climate emergency** has become an increasing priority. Although separate challenges, both are connected via the requirements for improved infrastructure to keep pace with change, and updated legislation to enable existing assets to be utilised in new ways and planning laws to support fast paced and flexible. Public awareness of these changes will be required to support policy initiatives and enable consumer buy-in to more energy efficient lifestyles.

The **Future of Work** is likely to involve increased digitisation and automation and NI's labour market must be prepared with industry-relevant skills that are also adaptable and transferable. In conjunction, focus must be maintained on current demands and should ensure that vocational, trade and manufacturing skills are given appropriate recognition as pathways leading to valuable and rewarding careers. Embedding a culture of lifelong learning will also ensure that the population is equipped to deal with change and ever-evolving industries.

Low **productivity** is a long-standing challenge in NI which will be addressed - in parts - across all of the policy suggestions. Specifically, high value added FDI & R&D&I will support productivity improvements through improved working practices and knowledge spillovers however it must be tailored to NI's research and knowledge strengths and be balanced sub-regionally based on local capabilities and specialisations. To support incremental productivity improvements within firms, management and leadership skills need to be enhanced and professionalised with support targeted specifically to micro and SME firms. More generally, business supports should be conditional, ensuring there is a social or community benefit. Supporting firms to apply for competitive funding will also open up funding opportunities and support that competitive drive. Funding also needs to be effectively evaluated to ensure that policies are delivering Value for Money.

To deliver growth in the economy we must look beyond the limitations of the local market and help more firms **focus internationally**, opening up new and larger opportunities. Information and awareness is central to this and can be supported with an up-to-date and accessible resource which provides detailed market and local and cultural intelligence on external economies. Firms will also need supported to access these markets, to minimise frictions and maximise opportunities that result from the NI protocol and policy must ensure that the labour market is equipped with the language and operational skills to enable and drive export market entry.

## Conclusion

This article provides an assessment of Northern Ireland's relative competitiveness and illustrates its almost imperceptible decline vis-à-vis competitor nations. What this means is that relative living standards are being eroded over time, mostly as competitors improve at a more rapid rate than in NI, as many indicators have improved relative to their historical position. The Covid-19 pandemic and EU Exit are huge disruptions for society and as with all disruptions, there are winners and losers. The climate emergency, an increased focus on inclusion and levelling up all mean that it is time to engage in fresh and determined policy action. The policy suggestions provide a set of potential actions which will support recovery and also halt NI's competitive erosion, improving both economic growth and quality of life for a more resilient and buoyant future.

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- i [World Economic Forum](#)
  - ii [YouGov - measuring the good life](#)
  - iii [The Competitiveness Scorecard for Northern Ireland](#)
  - iv [Addressing NI's Competitiveness Challenges](#)