



**An Roinn Fiontar,
Trádála agus Fostaíochta**
Department of Enterprise,
Trade and Employment

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Speech by Tánaiste Leo Varadkar TD, at the IBEC President's Dinner

Thursday 23 September, 20.00

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Ministers, distinguished guests, ladies and gentlemen, good evening.

First of all, thank you Danny for the introduction and the invitation to be with you this evening.

I've spoken in this hotel many times before, but each of those occasions was nothing like this evening.

So, it really is a pleasure to join you in person after such a long time apart.

I would like to take this opportunity to congratulate your outgoing President Alastair Blair. It was an unusual year to be President but also a very important one as we grappled with COVID-19 and planned our path to economic recovery.

I wish the very best to your successor, Frank Gleeson, and Deputy President Imelda Hurley, who I know will bring excellent insights to the table on a wide range of business challenges.

Since my appointment as Minister for Enterprise, Trade & Employment in June last year, I've had reason to interact with Danny and the wider IBEC organisation quite a lot – much more so than previously in my political career.

I have been seriously impressed by your work – how IBEC represents its members' interests, how it contributes to the national debate and how it conducts its business on a range of government committees.

The past 18 months has been a period like no other. We had to show pragmatism, adaptability and grit. We got that in abundance from IBEC and many others. They are qualities that come naturally to us in Ireland.

When I gave that speech in Washington at the start of the pandemic, I said that "Acting together, as one nation, we can save many lives".

We have done that. We have seen how effective we can be as a country – everyone acting together in pursuit of common goals.

This need not be exceptional. We must try to hold on to the positive elements of that exceptional national effort.

In my remaining 15 months in the Department of Enterprise, Trade & Employment, I want to work with IBEC, worker representatives and others to implement the series of reforms I have started.

It is guided by our Economic Recovery Plan, published earlier this summer. It sets out to:

1. Restore our public finances to good health through jobs and business not austerity, by going for growth and not retrenchment and aiming for a rapid recovery.
2. Restore existing jobs and create new ones in areas like construction, climate action and digital transformation and the care economy.
3. Reach 2.5 million people at work in Ireland by 2024, setting a new record.

But it's also about building a new economy that is more inclusive, more secure. A just society - the move to a living wage, statutory sick pay, occupational pensions for all workers, flexibility in the work place, remote working and more opportunities for promotion, training, education, research and gender equality.

So, I want to make sure that the last 18 months have not been in vain and that we secure a pandemic dividend.

We must keep a close eye on competitiveness, personal and business taxation, while building better, quality jobs.

An environment in which businesses can prosper, but workers too.

President, I would like to take some time to explain this vision in a bit more detail.

1. Statutory Sick Pay

COVID-19 has changed the way we see the world. It's not right that people feel forced to go to work when they are sick and it's not good for public health or their health.

The pandemic brought the issue into sharp focus.

Ireland is one of the few advanced countries not to have a mandatory sick pay scheme and although about half employers do provide sick pay, we need to make sure that every worker, especially lower paid workers in the private sector, have the security and peace of mind of knowing that if they fall ill and miss work, they won't lose out on a full day's pay.

We also need to ensure that employers who do provide such a scheme are not placed at a competitive disadvantage to those who do not.

It will be phased in over four years, responding to the cost concerns of small businesses in the current economic environment. The scheme is designed to be fair and affordable with the minimum complexity and administrative burden for employers. It will be certified and costs will be shared.

2. Living Wage

Many of you will have heard me say that the pandemic has caused us to re-think the concept of a frontline worker. Traditionally, we thought of them as nurses, doctors, Gardaí or firemen. Generally, people working in the public service with relatively well paid, secure and pensionable jobs.

But now we think also of retail workers, drivers, security guards, transport workers and cleaners. Those we relied on during the lockdown and who turned up to work when most of us were able to stay at home.

Moving to a living wage is an important part of improving the terms and conditions of these lower paid workers.

Higher wages and jobs growth can go hand in hand.

3. Tips and Gratuities

I am pressing ahead with legislation to ensure workers are treated fairly with regard to tips. Most businesses deal with tips fairly but clearly a minority of them do not.

I believe this legislation will benefit both workers and customers and should only have a minimal cost on businesses. It's mainly about transparency.

4. Flexible working

It's a cliché to say we live in unprecedented times but I believe we really are living through a once-in-a-lifetime moment. The pandemic presents an opportunity to make a permanent change in the way we work. To make remote and blended working a much bigger part of normal working life and achieve a better work-life balance.

After the pandemic, I believe people should have a choice to work from home or in the office, so long as the work gets done and business and service needs are met.

The Right to Request Remote Work is a bigger piece of work than the Right to Disconnect and will require legislation.

The legislation will set out a clear framework to facilitate remote and blended work options, in so far as possible. It will ensure that when an employer declines a request, there are stated reasons for doing so and conversations with workers are taking place in a structured way.

Remote working won't work for everyone, or for every organisation, so the Government will take a balanced approach with the new legislation.

I recognise that these issues are not at all straightforward for employers but I think with the input of all stakeholders we can get the balance right.

5. Occupational pensions for all workers

Pensions Reform has been an important objective for me since my time as Minister for Social Protection. When I became Taoiseach in 2017 I highlighted it as a priority area. Reform is long overdue and I am frustrated that other priorities like COVID-19 and Brexit have got in the way.

It's simply not sustainable that financing increasing pension spending will fall to a diminishing share of the population.

There are currently around 4 persons of working age to support each person aged 65 and over. This number is expected to fall to just over 2 by 2050.

There are already enough inter-generational inequalities that beset our society without sleep-walking into another.

We need to reform our State Pension system and create a new culture of personal retirement saving in Ireland.

The Programme for Government commits to introducing a pension auto enrolment system based on the following principles:

1. Matching contributions will be made by both workers and employers and the State will top up contributions.
2. There will be a phase-in, over a decade, of the contributions made by workers.
3. There will be an opt-out provision for those who choose to opt out.
4. Workers will have a range of retirement savings products to choose from.
5. There will be a charges cap imposed on pension providers

Policy responsibility for pensions is not within my ministerial remit, but I know my colleague Minister Humphreys is determined to make real progress.

When I spoke at the IBEC President's Dinner in 2017 I said that a "principle of our economic policy is a commitment to providing more than full employment, it is about providing good employment, with well-paying jobs, good conditions, and pension entitlements".

This reforming agenda made sense before the pandemic arrived at our shores. The pandemic has just strengthened the case for reform.

Timeline

I'm conscious this seems like a lot at once. A lot of businesses are still struggling and some will be struggling for some time to come. That's why we will sequence these reforms appropriately over the next few years.

Starting with Statutory Sick Pay next year, I hope to introduce the living wage on a phased basis from the end of 2022 or early 2023, with auto enrolment to follow.

Collective Bargaining

How employers and their employees engage on matters of mutual interest is now becoming a more pronounced societal and economic necessity. We see this under the Biden administration and, closer to home in the EU with the introduction of the EU's draft Directive on the Minimum Wage. This Directive, while still under negotiation, seeks to agree an ambitious target for collective bargaining across Member States.

Collective bargaining, of course, is not the same thing as mandatory union membership or recognition but it does involve change.

In March I established the High Level Group on Collective Bargaining to look at the effectiveness of our own sectoral bargaining and wage setting mechanisms and to identify and agree any reforms required.

Collective bargaining on matters of mutual interest contributes to the promotion of the well-being of workers and businesses by helping to develop a highly competitive social market economy and promoting improved living and working conditions.

Fair pay to ensure a properly skilled and flexible workforce is a vital element of ensuring any business's competitiveness and survival.

Strong leadership from both the employers and the trade unions is required, because these deliberations are not without challenges for both sides.

I would urge all of you business leaders to get behind IBEC in this challenge and to recognise the benefits of engaging on this agenda for your businesses and for the wider economy and society.

Economic Recovery

As I said earlier, our economic recovery plan is to restore our public finances to good health through jobs not austerity, by going for growth and not retrenchment and aiming for a rapid recovery.

The Government acted swiftly and decisively to protect businesses and workers once the pandemic hit. €38 billion has been provided for COVID-19 related financial support across 2020 and 2021.

We sought to keep workers connected to their employers and provided businesses with grants, wage subsidies and low-cost loans.

I think that approach is now paying dividends.

The economy is performing well. We are ahead of where we thought we might be at this point in the economic cycle.

Our large multinational sector helped us record positive growth last year in GDP terms – the only EU Member State to do so — but the domestic economy was hit hard by the pandemic, falling by 5% in terms of Modified Domestic Demand.

That fall in activity in the domestically focused parts of the economy has now rebounded. Figures released at the start of the month show that Modified Domestic Demand – a measure of the domestic economy – is now 1 per cent above its pre-pandemic level, surpassing the level of quarter four 2019.

Exchequer figures for August are encouraging and the number of people in receipt of the PUP has now fallen from a peak of over 600k people to around 100k people now.

In the next couple of weeks, the Government will publish a new and updated National Development Plan.

It will have the level of ambition that IBEC is seeking in terms of sustained investment over the next decade. It will provide the financial firepower needed to back up the Housing for All and the Climate Action Plans.

President, ambition will not be the problem. Nor will funding. Supply constraints, labour shortages, inflationary pressures and planning difficulties will be.

I'm not naïve to think that the path ahead will be straightforward. This pandemic has surprised us before and probably will surprise us again. But we also have reason to be optimistic.

In line with IBEC's pre-budget submission, we will demonstrate fiscal discipline to match our ambition.

The overriding objective is to eliminate borrowing for anything other than capital investment. We will do this by 2023. Spending will rise at about 4/5% but no faster than the economy is growing.

Given the economic figures that are informing our pre-budget discussions, I am confident that we are in a position to – and need to – include a pension, welfare and personal income tax package in next month's budget.

For me, it's a question of fairness. As we see a return to inflation and a rise in the cost of living, we need to protect people's standard of living – pay increases, tax reform, worker and pension increases.

And it's a question of protecting and creating jobs. We need to make sure people aren't penalised for earning a little bit more.

Index linking credits and bands is in the Programme for Government.

Characterising it as 'tax cuts' is misleading both politically or economically. Some countries index bands automatically as part of their budgetary policy. Not doing so, for them, is a tax increase by stealth or design.

I welcome the fact that indexation is something IBEC proposes itself in its pre-budget submission.

In the years ahead we will need every voice possible out there arguing why we need to stay competitive on personal taxation especially for middle income earners who already pay among the highest tax rates in the OECD.

The Cabinet receives lots of advice from within and outside Government. Most at present are advocating for an increase in taxes.

A legacy of the pandemic will be a larger State. As pro-business and pro-enterprise advocates we need to shape what that bigger State will look like. A larger State does not necessarily mean more taxes. Not when you have steady growth in employment, business and wealth.

As corporation tax revenues are likely to shrink, we need to be creative in the ways in which we raise revenue.

The largest opposition party wants to heap taxes on business to pay for their promises.

Specifically, a very large increase in employer PRSI of 4%.

While modest increases in PRSI might be justified to improve benefits, or to fund affordable healthcare or childcare or higher education they are not justified to avoid reform or to pay for populism.

Competitiveness

President, I commend IBEC's relentless focus on retaining our economy's competitiveness.

My Department and its agencies will continue to work with companies to improve our competitiveness, to invest in skills, in digitisation, climate and R&D.

Competitiveness is something we must watch closely as a Government and we will need the input of IBEC and others over the next decade if we are to safeguard it.

Ireland's industrial policy framework for over half a century includes a stable and low rate of corporation tax. Were we to move away from this, we would need to be certain about what we are being asked to agree and implement.

For many jurisdictions, there are only benefits and no costs to signing up for corporate tax reform, the opposite is the case in Ireland as there will be Exchequer implications and an adverse impact on our competitiveness.

This and other competitiveness risks on the horizon mean we will have to be creative about how to preserve Ireland's reputation as world-class place to do business. As always it will be about talent and track record as well as tax but it must be about other things too like security and infrastructure and liveability.

President, I will finish by recalling that collective spirit I spoke about earlier.

The pandemic has proved how much we can achieve by working together.

It has been a difficult period in our history, but one from which we will emerge stronger.

Let's take what we learned over the last 18 months and use it to build a better Ireland together.

ENDS

Department of Enterprise, Trade and Employment (DETE)

The Department of Enterprise, Trade and Employment (DETE) plays a key role in implementing the Government's policies of stimulating the productive capacity of the economy and creating an environment which supports job creation and maintenance. The Department has lead responsibility for Irish policy on global trade and inward investment and a remit to promote fair competition in the marketplace, protect consumers and safeguard workers.

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