

Ibec CEO Danny McCoy keynote address
Ibec Business Leaders Conference
Thursday, 25 February 2021

Open

Good afternoon everybody.

May I start with addressing the topic of the day, *Stakeholders and Sustainability*, and thank all of the participants in particular for the stimulating and thought-provoking insights on this topic.

We are very fortunate today to have had some wonderful guest speakers, which were all both insightful and stimulating, but also fortunate too in having great sponsors Accenture, Aon, MERC Partners Spencer Stewart and McCann Fitzgerald.

Thank you also to you our delegates for joining us.

Economic backdrop

The economy continues to be on a twin track. The strong performance of our foreign direct investment, export orientated businesses, continues to be a marvel. Economic activity for 2020, which will long be remembered as the Year of Covid, shows that the Irish economy in GDP terms could have grown by as much as 4% in volume terms.

Remarkable as this is, in contrast to most other countries, it is a tale of two economies within Ireland. The outward facing economy was undisrupted in many ways by the global pandemic, because the nature of the products and services that are provided by the global hub that is Ireland -sectors such as Biopharma, Medtech, Technology, Food and Drink. Then, in the domestically focused economy, we see a different story. We see those consumer facing and congregation settings-based industries being incredibly disrupted. This is evident in sectors ranging from aviation to hospitality to retail. But even within some of those categories, the innovation of businesses to find new ways of reaching their consumers has also been a revelation and a source of inspiration and confidence that, once we get through this pandemic in the coming

months as vaccinations start to provide light at the end of the tunnel, we will see the economy snap back significantly.

We can be confident of this domestic snap back, because the savings of Irish households are up by €13 billion during 2020 due to the suppression of outlets for spending. Ireland still remains a very high income generating business model.

Return to office

The other feature of the economy has been the disruption in terms of the way we do business. The future of work, a topic Ibec has considered in our Smarter World, Smarter Work campaign, has suddenly pivoted to a more blended and remote working environment. This trend in parts will stick, but we will also see a return to the office environment. Indeed, it is important right now that we have a roadmap as to how we're going to get back an office-based economy in a safe and sustainable way.

And that leads me to the topic of today's conference.

Stakeholder capitalism

Stakeholder capitalism, as it's now called, and sustainability go hand in glove. However, it must be acknowledged that the first step on either dimension is for the business model to resume some form of normality - a requirement to go back in order to move forward. This is to ensure that the resources are generated to allow stakeholders make the decisions to underpin a fairer, more sustainable business model and natural environment, and by extension a more sustainable society.

When business looks to its stakeholders, as opposed to a narrow prism of shareholders, we recognise the wider community and society. As business leaders, we also have stakeholders as customers, suppliers and, crucially, our colleagues and employees. It is in this employee dimension that we observe one of the trends that has existed even pre-Covid - the pendulum swing towards collectivism.

Collectivism

Collectivism is a reaction to the period of individualism that extends over four decades across the western world. The financial crisis of a decade ago was a catalyst for revising some of the more extreme aspects of individualism, that ultimately gave rise to what many refer to as precariousness.

Precariousness in terms of job prospects, in terms of pensions, retirement prospects and health benefits. All of these issues, in the context of such uncertainty, have given rise to a frustration with the global business model. The term stakeholder capitalism, emerging from entities like the US Business Roundtable, has led to the proclamation of the replacement of shareholder value with stakeholder value as a predominant business imperative.

International trends on collectivism

The stakeholder value that I would like to focus on today, is collectivism in the workplace. The Biden Administration is very firmly in its initial 100 days citing collective bargaining rights and trade union recognition as forming part of the conversation in the United States, in a way that has not been seen since the late 1970s.

In the European Union, we see the stakeholder referred to as part of the EU social partner model of collective bargaining rights on issues like minimum wages, as proposed by the European Commission in recent months.

Brexit has also given rise to issues around employment laws and collective negotiations in the United Kingdom. Potential changes in the collective rights of UK workers will give rise to level playing field concerns with the EU. A potential race to the bottom on employment standards and the withdrawal of collective bargaining rights established under the European Union will be a source of tension.

Domestically, the General Election last year saw the manifestos of most of the now opposition parties include a constitutional referendum proposal to make collective bargaining a constitutional right in Ireland. The operation of some of our established industrial relations practices, and particularly collective agreements under Sector Employment Orders, have come under a constitutional challenge, with a decision expected from the Supreme Court in the case of electrical contractors.

All of these trends were observable in Ireland in recent years where collectivism, traditionally had a left-wing hue, has been challenged by emerging forces of right-wing collectivism in various disputes. We see this particularly in the eastern borders of the EU, where countries are lurching towards right-wing collective movements.

So, with business leaders professing a desire to move to stakeholder value in all its guises, collective agreements with employees will be a particularly significant one here in Ireland. As part of the Programme for Government, the coalition parties have established a social dialogue model under the remit of the Labour Employer Economic Forum (LEEF). Ibec is the lead business organization at that forum, along with the Irish Congress of Trade Unions. LEEF is chaired by An Taoiseach, with the wider Cabinet also attending.

Among the features LEEF is discussing are statutory sick pay, remote working, right to disconnect etc. However, increasingly the issue of how to determine the terms and conditions of employment, be that wages, entitlements, pensions or leave arrangements, is increasingly seeking a forum that can be best described as one to deliver collective agreements.

The Tánaiste, in his role as Minister for Enterprise, Trade and Employment, has asked the Labour Employer Economic Forum to set up a study on how collective bargaining might be developed in a way that is consistent with Irish business competitiveness, fairness and dynamism in our labour market. That is going to be a challenge which we in Ibec will engage on over the next year, but is very firmly seen under the spectrum of stakeholder engagement.

Shared island

The stakeholders must also be considered as cross-jurisdictional in the context of this Shared Island. All business leaders will need to be sensitive to the post-Brexit world, and the Ireland/Northern Ireland Protocol in particular, where the dimensions of stakeholders right across the island need to be factored into business considerations.

It is far too short-sighted to think that the jurisdictional borders of the island will determine the spill overs on some of the great challenges of our time. Equity and the functioning of the labour market is significant, but so too will be the sustainability of our natural environment.

Environment

The sustainability debate is one that Ibec has done significant work on over the last

two years. In 2019, Ibec published its Low Carbon Roadmap. With Ireland and the EU now both targeting climate neutrality by the year 2050, we must build on this roadmap, and work with stakeholders right across society to ensure we meet this goal in the smartest, most cost-effective

way possible. The European Union has upped that ambition to a 55 percent reduction in carbon emissions on 1990 levels by the year 2030. The costs involved are non-linear, in that they will increase very significantly for greater percentage reductions, but so too potentially will be the benefits of this transition.

Again, the overlapping of the sustainability and stakeholder agenda is clear even for the labour market in the context of the natural environment and so called Just Transition for dislocated workers arising from environmental changes. Sectors that will be disrupted by sustainable development initiatives will need to transition to the new opportunities that a greening of our economy can bring about.

SDGs

Sustainable development is something that I have spent 30 years thinking about and writing about. My first foray was actually in 1990, the now-base year for the emission reduction targets. That was the run-up to the Earth Summit of 1992 in Rio, which was the second Earth Summit from the United Nations. The first one had been in Stockholm in 1972, when the worry then was that the earth was cooling. By 1992, clearly the

earth's warming was the agenda. This has been reinforced by subsequent events in the last 30 years.

Whether we go for mitigation or adaptation is a topic that I think will continue to seize our minds for some time. But the emergency of the climate crisis I believe has seized the vast majority of business leaders at this point. Discussions on what form of sustainable development still have to be articulated.

One form referred to as a “weak form” of sustainable development is whether natural resources and their utilization, such as exhaustible resources, can be compensated for by an increase other capital like financial, human or social. Human capital, in terms of education or training, or social capital in terms of the networks and the equality agenda, are the stakeholder agenda we talked about today. Finance capital, in terms of the sustainability that underpins the living standards of society to be inclusive of stakeholders and to mediate sustainability.

The weak form of sustainable development looks to the trade-offs that occur in the utilization of natural resources in a sustainable way, by facilitating the enhancement of the other forms of capital.

The “strong form” of sustainable development views natural capital as never being compensatable by other forms of capital. This is an extreme form of sustainable development, which our societies will not embrace in the short term, though many are loose in the use of this terminology. Therefore, the trade-offs involved in the weak form of sustainable development will require valuation techniques with greater empirical evidence on what these trade-offs involve. These trade off valuations can best be mediated through a social dialogue structure, which will help both in the stakeholder and the sustainability agenda. The good news is that we are moving towards social dialogue once again in Ireland, in its modern form.

Contemporary social dialogue

To be explicit, social dialogue is not a social partnership of old. Social partnership was about centralised wage bargaining and tax cutting underpinned by industrial peace. It provided the opportunity for individuals to stay in or return to Ireland, reversing the trend of immigration that unsustainably existed for generation after generation.

Having a stake, that is being a stakeholder, in Irish society should not be assumed to be inevitable. It is the business model that has allowed

people to have a stake in our society and to stay, if they want, to build a family, to build a career, to build a future.

Social dialogue will facilitate the mediation of these trade-offs, be that in the sharing of the island, the just transition from the environmental changes, or the stakeholder agenda in terms of how the labour market operates and the how pay bargains get determined.

Close

Therefore, when we look at bringing sustainability and stakeholder capitalism into an Irish context, we now have the institutions and the structures to do this. We need to enhance them. We need to acknowledge them. We need to underpin them. But this is the future of operationalising the stakeholder and sustainability agenda into Ireland.

Ibec is a frontier organization on these issues. We have through our campaigns, the Model of Substance; Better Lives, Better Business; Smarter World, Smarter Work; Reboot and Reimagine, addressed these topics and the required structures well in advance of this crisis.

Now is the time to operationalise. Now is the time for business leaders to come behind this agenda. Today, I think, will be seen as a point of inflection.

We have an opportunity, post-Covid and post-Brexit, to identify what the future will look like and the future beyond doubt will be around stakeholder capitalism and sustainability.

That is why I'm delighted that you could join us today in this journey towards a better, sustainable future for all.

Thank you.