Address by Ibec CEO Danny McCoy
Ibec CEO Conference 2015 – Better business by design
Wednesday 4 March 2015

Good morning.

Let me start by adding my own welcome and thanking you all for joining us today. I’ve no doubt it will be a really enjoyable and thought-provoking day.

I want to also thank our primary sponsor PwC, our communications partner Three and our media partner CNBC for their ongoing support.

As you have heard, today’s event is being run in conjunction with Irish Design 2015. As such, it will examine how the thinking and approach that informs world class design can be applied to business, and indeed public policy.

Of course, what characterises really great design is great ambition.

Three years ago, Ibec set out a vision of a country that could grow at 3-4% every year; a country among the most prosperous regions of Europe; and a country with a quality of life and a standard of living to match.

At the time many were sceptical; perhaps understandably.

However, after a year where Irish growth outperformed the rest of Europe, and with key economic indicators pointing in the right direction, it is increasingly clear that such a vision is there for the taking.

But it won’t happen by accident.

If current demographic trends continue, in less than fifty years the island of Ireland will have a population of 10 million. This is something we should embrace. It brings with it a range of new and exciting opportunities, but also challenges.

We have to start planning now, and set out a clear ambitious, but realistic objectives.

What I like about Kevin’s Grand Designs show is that it takes the viewer through all stages of the process, from conception right through to the often magnificent finished product.

But the most interesting parts are often the pit falls and the accompanying drama. The plans are not to scale, the windows are the wrong size and the budget is massively off.

So, the question I want to ask today is: How can we avoid making these or similar mistakes when it comes to designing an Ireland of 10 million: An Ireland with the state of the art infrastructure, the right skill mix and the level of income and economic activity to underpin such ambition: Our own grand design.

These are big questions that require sophisticated answers.

But in the short time I have this morning I want to highlight three crucial elements that must inform our approach; issues which are key priorities for Irish business: investment, jobs and tax.

INFRASTRUCTURE

In the very first instance, we need to radically rethink how we plan and invest in infrastructure and the built environment more generally.

We need to be much more ambitious and we need the political system to look far beyond the short-term electoral cycle.

Right across the country, in all regions, North and South, we need to look again at what needs to be built, how and where.

The recent revival of the country's construction sector is welcome.

Much-needed new investment presents new employment opportunities, and also a fresh opportunity to design better communities and attractive commercial hubs. This needs to be embraced.

When it comes to public investment, we must plan for significant economic and demographic growth.

Sizeable infrastructure gaps in the transport, health, education, energy and environmental services sectors should be addressed as a priority.

We are currently working with our colleagues in the CBI Northern Ireland to identify all-island investment projects, which we will launch formally in the coming months.

As it stands, we're not investing nearly enough.

Just last week, Irish 10 year borrowing costs dropped below 1% for the first time in history. Our 30 year bond attracts a mere 2%. Now is the time to act.

We need to take full advantage of this once in a generation opportunity and ramp up public infrastructure investment to 4% of GDP by 2020. And we need to find new financial ways of connecting the stock of private capital with productive investment to achieve this target.

Of course, we have to invest wisely.

Our transport network, for example, is far from complete. During the boom years we successfully connected Dublin to the other main cities, but not to all the regions. There is still a job to do to better connect all of our major cities to each other.

Housing is also fast emerging a major concern. Under supply in key urban centres has the potential to undermine competitiveness and make it more difficult to attract and retain talented workers. The government needs to do much more to address supply shortages.

A new national investment plan needs to be supported by a streamlined planning process and a new spacial strategy: A strategy that sets out a blueprint for a better balance of social, economic and infrastructure development across the entire island.

SKILLS AND JOBS

Secondly, we need to, reform and reinvest in our education system, and the workforce more generally.

You can design and build the best country in the world; but the creativity and talent of our people will make it a reality.

Of course, predicting the jobs of the future is a difficult task. Many may not even exist at the moment, and are impossible to foresee. So how do we best prepare young people for this highly uncertain and rapidly changing environment?

Research and the experience of business suggest that a capacity and an appetite for continuous learning will be the most important attribute. This is why Ibec has long championed reform.

Some progress has been made. New plans for apprenticeships have the potential to open up new opportunities to school leavers, while at the same time giving companies access to the skills and experience they need. Junior cycle reform is long needed and must be implemented without delay.

When it comes to the labour market more generally, it is worth reminding ourselves how far we have come, even if there remains work to do.

Over the last two years Irish businesses, many of them represented here today, have put 100,000 people back to work: In jobs that provide families with new opportunities, and entire communities with a fresh sense of value and purpose.

We’re heading firmly in the right direction, and Ibec expects unemployment to fall below 9% this year.

It’s crucial that we stay on this positive trajectory and don’t jeopardise these very real and important successes.

Wage pressures are reemerging in the economy. And this is a good thing. Many companies will be in a position to award modest pay rises this year.

However, not all companies are recovering or growing at the same rate. And some parts of the country have yet to feel the recovery.

The economy in money terms is still about 6% below its pre-crisis peak and overall price levels are still below where they were in summer 2008.

This needs to be reflected in wage expectations. Many companies remain in survival mode and simply cannot afford pay rises.

Given this backdrop, business has no appetite for a return to one size fits all national pay agreements. Any possible future engagement between business, the government and the unions would only have merit if it was anchored firmly in the need to create jobs and secure competitiveness.

This year we have the chance to further cut unemployment and attract back migrants that left during the crisis, but we must not repeat past mistakes. If costs spiral and we lose our competitive edge, we will pay for it in jobs.

TAX POLICY

Business is playing its part, and the government must do the same. We need to work together.

When it comes to designing a tax system that supports long-term growth and productive investment, we need to reform and renew the existing code.

Despite welcome moves to reduce the income tax burden in the last budget, there is scope to do a lot more. With many companies unable to afford pay rises, this is a crucial means of increasing disposable incomes and, in turn, boosting economic activity and tax returns.

At 51% we still have one of the highest marginal tax rates in the OECD. And it kicks in at a very low level.

It remains a barrier to investment and job creation; and is a serious disincentive to work, taking a promotion or doing overtime.

The decision to also retain an even higher marginal tax rate for those earning over €70,000 means we risk losing our best and brightest to competing jurisdictions; countries with more sensible tax codes.

A single worker earning €75,000 in Ireland, for example, takes home about €6,000 less than a similar worker in the UK.

This is making it difficult for Irish business to attract and retain skilled workers. It also flies in the face of the shared aim of making Ireland a leading centre of design and innovation.

The disparity of treatment between the self-employed and PAYE workers is another unjustified anomaly in the system that should be addressed as a priority.

CONCLUSION

Notwithstanding these issues, our economic recovery is the talk of Europe.

But a lot more effort is needed to ensure that it becomes the talk and, more importantly, the reality of every city, town and village in Ireland.

Over the coming months and as we look further out towards 2050, we have an opportunity to lay the foundations for a new phase of our country’s social and economic development.

A phase that should be characterised by world-class infrastructure, productive investment, an education system fit for the twenty first century, and a tax code that supports growth and rewards work.

We need to be smart, nimble and ambitious. And we need a relentless focus on competitiveness. Something we lost to our detriment during our last growth phase.

Designing a new Ireland, an Ireland that works, for business and citizens alike is no easy task, but it’s a job we all have a massive stake in.

And Ibec, on behalf of Irish business, and working with government, is ready to play its part.

Thank you and enjoy the rest of the day.

ENDS