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Programme for Government



Tour of the Department

Speech by the Taoiseach, Mr. Leo Varadkar TD at the Opening of the National Economic Dialogue, Wednesday 28 June 2017

Good morning, ladies and gentleman.

It is a pleasure to welcome you all to the third National Economic Dialogue.

I would like to thank Minister Donohoe for organising it again this year.

It's great to see such a broad range of stakeholders here to represent different strands of Irish society.

And, I particularly want to welcome members of the Oireachtas Committee on Budgetary Oversight.

Finally, I would like to thank Prof. Alan Barrett for agreeing to chair once again.

Benefits of Dialogue

The great American theoretical physicist, David Bohm, believed that the object of a dialogue was not to analyse things, or to win an argument, or even to exchange opinions.

Instead he suggested it was about suspending your opinions, looking at everything with open eyes and seeing what works best. For Bohm, 'dialogue was the collective way of opening up judgments and assumptions'.

It is not always easy for a politician to suspend opinion, and open up judgments and assumptions. We are more used to the confrontational style of a debate, rather than something that lifts our discussion out of the polarised positions of the past, and into a greater common purpose. That is precisely why this Dialogue is so important, and why it has made such an important contribution over the past three years.

Time of Opportunity

At the outset, I want to strike a positive note on Ireland's economic future.

Of course, there are serious risks to our future prosperity, not least due to Brexit. And I will talk about that later.

And there are many unhealed wounds from the economic crisis in housing and public services and infrastructure.

However, for the first time in a decade we have the opportunity to think about the future with new hope and ambition.

Ireland has been the fastest growing economy in Europe for the last three years.

GDP is forecast to grow by 4.3% this year and 3.7% in 2018. This growth is broadly-based and economic fundamentals are strong.

Unemployment is down, incomes are up and inequality is narrowing.

And as the Budget approaches balance, we have some more scope to make decisions about investment in the future.

In particular, we can plan for the future of a country: with a growing economy, growing population and growing workforce.

Over two million people are working, and unemployment is now back to levels last seen in 2008. The Action Plan for Jobs target of 45,000 extra jobs this year is on course to be achieved. Similarly, more than 20,000 people will move from welfare to work.

With unemployment close to 6%, we can plan to increase participation in the workforce, and to increase skill levels and productivity across the economy. In fact, we need to act quickly.

So while this Dialogue will rightly focus on the difficult choices and trade-offs that arise in every Budgetary cycle, we can have that discussion with ambition for the Ireland we hope to see in five, ten or twenty years' time.

Dialogue

Of course, that ambition will only be realised if we avoid repeating the economic mistakes of the past.

Part of the reason for the National Economic Dialogue is to have open discussion about the choices faced by the Government and Oireachtas, to build understanding about those choices, and to avoid a repeat of unsustainable economic policies.

The Government will publish the Summer Economic Statement in the coming weeks, once the new Cabinet has the opportunity to consider it.

It is clear that the 'fiscal space' in 2018, in particular, will be limited.

This reflects the carry-over or full year cost of commitments from Budget 2017, and the impact of the recent public service pay agreement, if ratified.

Nonetheless, the Government wants to be ambitious within the constraints we face, especially if we look over a multi-annual horizon with multi-annual budgeting.

Long-Term Challenges

So, Minister Donohoe is reviewing our capital investment programme, and working towards a new ten year capital plan.

This will be closely linked to the new National Planning Framework which will plan for an Ireland in which a million extra people will live by 2040.

We also need to build on the economic strengths of each region, ensuring that the benefits of recovery are felt across the country. That's happening already but it is uneven.

The risk posed by Brexit to the agri-food sector only increases the need to get this right.

Just as importantly, we need to accelerate the necessary transition to a modern low-carbon economy. The Government yesterday approved in principle the first National Climate Change Mitigation Plan, and climate action will be a growing feature of all policy-making in the year ahead.

The Government has an ambitious plan to solve the housing crisis – Rebuilding Ireland – which already absorbs a large share of available capital expenditure. I've asked Minister Murphy to review progress under the Plan and identify any further measures required.

Also, as we approach full employment, there is an opportunity to increase participation in employment by people most distant from the labour market: not just jobseekers but also people with disabilities, lone parents, adult dependents and asylum seekers who could take up employment with a little additional encouragement and support and changes in the law.

We failed to do this effectively in mid-2000s, but need to do better this time.

Of course, there are many people who will remain dependent on the State for their incomes, not least pensioners. So we need to consider how best to target available resources.

And given demographic trends, we also need to introduce a new occupational pension system for private sector employees with contributions from themselves, their employer and the Government.

The Minister for Employment and Social Protection, Ms. Regina Doherty T.D., will be taking that work forward in consultation with many of the groups represented here today.

Likewise, we need to perform better in skills and innovation across the economy.

This is the key to higher productivity, which is the only basis for sustainable increases in living standards.

I know there are ongoing discussions with business and the higher education sector about how to increase investment in this area.

In my ideas paper, 'Taking Ireland Forward' I gave a commitment that we will make it a signature target of Government to reduce consistent poverty levels to pre-crisis levels and then lower. I also pledged that we will do the same for child poverty. This will require a broad range of actions including providing more employment opportunities, more education opportunities, better wages, welfare and more affordable access to public services.

Nobody should fear poverty in retirement. So, I want to index increases in the state of pension to the cost of living as an automatic minimum increase every year so that the real value and purchasing power is protected.

Of course, as we meet these challenges, we cannot take continued economic growth for granted.

We need to remain competitive for foreign investment and human talent, reform our tax and social insurance system to ensure that we reward work and enterprise, and avoid unsustainable increases in the cost of doing business in Ireland.

Many of these themes are reflected in the breakout sessions organised for this afternoon, and I look forward to learning the outcome of those discussions.

Brexit Negotiations

Overhanging all of these issues is Brexit.

One year on from the decision of the British people to leave the EU, the opening of the Brexit negotiations last week was welcome.

My hope is that positive momentum is maintained so that progress is made as quickly as possible on the many challenging issues facing the negotiators.

We want to see these negotiations take place in a constructive, positive and ambitious frame of mind. There is an emphasis on the unique Irish issues, which are a priority for the negotiations.

However, the Irish issues, including avoiding an economic border, will not be easy to solve.

Last week in Brussels I met with President Tusk, President Juncker, Mr. Barnier and Prime Ministers from all over Europe. I reminded them again of the unique issues we face.

We want to see the closest possible future relationship between the EU and the UK. And I want to keep the door open to the Customs Union, Single Market and the EU itself.

Economic Impact of Brexit
The level of uncertainty as to the outcome of those negotiations remains high.

However, it is clear that Brexit is a fundamental economic risk for Ireland if it results in a permanent change to the rules on trade.

The potential impacts on trade from tariff and non-tariff barriers have been widely discussed at this stage.

I know that many businesses are already feeling the impact of Brexit through the weakness of Sterling.

This will be exacerbated if the UK economy suffers in the period ahead.

And the underlying uncertainty about the outcome of the negotiations is itself affecting investment decisions.

Now that the negotiations are underway, the Government is intensifying our focus on the economic implications of Brexit.

Let me set out our five priorities:

Firstly, we will aim for sustainable fiscal policies to ensure capacity to absorb and respond to economic shocks.

Secondly, we will strive to make Irish enterprise more diverse and resilient, diversify trade and investment patterns, and strengthen competitiveness.

Thirdly, we are prioritising policy measures and dedicating resources to protect jobs and businesses in the sectors and regions most affected.
This will build on measures announced in last year's Budget.

Our fourth priority is to realise the economic opportunities arising from Brexit, and to help businesses adjust to any new logistical or trade barriers arising.

Finally, we will make a strong case at EU level that Ireland will require support that recognises where Brexit represents a serious disturbance to the Irish economy.

Decisions in support of these objectives will be reflected in Budget 2018, in the forthcoming National Planning Framework Ireland 2040, in the new ten-year national Capital Plan, in the review of Enterprise 2025 and in sectoral policies and investment decisions in areas such as agriculture, enterprise, transport, communications and energy.

In taking this work forward, the Government will continue to engage with you and other stakeholders both at a national level, and in each sector.

Budget 2018
Having set out some broader ambitions for Ireland's medium-term direction, I want to turn to the immediate topic of Budget 2018.

In the run up to each Budget, a lot of emphasis is often placed on the 'extra' resources that are available, the so-called fiscal space.

It is important to bear in mind that this represents only a small increment of the total resources available.

What we should focus on is the totality of expenditure and taxation.

For example, gross voted current expenditure this year will be over €53 billion. Are we sure all existing spending programmes really represent best use of resources? If 1% or 2% of that could be re-allocated we would have another billion. This is the hidden 'fiscal space'. It is something we need to examine. The opportunity cost of not doing so is too great.

So, to facilitate this, the Department of Public Expenditure and Reform has been leading a Spending Review during 2017.

This is reviewing specific expenditure programmes to assess their impact and effectiveness and the results will be published before the Summer break.

So I would suggest that the dialogue over the next couple of days should take this broader view of budgetary policy and choices.

Often resources are inadequate and more are needed. But often existing resources could be allocated better. And when additional resources don't improve outcomes it's often because the underlying problem is not resources but poor performance.

Conclusion
I believe, sustainable and inclusive growth is vital to achieve the Republic of Opportunity I like to speak about.

I want every person to have the opportunity to succeed and have an equal chance to share in the nation's prosperity.

And I want every part of the country to have the opportunity to share our wealth.

The purpose of this Dialogue, and the debate which will continue in the Oireachtas and elsewhere between now and the Budget, is to ensure we make the best choices informed by a wide range of views.

The great Irish writer, George Bernard Shaw, believed that 'Progress is impossible without change, and those who cannot change their minds cannot change anything.' So let this dialogue be about opening minds and changing minds, exchanging views and persuading each other.

Thank you for your participation and I look forward to the discussion over the next two days.

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