

## Liz O'Donnell's Keynote Dáil Speech on the Economy

25th October 2005

Liz O'Donnell TD's Dáil Éireann address on the Lisbon National Reform Programme.

Ceann Comhairle, I too want to welcome the publication of this draft document. Its focus - sustaining Ireland's strong economic growth and employment performance - cannot be taken for granted. So this affords us an opportunity to reflect on the status of our economy, how we got to where we are, and how to negotiate the best way forward.

The introduction to the document is an audit of the extent of economic and employment progress made over the past decade.

So how do we preserve the gains we have made?

To my mind, the single biggest achievement in politics, as it affects real lives, is the 10% plus reduction in our unemployment rate in the last ten years. Down from almost 15% to 4.4%. Those who would make light of such an achievement are simply in denial of the reality behind the numbers.

A Cheann Comhairle, the facts are indeed stubborn. We have increased employment, increased incomes, higher living standards and lower poverty. That is also the reality behind the figures in this Report. How can we sustain that progress, building on our strengths? That is what this Report addresses.

How can Ireland and Europe respond to developments in the rest of the world? In the US, Far East, China and India. The world will not wait for us; they will continue to develop. How can Ireland respond? We cannot ask the world to stop so we can get off. We are a small and open economy, and the key to sustaining our economic growth is to be flexible.

Ireland's flexibility will be based on fostering enterprise, risk taking and innovation.

Maintaining the tax system that creates the environment for enterprise, competition, efficiency and growth - credo close to the heart of the Progressive Democrats. In Government between 89 and 92, and again since 1997, we have worked to establish just that system of taxation. Despite claims to the contrary, not only do we have a taxation regime that supports the flexibility we need as an economy, we have a tax system that benefits **lower wage workers** over **higher** income earners.

Now, Deputies opposite can shout all they like. I quote from the report: Ireland today has the most generous tax and welfare system for single income families on the average industrial wage in the world - In the world.

The income tax strategy we put in place is aimed at maintaining full employment and strengthening the competitive position of the Irish economy through keeping taxes on labour low. It is a policy which also includes a particular focus on the low paid and the elderly.

The taxation system we espouse benefits all in our society. By reforming the tax code, we have restored a situation not seen since the Ireland of the 1960's, where higher earners, **not** those on modest or low incomes, pay the vast bulk of tax. The top 25% of income earners pay 80% of all income tax raised by the State.

And we want to do more. As I said, the true value of this National Reform Programme is its questioning: how can we keep it going? We must work harder to foster enterprise and efficiency and boost R'n'D spending.

In 2003, the Tánaiste established the Enterprise Strategy Group to prepare a report that would serve as a blueprint for an enterprise strategy for growth and employment in Ireland. Its work is an important part of the NRP report. The Group found that while Ireland's economy remains strong, action is needed to ensure that potential threats do not adversely affect performance. They set out medium term enterprise opportunities for the economy.

To sustain our position, Ireland requires quick and appropriate policy responses to the needs of business, both to help them build competitiveness and also better manage the rapid changes taking place in world trade and investment regimes. That is our focus.

The NRP makes clear the demands on Europe in terms of our productivity. We must pursue productivity gains. Although EU productivity levels were growing faster than those in the US for five decades, since 1996 the EU has been lagging behind the US every single year. Labour productivity in the US is now growing twice as fast as in Europe and as a result, our relative levels of wealth have also started slipping.

Ireland's role in pursuing productivity gains for the wider EU, will be in tackling inefficiencies in our sheltered private sector and in the public sector. While the export-orientated private sector has propelled the growth outlined in the NRP report, the sheltered private sector and the public sector can hold us back. Whether it's the professions, law, medicine, in the health service, airport terminals, bus markets, electricity and gas - we must pursue efficiency by competition and / or appropriate regulatory change.

The Progressive Democrats are unique in our unrelenting pursuit of that agenda for almost twenty years now - an agenda that is now shown to be an imperative by this Report.

Yes, competition and reform can be messy. But this cannot be an excuse for freezing inefficient practices in certain sectors. We must be radical and determined in pursuing productivity gains for our own economy, and the Lisbon objectives.

Our labour market has been changed utterly in the last twenty years- posing new challenges for policy-makers. Two central elements in this regard are migrant workers and childcare.

Latest estimates indicate that in the year to April 2005, we had net migration of over 53,000, compared with 31,000 in 2004. In the last year alone we have seen 50,000 extra females enter the workforce. These raise particular challenges for wider society, not to mention, sustaining growth.

Regarding childcare, we first need sensible measures to increase the supply of places and thus reduce costs. I am happy that the Progressive Democrats are to the forefront on this.

Minister McDowell's Department have significantly increased investment in childcare services in recent years under the Equal Opportunities Childcare Programme (EOCP). Total expenditure will amount to just under €500 million for the period 2000-2006, in the form of capital, staffing and quality improvement grants. Under the programme, 26,000 new childcare places were in place at the end of June 2005. Programme commitments already in place should lead to the creation of a further 13,000 places.

We need to develop programmes like the EOCP, beef up their budgets, and create even more places. The Programme should be nuanced to take account of different types of communities- established versus newer settlements in the growing commuter belt, where support systems are weak.

Secondly, we accept that we must help ease the increasing burden of childcare costs on families. Initiatives, however, must be sensible. Contrary to recent policy announcements from the Labour Party for example, this is not about lashing money at the issue; it's about increasing funds in a targeted way to those under a heavy burden. Again, it's about increasing supply and reducing costs. The Progressive Democrats want to see diversity in the childcare sector. One size does not fit all. Parents should have choices, and childcare provision should reflect that choice- not be some homogenous, State controlled monolith.

In relation to the second major development in our labour market, migrant workers, we must ensure our policies are the right ones. I spoke in this House two weeks ago on legislation to codify the existing administrative work permit arrangements. We should and will provide new and increased protections for migrant workers and allow for the introduction of a Green Card System, which would comprehend long-term or permanent residency. In my contribution I stated that a modern, progressive migration system is well overdue and must be separate in process and policy from asylum.

Ireland's changing demographics pose challenges in housing, education and health.

Right across all Departments, wise people should be planning for the best outcomes in terms of integration. New members of our society must be treated fairly and the Employment Permits Bill and the related elements in this NRP report, demonstrate that although we have been playing catch-up, our policies are now beginning to take shape.

I would like to conclude with one specific point. This National Reform Programme report is a result of commitments given by governments at the European Council meeting in March last. EU Heads of Government agreed to refocus the Lisbon strategy on jobs and growth, and prepare a Programme Report. This is a welcome reminder that national government still has a massively important role when it comes to macro and micro economic policy and employment policy. Some parties would have you believe that Ireland has ceded our control over these matters, that we are powerless. Others claim that the advances we have made would have happened anyway. Let's be clear on this.

Firstly, this NRP process and Report demonstrate, beyond question, the central role that national Governments and their policies play in promoting and sustaining domestic and European economic development. We have not ceded all control and these matters are not settled by diktat from Brussels or anywhere else.

Secondly, the policies of the two Parties in government are critical to the extent of economic development and progress, and as a result on living standards and poverty. If the parties opposite had been in government in recent years, there is absolutely no doubt that taxes would be higher, and unemployment would higher.

Thankfully for Ireland, this was not the case. The Progressive Democrats, in conjunction with our partners in government have ensured that we had the right policies for Ireland. We sought a mandate for them - policies to foster enterprise and initiative, policies to drive competition and efficiency, policies to provide the most generous tax and welfare system for single income families in the **world**.

As this Lisbon NRP report demonstrates, it is in Ireland's national interest, and Europe's, that the economic strategy espoused by the Progressive Democrats and Fíanna Fáil remain at the centre of policy-making and government in this country.

Go raibh maith agat.