

Irish Congress of Trade Unions

General Election 2011:

A Better, Fairer
Way to Recovery


Spring 2011

STRONGER TOGETHER

CONGRESS

Irish Congress of Trade Unions





“Ireland’s problem is very different from that of Greece. In Athens the bankruptcy of the State and of public finances brought down the banks; in Ireland it was the banks and the private sector that brought down public finance.”

Corinne Deloy, The Robert Schuman Foundation (Feb. 2011)

Introduction

Over the last two years, the trade union movement has consistently put forward an alternative strategy to tackle the crisis that confronts us. We prioritised jobs as the key to recovery and said domestic demand had to be stimulated.

We opposed the attempt to shift the entire burden of adjustment onto the shoulders of low and middle income earners and welfare recipients.

We warned of the dangers posed by a severe austerity programme and the damage that would flow from deflating the economy. We said this could turn a recession into a depression.

Sadly, much of what we feared has come to pass.

But we do still have choices and alternatives. There is no iron law that says we must inflict cuts on the weakest or prioritise the interests of bondholders over the needs of citizens. These were deliberate choices made by the outgoing Government.

We now have a choice about the shape and composition of the new Government, about the policies it chooses and the priorities it sets. This election is a clear opportunity to ensure those policies and priorities reflect the needs and concerns of working people and their families. A focus on jobs and growth holds the key to real recovery.

1. A New Deal

It is clear that the interests of working people were secondary, when the 'bailout' package was negotiated with the IMF/ EU/ ECB.

The terms of that deal are unfair and unjust. If they are allowed to stand they will thwart any prospect of a genuine national recovery and impoverish Ireland for decades to come.

It is wrong that scarce financial resources are being diverted to pay a punitive interest bill and repay bondholders who gambled on Irish banks. That translates directly into cuts in peoples' income and cuts in vital services.

The massive debts of the private Irish banks only became a problem for the taxpayer, when the outgoing Fianna Fail/ Green Government issued a blanket guarantee of their debts, on September 29, 2008.

That decision has been described by an international financial expert as "suicidal" and "the promise that sank Ireland."

A new Government must find a way to lift the debts of senior bankers off the back of the Irish taxpayer.

This view is common in global financial circles: most recently, billionaire investor George Soros, said it would be "unjust" if Irish citizens were left with the entire bill for the banks.

There is scope to revisit these issues in the context of a renegotiated deal.

A new Government must commit to reversing the drive for austerity because it just does not work.

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But whatever deal does emerge, it is imperative that it contains a clear strategy for growth and recovery.

The bailout deal sets 2014 as the target date for addressing our public finances. That timeframe is too short. It means deeper cuts and will depress demand even more, leading to further job losses.

The outgoing Government insists it cannot be changed: yet it has been moved twice already, once at the behest of the EU Commission and then under the terms of the bailout deal.

Congress has long insisted that this timeframe is too short.

We believe it should be extended to 2017. This lessens the amount that is sucked from the economy each year, lessens the downward pull of deflation and allows growth to take hold.

A new Government must commit to reversing the drive for austerity because it just does not work. After four austerity budgets we have higher unemployment, a bigger deficit and 1,000 people a week emigrating.

Those are not signs of success, by any standards.

In pursuit of a new approach to tackling the crisis the trade union movement must commit to pursuing a longer-term campaign.

2. Creating Jobs

A genuine National Recovery can only be built around job creation and protection. We need to protect existing jobs and create new opportunities for the unemployed, school leavers and graduates.

We are losing 1,000 people a week to emigration, which means a drain of skills and talents that we cannot afford to do without. That is not the sign of a smart economy.

If the current crisis demonstrates one thing, it is that the 'free market' is not a perfect instrument that will always deliver perfect outcomes. Quite the opposite.

In any modern, sophisticated economy there is a role for both private and public investment. In the absence of private sector investment, it falls to the state to take up the slack and try to stimulate the economy. Although resources are scarce, we do have some at our disposal.

The National Pension Reserve Fund (NPRF) contains some €5-7 billion: this money can be invested in strategic and innovative ways to get people back to work.

We could for example, invest €2 billion per year - over three years - in a range of projects that would create jobs and upgrade our infrastructure: the creation of a National Water Utility; in a high speed Next Generation Broadband system across the country; a national programme for Retrofitting and Insulation of homes; the building of key transport links like Metro North/ the Dart Underground Connector.

Not only will these projects create jobs and boost the public finances, they will also improve national competitiveness.

There is no legal bar to using NPRF funds in this manner.

It is also possible to access additional resources for a programme of productive investment.

Irish Pension Funds currently hold some **€72 billion** – money which has been paid in by people working in Ireland. But much of this money is invested abroad, helping to develop the economies of other countries. But pension fund trustees have expressed unhappiness at the performance of funds invested overseas: they recently saw 30% written off the funds' collective value because of over exposure to international investments equities.

They are actively seeking investments that can deliver a reasonable and sustainable rate of return.

A new Government could facilitate the investment of these Irish pension fund assets in the building of hospitals, schools, universities and transport infrastructure, creating thousands of jobs in the process.

In addition, there are other sources we can look at for support, such as European Investment Bank and the Council of Europe Development Bank.

The issue of **training and re-skilling** is also central. Currently, the National Training Fund is resourced by diverting 0.7% of employers' PRSI to the fund. We propose that 0.7% of the

employees' contribution be treated similarly and that the fund be opened up to applications to reskill by individuals who are unemployed, or at risk of redundancy

Role of the Semi states This sector could contribute hugely to national recovery if its existing skills and resources were deployed properly, within the framework of a joined up National Recovery Plan.

Companies such as the ESB and Bord Gais should be free to innovate and maximise their potential. But current Government policy can have the effect of hampering their work.

For example, Ireland's electricity prices are among the highest in Europe primarily because the Government refuses to allow the ESB to cut its rates. Instead, its prices are set by the Commission on Energy Regulation. Their policy artificially inflates electricity prices to convince private investors that electricity generation is profitable.

It sounds like a policy dreamt up by ideological zealots. It never made much sense to begin with and it makes no sense whatsoever in the midst of a crisis.

The same could be said of the threat to break up and privatise key state companies. As the experience of Eircom shows (<http://www.ictu.ie/publications/fullist/learning-from-the-eircom-debacle/>), companies like the ESB would be asset-stripped by corporate vultures, with valuable resources sold off for private profit.

The Government's decision to target the incomes of people on welfare and those who deliver public services was not only wrong, it was economically senseless.

4 There would be a relatively small, once off cash benefit for the state if these companies were sold. But in return we would lose control of critical areas of the economy (power generation) at a time when that is most needed and shows the most potential for growth.

Instead, we need to see the semi states as engines of future growth: they should be central to a National Recovery Plan in a way that optimises their skills and capacity for innovation.

The example of a National Home Retrofitting programme has already been cited. But there are other areas we can target. There is huge potential for job creation and growth in Ireland's Green Energy sector.

Geographically, we are among the best placed in Europe to exploit the potential of both wind and wave energy. Given the right policies, we could become global leaders in these areas, creating thousands of jobs and new, high-skill industries.

By utilising all the resources at our disposal in a planned, strategic manner we can fashion a multi-billion investment programme that would run over, say, five years, and create thousands of jobs.

3. Protect Incomes

Cutting incomes in a recession just makes matters worse. The Government's decision to target the incomes of people on welfare and those who deliver public services was not only wrong, it was economically senseless.

The belief that the effects of currency devaluation could be replicated by cutting peoples' incomes has been disastrous: it has deflated domestic demand and caused thousands of job losses.

Close to 70% of the Irish economy revolves around domestic consumption and spending: people buying goods, groceries and services at a local level. Their daily spending helps keep retail outlets open and local businesses trading.

The outgoing Fianna Fail/ Green coalition introduced four of the harshest budgets in the history of the state, **extracting some €20.6 billion** from the economy

The most recent budget alone could **cost us up to 60,000 jobs.**

While the export sector is critical, it is only a part – albeit important – of the overall economy. In addition, it is not a labour intensive sector so its capacity for job creation is limited. For these reasons, it is foolish to base all hopes of recovery on this sector, as some political parties have suggested.

No economy can take this constant punishment and no country has tried it before.

But that does not seem to discourage the 'apostles of austerity'.

Their policies have inflicted enormous damage and have failed completely. Abroad, Ireland is now held up as an example of the foolishness and bankruptcy of austerity policies.

A new departure is required

The cut to the **Minimum Wage** is a case in point. Taking €40 per week off the lowest paid in society will not save the taxpayer a single cent or see a single new job created. In fact the reduced rate acts as a disincentive to take up work and further deflates domestic demand.

It is also a myth to say we had the second highest minimum wage in Europe. There are many different models of minimum wage across the EU: some are legally-binding, some done by agreement between unions and employers.

The real value of a wage can only be determined by its purchasing power: wage rates cannot be separated from prices and ours consistently run up to 20 percent above the EU average.

Measured in this way, the Irish Minimum wage was about eight or ninth highest in Europe. The French minimum wage was increased to €9 per hour, in January

There is a clear link between the Minimum Wage cut and the decision to 'review' **Employment Regulation Orders** (EROs) and Registered **Employment Agreements** (REAs), which set agreed wage rates for over 300,000 workers in various sectors of the economy.

It is part of a concerted attack launched by the outgoing Government that is designed to drive down wages. It is being done for ideological reasons and is based on a flawed analysis of the current crisis.

A new Government must move to protect incomes and reverse the self-destructive policies of austerity and deflation. And people in trouble with their mortgages must be assisted and given hope.

In addition, it will have to tackle the **looming crisis in pensions**. Many who have seen their living standards deteriorate have also seen the pension they worked for and paid into either disappear or their benefits reduced sharply.

Many pension schemes now hover on the brink of insolvency. The outgoing Government and the Pension Regulator failed to protect workers pension entitlements and immense reputational damage has been done to our occupational pension system.

The proposal in the outgoing Government's Four Year Plan to reduce tax incentives for pension provision may prove to be the final nail in the coffin.

Instead, the option of placing a levy on pension schemes is far more promising and must be thoroughly investigated.

The proposal to increase the qualification age for the public pension is yet another attack on workers. They are being punished for doing the right thing and have been let down by those who presided over the debacle.

The terrible irony is that many of the culprits have now retired and will enjoy generous pensions that they neither earned nor paid for.

Many employers seeking to avoid trade unions are having the ‘right’ to do so recognised (at least partially) by the courts.

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4. Respect Rights in the Workplace

Ireland lags well behind other EU partners with respect to the rights and protections afforded to workers.

In fact, we are in breach of a number of human rights codes and international labour conventions with respect to workplace rights.

Over recent years, we have witnessed a growth in anti-union and anti-collective bargaining activity that is contrary to the principles of freedom of association, the right to organise and to bargain collectively.

This trend is reflected in High Court and Supreme Court decisions and shows that many employers seeking to avoid trade unions are having the ‘right’ to do so recognised (at least partially) by the courts.

In this regard it is at very least arguable that Irish law fails to adequately protect the rights of trade unions and their members, in relation to: The European Convention on Human Rights; the International Labour Organisation conventions to which we are a party; the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR).

A new Government should commit to introducing legislation that secures Ireland’s observance of these international commitments and properly protects workers, ensuring they can organise in unions without fear of reprisal.

Almost uniquely in Europe, **workers in Ireland do not enjoy that basic protection.**

This means the introduction of legislation that observes trade union rights in a manner consistent with:

- i) the *EU Charter of Fundamental Rights*,
- ii) the decisions of the *European Court of Human Rights* (Wilson, Demir and Enerjii)
- iii) our obligations under the *International Labour Organisation Conventions*
- iv) the *Council of Europe’s Social Charter*.

Such legislation would have a number of key elements. It would:

Ensure that the right of all workers to Freedom of Association, the Right to Organise and Collective Bargaining is guaranteed and properly respected;

Guarantee no adverse treatment, prejudicial act or any less favourable treatment resulting from union membership, or the exercise of union rights;

Provide for enhanced protection, that is available rapidly, and in a manner that guarantees to prevent any adverse treatment, by providing for injunctions along with dissuasive sanctions and improved redress;

Safeguard against anti-union activity and prohibit ‘interference’ which includes the use of ‘inducements’ or other measures designed to induce workers not to join or to give up their union membership, or to not exercise their trade union rights, including the right to collective bargaining;

Clearly define ‘collective bargaining’ and ‘collective agreement’ in line with accepted standards and require respect for the principle of ‘good faith’ in the collective bargaining process;

Set out the legal obligations on parties to participate in collective bargaining and the facilities and arrangements to be put in place to ensure ‘good faith’ in the process;

Establish the parties to collective bargaining, in line with ILO definitions and put in place safeguards against the use of non-union representatives to undermine the position of trade unions;

Ensure that self employed/freelance workers can collectively bargain;

Outline the institutional machinery to facilitate negotiations and the settlement of disputes;

Clarify the legal effect of collective bargaining agreements and the extension of collective agreements;

Re-establish fair employment rules.

In addition, the outgoing Government specifically targeted Ireland’s Human Rights and Equality infrastructure. Congress Equality Committees have developed a number of demands for any incoming government in relation to the Equality Authority, delays at the Equality Tribunal, review of our Leaves system, civil partnership, the national women’s strategy and the national disability strategy. See more at: <http://www.ictu.ie/equality/>

5. Protect Public Services

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This crisis originated in private banks. It only became a problem for the taxpayer when the Government blithely guaranteed the stupendous debts run up by these private institutions: private debt became public debt.

But the official response was to denigrate **the public sector** and cut the wages of the lowest paid across the economy.

‘Excessive’ public spending was falsely held up as the root cause of the crisis. This served to deflect attention from the Government’s catastrophic bank guarantee and their **dismantling of the tax base** over the previous 15 years – through tax cuts for the better off and tax breaks for developers.

Population growth over the last decade put huge pressure on the public purse. It is estimated that our population grew by over 300-400,000 between 2003-2008, as a result of immigration and births. That equates with an extra 80-100,000 people per year, all of whom required extra services in health, education and transport.

Public services are now being **sacrificed to pay for the costly errors of Government**, while public sector workers are enduring real hardship as a result of successive pay cuts.

The cuts also pose a major threat to the long-term viability of the Community & Voluntary Sector, in terms of job losses and services.

The Croke Park deal has already delivered significant changes across the public sector, in areas such as health, education and the civil service.

8 The **Croke Park deal** provides a framework for co-operation between staff and public service management in the implementation of a wide range of comprehensive reforms.

Public Servants are ready and willing to improve the delivery of service, in circumstances where there is reduced financial means. The agreement provides a unique opportunity for this to be done in a spirit of cooperation.

The Croke Park deal has already delivered significant changes across the public sector, in areas such as health, education and the civil service, for example. Productivity has increased across the sector and the changes will lead to real cost savings. The public sector is now doing more for less.

Read about the changes agreed at
<http://implementationbody.gov.ie/outputs/>

It is crucial that a new Government commits to the maintenance of public services.

Work must also begin on the process of building an **efficient single-tier health system** that is free at the point of access. The 'privatisation' agenda must be abandoned.

There must also be a commitment to investment in **education**, as it holds the key to long-term recovery and rebuilding. Targeted and strategic education investment will be necessary if we are to build a new and sustainable economy.

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