THERE IS A BETTER, FAIRER WAY

Congress Plan for National Recovery

Irish Congress of Trade Unions

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Introduction

Congress has consistently advocated the adoption of a Social Solidarity Pact as a better and fairer route to national recovery.

On January 28, Congress, Government and the employers settled on an outline Framework Agreement, which was to provide a basis for more detailed discussions on a National Recovery Plan.

The Framework committed all parties to a plan in which "*all sectors of society contribute in accordance with their ability to do so, and….the most vulnerable,* *low paid, unemployed and social welfare recipients are insulated against the worst effects of recession."*

But Government failed to follow through on this commitment, which envisaged no less than a coherent response to **all** of the major issues facing working families.

They resorted instead to a narrow focus on the public finances - without seeking a contribution from the wealthy. Their intent is to achieve a competitive devaluation of wages across the economy, as we are no longer in a position to devalue the currency. Ironically, a currency devaluation would be more equitable, as it would reduce living standards for everyone, not just workers.

Congress remains committed to the concept of a Social Solidarity Pact and here we present 10 key initiatives that we believe must form part of such plan or agreement.

Our preferred option is to engage with all parties on these initiatives but if that is not possible, we will embark upon a major campaign to achieve a change in policy, commencing with nationwide demonstrations on February 21.

1. **Protecting Jobs & Tackling Unemployment**

   Our social welfare system must be radically altered and integrated with skills enhancement, education and training. In a number of European countries, unemployed workers are guaranteed incomes of 80 percent of salary for two years, conditional on their participation in extensive training and upskilling. Employers are also assisted to identify alternatives to redundancy, such as short term working weeks and other arrangements.

   A similar scheme, modified for Irish conditions, could be funded by amalgamating current expenditure on benefits with additional funding from the Public Capital Programme (PCP). This approach should be complemented by reprioritising the PCP to support job protection and labour intensive activities.

2. **The Banking System & the Public Interest**

The Bank Recapitalisation Programme involves handing over €7 billion of public money, from the Pension Reserve Fund, to the same people who presided over the collapse. Their refusal to forego enormous personal salaries and bonuses speaks volumes about their contempt for the taxpayer. That €7 billion must not disappear into a black hole and only one consideration – the public interest – should inform Government decisions on this crucial matter. And given all that has emerged about the conduct of senior bank executives, we require a complete overhaul of Corporate Governance and clear indications that wrongdoing will be punished. Support for the banking system should be conditional on:

- public control, either through Recapitalisation or Nationalisation;
- a legally-enforceable obligation to provide support for innovation and development in the economy, along with credit and support for business cash flow, where it can be shown that it is critical to job protection or creation;
- replace all top executives responsible for the crisis, in the relevant banks;
- remuneration from all sources for those at the top must be capped;
- three year moratorium on home repossessions, where people cannot pay due to redundancy or unfair dismissal.

3. **Competitiveness.**

In addition to the absence of a properly functioning banking system, the most immediate threat to our competitiveness comes from the weakness of

Sterling, not wage rates. This accounts for about two thirds of the deterioration in recent months.

Energy prices must be reduced and the only impediment to this is the nonsensical regulatory regime that has pushed prices higher to ensure private generating companies make a profit. Coupled with the failure of our broadband infrastructure - following the privatisation of Eircom - this demonstrates the critical importance of strategic state intervention in the economy.

Our cost of living in Ireland is some 20 percent above the European average. Failure to pass through gains from a weakened Sterling and high professional fees are an unjustifiable drag on competitiveness.

4. The Pay Agreement

Congress continues to adhere to the Social Partnership agreement. The Government, CIF and IBEC have now, in effect, reneged on the pay deal they negotiated in September 2008. Yet, significant numbers of private sector companies have paid the first phase of that deal and others have committed to doing so. No credible reason has been advanced to explain why the 'inability to pay' clause has not been utilised.

This is no less than a campaign against wages, as an alternative to a currency devaluation, to promote competitiveness. But the state of the global economy is such that wage devaluation is unlikely to have much impact on exports, whereas it will seriously depress domestic demand.

Ultimately no incomes policy can have credibility unless the remuneration of senior company executives is curtailed, as has happened in the US.

5. Fairness & Taxation

The Framework Agreement includes commitments to fair and progressive taxation measures. But Government must spell out what this means in practice. How much of the €2bn shortfall will be carried by the wealthiest in the country? We believe the following reforms should be introduced:

- Income from all sources – capital and labour - must be taxed the same;
- Tax exiles must stay away if they don't want to be taxed here;
- Tax shelters without a proven economic gain should be abolished;
- A property tax should apply to property other than the principal private residence;
- The levy on high earners (above €100k) should be graded upwards significantly;
- A new rate of income tax at 48 percent for high income earners;
- Abolish hospital co-location, with its generous tax breaks for developers.

6. Restoring Consumer Confidence

The property boom encouraged unsustainable levels of credit and spending. This has now been reversed and people are frightened to spend. This fear is paralysing the economy as people are worried about unemployment, pensions and repossession of their homes. As almost half our GDP comes from consumer spending, this has enormous implications. It undermines employment and jeopardises the survival of businesses. The state also loses out on tax revenue.

It is imperative that people's fears are addressed. The failed policies of letting the wealthy off the hook, while forcing working families pay for the crisis, has already led to a slump in consumption unparalleled elsewhere in Europe. Retail sales in Ireland have been falling at an annual rate of 8 percent, as compared with the EU average of one to two percent. Recent VAT increases have exacerbated the problem.

Policy to date has been almost exclusively deflationary in practice. Surely the most sensible option is to stimulate the economy, rather than dampen spending and growth? To this end, all parties must now return to the negotiating table to agree a resolution of the situation on the National Pay Agreement, to provide people with some confidence for the future.

7. The Public Service ‘Pension Levy’

We acknowledge there is a crisis in the public finances. Government must return to the Framework Agreement of January 28. This recognised the necessity for radical measures to bring the public finances under control, on the basis of all sides contributing in accordance with their ability to do so. Until that happens there can be no sustainable plan for national recovery.

The so-called ‘Public Service Pension Levy’ is a crude and unfair instrument. As currently structured it is a straightforward pay cut. It has no regard for ability to pay. Indeed, some people on lower incomes pay proportionately more than those on higher pay. Apart from seeking to tackle the public finances without charging the wealthy a cent, it is also part of a strategy to drive down wages across the economy.

Workers did not create the problem, but will contribute to resolving it - as long as the wealthy also contribute. The problem with the course currently being pursued by Government and employers’ organisations is that the weakest suffer, while the wealthy contribute nothing.

8. Pensions

Private sector pensions are in crisis and there is increasing doubt about the long term viability of many funds. Government cannot stand by and allow people to emerge with nothing, having worked and contributed to a fund for perhaps 40 years. Waterford Crystal is a case in point.

Congress wants the National Pension Reserve Fund to be used as a Pension Protection Fund – which EU law requires us to establish. It has not escaped people's notice that there is official reluctance to use it for this purpose and none whatsoever when it comes to propping up the banks.

Other innovations suggested by Congress include a state backed annuity and the possibility that private pension funds could have the option of voluntarily surrendering their assets to the state, in return for a certain level of guaranteed pension.

9. Employment Rights Legislation

In *Towards 2016* Government committed to enacting a programme of legislation to protect the rights of all workers in the context of EU enlargement. The aim is to stop exploitation of workers regardless of nationality. Recent events in the UK demonstrate the need to get this legislation enacted quickly.

10. National Recovery Bond

It is clear that people are anxious to contribute to national recovery. This spirit could be channelled positively by establishing a National Recovery Bond. While we have enough borrowings for the immediate future, the state will presumably need to borrow more next year. With the cost of this borrowing increasing, a domestic National Recovery Bond could save the exchequer a lot of money. It could also be targeted at specific sectors such as school building or public transport, so people could see tangible gains

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