

21st December 2016

Mr Danny McCoy
CEO
IBEC
84/86 Lower Baggot Street
Dublin 2

Re: Interview Irish Independent - Monday 19th December, 2016

Dear Danny

While acknowledging your absolute entitlement to express your views and those of your organisation in whatever manner you deem fit, I feel it is important to put the following on record specifically relating to comments attributed to you in the above interview.

You refer to the recent Congress advice to affiliate unions to seek a 4% pay increase during the 2017 pay rounds, as a "try on" an assertion I completely reject. The Private Sector Committee of ICTU reached this figure based on the Department of Finance's medium-term (2017-2021) expectations for annual growth in the personal consumption deflator (2.1%) and labour productivity (1.3%) combined with small upward adjustments to compensate for the decline in nominal incomes in recent years and Ireland's very low wage share as a percentage of national income. Clearly your position that inflation is an irrelevance in terms of pay claims is not a sustainable position. Future price inflation in the absence of a wage increase amounts to a cut in real wages and compensation will need to increase by at least the level of inflation just to avert declining living standards. This level of pay increase should be considered a starting point not a destination.

Given your extraordinary hyperbole on the matter of Public Sector Pay, perhaps it is worth pointing to the following facts:

Over the past 7 years, through emergency legislative provisions there has been a 20% overall reduction in the Public Service Pay Bill – unprecedented in the history of the State. Although your organisation was not party to any of these discussions, you are no doubt aware that a key component of each successive public sector collective agreement included a provision for a review of terms in the event of economic recovery. Given our economic revival is underway it is entirely appropriate that public sector pay restoration and recovery should be the subject of imminent discussions with the employer. In these circumstances I would have thought a mature employer response would have supported a fair solution rather than the 'Trumped up' comments ascribed to yourself.

Your statement that Irish living standards are 'spectacular' is no doubt a surprise to all of those families in Ireland experiencing deprivation. According to the most recent CSO data, 29% of the population experienced two or more forms of deprivation in 2014. This group will have included many low paid workers. You talk about the living wage as 'bunkum' and ask why employers should care about the living standards of workers. Even if you do not care about the well-being of workers there is a wealth of evidence that factors like poverty can have extremely damaging and lasting effects on human capital and therefore on the long-run productivity of Irish workers and business. It is now an accepted fact that low wages also undermine morale to the detriment of productivity. I would also dispute the idea that productivity should be 'rewarded' with a fair wage. A fair wage is not a reward – it is compensation for labour provided.

You go on to claim that Ireland is in the throes of a 'private affluence, public squalor crisis' and claim that the fiscal rules prevent us from 'doing public infrastructure'. This is plainly nonsense. The fiscal rules permit Ireland to spend as much as we wish on public infrastructure. We could double investment overnight if only we were willing to generate sufficient revenue from taxes and social contributions to pay for those investments.

Various economic sources have pointed out that public spending is very low by Western European standards. Highly competitive countries such as Sweden are able to support higher levels of infrastructure by taking a longer-term strategic view of the economy and society that recognises taxes and social contributions as the income stream that supports investment in the economy's productive capacity – be it in the form of infrastructure, education, R&D or other investments. Too often the business community only considers the costs of taxation without considering the long-term benefits. The problem is not that the state's expenditure is too high; it is that the state's income stream is too low. You point out that there is huge wealth in Ireland. It is true that some households are very wealthy and this is something that should be considered when looking at future ways to broaden the tax base. Ireland's low level of government revenue is the real constraint on public spending and public infrastructure. Ireland already has the most 'pro-business' fiscal regime in Europe in terms of low corporation tax and extremely low employer social security contribution. Pretending otherwise ignores the facts.

Thankfully your contention in relation to trade union density is entirely inaccurate. The trade union movement is growing in strength, through various co-ordinated organising campaigns across the entire workforce. Given your stated views it seems to me workers are making the correct decisions in pursuing decent work and conditions of employment through organised labour.

Yours sincerely



Patricia King
General Secretary