STRONGER TOGETHER
CONGRESS
Irish Congress of Trade Unions

Address by Congress General Secretary Patricia King to Sinn Fein,

Dublin, September 2016

Thank you for the invitation to address your Forum today and to consider the theme of Investment and Social Justice.

Could I also take this opportunity to thank for your support to us and particularly Deputy David Cullinane for his work in relation to various employment rights issues.

Ireland is now emerging from the worst economic crisis in the history of our State, one which has had severe and visible effects on our society. Over the last 8 years ,working people have paid a huge price for a crisis they did not create. While , undoubtedly, our economy has recently experienced strong growth, our society is deeply fractured and unequal. We must begin the process of rebuilding and repairing Irish society, attending to some of the very evident damage done over these years. We must address the diminished living standards and the denial of opportunities to countless numbers of people. The citizens of this State deserve far better.
Clearly, there are risks and challenges to be faced, not least the short, medium and long-term impact of Brexit on the Irish, Northern Irish, British and wider European economies.
Nonetheless, the uncertainty that has arisen as a result should not become an excuse for paralysis or be employed as an argument against taking bold and imaginative steps.
Social justice requires us to ensure the most vulnerable in society are included in the recovery .

Congress believes that this country's first priority must be investment in our public service infrastructure ,through a progressive taxation system, with sufficient resources targeted to support the delivery of quality public services. Tax breaks that provide no social or economic benefit, other that a windfall to those who use them to lower their tax bill should be eliminated. We need a simple tax code so that every group pays its fair share.

There has been a huge focus over past weeks on our Corporation Tax system and rightly so, in my opinion we have another tax debacle staring us in the face and we need to address it . I am referring to the reduced VAT rate from 13.5% to 9% applicable in the Hospitality Sector since July 2011. Overall loss of revenue to the State over this period is €2.1billion or €626m per annum. Profits are now soaring in the sector. In the Hotels for instance, Crowe/Howarth Review informs us that annual profits per room rose to €16,913 ,Q1 2016, in Dublin compared to €13,797 in 2014. They increased by 40% in Midlands and East up to €10,628 and €8,000 in the Western Seaboard. Room rates are up nationally by 15%. (Dept of

Finance figures). In the restaurant Sector , which includes some very large global companies profits are also rising. They claim major improvements in job creation, the facts are :
Q1 2010 – 80,000 fulltime jobs, Q1 2016 87,400,
Q1 2010 51,00 part-time jobs Q1.2016 -55,000.

Tax based incentives, or 'giveaways', should be accompanied by social obligations. Accordingly, VAT rates in the hospitality sector should be restored to their original level of 13.5% unless the employers enter into the Joint Labour Committee process and negotiate in good faith. It is inappropriate that this tax subsidy should continue alongside the high rates of low pay and precarious work practices in this sector

Recovery will not be built on economic insecurity, much less a thriving society. Low pay, precarious work, bogus self employment., Little if any security of tenure, no entitlement to have the worker or trade union voice heard in particular sectors ---- unemployment and underemployment have become - for too many people - the defining characteristics of our labour market. Ireland has a very high incidence of low pay compared to other rich countries with one in 5 workers categorised as low paid. In order to protect workers the living wage must become the floor for pay across the economy. It should not fall to the State to subsidise low-wage employers through the social welfare system, as currently happens. This, it is worth noting, is in complete contrast to the position advocated by IBEC . Congress have campaigned to have the hourly rate of the minimum wage (€9.15) rise to the rate of the Living Wage (€11.50) over the lifetime of the current Low Pay Commission, which runs until 2018. This is well illustrated in or minority report included in the recent Low Pay Commission Report.

There is no doubt, that the alienation felt by large numbers of British workers was a huge factor in the recent Brexit vote. Indeed, it would not be an exaggeration to say, that this alienation is a threat to the very existence of the EU and to the democratic institutions of modern Europe. The rise of far-right political parties across Europe is due directly to the relentless pursuit of an economic model that emphasises wage competitiveness and suppression above all other aspects of the relationship between workers and their employers. In the UK this agenda was pursued with unmatched vigour through the deliberate creation of increased job insecurity, lower wages and the systematic and deliberate undermining of workers organisations that would redress the power imbalance.

In Ireland too there has been an ever-increasing tendency to outsource activity in both public and private sectors, designed to reduce costs by paying workers less and providing ever-worsening conditions of employment. As a consequence, jobs that once offered security and a basic, decent, standard of living, are increasingly been turned into insecure, poorly paid, low status roles. It should not surprise anybody that this increasing section of the workforce no longer views themselves as having a real stake in the continued stability of our society. The potential consequences are obvious. Achieving a worthwhile future for our society requires that workers should be able to deal with employers on an equal and fair footing, that employment delivers a living wage and that employment is not seen as a cost but, rather as a means of providing citizens with decent incomes and opportunities that afford them a status and a stake in our society.

For those not currently employed, we believe that all welfare payment rates should be increased in Budget 2017 together with the restoration of the Christmas Bonus in order to insulate the most vulnerable groups in Irish society against the effect of price increases in 2016. Cuts to Jobseekers' Allowances payable to new entrants to the live register under the age of 26 must be reversed. The policy is clearly discriminatory against young people and increased hardship for the under 26 age cohort at a time when there were an inadequate number of jobs available for young people to move into.

Our pension system is dysfunctional and needs urgent overhaul. This is a critical social issue, with hundreds of thousands facing old-age poverty because of bad regulation, poor oversight and lack of planning. The largest single source of income for 81% of those aged 65 and over is the State Pension. The protection offered by Social Transfers is most evident with CSO figures showing that when social transfers were excluded the 'at risk of poverty' rate among older age groups was 81% as against 9.6% when included.

This situation, in our view, can only be remedied by the establishment of a National Superannuation Fund with contributions from employers, workers and government that are mandatory for those workers and employers not in a work pension scheme. The raising of pension age eligibility is happening faster and going further in Ireland than in any other European Union country. The pension age should not extend to 68 years unless done as part of an EU-wide initiative.

Many of the problems that beset our society result directly from choices made by successive governments and from the priority that we as a society accord to equality.
Economic recovery will not happen without social repair: you cannot construct a dynamic economy alongside a fractured society. Social repair requires greater investment in both public and social infrastructure, currently at an historical low point. If we continue on this path, Ireland will have among the lowest public spending ratios in the European Union by 2021. This must change.

To begin the process of repair ,Congress is of the view that a critical priority must be a large-scale programme of public investment, with particular focus on the housing stock and homeless crisis.
Ireland is one of the richest countries in the world, yet somehow we are unable to house our people. We now have a housing emergency, and this should be a matter of great shame especially for Irish policymakers.

Existing policy approaches have failed and the market has failed. The housing crisis will not be overcome by relying on a market-led model of development. The needs of our citizens require that the state steps in and leads the solution and accelerates construction with a substantial increase in the capital budget in Budget 2017.

The government should undertake to deliver the biggest housing programme in the history of the State, aiming to solve this crisis by 2019. Land and vacant houses should be acquired through compulsory purchase order, and a vacant site levy introduced with the income ring-fenced for homelessness.

Social housing policy must address the twin goals of making affordable and secure rental accommodation available to a significant share of the population, while increasing the stock of homes in well-designed, sustainable neighbourhoods available to those on lower incomes.

The waiting list for secure tenure social housing has tended upward since new forms of short-term, market-led housing supports were introduced and the construction of new houses became almost entirely dependent on private provision.

The output of housing, whether in terms of new builds or adaptation of existing property, is about one third of what is needed to begin to reduce homelessness and make inroads into waiting lists. Some 25,000 housing units are needed annually just to meet demand. Therefore to even begin to make an impact on homelessness and the housing waiting list we need *in excess* of 25,000 units per year.

Ultimately a greater sense of urgency and a much bigger outlay of public investment are needed. Given the scale of the emergency and the extent of human suffering caused by this policy failure and the over-reliance on the market and property developers to deliver an essential human right, we propose that a sum of €1 billion extra funding be allocated in Budget 2017 for the public provision of housing. Funding should go towards adaptation of existing dwellings as well as towards new builds.

We propose this sharp increase in investment with the aim of reaching an annual output rate of 5,000 social houses per annum by the end of 2017 and 10,000 per annum by the end of 2018. This is the minimum required for us even to begin to make inroads into the crisis. A public capital investment of around €2 billion per annum will be required to sustain 10,000 units per annum for the duration of the emergency. Unfortunately the new Government strategy falls well short of the required level of ambition.

Policy failure in Childcare can be remedied by raising investment to European levels. The very high cost of childcare in this country is a major barrier to labour market entry and significantly contributes to the loss of high quality skills, experience and knowledge within the workforce. The cuts to payments to lone parents have been compounded by inadequate levels of public childcare provision. Equally the poor working conditions in the sector must be addressed. Strangely, there was little or no reference to this critical issue in the Summer Economic Statement. It is our view that a decision not to invest in this area would represent a false economy and merely compound already existing difficulties.

Ireland's annual childcare spend is among the lowest in the European Union at just 0.2% of GDP. The Government should raise this – over 10 years – to the UNICEF recommended benchmark of 1% of GDP. Given that employers will benefit, their rate of PRSI should rise to help fund this. In addition, Congress proposes funding of €200 million to expand on the public provision of suitable, publicly provided and subsidised childcare. This should be part funded through an increase in employer's PRSI on the portion of salaries in excess of €100,000.

Enhancing the quality and coverage of public childcare services should be a central component of an increased social wage to workers.

Money spent on education and health must be treated as an investment and not a cost. An accessible and inclusive public education system is a prerequisite for an equal society. Since 2005, student numbers have increased by almost one-fifth, while spending per pupil has barely risen. As part of a medium-term plan, funding for education should be set at the equivalent of 7% of GDP and provided through a progressive taxation system. Congress also proposes the introduction of an Apprenticeship and Education Levy, payable by employers, in respect of each employee earning more than €60,000 per annum, on a graduated basis. This should be hypothecated for an apprenticeship and education fund which would be used only for that purpose.

Every citizen must have timely access to a well-resourced, internationally comparable modern health service. This requires funding to ensure access to the best possible evidenced based treatments which should not be dependent on individual ability to pay.

Our current health system is unable to provide this level of care and is therefore profoundly unequal. Contrary to the scare stories, we do not have the highest health spend in the OECD. According to the CSO we rank 13th by reference to percentage of GDP spent by public authorities. Our medium-term goal is the creation of a universal, accountable, single-tier health service with an annual budget of 10% of GDP in the coming years.

Capital spending is very low in Ireland The World Economic Forum's competitiveness index places Ireland just 27th in the world in terms of the overall quality of infrastructure. Inadequate supply of infrastructure was ranked as the second most problematic factor for doing business after access to financing. The current shortfall in public investment has consequences for the economy's growth potential.

Yet the government's plan out to 2021 appears to be a continuation of chronic underinvestment. According to the Department of Finance's stability programme update public investment will be a derisory 1.6% of GDP in 2017 and will remain below 2% of GDP out to at least 2021. These figures are very low by EU standards. Such a low rate of public investment, if maintained, is likely to produce infrastructure bottlenecks and impede Ireland's medium-term growth potential.

The Nevin Institute, the Fiscal Council and a range of other economists and groups have repeatedly pointed to the problem of low public capital investment levels in Ireland. A 3% investment figure should be the minimum target. A medium-term target of 4% of economic output should be set for public capital expenditure.

Net benefits to investment are particularly high where the cost of borrowing is low - as is the case for the Irish Government at the moment. The Irish government's cost of borrowing (ten year bonds) is close to historically low levels. At the same time the ability of the private sector to invest is still somewhat constrained by over indebtedness and a lack of credit. The long-term Rate-Of-Return (ROR) to the Irish economy from a public capital investment programme is likely to be well in excess of the Government's currently low cost of borrowing. In this context the case for borrowing to fund public investment becomes compelling. It would make sense for a private company to borrow to invest under these conditions and it equally makes sense for the Government to borrow to invest.

The Government should work with other European Union member states to change the fiscal rules to allow for a significantly different treatment of investment by public authorities. The resources allocated for the 'Rainy Day Fund' proposed by Government should be used instead to increase public capital investment levels to an adequate level.

This year we are marking the centenary of 1916 Rising and in just three years we will mark the centenary of the First Dáil whose Democratic Programme affirmed the *"right of every citizen to an adequate share of the produce of the nation's labour."*
We should start work now to make that a reality.

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