IRELAND NEEDS A PAY RISE

As we emerge from the worst recession since the 1930s, there are a number of facts that cannot be denied:

- ***Workers and their families did not cause the collapse but workers and their families shouldered most of the burden of this crisis.***

Let me just briefly elaborate on this point and demonstrate what happened to workers:

The biggest casualty of all was the near quarter-of-a-million people, from across the economic spectrum, who lost their livelihoods. In fact, that figure could have been much larger except for the tenacity of workers and their trade union officials who laboured to devise creative methods to sustain jobs into the future. The Bausch and Lomb case, you will hear about from Allen Dillon and colleagues later, is such a case in point.

- ***We have become a low pay economy***

According to Eurostat one in five workers in Ireland are now regarded as low-paid. An OECD study of 18 member-states tells us that at 20.9%, we are 2nd highest in the 'Low Pay' category next to the U.S., which is at 25.3%. We also engage in such precarious practices as utilising zero and low hour contracts. The JLC system was dismantled and rebuilt but there is very strong resistance to its operation from key employer sectors in the economy, such as Hotels, Catering and Retail, resulting in these workers - who are predominantly young or women workers – earning little more than the NMW.

In this country, we can also lay claim to a gender pay gap of 14.5%.

The Low Pay Commission has just been set up and we will have to await its initial recommendations to Government in July.

In the Construction Sector employment fell from a 2007 high of 270,337 to its lowest at 102,000 in 2012 - a loss of 168,000 jobs. The REA system also collapsed on foot of a Supreme Court judgment resulting in these workers experiencing pay cuts and reductions in terms and conditions. We still await revised legislation which will hopefully stabilise the wage framework in these sectors.

If you are a Public Sector worker, you will have experienced a basic pay reduction (including the pension levy) of between 9% and 19.5% since 2009. You will also have lost allowances, had your overtime rates cut, your increments deferred or frozen, your hours of work increased by up to 3 hours per week, your annual leave adjusted and your sick pay entitlement halved. The mantra of *'do more with less'* was rampant and public sector job numbers decreased by 30,000 in the period.

If you worked in a Commercial Semi-State company such as RTE, Dublin Bus, Bus Eireann, Iarnod Eireann or the DAA, your pay will have been reduced by up to 10% together with other organisational restructuring.

In the Private Sector, as I described earlier, Services Sector workers - mainly low paid, suffered considerable income reduction and job loss. However in 2013, some of the high-end retail employers, through collective agreement, did concede pay increases in the region of 3%, together with the Financial Services Sector, which also rose considerably.

In Manufacturing, generally speaking, up to 2012, wages stagnated. Temporary lay-offs, short-time work arrangements and productivity restructuring agreements were the order of the day. Worst of all, compulsory job losses were a weekly occurrence depending on the particular sector and indeed they continue to haunt workers, as evidenced in the recent announcement by Mondelez.

In unionised companies where collective bargaining arrangements apply, a definite trend of upward wage adjustment has emerged. More recently in sectors such as Pharmaceuticals/Chemicals, Medical Devices, Electronics, Agriculture/Food and in Financial Services, pay increases averaging 3% per annum have been implemented. There is no doubt that a Trade Union premium is now well and truly established.

In addition to all of this, as a PAYE worker, since 2009 your gross income will have had additional deductions, including the following:

> Tax Credits and Income Tax bands were reduced in 2011 and the Universal Social Charge was introduced with a current levy of 7% on income - whether you earn €17,000 or €70,000 p.a. Employee pension contributions became liable for PRSI deduction and available tax reliefs on costs such as childcare, rent and trade union subscriptions were abolished. As we know the Local Property Tax was introduced in July 2013 and Household Water Charges have been implemented from 1st January 2015.

Incidentally, if you are a parent with childcare needs then you are facing the second highest costs in Europe. If you rent a dwelling, the average cost has risen from 30% of wages per annum to 41%, particularly in our capital city. Ireland also has the lowest social wage in Europe.

In circumstances where workers have Pension Schemes in the private sector, these have faced a massive assault. Schemes have been either closed down, benefits readjusted downwards or they have been converted to less-assured defined contribution (DC) schemes. This alongside a tax levy on private pension funds!

So if that describes most of the **worker** austerity experience, what is the current **employer** environment?

Ireland is a low wage but highly productive economy, with rising profits. In the private sector, wages are low by European standards. We rank 11th in the EU 15 - 14% below the average.

- ***Unit Labour Costs***

According to the OECD, Ireland's unit labour cost has dropped by just under 20% and NERI tell us that real wages have declined by 10% since 2009.

- ***Productivity***

Irish Productivity is considerably higher than the EU 15 - average 2nd only to Belgium. This statistic is supported by Eurostat and Forfas. Eurostat also tell us that Irish employee compensation makes up a smaller proportion of total operating costs than in any other of the EU 15, with labour costs less than 23% of total operating costs in the market economy, regardless of what measurement is used. Forfas also report that Ireland's competitiveness is in a positive space.

- ***Profits***

The closest proxy measure for profits is 'Net Operating Surplus and Mixed Income' of all corporations (financial and non-financial) as outlined by NERI. After a plunge of

22% in 2009 the total rose at an annual rate of just over 10% in 2010 and 2011, before levelling off at €47billion in 2012.

While the structure of GDP and company profitability differs with Ireland attracting large numbers of 'profit shifting' and 'profit booking' companies compared to other countries, it is clear that company profitability has recovered well since the crash of 2008, with a steady increase in profits as a percentage of GDP. The share is back up to 28.9% in 2012 compared to 27.5% before the recession hit.

Notwithstanding the recurring incidences we hear of - of tax avoidance and evasion measures which are being utilised by an increasing number of companies - Corporate Tax revenue increased by 28% in 2014 as against the 2011 take and it is worth noting that Employer PRSI contribution rates are only one-third of the European average.

Interest rates are at an all-time low and borrowing money is cheap.

Oil prices are also at an all-time low resulting in much lower energy costs.

Inflation is very low.

While we can claim transparency in terms of the remuneration for those at the top of Public and Community Sectors and indeed Trade Unions, those at the top of the Private Sector still hold on to their 'secrets'. Nobody, other than themselves, know what they earn, but the statistics of growing inequality speak for themselves. The Government should, in my opinion, complete the circle and set up a High Pay Commission as they did in the U.K.

Finally, we need to continue to inject real life back into our economy. We won't be able to achieve that by tax reductions. Reducing tax reduces the state's ability to provide quality Public Services and supplements the profits of companies by decreasing their need to dip into their own increasing profits and provide a reasonable pay increase.

Just one example worth considering:

The Revenue Commissioners' estimated cost to the Exchequer of the reduction in the 41% to 40% rate of Income Tax for earners over €70,044 announced in Budget 2015, is 'in the order of €180 million'.

Another illustration is the fact that Tasc have highlighted that 50% of all workers earn less than €28,000 and two-thirds earn €35,000 or less which means that tax reductions on the higher rates will be of no financial benefit to the vast majority of workers.

Let's have an economic policy based on the reversal of income inequality. Creating decent jobs with decent incomes is essential to achieving this and we in Congress believe this is best delivered by the implementation of a Living Wage over time for all workers. This would create the 'Virtuous Circle' effect, whereby a pay rise increases the spending power of workers, which improves domestic demand, drives growth, increases tax revenue and the ability to provide quality public services, business expands and jobs are created with less dependency on State intervention.

More immediately, given the litany of income reduction measures visited on workers' pay packets as outlined, few could disagree that all workers in the country need a pay increase. Of course, the usual suspects question this and the employers have not deviated from their now well-worn mantra of 'protecting the country's competitiveness' with the added guilt trip that if you seek a pay rise you risk job loss.

Workers are intelligent people. When they collectively bargain, they do so in the context of sustaining their own jobs.

In my opinion, the only questions to be answered are: how much, how and when.

Maybe it's up to the Trade Unions to set the pace!