

The European Semester process and the development of Ireland's National Reform Programme 2022

February 2022

Introduction

1. This document sets out ICTU's views on the European Semester process and the development of Ireland's National Reform Programme (NRP) 2022 that the government is due to present the European Commission by the end of April.
2. We are taking the fact that we were not asked by government to set out our views on these matters to be an oversight, but it is difficult not to see this as in keeping with the generally inadequate consultation and involvement of trade unions and civil society in the development of Ireland's National Reform Programmes (NRPs) over recent years and the National Recovery and Resilience Plan (NRRP) last year.¹
3. We are keen nevertheless to engage further with government on the NRP 2022, and we would appreciate a meaningful opportunity to set out our views on the draft NRP before the final document is sent to the Commission.

Main challenges

4. The major challenges that in our view need to be addressed in the NRP 2022 include moving on from protecting jobs and incomes – the primary objectives of the job retention and income supporting measures that ICTU was involved in establishing when the pandemic hit – to creating jobs and to improving job quality; addressing long-standing

¹ We would refer for example to the statement in the Commission's 2019 country report that that the social partners are 'rarely involved and consulted in relation to the European Semester process by the government', the implicit criticism in the Commission's analysis of Ireland's NRRP that 'the consultation process was relatively brief', and the emphasis in the Council's implementing decision for Ireland's NRRP on involving stakeholders, including the social partners. We see these conclusions and recommendations as referring primarily to civil society, as we understand that the government engaged with business representatives on aspects of Ireland's draft NRRP last year (Eurofound, forthcoming).

investment deficits such as in housing, childcare, education, and health, and advancing the twin green and digital transitions.

5. The NRP 2022 should also set out appropriate actions to address and mitigate the impact of the increase in the cost-of-living over recent months, especially for low-paid workers and people on fixed incomes.
6. All these challenges have to be addressed against the backdrop of the ongoing economic recovery from the pandemic (which we hope can continue but which must depend on public health advice), a changed international trading environment for many sectors as a result of Brexit, a changing international corporate taxation environment that has major implications for an economy as globalised as Ireland's, Ireland's historically low levels of revenue and public expenditure compared to most other high-income European countries, increasing digitalisation, AI and automation at work, and a growing and ageing population.
7. These challenges must also be addressed in the context of a fiscal position that was relatively strong pre-pandemic, but that is on a stable short-term trajectory albeit still over-reliant on potentially volatile corporation tax receipts. Our view is that annual increases in non-cyclical public spending, net of revenue measures, should be aligned to the economy's medium-term growth potential but that ambitious revenue-raising measures must be adopted in the medium-term in order to ensure sufficient and stable revenues for future spending needs and to put debt on a downward trajectory. As we have recommended, additional revenues can and should be raised by broadening the tax base, by bringing social security contributions from employers and self-employed to the levels of other European countries with better labour market performances than Ireland, and by reform of the system of tax expenditures (ICTU, 2020).
8. While the economic, employment and social situation has changed quite dramatically as a result of the lifting of many Covid-19 restrictions over recent months, the Commission's 2021 analysis of Ireland's NRRP is relevant as it acknowledges many of the challenges facing the country, especially those that require more ambitious action than is apparently envisaged in the NRRP.²

² It states for example that 'expected future needs for social housing in Ireland are likely to be higher than the number of units currently planned' (p.46), that a significant share of public support for R&D in firms *continues* to come through the research and development tax credit' (p.11), and that Ireland's NRRP is expected 'to *partially* address challenges' related to the enforcement of anti-money laundering rules and to features of the tax system that 'facilitate aggressive tax planning' (pages 38-39). Ireland's final NRRP is still not publicly available, only a summary.

The EPSR Social Scoreboard

9. We understand that the invitation to comment on the NRP 2022 indicated that ‘in line with guidance from the European Commission’ the NRP 2022 will ‘also reflect’ on Ireland’s progress towards the UN SDGs and the European Pillar of Social Rights.
10. We would accordingly recommend that the NRP 2022 focus on issues on which Ireland is graded as ‘on average’ or ‘to watch’ under the EU Social Scoreboard headline indicators.
11. For example, with regard to the employment rate ‘to watch’ indicator, the 2.9 percentage point decline in Ireland’s employment rate (20-64 year olds) between 2019 and 2020 was almost three times the EU-27 average fall of 1 pp. Ireland also saw the highest percentage point increase in its rate of young people neither in employment, education or training (‘NEETs’) between 2019 and 2020, from 11.4% to 14.2% and while the NEETs rate for Irish citizens rose from 11.3% to 13.4%, it rose from 12.7% to 18.2% for other EU-27 nationals and from 12.7% to 20.5% for third-country nationals.
12. The NRP 2022 should also address headline and secondary indicators that show a deterioration in Ireland’s performance over the course of the pandemic. These would include the ‘in-work-at-risk of poverty rate’ (after social transfers), which rose from 4.3% to 5.8%, and adult participation in learning, which declined from 12.6% to 11%.
13. As acknowledged above, while some of the challenges identified by these indicators may have improved over recent months, we believe they should nevertheless be considered in the development of the NRP 2022.

Porto social targets

14. Looking towards the longer term, the NRP 2022 should also set out an ambitious strategy for achieving the ‘Porto social targets’ for 2030 arising from the EPSR Action Plan - employment, participation in training, and the numbers at risk of poverty or social exclusion.
15. With regard to the employment rate target, we understand the government is considering a target of just over 78% (for 20-64 year olds) for 2030. If achieved, this would be Ireland’s highest ever rate, it would also be just three percentage points above the 2019 rate of 75%, a rate that was exceeded by 15 other member states in that year and just before when Ireland’s employment performance was graded as ‘average’ in the last pre-pandemic Joint Employment Report adopted in April 2020. We would instead recommend a target of least

80%, the target set by Denmark and the Netherlands in 2010 under the Europe 2020 strategy and the rate reached by five member states in 2019.³

16. Ireland's strategy for the Porto social targets should also entail sub-targets for the complementary goals in the EPSR Action Plan - to halve the gender employment gap, reduce the NEETs rate, and increase the provision of formal early childhood education and care services – as some other member states did under the Europe 2020 strategy.

A decent work agenda

17. The 2022 NRP should also set out a clear strategy for prompting decent work in line with Ireland's commitments under the UN SDGs, principally SDG 8, and the European Pillar of Social Right. Despite the fact that a number of government-commissioned reports over the past year or so have acknowledged precarious work as one of the contributory factors to the severity of Covid-19 in certain sectors,⁴ decent work was not addressed in Ireland's NRRP, in contrast to the NRRPs of some other member states.⁵

18. Government will be aware that the 2021 ESRI/IHREC report *Monitoring Decent Work in Ireland* stated that:

‘Earnings as a whole are largely unaddressed within national strategies. Future iterations of these strategies should consider issues relating to decent work as a whole, such as pay, rather than focusing solely on labour market activation.’⁶ (McGinnity, 2021).

19. ICTU acknowledges and welcomes the fact that the 2021/2022 National Risk Assessment (December 2021) does consider to a greater extent than any previous National Risk Assessment the risks arising from precarious work in Ireland. It defined precarious work as involving ‘in broad terms...temporary contracts or casual work, limited entitlements and protections, and relatively low pay’, it cited the 2021 ESRI/IHREC report to acknowledge that ‘employment can be less positive for inclusion where it involves poorly rostered hours, low pay and bad conditions’, and it warned that ‘more precarious labour markets are

³ We understand that Belgium, which had an employment rate of 70.5% in 2019, is considering a 2030 target of 80%.

⁴ For example, the HSE's *COVID-19 Nursing Homes Expert Panel Report* (2020) in relation to nursing homes and HIQA's *The Need for Regulatory Reform* (2021) in relation to the homecare sector. Furthermore, the Oireachtas' report on Covid-19 responses (2020) reached similar findings in relation to the meat-processing sector.

⁵ Portugal's NRRP is worth noting in particular. It sets out an 'agenda for the promotion of decent work', which aims to 'build upon measures adopted in recent years (such as those addressing labour market segmentation and fostering collective bargaining) to protect labour rights'.

⁶ Such as Pathways to Work Strategy, 2016-2020. Unfortunately, the same criticism can be made of Pathways to Work 2021-2025,

contributing to risks around the erosion of social cohesion and trust in institutions in Ireland’ (NRA, 2021:40).

20. The NRA process is presented as aimed at ensuring a ‘wide ranging consideration of the risks that Ireland may face, avoid the potential for ‘group think’ and enable consultation and inputs across the range of stakeholders’, and for providing ‘a context within which action can be taken to mitigate the complex and varied risks identified’.
21. The omission of any consideration of precarious work in the NRP 2022 would in our view be a clear example of the ‘group-think’ that the NRA process is supposedly ‘designed to safeguard against’ (NRA, 2021:8). The NRP 2022 should therefore set out a decent work agenda. This would also be in accordance with the European Council’s Porto Declaration of May 2021, agreed by the Taoiseach on behalf of Ireland, that:

‘As Europe gradually recovers from the COVID-19 pandemic, the priority will be to move from protecting to creating jobs and to improve job quality, where small and medium-sized enterprises (including social enterprises) play a key role. The implementation of the principles in the European Pillar of Social Rights will be essential to ensure the creation of more and better jobs for all within the framework of an inclusive recovery. In this respect, relevant legislative and non-legislative work should be taken forward at EU and Member States level.’

Conclusion

22. ICTU would look forward to further engagement with government on the development of the NRP 2022 under this year’s European Semester process. As stated above, we would welcome a meaningful opportunity to set out our views on any draft NRP, particularly on the sectoral implications, before the final document is presented to the Commission by the end of April.

References

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- McGinnity, Frances, et al (2021) *Monitoring Decent Work in Ireland*