Ireland: Social tensions deepen as the "Celtic Tiger" staggers

Steve James
7 November 2002

Ireland's employers are seeking a general pay freeze for the country's 1.7 million workers. With inflation running at around four percent, the "freeze" is in reality a pay cut.

Turlough O'Sullivan, leader of the employers federation IBEC, called for a pay "pause" of at least six months. Pointing to a sudden crisis in government expenditure, Finance Minister Charles MacCreevy announced: "The boom is over." "We cannot spend what is not there, no matter how desirable the objective," he insisted. The government intends to push through 1.7 billion euros of cuts while freezing all new public sector jobs. Taoiseach (Prime Minister) Bertie Ahern and the Tanaiste (Minister of Labour) Mary Harney backed MacCreevy's stance.

The calls came at the beginning of negotiations between employers, the Fianna Fail-led coalition government, trade unions and voluntary groups to set pay and social spending levels for the next two years. A series of agreements between the so-called "social partners" have been central to the boom conditions experienced by the southern Irish economy over the 1990s.

The last agreement, the "Programme for Prosperity and Fairness" negotiated in 2000, restricted workers to little more than inflation-based settlements, but incorporated some additional social spending, particularly on health. Irish-based corporations made fortunes. Now, in the face of deteriorating world conditions, the Irish government and employers are seeking a new agreement with the trade unions that would defend the Irish Republic as an investment base by cutting real wages, slashing social spending and passing the cost of much needed new infrastructure directly on to working people.

Low wages, low taxes, an English speaking workforce and access to the European Union have over the last two decades made the Irish Republic one of the most attractive investment locations in the world, with growth rates far exceeding the rest of Europe. The period has seen a transformation in the southern Irish economy, with electronics and pharmaceutical industries springing up, primarily in the Dublin area.

Exporting to the EU, the new industries have vastly reduced Irish dependence on agricultural exports to Britain. A globalised industrial base has replaced Ireland's historic industrial backwardness and economic dependence on Britain, but this means that the future of Ireland is immediately dependent on the vagaries of the world economy, and particularly the United States.

In 1998, 82 percent of industrial output came from foreign owned firms employing 47 percent of the industrial workforce, while around 75 percent of foreign direct investment (FDI) into Ireland came from the US. In 2001, Ireland drew in 10 percent of FDI across the entire EU. US assets in Ireland are valued at more than 40 percent of the country's GDP.

The term "Celtic Tiger" was first coined to compare Ireland with the once booming economies of South East Asia, whose success was curtailed with the Asian financial crash of 1997.

Throughout the 1990s growth rates have been huge. In 1999, for example, the economy grew by 10 percent and exports increased by 20 percent. In 2000 the economy grew by 11 percent, and another 10 percent in 2001. This year the growth rate is likely to be halved.

Growth has depended on vast increases in productivity. Unit labour costs fell around 35 percent between 1995 and 2001, with productivity increases consistently higher than in the UK and EU. Nevertheless, the level of overall profitability has been falling since 1998 when average pre-tax profits represented 1.5 percent of total assets against 0.9 percent in 2001.

Precious little of this prodigious boom has been passed on to ordinary people in the form of improved living standards. In a recent speech intended to celebrate the Programme for Prosperity and Fairness and call for a replacement, David Begg, general secretary of the Irish Trades Union Congress, was forced to concede that after 15 years of partnership with the trade unions, Ireland remained the most unequal country in Europe with regards to income, after Portugal.

Wage inequality has grown, with the top 10 percent

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increasing their earnings from 196 percent of the median wage in 1987 to 232 percent in 1997. The latest *Sunday Times* rich list established that the richest 25 individuals in Ireland collectively earned 828 million euros last year. By contrast, the bottom 25 percent fell from 73 percent of median earnings to 69 percent in 1997. Rapid growth, particularly in Dublin, has led to uncontrollable rises in house prices, while infrastructure spending has failed to keep pace with social or industrial demands.

Despite the best efforts of the union bureaucracy to police their members, the boom years saw efforts by sections of workers to extract decent living standards through a series of strikes in transport, public service and building industries. These drew the ire of the International Monetary Fund. A 2002 report concluded, “the stellar performance of the Irish manufacturing sector in recent years was partly interrupted in 2001. The main reasons for fairly limited gains were the global economic slowdown, the bursting of the ICT [Internet communications technology] bubble, and the rapid increase in Irish wage costs.”

The IMF also noted that some of the high-tech industries attracted to Ireland in the 1990s were permanently relocating away from the island despite the “astonishing performance of a handful of sectors mostly dominated by multinational companies, whose gains in productivity often result from intangible foreign inputs in production, such as global investment in research, product development and advertising.” Irish industrial competitiveness was also extremely vulnerable to fluctuations in the exchange rate between the dollar, the euro and the British currency, sterling. Ireland adopted the euro in 1999.

The IMF explained its views on the sudden change in Irish state finance. During the 1990s, because of the high levels of industrial growth, income tax and corporation tax revenues increased, despite a decrease in the tax rates on profit being applied. Corporation tax is as low as 12.5 percent in some circumstances, while indirect taxes on consumption are among the highest in Europe.

By 2001, “a rapid deceleration of economic growth worsened the outlook for profits and increased uncertainty over a potential increase in unemployment.” At the same time, the IMF complained, “recent economic success and the subsequent increases in expenditure to improve the quality of public services and infrastructure have created expectations that substantial resources will continue to be allocated to finance new spending initiatives.” The IMF singled out intended health, education and social spending as problem areas, setting out an agenda of confrontation with the working class for the Fianna Fail and Progressive Democrat coalition government. This is behind the mysterious “discovery” by Fianna Fail of a “black hole” in state finances in the immediate aftermath of a general election earlier this year.

As if to reinforce the point, the same week as the government opened new pay talks with the trade unions 1,500 elderly care nurses voted to take strike action against low pay. The vote followed similar decisions by other sections of the nursing profession in opposition to the Irish government’s refusal to implement the recommendations of a Commission on Nursing report.

Indicating the emerging social tensions on both sides of the border, 100 workers travelled to Dublin on November 1 to protest minimal severance packages offered as compensation for job losses at the Irish Fertiliser Industries’ (IFI) Richardson’s plant in Belfast, Northern Ireland. The Irish government owns 51 percent of IFI, which is facing liquidation, whilst 49 percent is owned by British-based ICI. The Belfast plant employs 206 people in the city’s docklands area. Four hundred twenty workers from the Irish Republic also face redundancy in IFI’s Cork and Arklow plants. IFI workers in Cork informed Bertie Ahern, as he arrived for a Fianna Fail fundraising affair, that the Arklow and Cork plants will be occupied unless firm commitments on pension and redundancy rights are offered. Further protests are planned at ICI’s headquarters in London.

News of the IFI closures came as more redundancies were announced at Belfast’s Harland and Wolff shipyard. The shipyard, which once employed thousands of exclusively Protestant workers at higher rates of pay than the city’s Catholic workforce, had been reduced to 390 workers. This is now to be cut to less than 200—a skeleton staff pending moves to reorient the yard away from shipbuilding towards repair and renewable energy. Two hundred workers have been issued 90-day redundancy notices.

Despite the current suspension of the Northern Ireland Assembly, both Republican and Unionist politicians are seeking to attract new investment to the North in a belated bid to emulate the fading success of the southern “Tiger”. But they do so at a point in history when the South’s economic miracle is on the point of turning sour.

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