Ireland's unions cement 10-year pay and public spending agreement

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Ireland's trade unions, employers and the Fianna Fail-led government have agreed to a new 10-year national pay and public spending agreement, "Towards 2016."

The agreement is the latest in a series of deals among the so-called "social partners," aimed at defending Ireland's role as an investment platform for global capital at the expense of working people.

Since the 1987 "Programme for National Recovery," which restricted wage rises and cut public expenditures, such agreements have usually been renewed every three years. The "Partnership 2000" programme, which was in force between 1997 and 1999, limited wage rises to 2 percent annually, with some local flexibility for another 2 percent. The two agreements since 2000 have restricted workers to a maximum of 5 percent pay increases, tied public sector wages to those in the private sector and set the minimum wage at €7.00 an hour. "Sustaining Progress," the agreement currently in force, includes an opt-out clause for companies who claim they are unable to afford the pay increases outlined in the agreement.

For almost two decades these corporatist arrangements have encouraged leading transnationals to locate or expand their operations in Ireland, taking advantage of the relatively cheap but skilled labour, ease of access to British and European markets and European Union membership. As much as 80 percent of Irish-based manufacturing remains foreign-owned, principally by US, British and German concerns.

Throughout the 1990s, the annual growth rate of the Irish economy ran around 10 percent and the term "Celtic Tiger" popularised the fact that Ireland's once backward economy was amongst the fastest expanding in the world. Between 1986 and 2003, GDP measured at current prices grew from $31.4 billion to $133 billion. At the same time, profits for the transnationals soared. In 1999, US corporations made $13.4 billion in Ireland before taxes. By 2002, this figure reached $26.8 billion—18 percent of the world total of US profits made in the 18 most favourable tax havens. Growth rates are still running at 5 percent.

The International Monetary Fund is clear about the advantages of Ireland's "social partnership." A 2004 report noted that, in addition to restraining wage increases amongst unionised workers, the agreements held back wages in all sectors of the economy, generated support for the EU and delivered an "era of labour peace."

The report explained that during the 15 years from 1972 to 1987 a total of 7,535,320 working days were lost to strikes, an average of 470,959 annually. Over the next 15 years, the total of strike days was 1,622,403, an average of 101,400 annually —less than a quarter of the previous period. This collapse in strike days lost coincides with an increase in the overall size of the workforce.

Corporate profits have soared and considerable wealth has been accumulated by a narrow social layer. Much of this money is bound up with property. Between 1995 and 2005 total property assets appreciated by 485 percent. A recent "Wealth of the Nation" report by the Bank of Ireland Private Banking reported that in terms of total wealth per capita, which includes savings, property and stocks, Ireland was second only to Japan in world rankings at €148,130 per person.

The report estimates that the top 5 percent of the Irish population owns 40 percent of this wealth. If financial wealth is included, the top 1 percent owns 34 percent of total wealth. There are, according to differing methods of calculation, between 30,000 and 100,000 euro millionaires. Of these, 300 individuals are personally worth in excess of €30 million each.

The price of the most modest accommodation in Dublin is far beyond the means of most workers. The hourly wage of more than half of Irish workers has remained at or below €13 an hour. In 2005 nearly 20 percent of the population remained at risk of poverty, while 31.1 percent of lone parents were considered, by the Irish Central Statistical Office, to be "consistently poor."

Such are the fruits of "social partnership." The purpose of its extension is to ensure that in ever more difficult world economic conditions with huge new resources of cheap labour available globally, Ireland remains able to compete for global investment.

Writing in the *Irish Times*, December 2005, prior to negotiations opening, the head of the Irish Business and Employers Federation, Turlough Sullivan, outlined his demands. Sullivan complained, "Irish industry is now caught in a dangerous pincer movement. Our costs are rising at an alarming rate, while at the same time international competition is so intense that we have to reduce the prices we charge."

He insisted that "All costs to business must be hauled back if we are to compete successfully and prosper."

Sullivan drew attention to last December's dispute at Irish Ferries, in which workers struck for 20 days against the sacking of 543 of their colleagues and their replacement with Eastern European workers on much reduced rates of pay.

The Services, Industrial, Professional and Technical Union reached a three-year agreement with Irish Ferries that accepted redundancy for hundreds of its members and their replacement by agency workers employed by a Cyprus-based recruitment firm. The foreign crews would be paid the minimum wage of just €7.65 (£5.19) per hour and the union promised no further industrial action.

Sullivan praised the unions, commenting that the "dispute has shown us how even the most intractable and highly charged dispute can be resolved within the partnership model."

An expansion of the workforce, particularly by recruiting large numbers of workers from Eastern Europe, is the preferred method of ensuring that wage rates remain globally competitive. Up to 400,000 foreign nationals, mostly from Poland and the Baltic states, are now resident in Ireland. Employed on Ireland's building sites in particular and in the worst paying service industries, these workers form one of the most exploited sections of the working class. A group of 19 South African workers, employed to fit seat belts to buses for Bus Eireann, were recently discovered to have a pay rate of €2.80 an hour.

The new agreement, "Towards 2016," gives the employers everything they could have hoped for.

It bans strikes "where the employer or trade union concerned is acting in accordance with the provisions of this Agreement."

A 10 percent pay increase is to be incrementally introduced over 27 months. But inflation is currently 3.5 percent, so this is little more than keeping pace with the cost of living. Pay will be reviewed at subsequent points over the decade. Those earning less than €10.25 an hour will get an extra 0.5 percent. But these increases come with a get-out clause—"due regard being had to the economic, commercial and employment circumstances of the particular firm, employment or industry."

The unions also agreed that public sector pay increases will only be offered after workers sign up to "reforms." These include the introduction of Public Private Partnership schemes in public services (i.e., the introduction of private capital and management) and the removal of all barriers to outsourcing services.

The only, cosmetic, concession made to working people was the creation of a new office of Director for Employment Rights Compliance, charged with enforcing employment regulations and legislation preventing the most blatant cases of workers being sacked and replaced by those on lower wages.