Irish government imposes austerity budget

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The 2010 budget announced December 9 by Ireland's Fianna Fail and Green Party government is a declaration of social warfare by a criminal financial oligarchy, the path for which has been prepared by the Irish trade unions.

Its purpose is to remove €4 billion from the wages, social benefits and welfare spending on which working people depend. Revenue saved will be used to prop up Ireland's ruined financial institutions, ostensibly revive its international financial reputation and pay off its huge public sector deficit while depressing wages in the interests of potential corporate investors.

Lenihan's budget measures, the third in just over a year, include:

• €1 billion worth of pay cuts for some 300,000 public service workers. These range from between 5 percent and 15 percent and come on top of a 6.95 percent "tax levy" on public service workers imposed early in 2009. Lenihan insisted that the cuts were permanent. Public service pensions for new starts in the public service will not be payable until age 66.

• €760 million cut in social welfare, amounting to an average 4.1 percent cut across all welfare claimants. Child benefit will be cut by €16 per month, an average 16 percent cut that will reduce payments to 2006 levels. Job seekers allowance is to be cut for under-24-year-olds to €150 a week, while those under 21 will be reduced to €100 a week. Disability allowance, widow's pensions, carer's allowance will all be cut by between €8.20 and €8.50 a week.

• Water charges are to be introduced.

• Under-23-year-olds who refuse "training" measures will lose a further €40 a week.

• A so-called "carbon tax" on fuel will raise petrol and diesel prices by between 4.2 percent and 4.9 percent, while the charge will also be imposed on domestic heating fuels including gas, oil, coal and peat at the rate of €15 a tonne. The measure will raise around €300 million for the government.

• €400 million is to be cut from health spending, to be paid for by introducing a 50 cent prescription charge. Hospital consultants pay is to be cut by 15 percent. Health emergency charges are to be increased by €10.

• €980 million is to be cut from capital spending, which will impact most on schools, hospitals and infrastructure spending. Eighteen percent of allocation for hospital building and equipment has been cut.

• Some 60,000 students will lose around 5 percent of their student grant—an average of €11 a week—as part of an overall 6 percent reduction in education spending. Third level colleges will face a 4 percent cut in funding.

• A measure to broaden the base of those eligible to pay tax will be introduced in 2011 via a universal social contribution intended to pay for public services.

Lenihan made clear, in line with months of statements from the government, that further cuts will be implemented over the coming four years. Currently these are anticipated to be somewhat less than the 2010 cuts, but this is based on assumptions of both worldwide financial stabilisation and a return to economic growth in Ireland. Both forecasts are perilous.

Of Lenihan's 2010 savings, almost all of it will be handed over to the banks to finance the government's deficit. Ireland's state finances have collapsed under the impact of falling revenue, immense bailouts to the banks and increased welfare demands caused by a sharp increase in unemployment to fully 12.5 percent.

The government's own pre-budget white paper suggested that the 2009 exchequer deficit would be €25.9 billion. The government intends to reduce this to €21.9 billion in 2010, while charges on the entire national debt were expected to soar to €4.6 billion.

A new group chaired by Green Party Environment Minister John Gormley has been set up to examine spending cuts in Ireland's 29 county and five city councils. €11 billion is spent annually by the local authorities.

While all sections of working and unemployed people will feel the impact of a budget repeatedly described as the "harshest in the history of the State", only token restrictions were imposed on the accumulation of private wealth.

A one-off €200,000 “Irish domicile levy” is to be imposed on those with earnings of over €1 million, who have more than €5 million worth of assets in Ireland. This measure, of course, will be characterised by the lack of seriousness with which it is implemented, and the droves of tax lawyers mobilised to ensure that the super rich avoid even this minor incursion into their private fortunes.

More significantly, Lenihan made no change to the 12.5 percent rate of corporation tax—one of the lowest in the European Union. Additionally, a one year scheme to exempt start-up companies entirely from corporation tax was extended to three years. VAT on alcohol, in a measure specifically designed to prop up alcohol sales impacted by lower prices in Northern Ireland, are to be reduced.

Lenihan’s statement made only a token reference to the National Asset Management Agency (NAMA), the government “bad bank” set up to take over the toxic debts run up by Irish banks at an anticipated cost of some €54 billion. Lenihan hoped that NAMA would not impede credit to small business. Although his budget statement noted a “massive state commitment to the banking sector”, it included no figures for current and prospective bailouts.

Lenihan’s budget, particularly the direct imposition of public service pay cuts, was a repudiation of alternative proposals put forward by the Irish Congress of Trade Unions (ICTU). Days before the budget, the ICTU called off a second planned one-day public service strike for December 3. A previous one day strike, November 24, directed against spending cuts, drew widespread support. Some 215,000 public sector workers struck, with only skeleton emergency services and flood relief operating.

Presented with such clear evidence of working people’s opposition to cuts, the ICTU offered the government proposals intended to save up to €1.3 billion to protect Ireland as a financial and investment platform. The ICTU proposed these be implemented by unpaid leave, flexibility, service re-organisation and compulsory redundancies.

The ICTU called off the strike in the belief they had offered enough from workers’ wage packets and conditions to restore a “social partnership” with the government and employers—in which all three “partners” agree on wage rates and public spending.

With the ICTU, and its leading member unions, SIPTU, Impact and Unite, making clear their intention to suppress opposition in the working class, the government and its backers took advantage of the situation. Lenihan and Green Party leader John Gormley were reported to be opposed to any deal with the unions, as were numerous business federations and media commentators. They wanted more.

Irish Times columnist Stephen Collins complained December 5 that the suggested deal with the unions was squandering the opportunity to impose pay cuts of between 5 percent and 20 percent “on every worker in the economy, as well as on the professional fees of doctors, lawyers, accountants and the like”. With the strike called off, the government took Collins’s advice.

David Begg, ICTU leader, complained, “Clearly we have been played off the pitch now by the Government; we have no possibility of achieving that kind of social solidarity in the budget so it looks as though we will find ourselves in a position of pretty serious opposition to the Government in relation to this budget”.

The character of this “pretty serious opposition” has since been made clear.

In a December 11 statement to executive members, quoted in the *Irish Times*, Impact promised “non-cooperation...selective strike action to be used intermittently...targeting specific areas in response to the threat of compulsory redundancies...demonstrations and protests...considerations of a wide-scale strike at a strategic point in the campaign”.

Impact and its allies will seek to re-establish formal social partnership by allowing such intermittent, isolated and fragmented actions as cannot be avoided. If strikes are called they will be calibrated to facilitate union efforts to get their feet back under the top tables.