Irish unions agree to four-year strike ban

Steve James
28 June 2010

The Irish Congress of Trade Unions (ICTU)'s public service committee voted last week to formally agree a four-year strike ban, wholesale rationalisations in public services, unknown thousands of "voluntary" job losses and a continued pay freeze. The so-called Croke Park agreement is the worst so far agreed by any union federation in Europe in response to the economic crisis.

Some €4 billion cuts, 3 percent of GDP, have been implemented this year alone, €3 billion more are intended in 2011 and 2012 and subsequent years. These cuts are in line with the Fianna Fail/Green Party coalition government's drive to reduce the public sector deficit from 14 percent to 3 percent by 2014.

Since 2008, public sector pay has been cut twice, by a 7 percent "pension levy" and by open cuts of between 5 and 15 percent. Students and welfare claimants have also been hit under conditions of soaring unemployment. This year's cuts alone represent almost €1,000 per person less spent on social support of one form or another.

In response, the ICTU has devoted all its efforts to ignoring protests, suppressing strikes and insisting to workers there is no alternative. Since the economic crisis erupted in 2008, the ICTU's primary aim has been to re-establish working relations with the government through proving its capacity to deliver austerity measures.

Even before the ICTU decision was formally ratified, leaders of the two major public service trade unions demanded a role in directly overseeing the cuts. SIPTU's Jack O'Connor called for the Taoiseach (prime minister) Brian Cowen, to call a meeting with government, management and the unions to "set out how the reforms are going to be driven". O'Connor was echoed by Shay Cody, the general secretary designate of the IMPACT union. Both demanded a government/union implementation committee.

The agreement was hailed by the IBEC, the employer's federation, as "welcome realism" by its representative Brendan McGinty. The public sector, McGinty demanded, should further emulate private sector cost-cutting where unit labour costs are predicted to fall by 9 percent between 2009 and 2011.

Croke Park was forced upon union members on the basis that if it were not accepted, worse would follow. At the same time, the unions had made absolutely clear that they would not lead any struggle in defence of workers' conditions. The agreement proposed that provided there is "unforeseen deterioration" in the state's budgetary position, there would be no further pay cuts before 2014 and that, again budget permitting, efforts perhaps would be made to offset the losses that workers have already suffered.

Even then, large numbers of workers rejected the agreement. Despite relentless media attacks on public service workers, and demands for shared national sacrifice, 9 of 19 public service unions rejected the agreement, some by large majorities. Of the 10,000 teachers in the Teachers Union of Ireland, 75 percent voted against the deal. Within the largest unions, SIPTU and IMPACT, only 50 percent and 57 percent of members respectively voted at all, although majorities voted in favour of the deal.

But the provisos against future pay cuts are worthless. New consequences and problems of the financial debacle continue to emerge on an almost daily basis. The *Irish Independent* reported that some €77 billion of Irish bank debt falls due this year. These debts must either be repaid or re-negotiated in September and October. Since the Irish banks are all, to one degree or another ruined, the only option will be to roll over the loans.

The debt "wall of worry" is considered by banking executives to be most serious systemic risk faced by the Irish banks, and the situation is being monitored by both the Financial Regulator and Ministry of Finance.

© World Socialist Web Site

Should the banks, particularly the most debt ridden and nationalised Anglo Irish Bank, be unable to raise loans on a highly stressed market, the Irish government will again be forced to offer further cash handouts. Eurozone lending to banks collapsed from €38 billion a month to €1.9 billion in May, although following the €750 billion European Union organised emergency bailout, this has subsequently eased somewhat.

But Irish government debt is itself increasingly expensive to fund, precisely because of the huge bailouts, around €70 billion, already offered to Irish banks. Currently the government is only able to finance itself at interest rates of 5.5 percent, far above what is paid by Germany. Sovereign bond interest rates of 6 percent or above are reckoned to be particularly dangerous.

The spectre of state bankruptcy, brought on by vast debt levels and crippling levels of interest payments, was highlighted last month by economist Morgan Kelly.

Two recently published reports, commissioned by Minister of Finance Brian Lenihan, have brought out features of the property boom that preceded the ongoing and deepening crisis.

In their "Preliminary Report on the Sources of Ireland's Banking Crisis", Klaus Regling and Max Watson noted that Ireland's crash resulted from the end of a "plain vanilla property bubble, compounded by exceptional concentrations of lending for purposes related to property". Because of European financial integration, the Irish property market suddenly became awash with Irish and international banks offering huge sums of wholesale lending.

Personal credit grew 30 percent annually between 2004 and 2006. Irish banks expanded by up to 46 percent annually over the same period while up to 75 percent of bank loans were directed towards commercial property. Of new loans, an increasing volume was purely for short-term loans, €11.1 billion in 2003, compared to €41 billion in 2006.

Regling and Watson made clear that in 2008 Ireland was heading for a major crisis even if Lehman Brothers had not collapsed. The report also noted that inflated reliance on property meant that tax revenue was itself dependent on the boom. This dependency was intensified by income tax cuts through which the government sought to maintain an illusion of pay increases. In due course, this intensified the collapse in state revenue when the property bubble burst.

Another report, by the new head of the Irish Central Bank, Patrick Honohan, concentrated on the complete failure of the regulatory regime to predict or avert collapse.

According to Honohan, there was "prima facie evidence of a comprehensive failure of bank management…incurring huge external liabilities in order to support a credit fuelled property market and construction frenzy".

In the face of this, the Irish regulatory authorities were understaffed, under-trained, timid, and tended to "walk lightly and carry no stick". When staff raised concerns, the banks simply intervened with contacts at a higher level in the regulatory authorities.

This is the context of the Croke Park agreement. The working class is being asked to foot the bill for a speculative binge for which it bears no responsibility and from which it derived no benefit. The ICTU is giving full expression to a universal tendency. In response to the financial breakdown of 2008 and the subsequent crisis in the Eurozone, the official trade unions have emerged as the European financial aristocracy's instrument of choice to transfer the costs of the bailouts onto the working class.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site