# IMF urges “more clarity” on Ireland’s austerity plans

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The International Monetary Fund (IMF) has stepped up the pressure on the Fine Gael-Labour coalition in Dublin, demanding that it lay out detailed plans on how it will slash government spending over the next four years.

The move came as the government was forced to announce €260 million in emergency cuts to the health care budget to comply with the bailout terms of the troika—the IMF, European Central Bank (ECB) and European Union (EU).

The IMF, in its latest report on Ireland’s progress under the €85 billion programme the troika extended in 2010, criticised the government for not implementing deep enough cuts to welfare benefits, and urged the speedy adoption of a new property tax. The demands are in line with the approach being taken across Europe towards highly indebted states, with Greece and Spain in particular facing calls to deepen the attacks on the working class to bail out the banks.

The warnings have fuelled doubts as to whether Ireland can secure a debt restructuring deal by the end of October as planned. Following a verbal agreement at an EU summit in June to this effect, the interest rates on Irish government bonds had eased somewhat.

The government had made a limited re-entry into bond markets in July by successfully selling some short-term debt. But officials involved in the negotiations have acknowledged that a deal is far off, with Irish central bank head Patrick Honohan admitting that he did not know when an agreement could be finalised.

The IMF’s statements, together with the proposals laid out last week by ECB chief Mario Dragghi to purchase government bonds, make clear that any restructuring for Dublin’s debt will mean a vast intensification of austerity measures on a population that has suffered close to €30 billion in spending cuts and tax hikes since 2008. Dragghi emphasised that the ECB plan will involve “strict and effective conditionality” that national governments will have to fulfil, with the threat of the withdrawal of ECB support if they do not. Determining such conditions will be overseen by the IMF.

Although Irish officials do not anticipate that Dublin will access this programme in the short term, Honohan commented, “As the Irish Government is coming back into the bond markets, Ireland’s paper would also be eligible for purchase under this programme, so that again provides a sort of underpinning. It tells the markets: ‘Don’t worry, the ECB is there’.”

Honohan’s optimism over Ireland’s ability to re-enter and sustain a presence in the markets before the current bailout expires is not widespread. Hanging over any negotiations of debt restructuring is the prospect that a second bailout will be needed to avert state bankruptcy when the troika’s programme runs out next year.

The coalition is fully committed to implementing the austerity measures dictated by the financial elite, and it responded to the IMF’s latest demands by announcing the emergency health care cuts.

With the willing collaboration of the trade unions, it has held in place all of the cuts made by the previous Fianna Fáil-Green Party government and imposed billions more of its own. Last December, the budget of Finance Minister Michael Noonan contained more than €3.8 billion in spending cuts and tax hikes, and this year’s spending plans are expected to include at least €3.5 billion in similar measures.

An *Irish Times* report revealed that another €1 billion in cuts to health alone will be required next year to meet troika preconditions, roughly 8 percent of the overall budget. The €260 million of cuts announced for

this year have provoked public anger, as they target many life-saving services. At least 200 home care packages for the elderly and disabled will be eliminated, as will many home help staff positions. Across the health service, overtime pay has also been reduced.

Much worse is to come. Discussions are under way for the wholesale privatisation of all remaining public services, with the education, health, justice and local authority departments having been ordered to make plans to deliver services more "efficiently" with private sector involvement. The minister for public expenditure and reform, Labour's Brendan Howlin, led the demands for more private involvement, stating that the Croke Park Agreement between the government, employers and trade unions was being used as a "shield for inactivity" and that the pace of reform should be quickened.

This campaign is being led by attacks on public service workers, who are being presented in the media as privileged and overpaid. Calls have intensified for the Croke Park Agreement to be ditched to enable more pay cuts.

Colm McCarthy, a leading government adviser who has authored many of the budget-cutting proposals in recent years, wrote recently in the *Irish Independent* that the government had tied its hands by promising at the last elections not to cut public service pay and welfare payments, and not to increase income tax. "In the national interest, all three of these commitments should now be abandoned," he argued.

There is growing support within the government for this agenda, with Fine Gael chairman Charlie Flanagan declaring on Monday that he supported the renegotiation of Croke Park. Labour ministers Pat Rabitte and Ruairi Quinn have also indicated their willingness to change the terms of the agreement, but Taoiseach (Prime Minister) Enda Kenny has for the time being ruled it out.

The claim that any section of the working class in Ireland is enjoying a comfortable lifestyle with overpaid jobs is grotesque. In the public sector, as Howlin recently boasted, 28,000 jobs have been eliminated over the past several years, with the government targeting a further cut of 10,000 by the end of its time in office. Public sector departments have operated a hiring freeze since 2010, and in those areas where new staff have been employed such as teachers, they have received massive pay cuts.

Unemployment remains at close to 15 percent, one of the highest rates in the euro zone. The jobless rate has been used as a battering ram to drive down wages, as shown by a recent study by the Conference Board noting that Ireland was the EU member that had managed to cut labour costs most since the onset of the crisis.

Overall unit labour costs have fallen by 6.3 percent, but some areas have suffered a much steeper decline, such as manufacturing, which has seen costs slashed by a staggering 42 percent.

This social counter-revolution has been fully supported by the trade unions. Notwithstanding the widespread criticism of Croke Park within ruling circles, the agreement has directly led to at least €1.5 billion in savings in the public sector. The four-year strike ban it enforces has been loyally policed by the trade unions, which have smothered every attempt by workers to defend their jobs and working conditions.

In the face of the latest calls for privatisation and pay cuts, all the unions could muster were meek pleas that no "compulsory redundancies" be imposed, and that "consultations" should be held on any proposals for cuts.