Calls grow for slashing pensions in Ireland

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A report leaked to the *Irish Times* has revealed that the fund out of which pensions and social welfare benefits are paid is running an annual deficit of €1.5 billion. By the middle of the century, it calculates that a shortfall of €320 billion will have built up—more than twice Ireland's current state debt.

It is no coincidence that the report appeared the same time as the "troika" of the International Monetary Fund (IMF), European Union (EU) and European Central Bank (ECB) completed its latest review of Ireland's bailout programme.

It has been seized upon to justify deep cuts to the pension rates paid out to workers. At the same time, there is an ongoing campaign demanding that the social welfare bill be curbed, with the Department of Social Protection targeted for a large share of spending cuts amounting to €3.5 billion in the upcoming budget.

The shortfall is a direct consequence of the plundering of public funds to bail out the financial speculators that led Ireland to the brink of state bankruptcy. Having received multibillion-euro handouts of public money to cover their gambling debts, the representatives of the ruling elite are now calling for working people to endure even more austerity on top of the billions of euros in cuts already implemented since 2008.

These measures have brought about widespread social misery on the population of 4.5 million. Unemployment has risen to 15 percent, with tens of thousands of jobs destroyed in both the public and private sector. Under the current Labour-Fine Gael coalition, 28,000 public-sector workers have lost their jobs, whilst a regular stream of business bankruptcies and downsizing has brought about significant layoffs in the private sector.

Deep pay cuts have been universal, with recent figures showing that labour costs in Ireland have dropped by more than 6 percent since the onset of the crisis.

On top of this, workers' wages have been cut further through the introduction by the previous government of a universal social charge, another means to cover banking losses.

Notwithstanding the hypocritical claims of the trade unions, pay cuts have been particularly severe in the public sector. The Croke Park deal, reached between the unions, government and employers in 2010, was sold to workers as a means to guarantee no pay cuts for four years if they accepted a strike ban. But the government has been able to slash pay by cutting allowances paid to public-sector workers, claiming that basic salaries have not been touched.

As Bernard Harbor of the Impact trade union wrote of Croke Park in the *Irish Times*, "[I]n its first two years, pay and non-pay measures have generated recurring savings worth €1.5 billion a year, and the deal is on course to increase this to €3.3 billion in annual savings by 2015."

For new entrants, conditions under Croke Park have been even worse. Recent figures showed that a teacher starting out in 2012 could expect to earn fully €11,000 less than would have been the case just two years earlier. This amounts to a 30 percent pay cut.

New entrants into the public service have had their pension rights undermined, with the calculation based on an average of their earnings throughout their working life rather than a final salary. Plans have also been put in place for the retirement age to rise to 68 from 65 over the next 15 years.

In the face of such social conditions, the ruling establishment seeks to stand reality on its head and blame the pension shortfall on supposedly highly paid workers.

The *Irish Times* article that revealed the report demanded more action to place the burden squarely on working people, complaining, "because we are delaying departure to the hereafter does not mean that money will fall from the heavens to pay for longer lives of leisure on high-incomes. There is no such thing as a free lunch."

The IMF supported this view in its recent review of Ireland's bailout programme. In a summary of its discussions with the Labour-Fine Gael coalition, it declared, "significant efforts are still needed to bring the deficit below 3 percent of GDP by 2015." This could be achieved by "better targeting of spending, including on state pensions", and through "reforms to the structure of social benefits."

The government is considering proposals to remove the link between pensions and earnings, instead linking them to inflation, which would in effect result in a massive cut. The level of the contributory state pension is already only one third of the average industrial wage, and is deemed insufficient to meet basic living costs in retirement. Nonetheless, the government-commissioned report, authored by accountancy firm KPMG, argued moving to a framework based on the rate of inflation would "dramatically impact the fund finances and alleviate the projected shortfalls".

The rate at which employees pay contributions into the pension fund may also be increased, placing workers under yet more financial strain. But any proposal to increase the burden on employers has been decisively ruled out, lest it hinder "growth" and job creation.

At the same time, private pension funds have been encouraged to invest their wealth in risky government bonds, endangering the savings workers have made for their retirement. At the end of August, Dublin secured investments of €1 billion from private pension schemes under new regulations that allow pension funds to buy government amortising bonds. The funds' investments could be wiped out if Ireland negotiates a write-down on its debt or in the event of state bankruptcy. Fully 80 percent of private pension funds are currently running a deficit.

The government has also ensured the decimation of the state pension fund through other policies. In July, Prime Minister Enda Kenny unveiled a "stimulus" programme worth €2.25 billion, supposedly to boost jobs and economic growth. As well as loans from the European Investment Bank, which provides financial support to various business proposals, a large quantity of the funding came from a raid on the state pension fund. An unspecified amount of funding is to be made available through the sale of state assets, further undermining public services and creating conditions for big business to profit.

The package was aimed at encouraging the privatisation of what remains of public services by funnelling yet more money into the coffers of private companies. Through Public Private Partnerships, the programme will be used to build roads, facilities for universities, and schools.

Working people seeking to defend their pension rights will find no support from the trade unions. Figures within the bureaucracy are already calling for new negotiations to reach a successor agreement to Croke Park, which expires in 2014. This will see the further erosion of the pay and working conditions of working people, including provisions for retirement.