



CWU SEMINAR

FACTS & MYTHS

In the Economic Debate



FACT: Irish Wages are too high

- ❑ **OECD Wages and Benefits:** Ireland 11th in EU-15 - nearly 11 percent below average. Compared to top ten EU countries – 22% below average.
- ❑ **US Bureau of Labor Statistics (2006)** Ireland ranks 10th in the EU-15 for manufacturing wages, 2% below average. Among top ten EU countries , Ireland comes last – 16% below average.
- ❑ **Eurostat's European Business (2004)** Ireland 3% below in non-financial service sector, Again, in the top 10 – 11% below average.
- ❑ **SIPTU cites Eurostat 2007** hourly labour costs - Ireland 11% below EU-15 average.



Irish Wages: Private Surveys

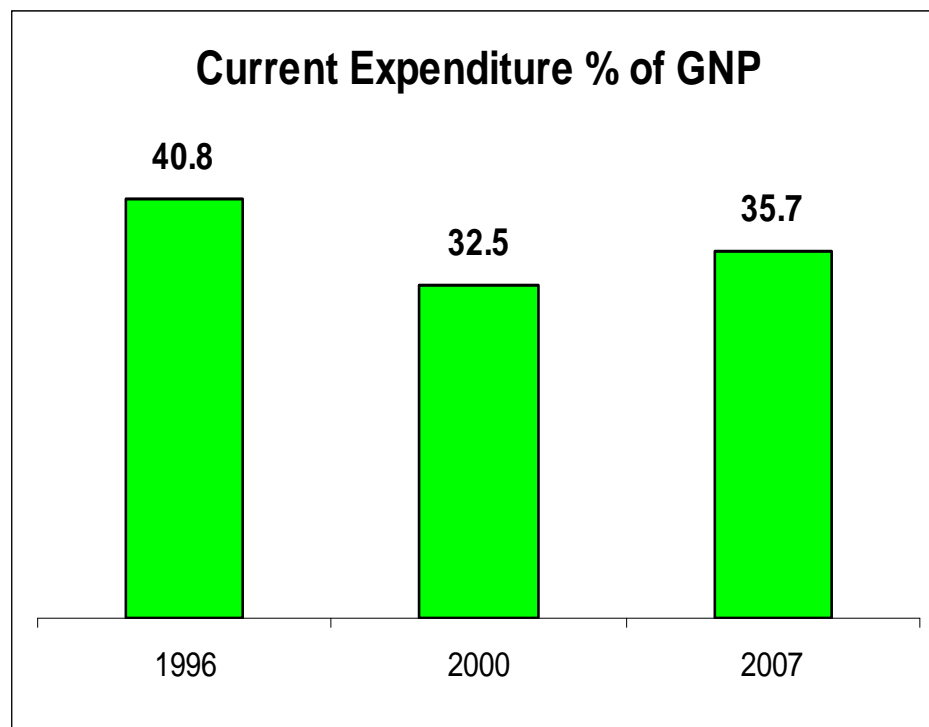
- Deloitte Remuneration Survey (2006) Ireland ranks 14th out of 25 EU countries.
- German labour costs €50,417; Ireland lagged far behind at €36,852.
- In 2005, Mercer survey - Irish wages 10 percent behind the EU-15 average.



FACT: Government Spends Too Much

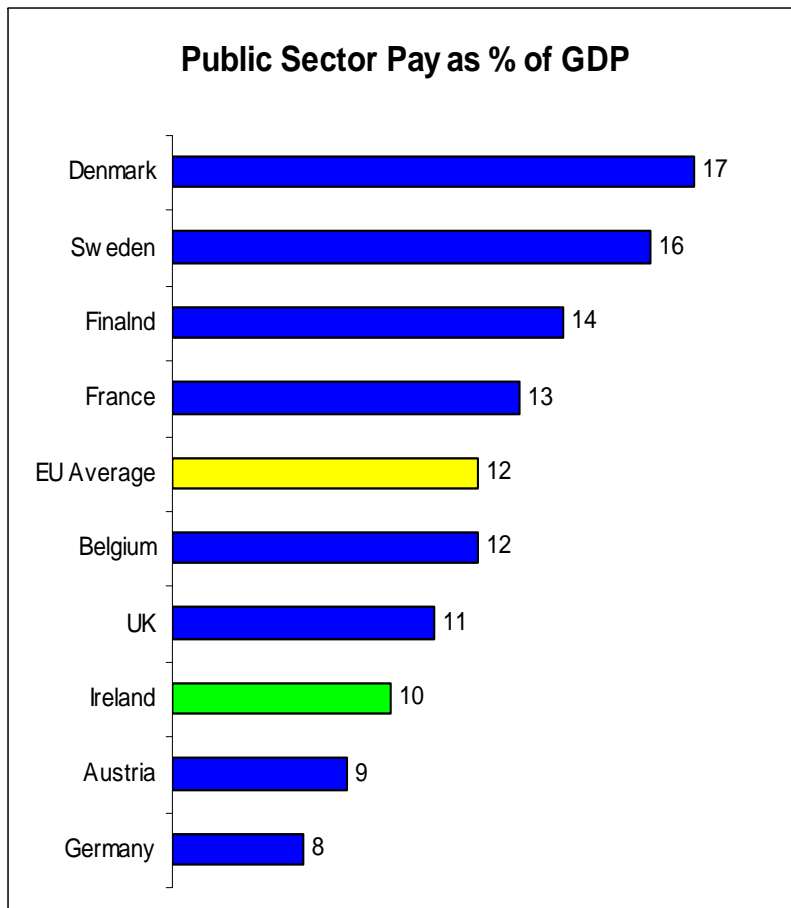
- According to the NESCC: Irish current expenditure was nearly 14% below the EU-15 average (2007). We'd have to spend €8.7 billion more on public services, public sector wages, etc. just to reach the average.
- [Increase €23 billion to reach Swedish levels]

Current Expenditure



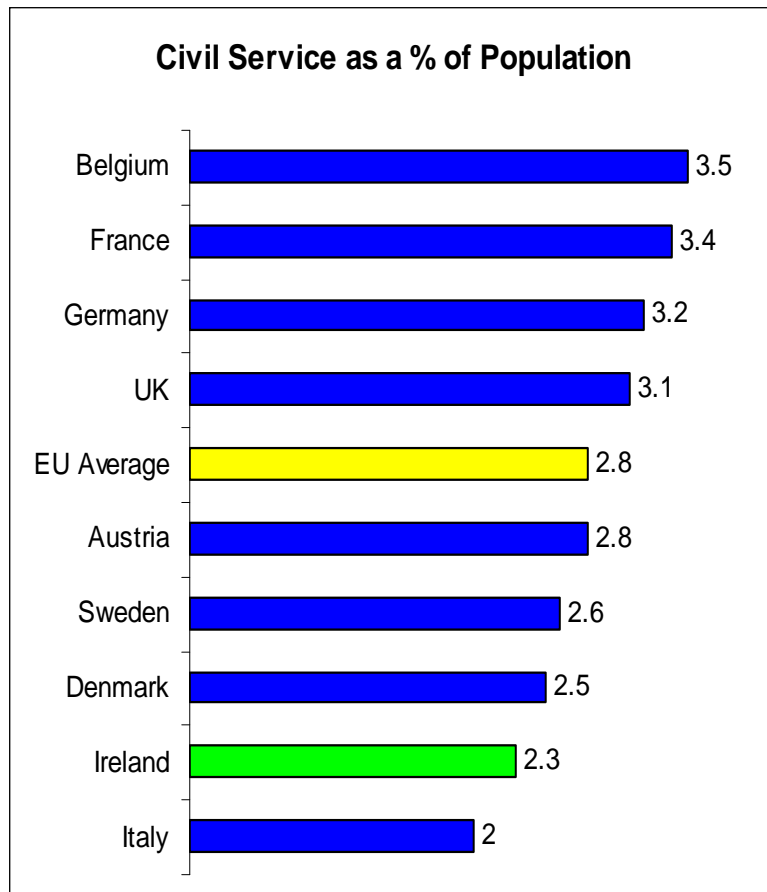
- Current spending rose slightly between 2000 and 2007.
- But given immigration – nearly 400,000 more people – it rose by even less proportionately

FACT: Bloated, Overpaid Public Sector



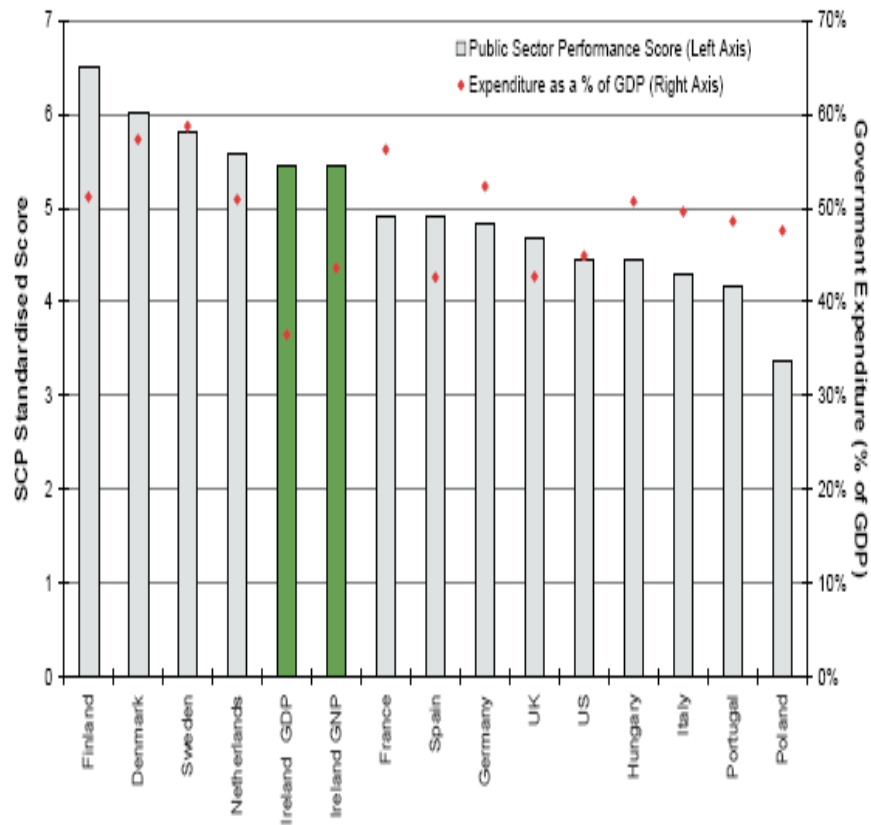
- Irish public sector payroll costs are below EU average

Low Number of Civil Servants



- Ireland has a lower proportion of civil servants than almost all other EU countries.
- We'd have to employ nearly 21,000 more civil servants to reach EU average

Public Sector Productivity



- According to the NCC, Irish public sector workers are the fourth most productive in the EU.



FACT: We are borrowing too much

- We have a high annual deficit.
- But Ireland has one of the lowest overall debt levels in the EU
- At end of 2008, Gross Government Debt made up 41% of GDP. The EU average was 60%
- **HOWEVER:**



We Have Cash Resources

- The NTMA has €27 billion in ‘free cash balances’ – which Government is keeping for a ‘rainy day’.
- There is €15 billion in the Pension Reserve Fund
- Ireland’s real (net) debt is 20% of GDP – one of the lowest in the EU.



FACT: High Prices Due to Semi-State 'Monopolies'

- ❑ At turn of century, Ireland enjoyed one of the lowest electricity prices in the EU.
- ❑ Government policy required Regulator to set ESB prices (and only ESB prices) above market rate – to induce private companies to enter the market.
- ❑ Currently, we have one of the highest electricity prices.
- ❑ The ESB rightly claims it could immediately cut prices by 10% to 15% if allowed to. They're not.



FACT: We Can't Afford State-Backed Pensions

- ❑ TASC– supported by ICTU – proposes a mandatory, 2nd tier earnings-related social insurance pension.
- ❑ Financed by all workers, employers and the State.
- ❑ No extra cost – it would transfer current tax subsidies to private pensions into social insurance.
- ❑ Up to €3 billion a year is spent on private subsidies and 75% benefit the top 25% income earners.
- ❑ A social insurance system would guarantee all workers the same pension entitlement as that enjoyed by public sector workers – leveling upwards, not downwards.



REAL UNDERLYING PROBLEMS

- What are some of the less talked about but nonetheless real problems in our economy.
- Everyone is aware of the property boom – at one stage nearly one-in-six people were working in construction / property-related businesses.
- BUT: there are other more severe problems



Over-reliance on FDI

- ❑ We have a weak indigenous enterprise sector
- ❑ 90% of exports come from MNCs. Most of our value-added and corporate tax revenue likewise comes from MNCs.
- ❑ The nature of FDI is changing – high valued-added, capital and knowledge intensive sectors which contain less jobs.
- ❑ In the 1990s one-in-eight jobs were created by MNCs. There will be no repeat of that. We need a strong native sector to make up for that.



Upgrading Infrastructure

- ❑ Ireland has one of the worst infrastructures in the OECD – it ranks 25th out of 28 countries: road, rail, energy, seaports, telecommunications.
- ❑ Social infrastructure is European in name only.
- ❑ EXAMPLE: only 1.7% of three year olds in education (EU-14 average of 82%). Our pre-primary system almost entirely privately funded, unlike the typical EU system which is 80% public sector funded.




Balanced Regional Growth

- ❑ Traded services sector will become our main engine of export earnings in the future.
- ❑ But these are becoming more concentrated in Dublin (60% and growing)
- ❑ Considerable implications for balanced growth outside of Dublin.
- ❑ We need regional economic planning and new local and regional institutions to pursue this.



Where is the Investment Going to Come From?

- April budget indicates long-term cuts in current and capital expenditure.
- Where is economic investment going to come from?
- Private Sector: since 2000 over €60 billion fled the country into commercial property investment abroad. Banks deeply implicated in this.
- Public Sector: In the 1990s, investment in indigenous high-tech sector came from the state – nearly 40% in start-up and developmental companies.
- Private investors followed success – public investments created success.



Social Partnership – a new foundation

- ❑ Traditionally, incomes strategy depended on limiting gross wage demands in exchange for tax cuts to increase net take-home pay
- ❑ Entering a long-term and sustained period of tax increases – to pay for recession and upgrade economic / social infrastructure
- ❑ What kind of incomes strategy in the future?



The Need For Stimulus

- ❑ The more we tax, the more we cut spending, the more the recession will deepen and lengthen.
- ❑ Deflationary approaches to the economic crisis is like running in quicksand.
- ❑ To all the problems listed – the solution lies in more social democracy, more public intervention, more public expenditure and investment, stronger infrastructure and public services.
- ❑ This is ultimately a political issue.



Beyond Collective Bargaining

- There are limits to what collective bargaining can achieve.
- In other countries, trade union movement and progressive parties have strong relationships – pursuing common political agendas to complement industrial
- Very little relationship exists here – is this in the best interests of trade unionists?