



**Negotiations on a
successor agreement
to the PESP**

Forum Report No. 1

November 1993

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PREFACE

Given its large membership and the very wide spectrum of interests which it represents, establishing a consensus in the Forum on its policy advice to Government will not be an easy task. This will demand time in building up a shared understanding of policy issues, agreement on the difficult choices that will have to be made and an acceptance that compromises will have to be reached if the overall national interest is to be promoted and developed.

Under its present structures and working arrangements, the Forum will debate and adopt, at its Plenary Sessions, Reports which have been prepared by its two Standing Committees. Its Executive Committee is responsible for co-ordination and consideration of all such Reports by the Standing Committees, before transmitting these to the full Plenary Session for their formal adoption.

In the present instance, the Forum had to work within severe time constraints to make a timely input into the negotiations between the Government and the Social Partners. In these circumstances, the present Report, which had been prepared and agreed unanimously by the two Standing Committees was adopted on an exceptional basis by the Forum's Executive Committee.

An Executive Summary, which has been prepared by the Forum's Secretariat, is included at the beginning of the Report.

No 1920.
Reports

PREFACE

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An Executive Summary, which has been prepared by the Forum's Secretariat, is included at the beginning of the Report.

EXECUTIVE SUMMARY OF THE REPORT

1. The main purposes of this Report are to outline the Forum's recommendations on the key principles which should underpin a new agreement, serve as an input to Government policies and the positions of the Social Partners, irrespective of whether any successor agreement is negotiated, and provide a policy framework for the Forum's future Work Programme.
2. The Forum's view (Part 1 of the Report) is that the PNR and the PESP were positive on some aspects of economic performance but the benefits were not shared equally and they did not adequately take account of our problems of unemployment, poverty and social exclusion. These are the central issues which the Forum considers must be tackled in any successor agreement to the PESP.
3. Our unemployment crisis will worsen - unemployment could reach 390,000 by the end of the decade - in the absence of new policy initiatives. The major international debate and choices taken by our competitors in areas such as unemployment, job protection, welfare systems and more flexible labour markets will have implications for our economy and must be taken into account.
4. The core principles (Part II of the Report) recommended by the Forum to underpin a new agreement are that the benefits of growth should be more equitably shared, income growth for the majority should be restrained, and job creation and retention strategies should be strengthened; long-term unemployment must be a priority with radical thinking and changes in policies, tax reform should shift the burden away from employment, particularly for the low-paid, as well as address the bias against productive investment and policies should be developed to promote a more balanced regional development.

5. These principles must operate within the framework of a number of domestic and external constraints, the more important of which should include the need to improve the overall competitive position of our economy, keep Government borrowing at low levels, irrespective of our Maastricht Treaty commitments, with little scope for reductions in the overall tax burden and the need to tackle inequality in our society.

6. In Part III of the Report, the Forum's recommendations on pay developments are:
 - given the trade-off between pay and employment, the need for pay restraint, with a greater proportion of the resources from economic growth to be channelled to employment creation, rather than increasing living standards;
 - pay settlements must take account of the rates negotiated in the EC which are lower than in previous years; particular restraint in the public sector is required; a new system of pay determination for this sector is needed to address the clear deficiencies of the present arrangements;
 - such restraint must be complemented by similar moderation in non-wage incomes such as rents and dividends;
 - to ensure increased transparency on the benefits of pay moderation, the partnership approach at national level needs to be supplemented through increased disclosure of information and greater industrial democracy at enterprise level.

7. Other employment measures recommended by the Forum in this Part of its Report are: a balanced and integrated package of macro-economic policies and structural reform measures; a Government commitment to shift the burden of employment-based taxes which would facilitate pay moderation, create greater equity in our tax system and alleviate unemployment and poverty traps; sectoral development measures with particular reference to overcoming obstacles to sustainable growth and employment

at the level of the individual firm, including also more effective and more active job maintenance strategies; particular emphasis on the jobs potential in the services, environmental and small business areas; and a commitment to examining the potential of new non-market based initiatives for the long-term unemployed.

8. In the Social Dimension area (Part IV of the Report), the Forum calls for firm commitments and targeted action to ensure that the benefits of growth are more equitably shared and that poverty and social exclusion are more resolutely tackled. This will require clearer policy objectives and social rights, the 'setting of performance indicators and improved management in the integration and delivery of social services. Through this, and a complementary assault on unemployment, the Forum recommends that a new PESP should mark a decisive start to genuine social reform through:-

- improved co-ordination and integration of policies to ensure greater effectiveness;
- adequate resourcing and more effective targeting of interventions;
- better provision in the range of services and supports for various needs;
- ready access to State and other support services; and
- improved quality and delivery of such services.

9. The Report outlines the Forum's recommendation on a number of principles in key policy areas such as income adequacy, healthcare, education and housing which it considers should be addressed in a new PESP.

10. In the final Section of the Report (Part V), the Forum recommends that there should be a mid-term review of any new agreement with a commitment that it be consulted and its views taken into account as part of this process.

PART I: BACKGROUND

Introduction

1. The main purpose of this Report, which has been prepared at short notice, is to outline the Forum's views and recommendations on the key policy principles and directions which it believes need to be incorporated in any agreement to succeed the Programme for Economic and Social Progress. In this context, it is important to recall and emphasise that the Forum's membership includes a wide variety of interests which had no formal mechanism up to now for their views and concerns to be taken into account in the negotiations between the Social Partners and the Government in this area.
2. This Report will provide the framework for the future Work Programme of the Forum. It is also intended as an input to Government policies and the positions of the Social Partners, irrespective of whether any successor agreement to the PESP is negotiated. More generally, the Forum sees this and later Reports as generating a debate and establishing areas of consensus in Irish society about the fundamental choices which have to be made if we are to tackle more decisively and successfully our major economic and social problems of unemployment, poverty and social exclusion.

Review of PNR and PESP

3. Since 1987 the Government and the Social Partners have negotiated two centralised agreements - the Programme for National Recovery (PNR) which covered the period from 1988 to 1990 and the Programme for Economic and Social Progress (PESP) from 1991 to 1993. It is not the intention here to dwell on the past but the Forum feels that there are some important lessons to be learnt from the experience under both these Programmes.
4. Both Programmes were broadly successful in some aspects of macroeconomic management with substantial progress being made under the PNR, and largely

sustained under the PESP, in relation to budgetary policy, monetary stability and inflation and the balance-of-payments (see Table 1). However, both taxation and public expenditure have increased as shares of GNP under the PESP. The latter was contrary to the intended objective that such expenditure should not increase in real terms and it has not yielded any obvious benefits in respect of key policy objectives. The rate of economic growth was well above average EC and OECD rates under both Programmes but the benefits of such growth have been shared unequally. In this respect, the specific commitment in PESP to move by 1993 to the priority level of rates recommended by the Commission on Social Welfare was not honoured and, more generally, inadequate provision was made to tackle the problems of poverty and social exclusion.

Table 1 - Economic Performance under the PNR and PESP

Annual Average Growth Rates				
	PNR Period (1988 - 1990)		PESP Period (1991 - 1993)	
	Ireland	OECD	Ireland	OECD
GNP ¹	5.4	3.4	3.0	1.1
Total Employment	1.0 ²	1.7	- ³	-0.1
Inflation	3.2	4.2	2.6	3.7
Govt Borrowing (% of GNP)	3.2	1.5	2.5	3.5
Average Industrial Earnings ⁴	4.2	5.4	5.1	5.0
Unemployment (% of Labour Force)	14.7	6.3	15.9	7.6

1. GDP for OECD average.

2. Excluding public sector and agricultural employment, employment rose on average by 2.6% per annum.

3. If agriculture is excluded, employment increased by an annual rate of 0.4%.

4. Average for 1991 and 1992 (1993 not available). Main trading partners used instead of OECD average.

5. There was a strong employment performance from the private sector during the PNR, especially in the services sector. However, continuing labour force growth and international recession led to a sharp increase in unemployment over the period of the PESP. On pay, earnings growth under the PNR facilitated a gain in wage cost competitiveness but there was some loss (expressed in national currency terms) under the PESP. Pay in the public service grew much faster than in the private sector under both Programmes (see Table 2) absorbing in the process an increasing proportion of resources. In short, the provisions of the PNR and the PESP did not adequately take account of our unemployment problem. A related issue is that our pattern of economic growth was less employment-intensive compared with some other countries.

Table 2 - Incomes & Earnings under the PNR and PESP

Annual Average % Change		
Sector and Category	PNR Period (1988-1990)	PESP Period (1991-1992) ¹
Industry: Average hourly industrial earnings	4.2	5.1
Banking, Insurance & Building Societies: Average Weekly earnings,	NA	5.2
Agriculture: Total Income from Self-employment ²	7.0	4.1
Profits ³	9.6	5.9
Public Sector: Change in average earnings per head (Exchequer Sector)	6.3	7.9
Social Welfare: Average payment, UA/UB recipient	4.9	4.5

1. Data not available for 1993.

2. Not on a per capita basis.

3. Again not on a per capita basis; data covers trading profits of companies before tax, other trading profits and professional earnings.

6. In the Forum's view, the central issues that any successor to the PESP must tackle are unemployment, poverty and social exclusion.

The Unemployment Crisis

7. At end-October last, some 286,000 people - over one sixth of the labour force - were unemployed. More seriously, some 53,000 had been unemployed for between 6 and 12 months, 132,000 for a year or more and of these some 58,000 had not been employed in the three years to last April. Ireland has one of the highest unemployment rates in the EC and OECD. These figures discount the effects of emigration which totalled 206,000 in the 10 years to 1991 and the 18,000 persons currently classified on pre-retirement schemes.
8. Looking ahead, the recently-published National Development Plan envisages gross job creation of 200,000 over the period 1994 -1999. However, taking account of anticipated job losses, this is projected to result in a net expansion in non-agricultural employment of about 12,000 to 14,000 a year between 1994 and 1999. Assuming continuation of the long-term trend decline in agricultural employment, this is likely to translate into an annual increase of 10,000 in total employment. Allowing for continuing labour force growth of about 25,000 per annum, and on the assumption of no net emigration over the period, this would result in an unemployment level of 390,000 by the end of the decade.
9. This is a deeply disturbing scenario. Of course, the real devastation of unemployment lies behind statistics and in the human tragedy which unemployment entails. Unemployed people are not seen as having any meaningful role or making any worthwhile contribution to our society. Put simply, they are excluded - a condition which creates a sense of alienation and hopelessness - indeed, unemployment on the scale and nature which we are experiencing is a threat to the fabric and cohesion of our society.
10. The effects of very high unemployment are reflected in a huge deterioration in the quality of life particularly in some communities, where unemployment rates of up to 80 per cent are being experienced, and all the socio-economic costs and consequences that follow from this. The Forum wishes to state, quite categorically, that this situation is completely unacceptable and that it cannot be allowed to continue. We cannot, as a society, carry on like this for much longer and we have to start tackling

this problem now. The longer action is delayed the more serious the problem will become as more and more people move from being short-term to long-term unemployed, thereby making the problem far more intractable, with alarming divisions, inequities and polarisation in our community.

International context

11. An unemployment problem of Ireland's magnitude is the exception; other countries have done better over the longer-term and lessons can be learnt from their experiences. For instance, countries such as Canada, the US and Australia, have been far more successful at creating jobs (generally at relatively low rates of pay) than Ireland or most European economies over the last 20 years. These jobs were mainly in the services sector and were created in circumstances of more flexible labour market conditions and relatively less favourable welfare systems than obtained in Europe. Wage and productivity increases were also a lot lower than in Europe - it is worth noting that in the US four-fifths of the real increase in the wage bill between 1973 and 1991 went to additional workers (and one fifth to increased living standards) whereas in Europe and Ireland three-quarters and four-fifths respectively of the increase in the wage bill went to raising living standards.

12. At EC and OECD government levels, a major debate is at present taking place on the policy option of choosing between a high-unemployment society with well developed job protection and welfare systems or a low unemployment society characterised by more flexible labour markets, more jobs but with lower average pay and less favourable welfare systems. Another suggested option is to accept that the labour market has changed and to introduce a basic income guarantee for all and allow people to work when they do not have a job. We do not believe that the choices will be this stark and wish to emphasise that the US approach has been associated with greater inequality in its society. However, the ongoing debate in Europe around this type of issue and the choices taken by our competitors will have implications for Ireland. The Forum will consider and take account of developments in these areas in its future work.

PART II: KEY POLICY CONSIDERATIONS

International and domestic factors and constraints

13. There are several constraints imposed by the international environment as well as other external factors which need to be borne in mind in our policy choices. To ignore these or to pretend that we can pursue totally independent policies is folly as we know from bitter experience in the past. There are also domestic constraints and factors which have to be taken into account. The more important of these, which are fully recognised by the Forum, include:-

- Ireland is a small open economy and trade accounts for a huge proportion of both our output and consumption. Because of this, if our overall cost competitiveness deteriorates, we will lose markets and hence employment; to do better than other countries - which is necessary to increase employment - we have to improve our competitive position across a whole range of dimensions;
- over the next few years the Single Market process and a GATT agreement will intensify the competitive pressures faced by our economy;
- in particular, we need to take account of cost developments in the UK and movements in Sterling which have very real consequences for the indigenous labour-intensive sector of our economy; in this regard, the fact that the UK has not accepted the Social Chapter of the Maastricht Treaty may also have competitiveness implications for our economy;
- Membership of the European Union and this country's declared commitment to the Maastricht process, while conferring major benefits on the economy, constrains fiscal and monetary policies;

- to underpin low inflation and interest rates, Government borrowing has to be kept at low levels irrespective of the Maastricht Treaty commitments; in addition, reductions in the National Debt burden (one of the highest in the developed world) and associated lower interest levels will release much needed additional tax resources to finance priority policy objectives;
- Ireland's demographic structure and high dependency ratio means that there is little scope in the near future for overall reductions in the tax burden;
- proposals to increase spending or reduce taxation have to be financed within these constraints; therefore savings/additional revenues have to be identified to finance such proposals;
- Ireland shares a common labour market with Britain and Northern Ireland in many sectors and migration flows to the UK and other countries are a key feature of the labour market with implications for domestic policies; and
- the existence of inequality in Ireland and in the European Community - Commission estimates indicate that one person in six is living on a poverty income - is a major factor which should both influence and constrain economic and social policies.

Key Principles

14. Given the priority issues of unemployment, poverty and exclusion and the constraints and other factors which seriously affect our freedom of manoeuvre, the Forum recommends that the following core principles should inform any new PESF and will be reflected in the ongoing work and Reports of the Forum itself:-

- the inequities of unemployment, poverty and exclusion require that the benefits of increased growth must be more equitably shared in future than has been the case up to now; in particular the position of the most disadvantaged groups in our society must be improved under any agreement to succeed the PESP;
- for the majority, this means that, in the future, income growth will have to be more restrained and the resources redirected to help create employment and tackle unemployment, poverty and exclusion;
- job-creation strategies and measures must be significantly strengthened and better focused and a commitment given to new approaches towards more effective job retention;
- long-term unemployment in Ireland is a priority issue but it has to be recognised that it cannot be adequately dealt with by conventional job creation approaches alone; the Forum strongly believes that radical thinking and changes in policies will be required to prevent and reduce long-term unemployment; the Parties to a new PESP must commit themselves to such an approach;
- we have to decisively alter the anti-employment bias of our taxation and social insurance systems, particularly as they affect those on low pay, as well as the bias against productive investment in our taxation code. This will involve significant and unpopular increases in taxation in other areas but this nettle must be grasped; in addition tax evasion will have to be tackled more decisively; and
- economic and social policies must also be directed to promote a more balanced pattern of regional development, with particular reference to rural development and problems of inner cities.

15. In essence, therefore, what is needed is a new partnership and solidarity that faces the reality of unemployment, poverty and social exclusion and embodies a wider consensus and a strengthened commitment to tackle these, involving as it will sacrifices and benefits which have to be shared equitably throughout our society.

16. This will involve restraint in incomes, genuine tax reform, changes in attitude and special action to tackle long-term unemployment and measures to improve the relative position of the most disadvantaged and marginalised groups in our society. But we recognise that all of these have to be achieved within the constraints mentioned above.

PART III: EMPLOYMENT POLICY ISSUES

Pro-employment Income Restraint

17. The Forum will examine in detail over the next two years, in line with its carefully planned Work Programme, the whole gamut of policy issues that impinge on unemployment, poverty and social exclusion. As such, we are not in a position to outline the views of the Forum on these matters until the detailed debates on these issues have taken place and the degree of consensus ascertained. One issue, of particular and immediate relevance to any arrangements to succeed the PESP, is that of the relationship between income levels and employment. The Forum has discussed this in some detail and the consensus that has emerged is reported below. In relation to other policy issues we are only in a position to lay down 'markers' and general guidelines at this stage.
18. While the Forum accepts that pay negotiations are essentially between the Government and the Social Partners, at the same time it wishes to very strongly emphasize that these negotiations, as well as decisions on non-wage incomes, must also have regard to and take into account the wider needs and interests of our society as a whole .
19. As already noted above, the Forum believes that restraint in income growth which will benefit employment creation and provide greater resources to tackle poverty and exclusion is an essential element in any post-PESP arrangements. Pay levels per employee in Ireland are now close to the EC average but, on the other hand, output per head of population is only two thirds of the EC average (see Table 3). This highlights the need to ensure that a greater proportion of the resources from economic growth are channelled into employment creation rather than increased living standards if we are serious about tackling our unemployment problem. The extent to which a tradeoff between pay and employment can be realised varies across the different sectors of our economy:-

- in the multinational high-tech sector of our economy, pay moderation can lead to more employment in the medium to longer term through increased profitability and its effect on investment location decisions;
- in the more traditional labour-intensive parts of the traded sector, there is likely to be a substantial tradeoff between pay and employment, as in many cases pay moderation is essential in this sector simply to retain existing jobs;
- in the sheltered private sector, pay moderation is necessary to underpin the competitiveness of the traded sector and also to generate increased employment in this sector; and
- in the public sector pay restraint should be translated in a more definite way into increased employment almost immediately.

**Table 3 - Productivity and Income per Capita in Ireland
Relative to the EC Average (PPS data)**

	1973	1991
	EC = 100	
GDP per worker	65	90
GNP per worker	65	81
GNP per head of population	55	63
Salaries and wages per employee	70	94

20. As was noted earlier, all costs which impinge on the traded sector of our economy have, as an absolute minimum, to evolve in line with those of our competitors. The current situation throughout the EC is that pay settlements are lower than in previous years. If Irish jobs are to be protected, let alone increased, these trends cannot be ignored. In this context, the Forum notes the consensus amongst a wide range of independent economists both in submissions to it and elsewhere on the importance of the link between incomes and employment.

21. To create the necessary environment to generate consensus on major pro-employment income restraint, the Forum recommends that such restraint be complemented by similar moderation in other non-wage incomes such as rents and dividends. There is also a need for increased transparency on the benefits of pay moderation at enterprise level in the private sector where the employment tradeoff is more indirect. For this purpose, the Forum recommends that the partnership approach at national level needs to be supplemented at enterprise level through improved disclosure of information and greater industrial democracy.
22. The scope exists, as mentioned earlier, to provide for a more definitive tradeoff into employment increases in the public sector. Pay increases in the public sector, particularly for those in the higher income brackets, have very much exceeded those in other sectors of the economy in recent years. In 1994, pay in the public service is already set to rise by over 5 percent because of carryover effects. This rate of increase is well ahead of anticipated inflation. At the same time, employment in the public sector has expanded only modestly.
23. There is, therefore, a clear policy choice to be made between pay increases for existing employees in the public sector or providing for some increase in employment, either part-time or full-time. Such increases in employment could be in areas where the quality or provision of community services are below par or perhaps allocating the resources to employment schemes for the long-term unemployed. The Forum believes that particular restraint is necessary on pay in the public sector over the period of any successor to PESP. This should be supported by a commitment that the resources which would otherwise be pre-empted are channelled into increased employment and the financing of measures to tackle long-term unemployment, poverty and exclusion. Additionally, the Forum strongly recommends that a new system of pay determination be introduced to address the clear deficiencies with the present arrangements, such as the need to take greater account of economic factors and ability to pay as well as the relative position of the lower paid.

Other Employment Measures

24. Clearly income moderation of itself will not be sufficient, but must be underpinned by a balanced and integrated package of macro-economic policies and structural-reform measures designed to improve overall competitiveness relative to our competitor countries and increase the economy's productive potential in a manner which is environmentally sustainable in the long term. The Forum wishes to strongly emphasise that all policy measures must be evaluated by the degree to which they contribute to realising these objectives. These are essential preconditions to increasing employment and must be the central focus in any new agreement which may be negotiated to succeed the PESP.

25. It will be recalled from paragraph 8 above that, despite the massive injection of resources and policies contained in the National Plan, unemployment could, on certain assumptions, be as high as 390,000 by the end of the decade. Any new agreement between the Government and the Social Partners must, therefore, contain a very firm commitment to initiate radical new employment measures across the whole spectrum of economic activity, over and above those contained in the National Plan, as the combination of income restraint and measures already announced will not of themselves lead to increases in employment on a scale to cope both with our projected labour force growth while at the same time reducing our current level of unemployment.

Taxation

26. While the Forum has not yet had an opportunity to debate at length the issues of taxation and its effects on employment creation in particular, we note the concerns expressed by a variety of bodies that the present structure of taxation is very damaging to the creation of jobs. Pending our Report on this matter, we urge the Government to shift, within the overall fiscal constraints, the burden of taxation and of our social insurance system away from employment-based taxes to those with least

disincentive effects for the creation and take-up of employment. This could help facilitate a pro-employment pattern of pay increases by focusing on net take home pay and also result in greater equity in our taxation system.

27. We recognise, as noted already, that this will involve the imposition of unpopular increases in taxation elsewhere. But the Government must for once and for all resist the demands of special interest groups on matters of taxation by making it absolutely clear that it favours and is prepared to implement, as a matter of urgency, changes in taxation that can in a tangible way lead to the creation of an improved climate for the generation of employment while at the same time tackling the problems of unemployment and poverty traps.

Other Structural Measures

28. In its future work, the Forum will be addressing other overall structural measures to increase the economy's productive and job potential such as:-
- sectoral development measures with particular reference to overcoming obstacles to sustainable growth and employment at the level of the individual firm;
 - the enormous job potential that exists in the services sector; this will be the subject of special consideration;
 - the job creation potential in the development of alternative energy and industrial technologies and in the provision of environmental services such as recycling units; and
 - the importance of small business start-ups.
29. While we recognise also that job losses are inevitable, as labour demand varies in response to shifts in technology and demand, it is essential - given the scale of job losses which have been occurring - to implement more effective and active measures to maintain existing jobs, especially in situations when the fall-off in demand may be

due to short-term cyclical factors. We will be submitting much more detailed proposals in relation to all of these matters and others, such as work-sharing, in due course.

Long-term Unemployment

30. We have already emphasised that long-term unemployment cannot be adequately dealt with solely by the conventional job creation approaches outlined above and that it is the Forum's view that radical thinking and changes in policy will be required in this area. Its effects are not, of course, confined to those actually in long-term unemployment but impinge on their families and the community at large. Many of those who are long-term unemployed have been so for more than three years, are aged 35 and over and are married with children. Likewise the seriousness and social consequences of long-term youth unemployment need to be addressed as a matter of priority.

31. The Local Development Programme under the National Plan - the Forum is submitting a separate Report on this initiative - will provide some assistance but this will be limited to an extent to selected geographical areas. What is required in our opinion is a wide-ranging departure from established concepts of work and the introduction perhaps of new non-market based initiatives. The Forum will be giving top priority to this issue in its Work Programme in the New Year. A variety of suggested solutions will be examined, including those put forward recently by the Conference on Major Religious Superiors for the voluntary employment in the public, voluntary and community sectors of a large number of people unemployed at present.

PART IV: SOCIAL DIMENSION

32. The Forum will in due course be submitting a number of Reports and recommendations on a broad range of key social policy issues. These will include the need for greater clarity in policy objectives and social rights, better targeting of public resources to priority objectives, the setting of performance indicators and improved management and appraisal in the effectiveness, integration and delivery of social services.
33. In the circumstances, the Forum's recommendations in this Part of its Report are of necessity in general terms and designed to emphasise that economic policies should not be conducted in a vacuum and become an end in themselves. The Forum's philosophy will, on the contrary, be very much motivated by seeking to ensure that in the future we create a more caring and equitable society. This it sees as essential to promote a greater degree of consensus than has been the case up to now in accepting more wide-ranging reforms and adjustments to current policies so as to secure the long-term interests of our economy and its people.
34. In the immediate context, the Forum has already noted that, under both the PNR and the PESP, the main benefits of economic growth were taken up through increased incomes (dramatically so in absolute terms) for the better-off sections of our community (see Table 4 overleaf). This occurred despite a specific commitment made in the PESP providing "for major structural reform in particular in achieving greater social equity".

Table 4: Average Incomes(£) of Different Categories 1987 to 1992

SECTOR	Category	1987	1992	Absolute Change	% Change
Industry	Male (Adult)	11,938	14,743	2,805	23.5
	Female (Adult)	7,126	8,929	1,803	25.3
	Clerical	11,704	14,892	3,188	27.2
	Managerial	18,561	23,534	4,973	26.8
		(1.1.88)	(1.1.93)		
Public Sector	Cleaner	6,889	8,964	2,075	30.1
	Clerical Assistant	6,079	7,680	1,601	26.3
	Principal Officer	22,919	32,305	9,386	41.0
	Secretary	39,079	59,657	20,578	52.7
Agriculture	Average Family Farm Income	5,779	7,172	1,393	24.1
	2-30 Hectares	3,523	3,929	406	11.5
	30-100 Hectares	12,901	14,814	1,913	14.8
	100 +	24,764	31,407	6,643	26.8
Social Welfare	Average Payments: All UA and UB Recipients	2,888	3,642	754	26.1
	UA, adult dependent, with 2 children	4,644	6,058	1,414	30.4

Key Policy Considerations

35. The Forum strongly recommends that another PESP must ensure that the benefits of growth are more equitably shared and that poverty and social exclusion are more resolutely tackled. This will require firm commitments and targeted action over a whole range of policy issues. The more critical of these are income adequacy, housing, healthcare and education. Provided the right type of policy directions are taken in these areas, complemented by a major onslaught on unemployment, a new PESP could mark a decisive start to initiating genuine social reform through:-

- adequate resourcing and more effective targeting of interventions;
- better provision in the range of services and supports for different needs;
- ready access to State and other support services;
- improved quality and delivery of such services; and
- improved co-ordination and integration of policies to ensure greater effectiveness.

Income Adequacy

36. The incidence of poverty in our society is a major challenge which, in the Forum's view, must be meaningfully and progressively addressed over the period of a new PESP. The more effective tackling of the unemployment crisis would be a major step in the right direction. The other causes of poverty also need to be tackled effectively in a comprehensive and integrated manner. A serious concern of the Forum is to ensure that policies with a stated redistributive objective improve the relative position of the less well-off in practice and that the benefits do not accrue in the main to the better-off. The reverse is the case at present in many such policy areas.
37. On income adequacy, we have already noted the failure under the current PESP to deliver on the commitment to reach the priority rates recommended by the Commission on Social Welfare. In addition, we have recommended that income tax reform should now be focused on the low-paid. While we are not yet in a position to recommend specific proposals on income adequacy, the Forum recommends that the following broad principles should inform decisions made in this area:-
- any new PESP should contain a specific commitment to reform the social welfare system rather than continuing with the present pattern of piecemeal changes from year to year; this should be guided by the principles agreed by the Commission on Social Welfare, namely that of adequacy, redistribution, comprehensiveness, consistency and simplicity;

- families with children should be a priority group for increased resources and this needs to be done in a way that does not exacerbate poverty or unemployment traps; and
- commitments made in this area should be clear, unambiguous and time specific for their achievement.

Healthcare

38. The Forum notes that, while resources devoted to healthcare have again increased significantly in recent years, this has not, however, demonstrably led to a healthier society or to a more effective pattern of resource allocation in the sector. The Forum is concerned that the two-tier divide in our healthcare system has further intensified whereby the wealthy and those who can afford private insurance (with the help of tax relief) have ready access to services while the poor have to wait. Under a new PESP, the Forum recommends that priority should be given to:-

- allocating an increasing proportion of the overall health budget to the development of community services with an increased emphasis on health promotion, prevention and primary care services; in practice this means shifting of resources from the institutional to community services;
- improving access to services should be based on need - as agreed by the Commission on Health Funding, - "concern for the position of the poorest sections of Society must be accorded a high priority"; and
- more effective planning, organisation and efficient management of resources to ensure better results; this would be facilitated by improved information and data on costs and outcomes of different treatments.

Education

39. The Forum notes the close relationship between employment and income status and level of educational attainment. It is concerned, therefore, that much of the benefits of State expenditure on education accrue to the relatively better-off sections in our community and that an insufficient level of education resources are allocated to disadvantaged communities and marginalised groups in our society. With the expected decline in student numbers over the next decade, the time is now ripe to start planning and considering how best resources can be targeted. The Forum recommends the following as priority issues for the period of any new PESP arrangement:-

- resources should be targeted more at the less-well off;
- recognising, resourcing and promoting adult and community education, with the emphasis particularly directed towards those without formal qualifications; special attention should be paid also to adult literacy; and
- the level and quality of education provision for the unemployed, especially the long-term unemployed, needs to be significantly improved.

Housing

40. The Forum is seriously concerned with the problems of increased homelessness and of severe housing needs affecting many of the least-well off sections of our community. In addition, it is concerned that the range of State assistance to housing through the taxation treatment of mortgage interest payments and other subsidies are heavily skewed in favour of the better-off, as in the case of our education system.

The Forum recommends that all these issues should be addressed in a new PESP, with priority attention given to ensuring:-

- a fairer distribution of public resources with improved access to housing for all;
- a range of affordable housing tailored to meet different needs; and
- a better quality of housing provision.

PART V: REVIEW ARRANGEMENTS

41. Finally, the Forum wishes to emphasise that any agreement that may be negotiated should provide for a mid-term review, as was the case under both the PNR and the PESP. Given the commitment in the Programme for Government on the Forum's input to the PESP negotiations, it would be consistent that the Forum should also be consulted and that its views be taken into account in such a review. The Forum requests that such a commitment be specifically provided by both the Government and the Social Partners.

Terms of Reference and Constitution of the Forum

- (1) The Terms of Reference of the National Economic and Social Forum are to develop economic and social policy initiatives, particularly initiatives to combat unemployment, and to contribute to the formation of a national consensus on social and economic matters.

The Forum will:

- (A) Have a specific focus on:-
- job creation, obstacles to employment growth and models of economic growth;
 - long-term unemployment;
 - disadvantage;
 - equality and social justice in Irish society; and
 - policies and proposals in relation to these issues.
- (B) Make practical proposals on measures to meet these challenges.
- (C) Examine and make recommendations on other economic and social issues.
- (D) Review and monitor the implementation of the Forum's proposals and if necessary make further recommendations; and
- (E) Examine and make recommendations on matters referred to it by Government.
- (2) The Forum may consider matters on its own initiative or at the request of Government.

- (3) The Forum will work in two year cycles and will inform Government of its programme of work within three months of the beginning of each cycle.
- (4) In drawing up its work programme, the Forum will take account of the role and functions of other bodies in the social and economic area such as NESAC and the CRC to avoid duplication.
- (5) The Forum may invite Ministers, Public Officials, Members of the Forum, and outside experts to make presentations and to assist the Forum in its work.
- (6) The Forum will publish and submit all its reports to Government, to the Houses of the Oireachtas and to other Government Departments and bodies as may be appropriate.
- (7) The Forum will be drawn from three broad strands. The first will represent the Government and the Oireachtas. The second will represent the traditional Social Partners. The third strand will be representative of groups traditionally outside the consultative process including women, the unemployed, the disadvantaged, people with a disability, youth, the elderly and environmental interests.
- (8) The Forum will have an independent Chairperson appointed by Government.
- (9) The term of office of members will be two years during which term members may nominate alternates. Casual vacancies will be filled by the nominating body or the Government as appropriate and members so appointed shall hold office until the expiry of the current term of office of all members. The size of the membership may be varied by the Government.
- (10) The Forum is under the aegis of the Office of the Tánaiste and is funded through a Grant-in-Aid from that Office. This Grant-in-Aid is part of the overall estimate for the Office of the Tánaiste.

Membership of the Forum

Independent Chairperson:	Maureen Gaffney
Government Representative:	Eithne Fitzgerald T.D., Minister of State at the Office of the Tánaiste
Chair (Employment and Economic Policy Committee):	Prof. John O'Hagan
Chair (Social Policy Committee):	Triona Nic Giolla Choille

Oireachtas

Fianna Fáil:	Ned O Keeffe, T.D. Éamon Ó Cuív, T.D. Chris Flood, T.D. Liam Fitzgerald, T.D. Sen. Brian Hillery Sen. Brian Crowley
Fine Gael:	Richard Bruton, T.D. Frances Fitzgerald, T.D. Paul Connaughton, T.D. Sen. Madeleine Taylor-Quinn
Labour:	Joe Costello, T.D. Sen. Jan O'Sullivan
Progressive Democrats:	Martin Cullen, T.D.
Technical Group:	Pat Rabbitte, T.D.
Independent Senators:	Sen. Mary Henry

Social Partners

Trade Unions:	Philip Flynn Patricia O'Donovan Noel O'Neill Mary Ann McGlynn Manus O'Riordan
Employer/Business Interests:	Declan Madden Anne Coughlan Karen O'Sullivan David Croughan Mirette Corboy
Agricultural/Farming Organisations:	John Tyrrell Tom Parlon Ciarán Dolan Clare Higgins Monica Prendiville

"Third Strand"

Womens Organisations:	Ann Taylor Noirín Byrne Ina Broughall
Unemployed:	Brendan Butler Jane Foley Mike Allen
Disadvantaged:	Niall Crowley Fintan Farrell David Joyce
Youth:	Gearóid O'Maoilmhichíl
The Elderly:	Michael White
People with a Disability:	Roger Acton
Environmental Interests:	Jeanne Meldon
Academics:	Fr. Seán Healy Stasia Crickley

Secretariat

Director:	Seán O'hÉigearthaigh
Secretary, Social Policy Committee:	Majella Kelleher
Secretary, Employment & Economic Policy Committee:	David Hegarty