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CONGRESS
Irish Congress of Trade Unions

19th March, 2019

Mr Robert Wiggins
Economic Policy Division
Department of the Taoiseach
Government Buildings
Upper Merrion Street
Dublin 2

Re: European Semester 2019: National Reform Programme

Dear Robert

I wish to acknowledge with thanks receipt of the correspondence of 27 February 2019, regarding the above.

Please now find below Congress's response. Please also accept our apologies for the delay in sending this.

We welcome the opportunity to outline our views on the 2019 country report, albeit within the tight timeframe, which we acknowledge is determined by the Commission's request to receive Ireland's National Reform Programme (NRP) by early April. This timetable does not allow us to give a comprehensive response to all issues discussed in the country report, just to comment on aspects that relate to Congress priorities, as determined by our Executive.

I would like to begin with a general point concerning the current state of social dialogue and collective bargaining in Ireland.

Social Dialogue in Ireland

We note that the Commission makes the general point that Ireland's system of social dialogue is:

> '...characterised by its mostly consultative nature. In 2015 the government created a structured forum for national economic dialogue where social partners have the opportunity to raise concerns and share views ahead of the annual budget on key policy issues. However, they are *rarely involved and consulted in relation to the European Semester process by the government.*' (p.37, emphasis added)

We would contrast this Commission finding with its more positive commentary on social dialogue in a number of what are now Ireland's peer countries. For example, the Commission concludes that the German model of social dialogue 'functions well, and the social partners are overall closely involved in policy-making'; that 'Austria has a system of social dialogue and industrial relations with a proven capacity to contribute to balanced socio-economic development' (but that recent government actions are likely to reduce this capacity); and that Denmark's good performance on the indicators of the Social Scoreboard supporting the Pillar of Social, reflects its 'advanced welfare model, social protection system, well-established social dialogue, and focus on active labour-market policies'.

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We believe that the government should carefully consider this point. If Ireland is to address the many challenges now facing the country, particularly those relating to productivity, employment, pay, working conditions and inequality, we need to have a proper debate about the positive role social dialogue and collective bargaining can play on such issues.

In this regard, we note that the new OECD Jobs Strategy (December 2018), which builds on its 2017 work on collective bargaining in a changing world of work and its 2018 work on the role of collective bargaining for good labour market performance, concludes that:

> 'collective bargaining has the potential to play a central role in all aspects of labour market performance, including: i) wages and non-wage working conditions; ii) employment and unemployment; iii) inequality; and iv) productivity'

And that the OECD explicitly recommends that:

> '...governments put in place a legal framework that promotes social dialogue in large and small firms alike and allows labour relations to adapt to emerging challenges'.

Congress looks forward to working with the government in addressing this issue, including in relation to the implementation of the OECD recommendation.

I would now like to address other aspects of this year's country report that address Congress priorities.

Fiscal Policy

You will be aware that Congress' pre-budget 2019 urged the government to limit the scope and number of tax expenditures and to broaden the tax base, as recommended in country specific recommendation (CSR) 1 2019 and clearly set out our opposition to the tax cutting agenda, arguing that this was reckless, unaffordable, and ran counter to the achievement of the sound and sustainable public finances that are necessary to address the many challenges now facing the country. We accordingly recommended a number of revenue-raising measures, including the abolition of the reduced VAT rate for the hospitality sector, which we had been advocating for a number of years, as well as reforms to the system of capital taxation and of tax expenditures and the introduction of a wealth tax.

In our response to Budget 2019, we described the abolition of the reduced 9% VAT rate as 'undoubtedly a step in the right direction', but we condemned the tax-cutting measures which we pointed out would benefit higher-income earners most of all.

We note that the 2019 country report now describes the government's efforts to limit tax expenditures and broaden the tax base as 'mixed' (p.14); it welcomes the increase in the VAT rate for the hospitality sector but also points out that some measures adopted 'actually go in the other direction' (p.4).

Our pre-budget 2019 submission also stated that while the concept of a rainy day fund is one that has merit, the substantial resources that would be diverted to it would be better deployed in boosting the productive capacity of the economy and in seeking to minimise the fallout from Brexit.

In this regard, we note that the 2019 country report purports to assess the Irish economy 'in the light of the European Commission's Annual Growth Survey, [which] calls on EU Member States to implement structural reforms to make the European economy *more productive, resilient and inclusive*' (p.3, emphasis added).

In the context of the Commission's criticisms of Budget 2019 measures that narrowed the tax base, mentioned above, we do not see an unequivocal endorsement of the rainy day fund in the 2019 country report; 'the planned rainy day fund *could* contribute to prudent management of public finances' (p.25, emphasis added).

We would therefore recommend that the government (re-)consider our Budget 2019 proposals to limit tax expenditures and to broaden the tax base, the introduction of compensatory revenue-raising measures for higher-income earners who benefited most from Budget 2019 tax cuts, as we advocated in our response to Budget 2019, and the reallocation of resources planned for the rainy day fund to try to minimise the impact of Brexit, including the introduction of short-time work schemes and a Brexit Adjustment Assistance Fund to support workers most at risk, as we have recommended in our most recent paper on Brexit.

As regards Brexit, we also note that the country report describes the planned Human Capital Initiative from 2020-2024 as a measure that seeks to cushion negative trade impacts on the Irish economy arising from Brexit, whilst also addressing the future skills needs of the economy. While measures such as this can play a role in minimising the fallout of Brexit, we note that it is seems to be primarily geared towards providing additional investment at levels 6-8 in Higher Education; these may not meet the needs of many workers negatively impacted by Brexit.

Housing

Concerning housing, you will be aware that Congress said that Budget 2019 had failed to address the housing crisis in any meaningful way and that housing solutions meant building real homes, not continuing to subsidise landlords, for example by expanding the Housing Assistance Payment (HAP) or the Rental Accommodation Scheme (RAS).

We note that the 2019 country report warns that the HAP and RAS risk 'exacerbating rent increases in the already supply-constrained private rental market' (p.9); that it cites DEPR research to point out that 'expenditure levels on housing and social housing, though growing, still stand at a level just below the 2008 peak, *thus further contributing to the critical situation'* (p.38, emphasis added); that it concludes that the homelessness crisis 'merits urgent action' (p.35); that it sees investment in social housing as 'crucial to address the severe social housing shortages and rising homelessness...' (p.38); and that the 'investment guidance' for cohesion policy funding over 2021-27 (i.e. Annex D), identifies further investment needs in social housing in order to prevent and reduce homelessness and housing exclusion over the 2021-2027 period. We would urge the government to act on these findings and to prioritise social housing construction in the NRP.

Early Childhood Care and Education

Our pre-budget 2019 submission highlighted the importance of expanding public provision of high quality, subsidised early years care and education (ECCE) services, as recommended by CSR 2 2018.

We note that the 2019 country report again finds that the insufficient provision of childcare is the main cause of high female inactivity (p.34); that formal childcare 'remains' unaffordable for many (p.35); and that Irish childcare costs 'are' the most expensive in the EU (p.36). We would therefore again urge the government to prioritise the provision of high quality affordable ECCE services in this year's NRP.

As we argued in our response to the 2018 country report, the provision of high quality ECCE services also means addressing the issue of pay and conditions in this sector. We acknowledge that the government has indicated its support for the adoption of a Sectoral Employment Order under the Industrial Relations (Amendment) Act 2015 for this sector but, in view of this shared objective we believe it must also address the challenges unions in Ireland face in meeting the requirements to put an SEO in place given the current legal framework for collective bargaining in Ireland.

We also note that the Investment Guidance for EU cohesion policy funding over the 2021-27 period (i.e. Annex D) recommends, in the context of implementing the European Pillar of Social Rights (EPSR), investment in ECCE services so as to 'promote women's labour market participation'. We agree with this particular guidance but believe it should be primarily promoted in the context of Principle 11 of the EPSR which, as you know, provides that children have the right to affordable early childhood education and care of good quality, to protection from poverty, and that children from disadvantaged backgrounds have the right to specific measures to enhance equal opportunities.

Inequality and Precarious Employment

As you are aware, that the 2019 country report identifies income inequality as an issue 'to watch' (p.35) noting that market income inequality in Ireland is the highest in the EU with the richest 20 % having close to 30 times the market income of the poorest 20 %, but also acknowledging that Ireland's tax/benefit system brings final income inequality below the EU average.

In this regard, we would again highlight the findings of international research that rising inequality is bad for long-term growth and stability and that collective bargaining helps to reduce inequality (e.g. by the OECD, the World Bank, the IMF, McKinsey Global Institute etc.). This reinforces the points made above regarding social dialogue and collective bargaining.

We acknowledge that the 2019 country report, unlike the 2018 country report, does recognise that the *quality* of employment remains an issue to be addressed, and that measures such as the Employment (Miscellaneous Provisions) Act 2018 seek to address these issues. We also note that the 2019 country report acknowledges the increase in social welfare payments, the increase in the National Minimum Wage, and targeted support for more vulnerable groups as 'important steps to consolidate the reduction in the at-risk-of-poverty or social exclusion rate.'

The NRP should therefore set out how the government plans to build on these initiatives and measures to tackle precarious employment and poverty, particularly child poverty which the country report correctly identifies as a major challenge, including by promoting collective bargaining as discussed above.

Health

As you are aware, CSR 1 2018 recommended that Ireland increase the cost-effectiveness of the healthcare system.

In this regard, our pre-budget 2019 submission drew attention to the over-spend on '*medical products, appliances and equipment*' and on '*health n.e.c.*' in Ireland compared to other high-income western European countries, as identified by the NERI (2017).

Given that the 2019 country report concludes that limited progress has been made on this particular recommendation (p.58), we would urge the government to revisit the relevant recommendation from our pre-budget 2019 submission.

Education and Life-Long Learning

Congress' pre-budget 2019 submission urged the government to seek to further reduce Ireland's early school leaving rate, particularly from DEIS schools and among males. It also called for additional investment in life-long learning and adult literacy, as well as improving basic digital skills.

We note that the 2019 country report finds that Ireland still has a higher than EU average early school leaving rates for people with disabilities and one of the widest early school leaving gaps between people with and without disabilities in the EU, and that 'some progress' has be made on the upskilling of the adult working-age population but points out that 52% of the adult population lack even basic digital skills, compared to an EU average of 43%. The NRP should outline how the government plans to address these particular challenges.

Global Warming

Our pre-budget 2019 submission advocated an increase in diesel taxation and also advocated the introduction of a Just Transition instrument to support the transition of workers to a low-carbon economy.

We note that the 2019 country report concludes that the potential of environmental taxation to support environmental objectives in a socially fair manner has not been fully exploited. The government should reconsider Congress's proposals on diesel taxation and on the introduction of a Just Transition Instrument.

Conclusion

We would be willing to discuss any of the above further with you.

We note your comments that in view of the Commission's request to receive Ireland's NRP by early April, there may be limited time to comment on a draft of the NRP in advance of its finalisation and submission. Despite these constraints, we would appreciate the government making every possible effort to ensure that Congress and other organisations representing civil society have an opportunity to make a meaningful contribution.

Yours sincerely

Patricia King
General Secretary

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