

PAY ELEMENT

1. Basic Pay Increases

The following are the draft pay scales for the private and public sector:

Private Sector	Public Sector
<ul style="list-style-type: none"> • Pay pause of 3 months • 3.5% for six months • 2.5% for 12 months and an additional 0.5% for those earning below €11 per hour 	<ul style="list-style-type: none"> • Pay pause of 11 months • 3.5% for nine months • 2.5% for 1 month and an additional 0.5% for those earning below €430.49 per week
<p>Cumulative: 6.1% or an annualised 3.5%</p>	<p>In cumulative terms, the parameters are the same as the private sector. However, given the final tranche is not paid until the last month of the agreement – for the period preceding, public sector workers will have an annualised pay increase of 2.1%.</p>
<p>Real Pay Increase: - 0.8%¹</p>	<p>Real Pay Increase: For the period preceding the final tranche: - 4.7%.</p>

What UNITE sought: *‘Therefore, we will be demanding a wage increase that is substantially higher than the rate of inflation.’*

This did not happen. In real terms (i.e. after inflation) wages will be cut if ESRI projections are realised.

NOTE: ICTU has confirmed that wages were cut in real terms during the previous agreement (Towards 2016): *‘Wages have fallen by 1.7 percent under the terms of Towards 2016.’*

Combined with the proposed pay deal, real wages will be cut by 2.5% over the four-year period that both the past and proposed agreement covers.

¹ Based on ESRI inflation projections.

2. Low Pay Provision

The proposed pay deal provides for an additional 0.5% for those earning below €11 per hour (in the public sector, there are very few grades with very few workers who will be covered by this provision).

- For all low-paid workers the special provision will amount to a minimum of 4 cents per hour (€1.60 per week on a full-time basis) and a maximum of five cents per hour (€2 per week) increase.

What UNITE sought: *'We will be demanding that wage increases be delivered through a combination of a flat-rate payment to all workers plus a percentage wage increase.'*

This did not happen. The low-paid will still, in all likelihood, suffer a real pay cut.

However, the employers have given an undertaking: *'employer bodies will, as a matter of policy, encourage their members to ensure that pay moderation is also observed in respect of executive pay'*.

3. Local Bargaining Clause

What UNITE sought: *'We will be demanding a provision for uncapped local bargaining in enterprises and sectors with profit growth.'*

There is no local bargaining clause in the proposed pay deal.

4. Reform of the Opt-Out Clause

What UNITE sought: *'We will be seeking a new mechanism which will ensure that employers must first seek the agreement of their workforce before they can avail of the opt-out'*

This was not achieved. Instead, the 'inability to pay clause' has two new elements. Whereas employers could only avail of this mechanism if they could show 'inability to pay', they can now avail of this mechanism of two additional grounds:

- *'An employer may claim that it is not possible to pay the terms of the Agreement in full or in part,*
- *'And / or may seek some cost offsetting measures'.*

Further, the clause that appears in 'Towards 2016' and 'Sustaining Progress' remains: *'employers expect unions to adhere to the terms agreed and unions expect the terms to be applied to their members'*.

5. Draft Pay Deal in the Context of Wages and Profits

UNITE has published *'The Truth About Irish Wages'* and *'The Truth About Irish Profits'*. In these documents it was uncovered that:

- Irish wages lag far behind the EU and industrialised world averages. In the former, wages are 8% behind manufacturing wages while private sector wages as a whole are 25% below our peer group in Europe (the top ten economies of which we are one).
- Irish profit levels, according to all international measurements² are one of the highest in the EU – between 25% and 50% above EU-15 profit levels.

Given this, it is clear that (1) Irish wage levels are not the source of any problems in our competitiveness; and (2) there are many sectors and many companies who the ability to pay above the levels contained in the draft pay deal.

Further, company reports that are emerging for the first half of this year, along with business sentiment surveys, indicate that, apart from a few sectors, profitability remains high with companies expecting this to continue despite the recession (please see Appendix for further information on these recent developments.).

6. The Impact of Wage Increases on Enterprises

Following the breakdown in pay talks at the end of July, ICTU agreed guidelines for lodging local claims. These included a 5% basic claim with a minimum weekly flat-rate increase of €30 for all workers. UNITE has researched the impact of these wage claims on service and manufacturing enterprises.

As can be seen below, the increases that were being sought under the agreed ICTU guidelines made up only a fraction of turnover and the cost base in both the service and manufacturing sectors. When it comes to profit, the wage increases would have impacted more in the service sector but still it would have remained a small proportion. Given that Irish profit levels are one of the

² OECD, EUROSTAT and EU KLEMS databases

highest in the EU-15 (as referred to above), it is debatable the extent to which such an increase would have been 'onerous'.

	Service Sector		Manufacturing Sector	
	5% Increase	€30 Flat-Rate Weekly Increase	5%	€30 Flat-Rate Weekly Increase
As a percentage of Turnover	0.6	0.5	0.3	0.3
As a percentage of Cost Base	0.7	0.5	0.5	0.4
As a percentage of Profit	3.5	2.8	1.4	1.1

NON-PAY ELEMENT

7. Legal Right to Trade Union Representation

What UNITE sought: In keeping with the EU Charter of Fundamental Rights, ILO Conventions and standard practice in almost all other industrialised countries, UNITE sought the legal right to trade union representation, or the right to collective bargaining.

The draft agreement contains no provision for the right to collective bargaining. There is a provision for

- The setting up of a six month process (deadline March 2009) in which the issue of employment representation will be reviewed. The aim is to put the necessary legislation in place by June 2009.
- A prohibition on victimisation of employees based on their trade union membership or activity and a ban on providing incentives for non-membership. It is proposed to enact such legislation by March 2009.

- The decision by the Competition Authority that voice-over actors, freelance journalists and session musicians are not entitled to collective representation will be overturned by legislation.
- New legislation to strengthen the existing system of Employment Regulation Orders and Registered Employment Agreements.
- Work permits will be issued to non-EEA students to ensure adequate tracking of jobs in which they work. The introduction of a Quality Mark for international education programmes to combat fraud among migrant-students

8. Mandatory 2nd Tier Pensions

What UNITE sought: *'We will be demanding that the Government and employers accept the principle of mandatory earnings-related pensions'.*

There is no provision for the introduction of mandatory 2nd tier provisions.

- The main proposal is a commitment to publish a comprehensive framework for pensions policy by the end of this year (following the Green Paper on pensions published earlier this year). We do not know if this framework will include any commitment to the introduction of mandatory pensions. The mandatory issue is not mentioned in the agreement.
- There is also a commitment to transpose the optional elements of the EU Transfer of Undertakings Directive into Irish law by the end of 2008: when a firm takes over another one it has to take on that company's pension scheme. This has not been the case up until now.

9. Agency Workers

What UNITE sought: equal pay and conditions, (holidays and terms and conditions etc.) for temporary agency workers as permanent staff doing the same job

The issue of agency workers was settled during the negotiations over for a new pay deal – owing to a European directive. The proposed agreement provides for

- The setting up of a process to develop a national framework on the employment and rights of temporary agency workers with the aim that any framework agreed could be operational in 2009.
- Prohibiting the use of agency workers in the case of official strikes or lock-outs.
- An Employment Agency Regulations Bill to be published before end 2008.

10. The National Interest

Consideration of the proposed pay deal has been placed, by many interested parties, in the context of the 'national' or 'economic' interest. In this context, there are two key elements in Government policy:

- The reduction of Government expenditure – through programme cutbacks and payroll reductions
- The reduction of the total wage bill – in both the public and private sector

Leaving aside whether this is fiscal or economic policy, the following should be pointed out:

First, as the late Paul Tansey identified, Government activity (as identified in the services category of the quarterly National Accounts) is the only sector generating growth. This is occurring through government expenditure, consumption, etc. Whereas industry and non-financial service activity fell by 1.7%, Government services increased by 1.1%. As Mr. Tansey pointed out:

It was left to "other services" principally the expansion of education and health services, to save the economic ship from capsizing altogether in the first quarter of the year.

Second, both SIPTU and ICTU have identified the slowdown in demand in the economy as a principle contributor to the slowdown. ICTU stated in June of this year:

'The ESRI demonstrated that its projected recession for this year is being caused by deficient domestic demand. This is largely caused by the (real) pay freeze over the past two years, accentuated by rising inflation and lower consumer confidence. Thus calls for a second (real) pay freeze for workers would have a negative impact on the economy by reducing domestic demand by the largest cohort of spenders in the economy - 1.7 million employees.'

SIPTU made a similar analysis in it's 'Don't Turn a Recession Into a Depression'.

... real earnings in both the private and public sectors were actually falling during the course of 2007, so that it was not just a question of consumer confidence, but the far more serious phenomenon of Irish workers' actual inability to pay, that has resulted in such a retail sales setback. . . a recovery in the volume of consumption is essential for making its contribution to the domestic demand required for overall economic growth to resume in 2009.'

ICTU's and SIPTU's analysis is correct. In conclusion, the Government's strategy of cutting one of the sectors that is growing is putting the 'economic ship' at risk, while its alliance with employers to cut wages in real terms will, as ICTU has predicted, 'have a negative impact' on the economy.

Such a negative impact will result in more job losses, less revenue to the Government, more cutbacks and more employers' 'inability to pay' claims'.

Appendix: Current Profitability of Irish Companies

Company	Profit (€)	Company	Profit (€)
Irish Continental ¹	17.5 million	Bank of Ireland ²	1.9 billion
Irish Life and Permanent ¹	300 million	NTR ²	40 million
FG ¹	9.5 million	IAWS ²	73 million
Paddy Power ¹	47.1 million	Aryzata ⁴	€218 million
Kingspan ¹	83 million	Bank of Ireland ²	1.93 billion
Independent News ¹	96.6 million	CRH ¹	600 million
Glambia ¹	44 million	Tesco ²	2.75 billion (with higher growth in the international section)
United Drug ³	33 million	Eircom ¹	116 million
NIB ¹	3 million	Origen ⁴	70.9 million
Norkom ²	7.2 million	Greencore ³	30 million
Anglo Irish Bank ³	647 million	DCC ²	181 million
AIB ¹	1.3 billion	Smurfit Kappa ¹	173 million (€83 million for 2 nd quarter)

¹ 2008 Half-Year Report
² Year end to 1st Quarter 2008
³ Six Months to 1st Quarter 2008
⁴ Year End to 2nd / 3rd Quarter 2008

This continued high profitability is in keeping with recent corporate surveys which show that the majority of companies are predicting future profit growth:

- According to a **PricewaterhouseCoopers** survey of 173 chief executives, the majority felt that revenues (71%), profits (60%) and capital investment (54%) will continue to grow.
- A recent report by the **BT/InterTradeIreland Business Monitor** revealed that 80 per cent of 4,000 businesses surveyed are optimistic about their company's performance over the next three years.
- **The IIB Bank/ICAI Business Sentiment Survey** – produced in the last week of July - reported the slowdown may not be widespread: 54% of firms reported flat or increasing activity, and 42% feel their own company's performance won't significantly reflect broad economic trends. Business Services are still healthy.
- **Enterprise Ireland**, launching its recent annual report, stated that the companies it was supporting were 'not in recession'. Over 1,000 Irish companies receive support from the state agency. Together they increased profits, sales, exports and employment.

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