Irish government to impose austerity until 2020

By Jordan Shilton
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The Fine Gael-Labour coalition in Dublin is currently discussing a proposal from Finance Minister Michael Noonan, which imposes austerity budgets until 2020.

Although the programme has not yet been published, government officials have made clear that its purpose is to intensify the spending cuts under the bailout agreed with the European Union, European Central Bank and the International Monetary Fund after the programme expires later this year.

Referring to the dictates of the troika, which have ensured the implementation of a large part of the more than €28 billion of austerity measures since 2008, Noonan said, "When we leave the programme we won't have that kind of discipline within our system any more and I want to make sure that, because of more loose arrangements, that we don't lose impetus."

Specific savings are expected to be outlined by the proposal, and fiscal targets will be included. Spending ceilings for the coming three years are to be presented in the 2014 budget, which will be announced in October.

Minister for Jobs Richard Bruton, like Noonan a member of Fine Gael, was explicit that the government's strategy would be to step up the downward pressure on labour costs in order to build a "competitive economy."

"There isn't a crock of gold that you can dip into and create an alternative to building sound enterprises that are oriented to export markets and who sell innovative products," he proclaimed.

The Labour Party's Public Sector Reform Minister Brendan Howlin is playing a leading role in slashing government spending. A letter was recently issued by him to each government department, detailing percentages of budgets to be cut in the years 2015 and 2016. These are thought to include annual savings of at least three percent in the budgets of the health and social protection departments. Other departments could face annual targets of five percent.

The state pension fund will be bled dry to offer incentives to foreign investors and private equity firms to come to Ireland. The *Financial Times* reported that the remaining six billion euros in the National Reserve Pension Fund would be used by the government to create a "co-investment" fund.

There has been hardly any public discussion on these new developments, which will condemn Irish working people to unending austerity for years to come. These policies will worsen the conditions of misery which already prevail, including an unemployment rate standing at 14 percent.

Essential to the enforcement of austerity is the full support of the trade unions, which the government can be assured of. The Irish Congress of Trade Unions (ICTU) has been locked in talks with the coalition since February to reach an agreement to impose the latest round of savings on public sector workers. The successor to the no-strike Croke Park Agreement between government, employers and the unions, which expires next year, aims to save €1 billion by 2016.

The unions are currently trying to force through the Haddington Road Agreement in the face of widespread opposition among workers. In the first vote on the deal in April, a large majority of workers rejected it, including an overwhelming number of teachers, medical staff and emergency service workers.

The bureaucracy then entered new talks on a union-by-union basis in order to divide the emerging opposition. They accepted as good coin the claim from Howlin that the three year agreement would be the last time workers would be asked to sacrifice their wages and working conditions to pay for the collapse of the banks, even as he prepared to outline with Noonan proposals which will see austerity and labour market reforms continue for at least another four years thereafter.

The deal now being voted on by the public sector unions retains all of the cuts demanded by the government. It contains reductions to overtime pay, longer working hours, redeployment measures designed to cut numbers in the public sector, and the freezing of pay increments.

These measures will exacerbate the exploitation of workers who have suffered significant pay cuts since 2008. In the public sector, average wages have fallen by 14 percent, while in other economic areas it is even more. This has been an integral part of the drive by the ruling elite to permanently lower labour costs. According to one study, labour costs in Ireland fell between 2008 and 2012 by 8.4 percent.

On this basis, the Irish stock market is achieving its largest rally since the crisis. Stock values have more than doubled since a low point in early 2009, and companies are predicting that they will secure their biggest profits since that time. One trader bluntly pointed to the source of these renewed gains, telling Bloomberg, “We have to give Ireland credit for actually sticking to the reform programme and taking the levels of painful social adjustment that few countries in Europe have come close to.”

The continued expansion of profits is unsustainable, and there are already clear signs of the danger of another banking collapse. Last week, it was revealed that €3.5 billion of funds loaned to Allied Irish Bank during the near collapse of the banking system in 2008-09 would not be paid back to the state, but would be converted into preferential shares. One press article pointed out that this one move would see the state lose more money than the total savings it had planned in the 2014 budget.

The banks will likely require access to even more financial support from the government, another important factor driving the cuts. Noonan discussed this possibility at his last meeting with the IMF, in the event the banks fail stress tests scheduled for early 2014. The tests, initially planned for autumn 2013, have been pushed back amid concerns over the stability of the banks. Fitch released a report this week stating that “significant risks” still remain in the financial system.

In the absence of agreement within the European Union on allowing the EU’s bailout fund to lend directly to banks, Dublin would be faced with taking even more debt on to the state balance sheet in order to cover the capital requirements of the financial institutions, under conditions in which state debt is already greater than 120 percent of GDP.

In an ominous report released at the end of May which indicates the scale of the developing crisis, Ireland’s Central Bank pointed out that a total of €25.8 billion of mortgages were in arrears by more than 90 days, and small businesses had fallen behind with payments on loans totalling €10.8 billion. The banks have only €9.2 billion in capital to act as a buffer.

While the banks can expect to obtain full access to billions more in state resources, the latest figures point to a sharp rise in severe poverty. One in ten are suffering from food poverty, defined as an inability to afford a meat or vegetarian equivalent meal every other day, or having missed a meal over a period of two weeks because of money problems. The real number of those living under such circumstances is certainly much higher, since the figures from this report were collected in 2010. In a separate study, the Irish League of Credit Unions revealed that almost 50 percent of the population have to borrow money to meet the cost of basic bills.