Economic Outlook 2006

The case for a generous wage settlement.

“For more than a decade, Ireland has been the OECD’s star performer.”

OECD Report on Ireland, March 2006.

Irish Congress of Trade Unions

May 2006

Section 1.
Introduction: The Economic Outlook for Ireland is Excellent.

The economic environment for a generous wage settlement has *never* been so good.

Excellent Economic Outlook

- High economic growth
- The world outlook is good and well-balanced.
- Interest rates are low and inflation is low.

Exceptional Employment Growth

- We have a booming jobs market
- High job creation
- Strong immigration
- Tight labour market – many job vacancies
- Employers facing recruitment and retention problems
- Ireland has high productivity
- Manufacturing employment has fallen after exceptional growth
- But the forecast for manufacturing employment is to stabilise to 2010.
- Strong services employment growth.

Wages, Profits and Productivity

Wages may have risen in Ireland but they are still low compared to our main competitors. Profits have risen very rapidly and only recently have slowed. The wage/profit share in the economy was skewed remarkably away from labour to employers and only recently has there been some mitigation of this trend. Productivity growth in Ireland has been very rapid and is high.

Strong Public Finances

- The public finances strong

- No need for tax increases on workers
- Government can fund *extra* spending on the social wage (health care, education, public transport, childcare, eldercare etc) from economic growth & by closing the many loopholes still left open in Finance Bill 2006 for property speculators and out-dated business "incentives."
- Government can also fund strong investment and a progressive National Development Plan too.
- National debt down to only 29.8 per cent of GDP, compared to the average of 72 per cent in the Euro area lowest in Union, bar Luxembourg.
- Great sums of taxpayers money are being invested in the National Pension Fund (now at over €15bn) on top of the strong public finances.

Assessing the risks

- USA – twin deficits - the current account and trade deficit
- However, just as most economists agreed that British Sterling was overvalued for many years, its economy grew and the problem resolved itself. This may happen to the US - the worlds largest and strongest economy. There is also balanced economic recovery in most world economies. The twin deficits of the US may not impact on the world economy and/or it may be many years before they do.
- Oil prices are high but are not expected to rise further, though Irish inflation has risen.
- Construction downturn? But the new NDP should ensure a soft landing for building and construction.

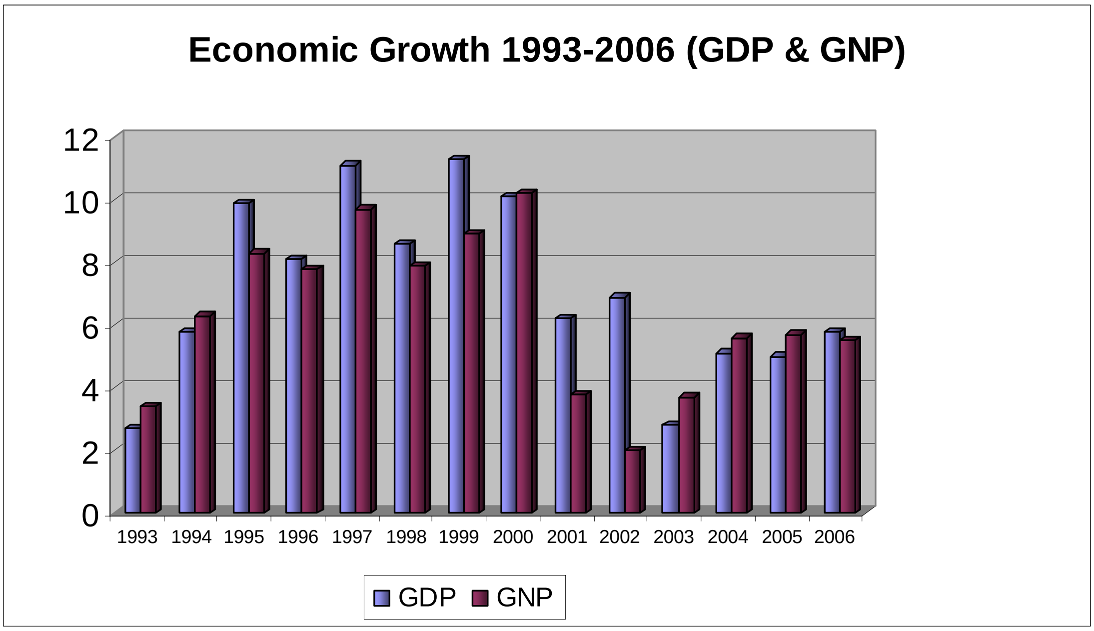
In summary:-

- An Excellent Economic Outlook here and internationally.
- Strong profit growth, high productivity and still relatively low labour costs.
- Strong public finances.
- Exceptionally strong employment growth.

Section 2. Growth has been Good

Ireland has had 12 years of enviable high growth, as the chart shows. Economic growth rose to very high levels and average growth has also been high. Growth rates greatly exceeded that of most EU countries (in both GDP and GNP terms) for many years.

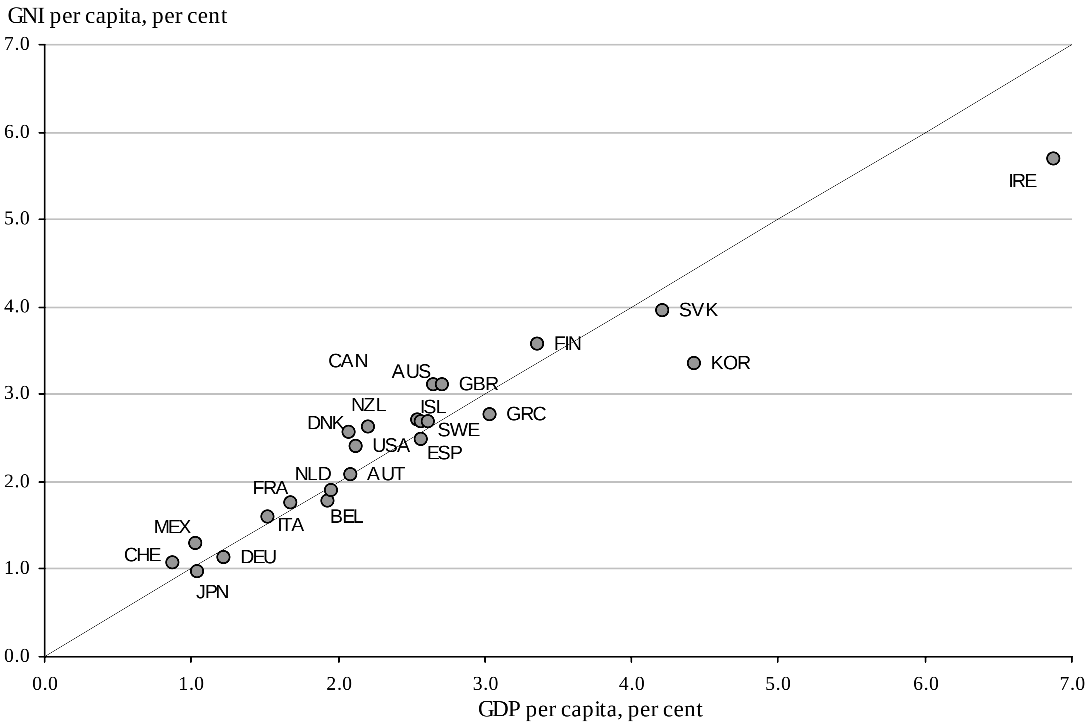
Figure 1



Source: CSO.

Even when measurements other than GDP, the internationally recognised comparator, which it is agreed, distorts Irelands performance, are used, such as Gross National Income, Ireland's performance is still stellar. Figure 2 demonstrates this so clearly over the decade to end 2003. It can be seen that

Figure 2 : GDP and GNI per capita growth, average annual growth 1994-2003, percent



Source: Congress' "Coming Challenges in Productivity" and OECD, 2005, *Working Paper No 1 on Alternative Measures of Well-Being*, October, Paris.

Ireland's economic growth has been well ahead of all OECD countries in the decade to 2003. It has performed very well since, too.

Ireland has caught up with the rest of Europe and is now suffering from the consequences of its sustained high economic growth with congestion, a very tight labour market, many pressures on social and health services and its poor infrastructure.

It will be seen that the rapid growth in Irish labour productivity over the years, which drove the economic growth, has also been exceptional.

Section 3. Irish Labour Costs are Still Comparatively Low

The employers have argued that Irish wages must rise at the same level of growth as our EU trading partners. Congress says that:-

- Irish wage levels are much lower than our EU trading partners:
- Irish workers face much higher prices than virtually all other of the 15 European countries and
- Irish employers face lower taxes on profits and make far lower social contributions.

The following table how that Ireland is 20th on this OECD list of countries on total labour costs, including employers' social contributions, well behind most of the others. Here, labour costs were $30,236 compared to Belgium at €46,261 or the UK at $36,159 in 2004.

Table 1

Table I.3. **Income tax plus employees' and employers' social security contributions (as % of labour costs), 2004**[1]

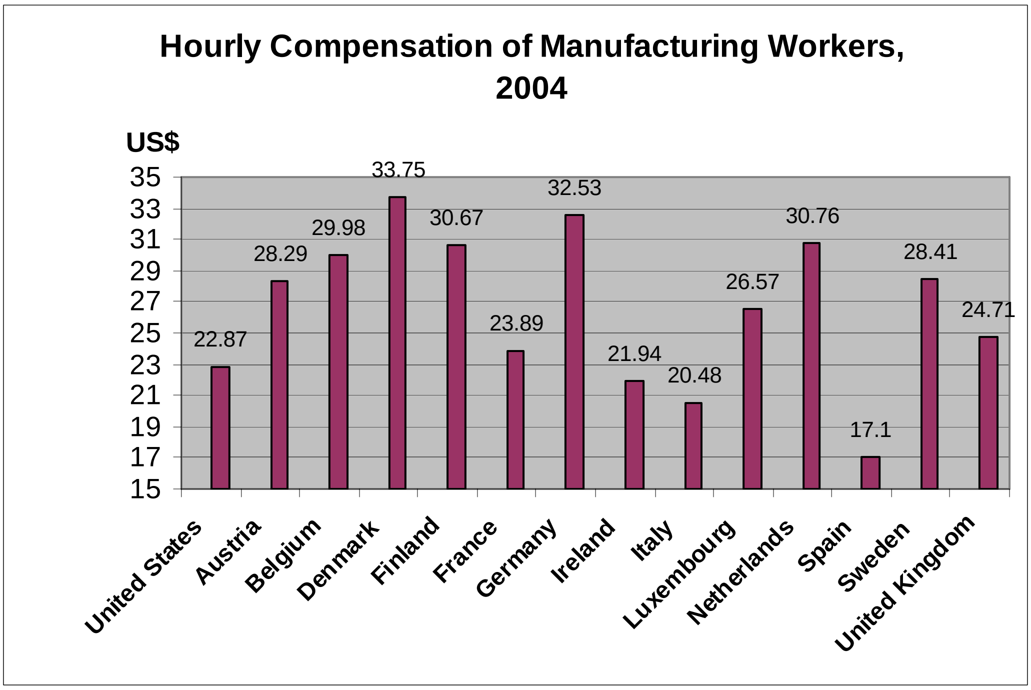
Country[2]	Income tax	Social security contributions		Total[3]	Labour costs[4]
		employee	employer		
	(1)	(2)	(3)	(4)	(5)
Belgium	20.5	10.7	23.0	54.2	46 261
Germany	16.2	17.3	17.3	50.7	42 543
Australia	22.9	0.0	5.7	28.6	40 630
Netherlands	7.3	22.2	14.0	43.6	39 614
Switzerland	8.9	10.0	10.0	28.8	38 213
Canada	16.0	6.2	10.1	32.3	37 856
Denmark	30.4	10.5	0.5	41.5	37 788
United States	15.4	7.1	7.1	29.6	37 606
Norway	18.5	6.9	11.5	36.9	37 550
Finland	19.5	4.9	19.4	43.8	37 174
United Kingdom	14.5	7.8	9.0	31.2	36 159
Korea	2.0	6.5	8.1	16.6	36 125
Luxembourg	7.9	12.1	11.9	31.9	35 767
France	9.4	9.8	28.2	47.4	35 443
Japan	5.2	10.3	11.1	26.6	35 103
Italy	14.0	6.9	24.9	45.7	35 005
Sweden	18.1	5.3	24.6	48.0	34 606
Austria	8.4	14.0	22.5	44.9	34 356
Iceland	24.1	0.2	5.4	29.7	32 194
Ireland	9.6	4.5	9.7	23.8	30 236

1. Single individual without children at the income level of the average production worker.
2. Countries ranked by decreasing labour costs.
3. Due to rounding total may differ one percentage point from aggregate of columns for income tax and social security contributions.
4. Dollars with equal purchasing power.

Sources: Congress Pre-Budget Submission 2006 and OECD, Taxing Wages, 2004.

If that table is not convincing, then the following chart shows that Irish manufacturing earnings are not as high as most EU countries at $21.94 an hour. The highest cost manufacturing countries are Denmark at $33.75 per hour, followed by Germany (including the former GDR), Netherlands, Belgium and then Sweden, Austria, Luxembourg, the UK, then France and outside Europe, the US, with Ireland ahead of Italy.

Figure 3



Source: US Bureau of Labour Statistics, February 2006

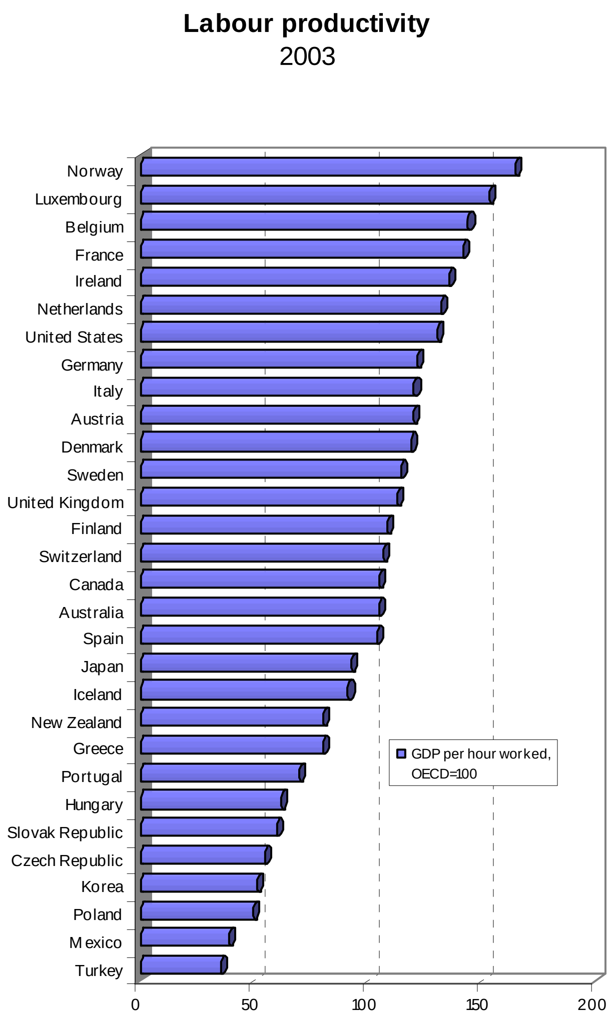
Spain and Portugal are also well behind Ireland in compensation per hour, but as the table shows clearly, labour costs in Ireland are still substantially below those of many EU countries. But labour costs should be combined with Ireland's high hourly productivity. This means that our performance is excellent.

Section 4.

Labour Productivity has been high and remains high.

As Congress shows in our Briefing Paper, “The Coming Challenges in Productivity”, and as can be seen from Figure 3 below, Ireland’s productivity per hour worked ranked 5th in the whole OECD in 2003, ahead of the much vaunted US. By this measure, in 2004, Norway is the world’s leading country, followed by Belgium, France, Ireland and then the US. (When US is 100 Ireland is 102, Norway is 122, for PPP based GDP per capita).

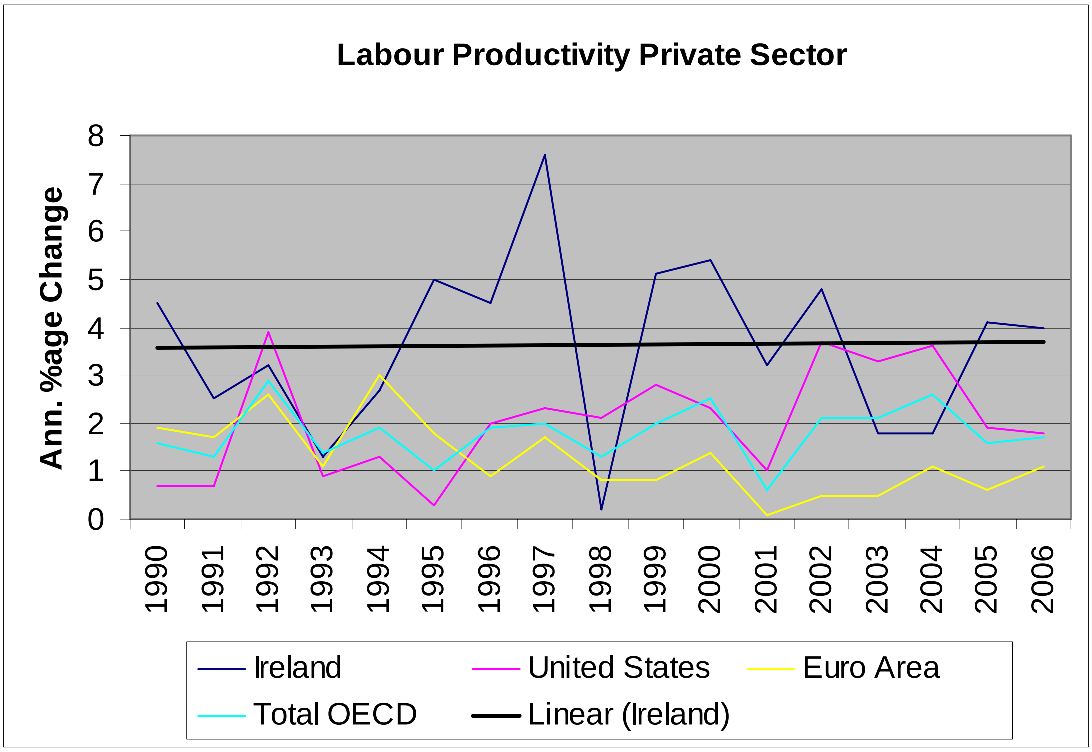
Figure 4



Source: OECD in Figures 2005.

Adjusting to GNP, Ireland is somewhat lower, but the level of productivity is still high. Furthermore, it has soared in recent years. As it could not soar forever, this is upsetting some economists who naively believed the very high rates would continue indefinitely. The following graph looks at productivity another way – over time, and demonstrates clearly how far Ireland has come, compared to the best! Ireland is the top line for most years and the trend line gives our average in the period 1990-2006. Even the US, which has had high productivity growth since 1995, is below us in many years.

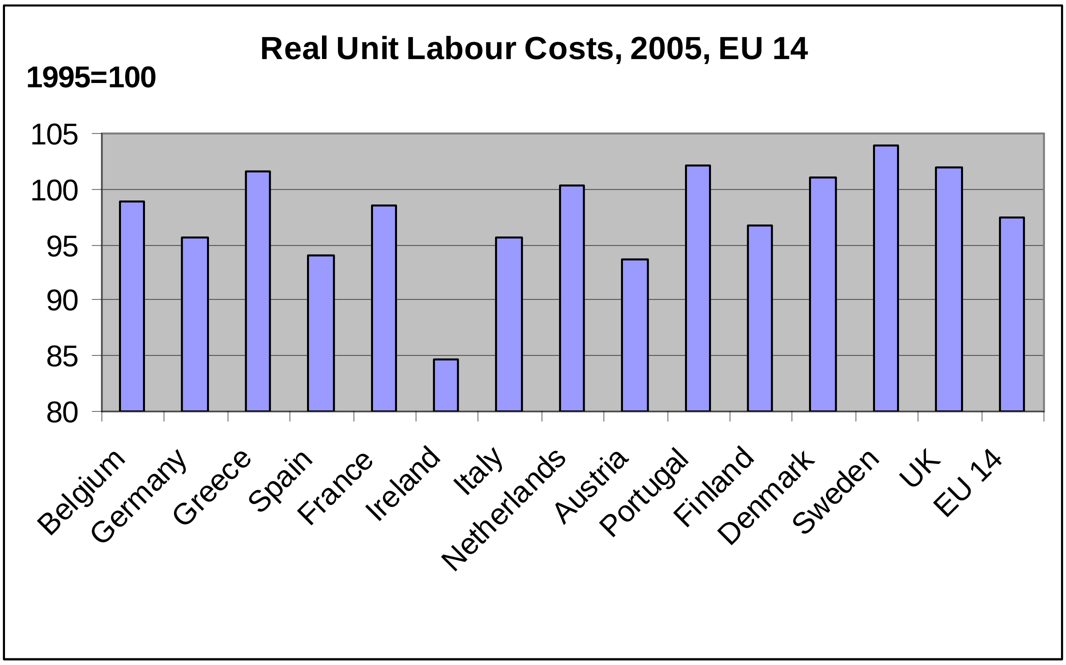
Figure 5



Source: Congress' "Coming Challenges in Productivity" and OECD Economic Outlook 2005.

The next graph, Figure 6, translates the impact to Ireland's high productivity growth into the benefits it has given to employers. It can be seen that real unit

Figure 6

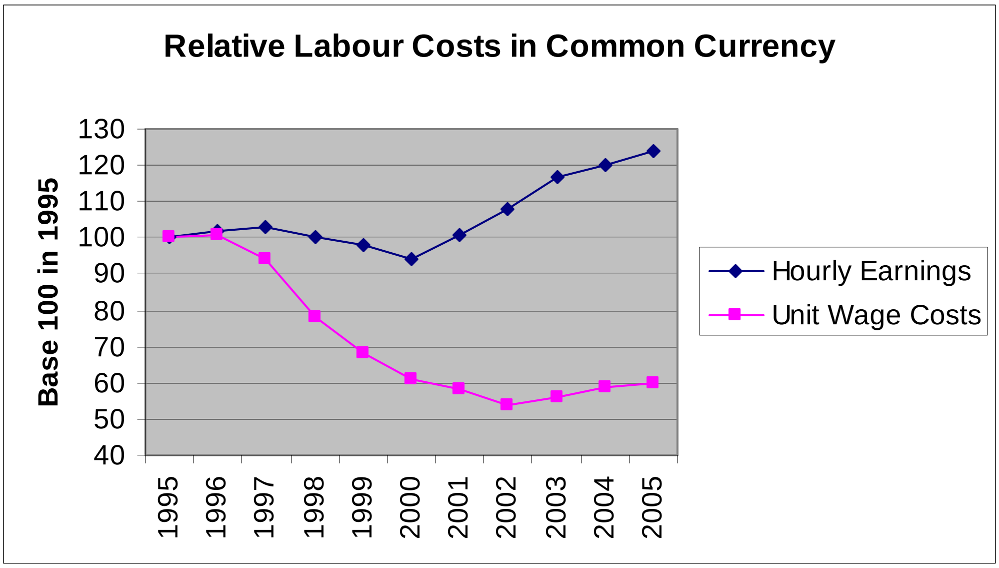


Source: Congress' "Coming Challenges in Productivity" and European Economy, Spring 2005.

labour costs have fallen further than in any of the other countries and are well below the level which we had back more than ten years ago.

While not wishing to belabour the point on the high productivity achieved by Irish labour (and employers, with investment and training), it can be seen from the graph below that, while earnings have risen in the past decade, a point repeated by IBEC and other employer bodies, the high productivity growth has reduced unit labour costs. And this is the key – not the rate of growth in pay levels. Congress accepts that the overall high productivity growth and the high level of productivity are informed by the high growth in some sectors where it is very high. Different sectors enjoy differing rates and levels in all countries, not just in Ireland. In the sectors where it is low, Congress will work with employers to improve it, as we set out in our paper on productivity.

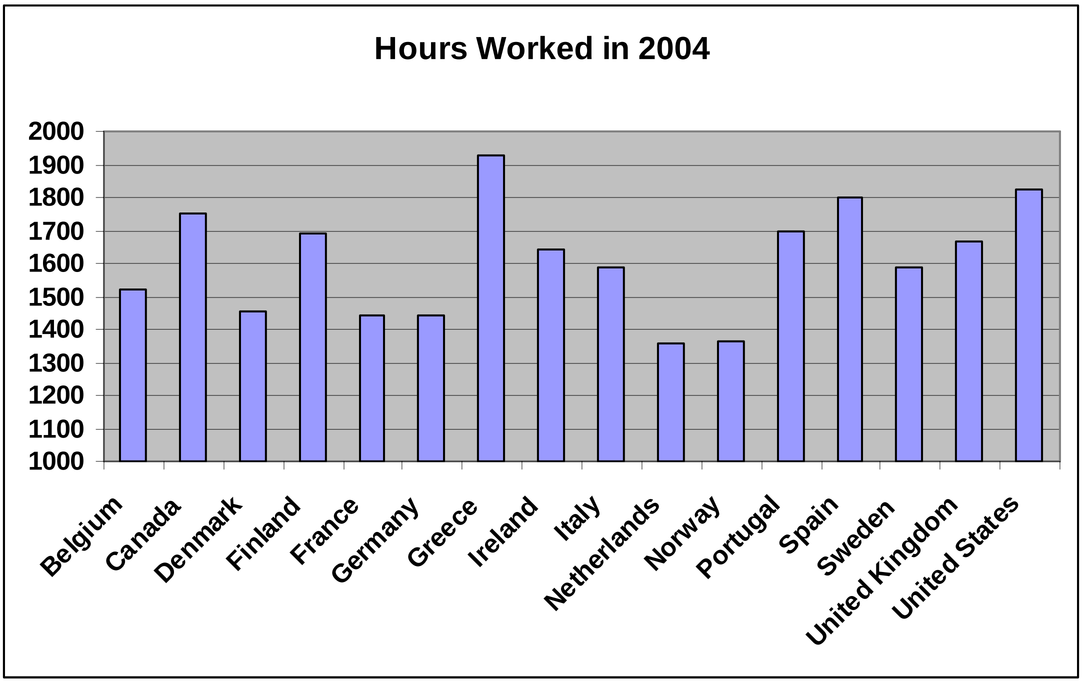
Figure 7



Sources: CSO and Central Bank Qterly, 2005.

Not alone are Irish workers very productive, but we work much longer hours than most Europeans, as the following graph shows. Irish workers toil for 1,642 hours a year compared to just 1,441 in France or 1,357 hours in Holland. Irish workers have a good case for reduced hours, through a shorter working week, more national holidays or longer holidays. The recent CSO data revealed that a high proportion of those who work overtime, work 11.2 hours of unpaid overtime every week. Thus, this group of over 65,000 employees effectively subsidise their employers to the tune of at least €14,559 over a year, or €280 every week.

Figure 8.

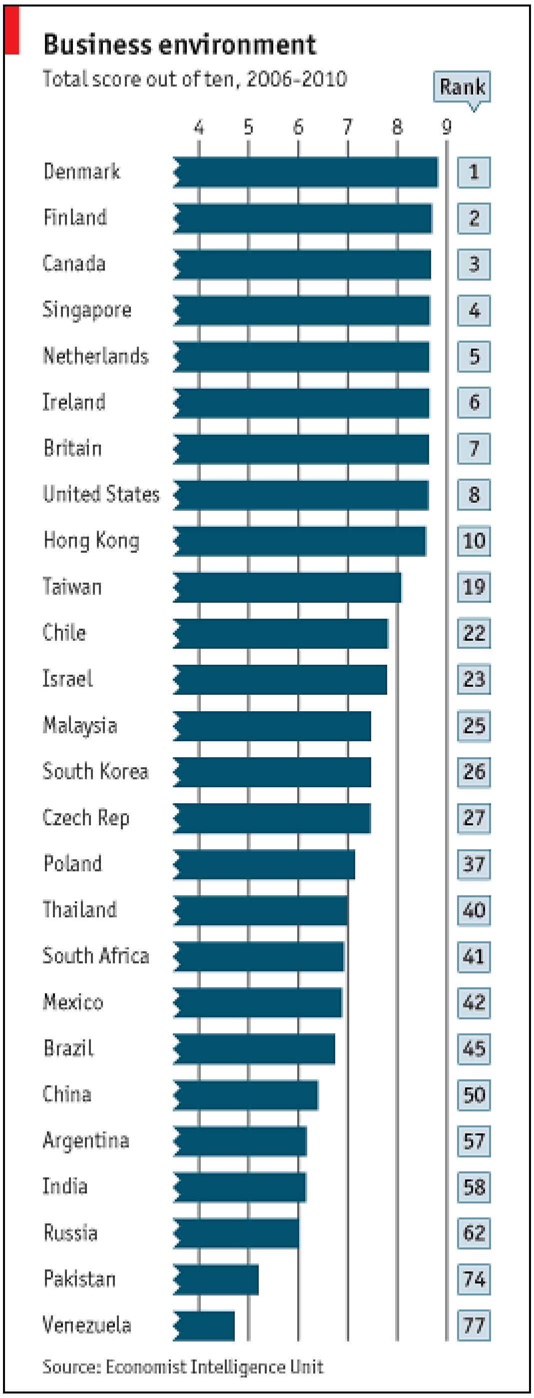


Source: : Congress' "Coming Challenges in Productivity" and OECD, Employment Outlook, 2005.

The Business Environment

The Business environment in Ireland is one of the best in the world, according to the Economist Intelligence Unit. This ranks a country on its business friendly environment and Ireland is 6th in the world, up with two Nordic

Figure 9



Source: The Economist *Apr 6th 2006*

countries, the Netherland (and their high taxes), Canada and Singapore and is ahead of Britain and the US as Figure 9 shows.

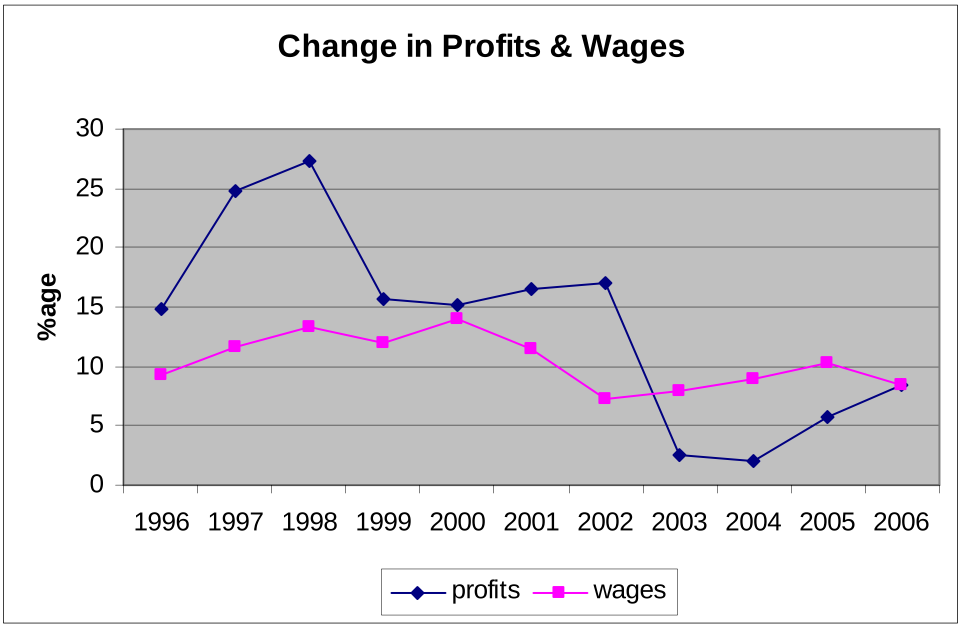
The achievement on productivity growth and the levels attained in recent years in Ireland has been striking. Productivity is too important an issue to be left to employers to set the agenda. Trade unionists must take a greater interest in productivity so that it is it no longer defined narrowly by those employers with only a short-term agenda. The ICT-producing sectors, where Ireland has had very high productivity growth because we have a high share of ICT production, have contributed to our growth, but the ICT-*using* sectors need more attention from policy-makers to boost productivity. Investment in the ICT-using sectors in services and indeed manufacturing too has to accompanied by strong investment in the *complementary* areas, iincluding better and more effective management practices, more organizational devolution, that the rapid growth in US productivity, which has been such a worry to Europeans, is not all it is made out to be. In fact it may not be good for many working Americans, according some studies. The top 10 per cent of the US population captured all of the gains from the rapid productivity increase since 1995. Dew Becker and Gordon, argue that “not only have the bottom 90 percent of American workers failed to keep up with productivity growth, many have been harmed by it” (See Congress, Briefing No 8, 2006).

Section 5. Profits and Wages

It was seen from Figures 1 and 2 that the rates of economic growth in Ireland were extraordinary. It can be seen from the graph below that the growth in profits in the late 1990s and up till 2002 were also extraordinarily high. Profit rises were well ahead of the rates of increase in gross earnings in the economy for every year since 1996, with the exceptions of 2003 and 2004 and somewhat ahead in the forecast for 2005. These figures for profits in the graph include rental income, but when it is excluded, the increase in profits for 2003 rises substantially from 2.5 per cent (as in the graph) to 17.9 per cent, meaning that the fall did not actually occur till a year later. These figures will be revised by the CSO and we expect the profit figure to be adjusted upwards

substantially for 2003 and 2004, based on the data on profits in the Appendix (2005 and 2006 are estimates from ESRI).

Figure 10

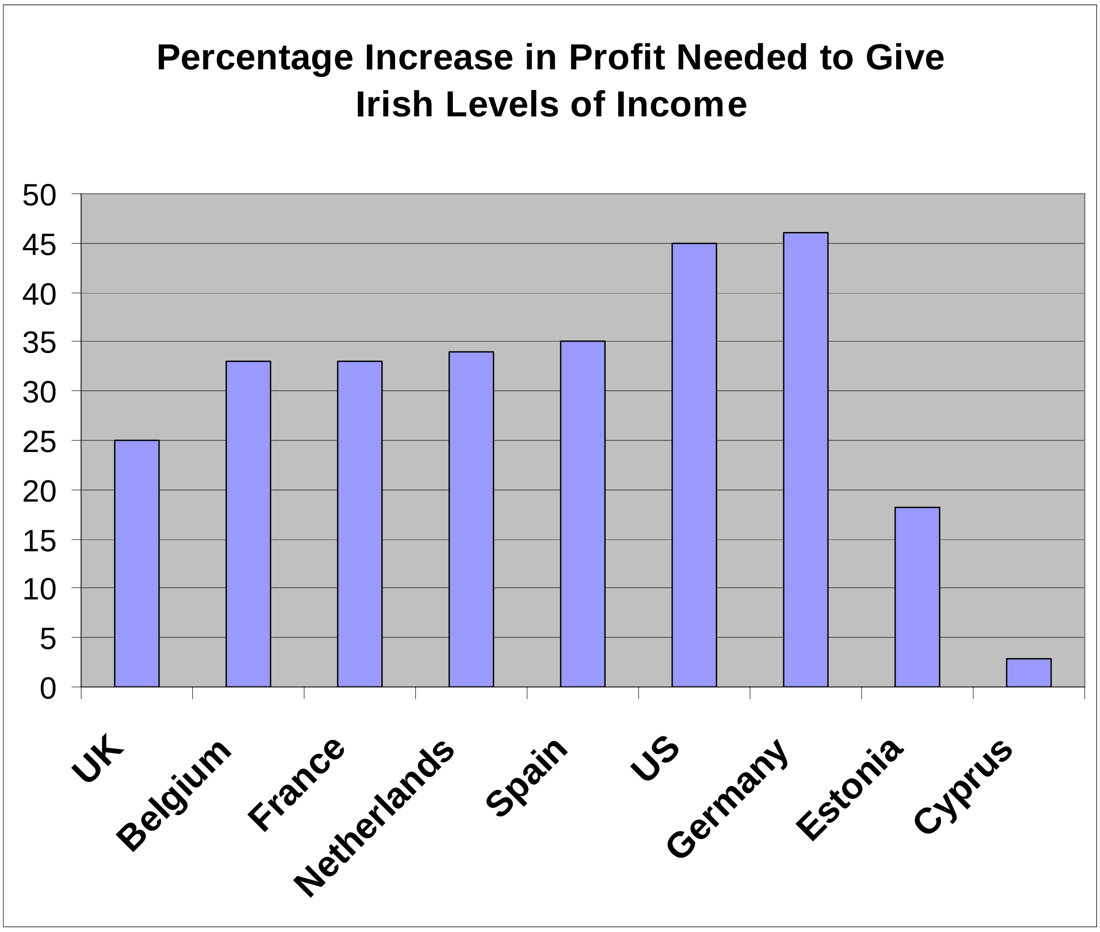


Sources: CSO-National Income and Expenditure, Industrial Earnings and ESRI est. 2005 and 2006. (Includes rents in profits).

The wages in the graph are total wages in the economy and so include the growth in employment. This has been substantial in each year and so pushes up the line on the graph. The growth in hourly wage increases were slower. For example, for the four years 2003 to 2006, the hourly wage growth averaged 5.2 per cent a year compared to an average of 9 per cent in the aggregate wages, as per the chart.

Companies pay very low taxes on profits in Ireland. The following table, based on IDA figures, shows the levels of profits companies would have to make in other countries, to match the levels retained by Irish based companies. Only Cyprus comes close to our low tax rate. However, in the race to the bottom, promoted by Corporate Europe, Estonia has now introduced a zero rate on retained profits. This action has knocked Ireland off its pedestal as leader of the race to the bottom in this area of low profit taxation! This table shows the advantage Irish employers/firms have with our low taxes compared to competitor countries.

Figure 11.



Source: Congress' *Tax Cuts Did not Create the Celtic Tiger* and Revenue Commissioners' Statistical Reports.

As we said above, the aggregate of level of profits which Figure 9 plots probably understates the actual outturn, especially in the latter years. Figures for actual profits for 2004 and 2005 published indicate that some firms have seen profit levels grow substantially – up by over 50 or even 90 per cent in some instances. This is shown in the Appendix. Of course, some firms see profits fall and some make losses, but it can be seen from the reports from firms in the Appendix that the profit rates have risen by double digits in many firms – in more than two-thirds out of the total listed of around 46 companies. And a lot to the double digits are high - with over 20 per cent being common in this random list. Congress expects that the revision on National Income and Expenditure accounts will show a substantial rise in profits for 2004 and the figures for 2005 and 2006, when published, are also likely to be high.

Another indicator of major “economic rents” being made by some companies and individuals in Ireland is the phenomenon of major foreign assets being bought by Irish investors. For example at the end of march 2006 tow Irish companies, Signature Capital and Davy were buying retail parks in Germany for €3/4bn and RGB a group of Irish investors were bidding for a golf hotel in Florida for €165m. A group of Irish investors bought the Savoy Hotel group in London for €1.1 billion in April 2004 and later his company Quinlan Private paid £530 (€775) million for a retail site in Knightsbridge.

In 2005, Galway investors Mike McDonagh and Tim Bohan spent almost €400 million on office blocks in London, Bracknell and Bath; solicitor Brian O'Donnell spent £250 million on two office blocks in London's docklands.

The Irish spent €6.8 billion on international and domestic property in 2005, CB Richard Ellis estimated. In Eastern Europe, “demand from Irish investors is being driven by a "huge wad of money chasing product," ‘ Enda Faughnan, a partner at PricewaterhouseCoopers said. Almost 90 per cent of the more than €800 million spent by Irish companies in the region in the last seven years has been invested since the start of 2003. The Quinn Group spend €145 million on the purchase of the Prague Hilton in the Czech Republic in 2004 and said it has a further €1bn for investment abroad. Former Manchester United shareholders, Mr John Magnier and Mr JP McManus, bought the Unilever building in London for €250 million. Mr Magnier and Mr McManus are also shareholders in Barchester, an Irish-controlled, UK-based private nursing home chain, which took over larger rival, Westminster, in a €756 million deal in 2004. The buyout created the largest private healthcare group in Britain, with over 10,000 beds at 163 locations.

Ballymore Properties, led Sean Mulryan said it would spend €250m on phase one a new riverfront district in the Slovakian capital of Bratislava. It is also the second-largest landowner in London's Docklands after Canary Wharf. These are just a flavour of the foreign property deals done by wealthy Irish individuals and consortia in recent times. They indicate the massive wealth generated in the Irish economy and now being invested abroad.

In 2004, foreign direct outflows exceeded foreign investment into Ireland by foreign firms, with €12.7bn being invested by Irish investors. This exceeds inflows by a large €3.6bn. The huge figure of FDI by Irish investors excludes investments in commercial and residential property by other Irish investors. From the number of property fairs and supplements in newspapers, the volume of investment in foreign residential property by Irish people appears to also be soaring.

In the UK, top executives of leading companies saw their remuneration rise by 11 per cent last year, when share options and bonuses are added in[1]. There is no similar information for Ireland, but we can conclude, with the high profits, tops executives in Ireland are similarly rewarding themselves with pay rises at over treble the rate of inflation. Productive workers should similarly share in the current Celtic Boom.

Section 6 . The Social Wage

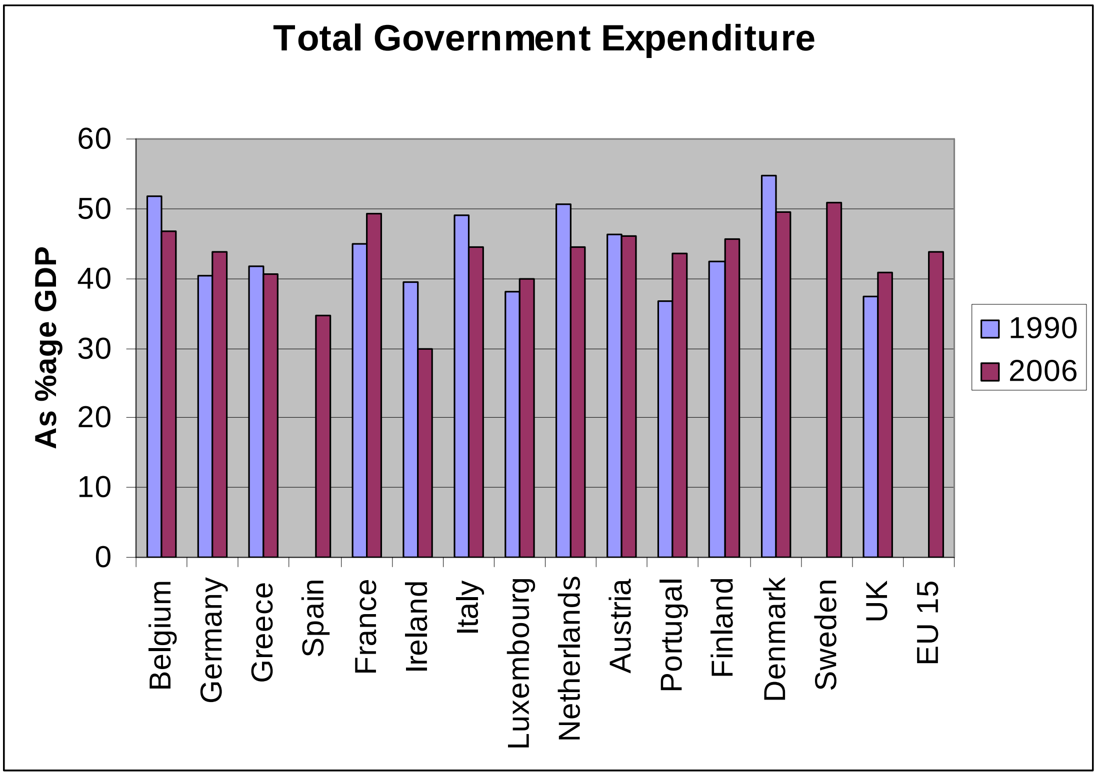
Congress and Government have recognised that there can be no further cuts in income taxes or company taxes. We want to see increases in the broad social wage. The social wage includes additional benefits workers get from good public services, eg health, public transport and welfare etc. The reason why these are so poor in Ireland, compared to other European countries, is that pubic spending on them is lower than in most of the original 15 EU countries. In turn, taxes on incomes, on companies and on wealth are lower here than in most of the 15 original EU countries (though Ireland gets a good aggregate take of corporate taxes for the moment due taxes on profits from transfer pricing).

Low taxes means low public spending as the following table shows. It is noteworthy that Ireland's has, not just one of the lowest levels of public spending in the EU, at 30 per cent, but even when adjusted to GNP, it is still among the lowest of the original 15 in the Union. The graph shows how much Irish public spending has been reduced – from 40 per cent of GDP to only 30

[1] Financial Times. *Extras play role in racketing up remuneration as executive pay packages increase by 11%,* 20th April 2006.

per cent and this is despite our high capital spending on infrastructure. Social partnership ensured that Irish public spending rose in real terms each year (though it was being reduced as a percentage of a rapidly rising GDP/GNP). Without the voice of Congress in social partnership, it is likely that public spending would have been reduced further as a per cent of GDP/GNP. However, it is clear that it has to rise substantially to pay for improved health, education, public transport and other public services. With strong economic growth continuing for some more years, it is unlikely that tax rates will have to be raised, though tax loopholes (avoidance schemes established under the guise of "incentives") will have to be ended now and evasion curbed.

Figure 12



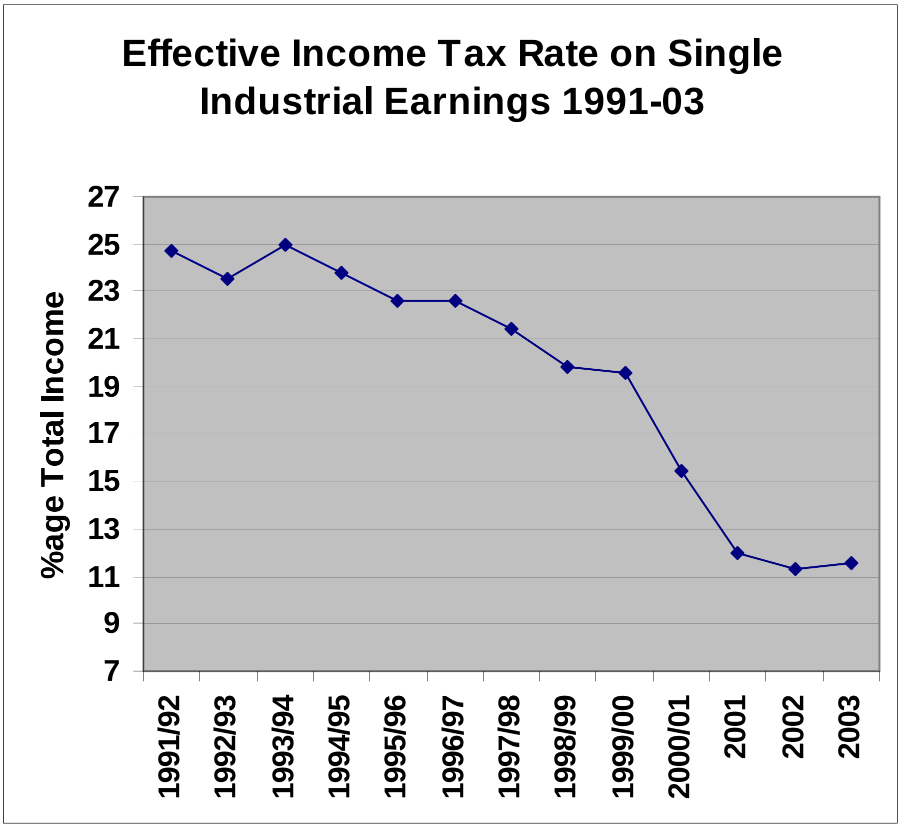
Sources: Congress' "Coming Challenges in Productivity" and European Economy Autumn 2005

Section 7

Income Taxes Reduced but Indirect Taxes Up and Prices Up

As Congress demonstrated in our 2004 publication, *Tax Cuts did not Create the Celtic Tiger*, the effective rate of income tax has been dramatically reduced in Ireland. We showed that the average effective rate of tax on average industrial earnings was halved from 24 per cent of gross earnings in 1994 to 11 or 12 per net in 2001 to 2003. The reductions in income tax were part of the national agreements which gave much more to workers in

Figure 13



Sources: Tax Cuts did not Create the Celtic Tiger, and Revenue Commissioners Annual Reports.

disposable income. Some will argue that these tax reductions on wages were a subsidy to employers.

In the same decade, gross average industrial earnings rose in nominal terms by 69 per cent. After tax and inflation, the rise in real disposable earnings for the industrial worker rose by 50.2 per cent in the eleven years to 2005 (NESC,

No 114, Page 68), greatly assisted by the reduction in income tax from the late 1990s to 2001 as per Figure 13. This means that the real incomes of workers rose by over half in the eleven year period. This must be one of the fastest rises in disposable real incomes for workers in Irish history or indeed amongst many developed economies. It is in stark contrast to the fall in incomes for average industrial workers in the lean 1980s under the so-called "Free for All" when real earnings actually *fell* by 8 per cent in the first 8 years of that decade.

It has to be pointed out that Irish inflation was running at double the EU average for part of this period – 1999 to 2004. The reasons for this high inflation was the exchange rate, wages catching up with the EU and increases in indirect taxes. Nonetheless, this 50 per cent rise in average disposable income for industrial workers was after inflation.

A consequence of the sustained high inflation in that period was that the level of prices in Ireland was raised substantially. The bills that workers face in Ireland today are much higher than in most other countries. The cost of living in Ireland is the second highest in the EU, as Table 2 below shows. It is 22.6 per cent above the average for the European Union of 25 states. The only good news is that it fell slightly in 2004 over 2003. Compared to the EU 15, it is still the second highest at 17 per cent above the average.

Errata: Economic Outlook 2006. Congress May. Table 2
Many of the figures were transposed in the Eurostat original table.

Purchasing power parities (PPP) and comparative price level indices for the 25 States

	2003	**2004**
European Union (25 countries)	***100***	***100***
European Union (15 countries)	***104.8***	***104.7***
Euro-zone (EUR-11 plus GR up to 31.12.2000 / EUR-12 from 1.1.2001)	***103.3***	***102.9***
Belgium	104.9	105.2
Czech Republic	55.5	55
Denmark	138.8	137
Germany (including ex-GDR from 1991)	108.7	106.6

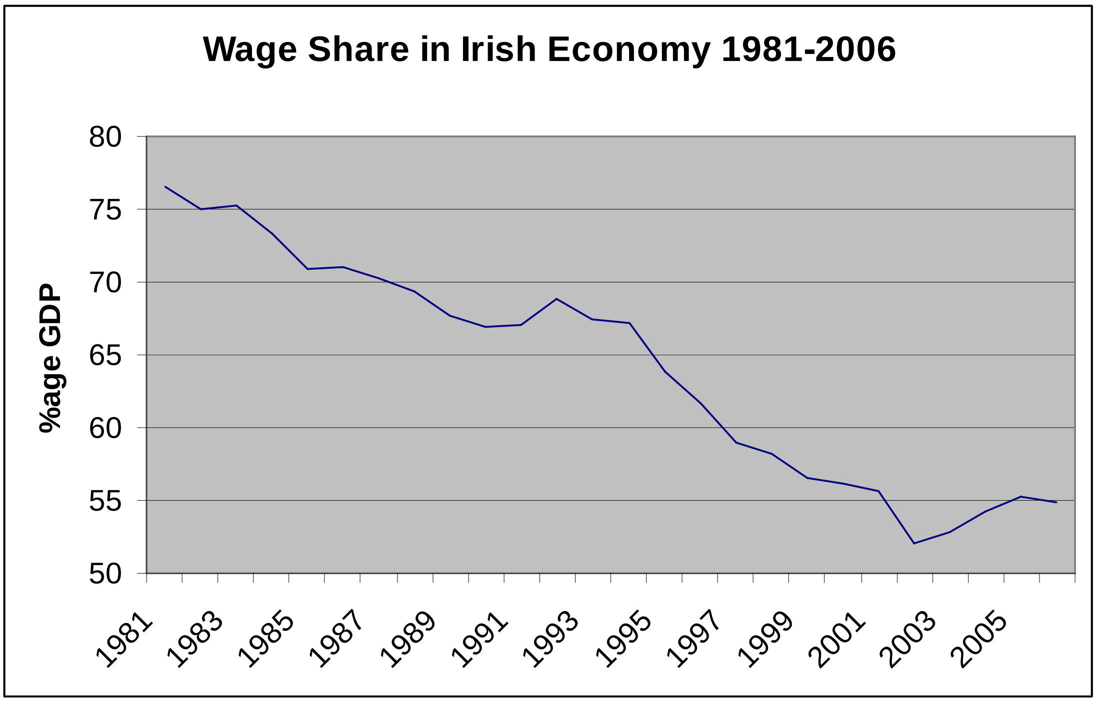
Estonia	0.63	0.62
Greece	0.85	0.85
Spain	0.86	0.86
France	105.8	108
Ireland	**124.1**	**122.6**
Italy	102.4	102.7
Cyprus	0.97	0.93
Latvia	0.55	0.56
Lithuania	0.55	0.54
Luxembourg	105.3	106.1
Hungary	0.59	62
Netherlands	105.6	104.7
Austria	107.6	105.4
Poland	0.53	0.52
Portugal	0.87	0.86
Slovenia	0.78	0.76
Slovakia	0.51	0.55
Finland	124.2	122
Sweden	124	121
United Kingdom	103.8	105

Purchasing power parities (EU25=100)
Actual individual consumption
Source: Eurostat.

Social Partnership delivered substantial real increases in take-home, assisted by very large reductions in income taxes. It can be argued that the income tax and corporation tax cuts went too far and the government also has increased taxes on spending (which are regressive taxes and contribute to inflation); imposed many user charges for public services; and also privatised public services which previously were free, that is, had been paid from taxes.

The share of wages to profits in the Irish economy has seen a major fall in the employees’ wages share over the past three and half decades, with only a little recovery in recent years. Congress recognises that this graph has to be treated with caution as it also reflects the transfer-pricing activities of multinationals which inflate the profit share, a shift to self-employment and several other factors. However, the substantial shift in national income from wages to profits does demonstrate a shift from workers’ incomes to profits. The small reversal in recent years should be encouraged with a generous wage settlement.

Figure 14

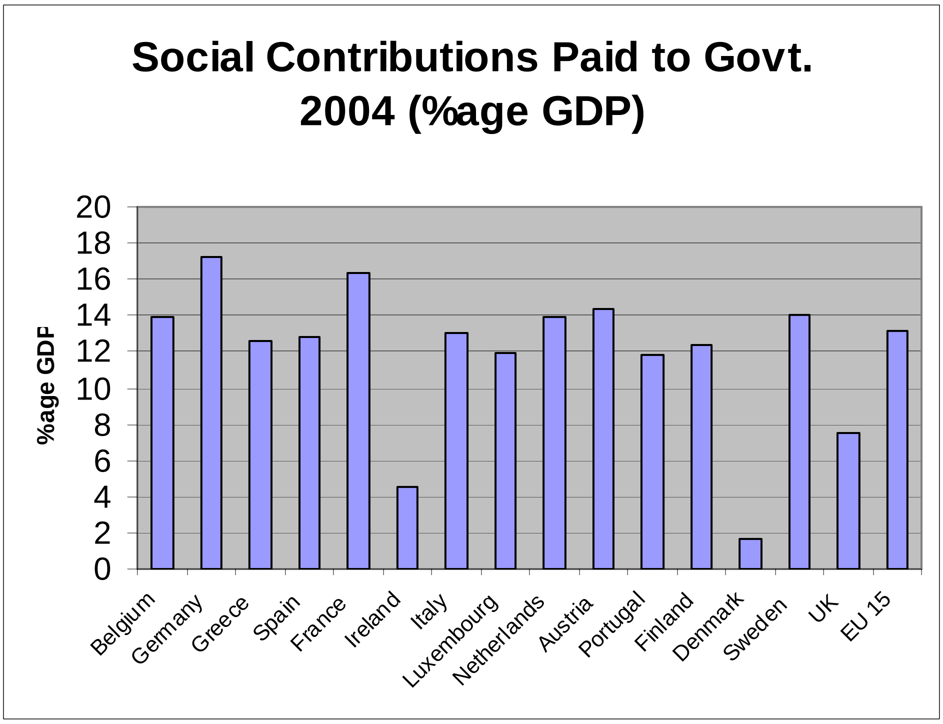


Source: European Economy, Autumn, 2005.

The ESRI has shown profit increases at an average growth of almost 18 per cent annually between 1995 and 2000. Gross wages rose by a substantial 12.1 per cent in the period on average, but this also includes the growth in employment. In the following five year period, the annual average growth in wages was 9.2 per cent (again also reflecting the growth in employment) according to the Institute's calculation, with profits at a lower 6.4 per cent per annum. The projected share of profits by the ESRI (in its high growth scenario) shows higher annual growth in profits than wages for most years to 2010.

The following graph shows how little Irish employers have to pay towards the social wage in social insurance payments. Irish employers' contribution is the lowest in the Union as a percentage of GDP and even adjusted for GNP, it is still extraordinarily low. Danish employers' contribution is lower at 1.7 per cent compared to Ireland's 4.5 per cent, but they pay much high corporation tax.

Figure 15



Source: ***European Economy*****, Autumn, 2005 and *****Tax Cuts did not create the Celtic Tiger*****, 2004, Congress.**

Congress is now seeking both enforcement of labour regulations in Ireland and a strengthening of them. This has been strongly opposed by IBEC and other employers. It is worth noting that Ireland has one of the lowest levels of labour regulation in Europe as the table below demonstrates. When there was little abuse of labour regulations and we could enforce standards voluntarily, there was no great problem, but the run down of the Labour Inspectorate and the activities of a number employers, some well-known and others not, have dramatically changed the “voluntarist nature” of the national understanding.

The World Economic Forum publishes a Global Competitiveness Report each year. Ireland is ranked fairly high at 26 of 104 countries in 2004/05, overall.

Table 3

9.20 Cooperation in labor-employer relations

Labor-employer relations in your country are (1 = generally confrontational, 7 = generally cooperative)

RANK	COUNTRY	SCORE 1 MEAN: 4.5 7	SD
1	Singapore	6.3	0.8
2	Denmark	6.2	0.7
3	Switzerland	6.1	0.9
4	Hong Kong SAR	6.0	0.8
5	Sweden	6.0	0.9
6	Iceland	6.0	1.0
7	Japan	5.9	0.8
8	Netherlands	5.7	0.9
9	Austria	5.7	1.0
10	Norway	5.6	0.8
11	Luxembourg	5.6	1.0
12	Finland	5.5	1.1
13	Taiwan	5.5	1.1
14	Dominican Republic	5.5	1.2
15	Malaysia	5.4	0.9
16	United Arab Emirates	5.4	1.5
17	Botswana	5.3	1.1
18	United Kingdom	5.3	0.8
19	Costa Rica	5.2	1.1
20	Germany	5.2	1.2
21	El Salvador	5.1	1.3
22	United States	5.1	1.1
23	Gambia	5.1	1.4
24	Hungary	5.1	1.1
25	Estonia	5.1	1.1
26	Ireland	5.0	1.4
27	New Zealand	5.0	1.1
28	Thailand	5.0	1.0
29	Chile	4.9	1.1
30	Cyprus	4.9	1.2
31	Jordan	4.9	1.0
32	Egypt	4.8	1.5
33	Bahrain	4.8	1.6
33	Mexico	4.8	1.2
35	Canada	4.8	1.5
36	Slovak Republic	4.8	1.2
37	Czech Republic	4.7	1.3
38	Vietnam	4.7	1.5
39	Ghana	4.7	1.6
40	Georgia	4.6	1.4
41	China	4.6	1.3
42	Russian Federation	4.6	1.3
43	Israel	4.6	1.2
44	Ukraine	4.6	1.2
45	Namibia	4.5	1.6
46	Colombia	4.5	1.1
47	Mauritius	4.4	1.3
48	Tunisia	4.4	1.5
49	Latvia	4.4	1.2
50	Brazil	4.4	1.2
51	India	4.4	1.2
52	Panama	4.4	1.4
53	Romania	4.4	1.7
54	Greece	4.3	1.2
55	Nicaragua	4.3	1.4
56	Spain	4.3	1.1
57	Malawi	4.3	1.2
58	Guatemala	4.3	1.3
59	Lithuania	4.3	1.3
60	Mali	4.3	1.5
61	Malta	4.3	1.3
62	Portugal	4.3	1.2
63	Madagascar	4.2	1.4
64	Australia	4.2	1.5
65	Slovenia	4.2	1.3
66	Turkey	4.2	1.4
67	Bangladesh	4.2	1.6
68	Belgium	4.2	1.4
69	South Africa	4.1	1.4
70	Jamaica	4.1	1.3
71	Zambia	4.1	1.9
72	Morocco	4.1	1.5
73	Tanzania	4.1	1.6
74	Mozambique	4.1	1.4
75	Uganda	4.1	1.6
76	Venezuela	4.1	1.3
77	Peru	4.1	1.1
78	Paraguay	4.0	1.3
79	Bulgaria	4.0	1.6
80	Kenya	4.0	1.5
81	Indonesia	3.9	1.2
82	Argentina	3.9	1.2
83	Angola	3.9	1.3
84	Chad	3.8	2.0
85	Ecuador	3.8	1.2
86	Macedonia, FYR	3.8	1.6
87	Algeria	3.8	1.6
88	Uruguay	3.8	1.0
89	Serbia and Montenegro	3.8	1.5
90	Ethiopia	3.7	1.5
91	Philippines	3.7	1.3
92	Honduras	3.7	1.4
93	Trinidad and Tobago	3.7	1.3
94	Bolivia	3.6	1.3
95	Pakistan	3.6	1.3
96	Croatia	3.6	1.4
97	Sri Lanka	3.6	1.4
98	Italy	3.5	1.5
99	Poland	3.5	1.4
100	Nigeria	3.5	1.8
101	Bosnia and Hercegovina	3.3	1.4
102	France	3.3	1.4
103	Korea	3.1	1.3
104	Zimbabwe	3.0	1.3

The WEF Global Competitiveness Report ranks Ireland on “cooperation on labour–employer relations” at exactly the same as its overall ranking as the graph shows. And who ranks Ireland? - “Business executives in these countries assess the importance of a broad range of factors central of creating

a healthy business environment."[2] In short, it is IBEC and CIF's own members who rank Ireland – and on these subjective criteria.

Ireland was 26th overall in the WEF table of 104 countries. In the European Union 25, it was 10th – only four places behind Germany which is slated for its poor labour flexibility by the neo–liberal press. Ireland was, (at 5 points out of 7), just behind the US, (which was 5.1), the home of "hire and fire"!.

Ireland was joint 28th on the "ease of hiring foreign labour" along with Columbia, Bolivia and Switzerland, but behind countries like the Dominican Republic, Ghana, Mali and Uganda.

It is important to recognise that the criteria used by the WEF is what is perceived as being of best for business and not what is perceived to be good for society or for the broad economy. The emphasis is strongly on promoting economic growth. Distribution is not a consideration. Yet the Index is useful and it is compiled on a consistent basis.

Taxation in Ireland is low. Income tax is low, Corporation tax is low and employers' social contributions are low. However, government's have imposed indirect high taxes ie, on spending, which are both regressive, and undermine wage gains by pushing up prices levels. The proposal to cut incomes tax further will mean more stealth taxes and poorer public services. Trade unions need a strong guarantee from government that rises spending taxes will be minimised and that the social wage in better public services will be considerably improved in the coming years.

Section 8 Conclusion

Social Partnership has ensured that wages levels rise in a moderate and predictable way for employers. Its greatest success has been a massive and sustained increase in employment, to near full employment and it has generated net immigration. 880,000 new jobs have been created since 1990,

[2] WEF, Report 2004/05, page xi.

a rise of a staggering 77 per cent! Industrial workers have also seen their take home pay rise by over 50 per cent on average in the eleven years to 2005.

Under this proposed agreement there is no room for further tax cuts. The economic environment is excellent. Indeed it has never been better for Irish employers. The international economy moving to balanced growth and the Irish economy is strongly positioned to take great advantage from the upturn. It is a time for a generous wage settlement, augmented by major improvements in the social wage.

Appendix:

Selected Irish Corporate Profits 2004 & 2005

	2005		**%age**
AIB	1706		24
BOI	1316		4
BOScotland Irl	stg£116		20
CRH	1280		16
DHL Ireland	5		90
EBS	53.8		9
FBD	185		40
Glanbia	62.3		-23.9
Grafton Group	192.2		32
IAWS	49.4		23
IFG (Irish Ferries)	-15		
IIBank	100		33
IL&P	531		14
INNM	272.5		41.6
Kerry Group	298		11
Oakhill Printing	1.37		-44
Quinn Direct	232		52
Ryanair	36.8		6
Trintech	-2.8		
Ulster Bank	775		15
	2004		
ADM Londis	2.7		71
Aer Lingus	107		29
AIB	1400		
An Post	7	-42	
Anglo Irish	504.1	346.5	45
BOI	1400	1177	10
BUPA	24.3	15.7	56
C&C	93.5		39
Coillte	35		37

CT revenue	5350	5105	7
Des Kelly	2.3		40
Dublin Airport Authority	31	20	50
Elan	-116	Qtr	
GUS Argos Irl	22.5	18.1	14
IAWS	42.8	34.8	23
IIB	88	71.7	23
IL&P	400.2		
Irish Dairy Board	39.5		5
Musgraves	51.5		20
NIB	4		
Northern	4.4		
NTR	18	16.8	8
Smurfits	-66.7	3.4	
Tesco Irl	139		12
Thirdforce	-0.3		
Tullow Oil	85		143
Ulster Bank	1,100		28
Uniphar	11.5		24
VHI	62.3		
Viridian in Irl	24.5	14.9	64
Sisk	37.4	28.09	34
Lakeland Dairies	1.4	3.6	-61
DCC	131.5	120.9	
Clerys	-0.7	0.1	
BWG	48.8		29
Waterstones Irl	1.47		