IRISH NATIONAL ORGANISATION OF THE UNEMPLOYED

Presentation to the Sub-Committee on the Referendum on the Intergovernmental Treaty on Stability, Coordination and Governance in the Economic and Monetary Union

5th April 2012

Introduction & Context

The Irish National Organisation of the Unemployed (INOU) welcomes this opportunity to address the Sub-Committee on the Referendum on the Intergovernmental Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. *"The INOU is a federation of unemployed people, unemployed centres, unemployed groups, community organisations and Trade Unions. The INOU represents and defends the rights and interests of those who want decent employment and cannot obtain it. We promote and campaign for policies to achieve full employment for all. We also campaign for an acceptable standard of living for unemployed people and their dependents. The INOU is an anti-sectarian, anti-racist, non-party political organisation which promotes equality of opportunity within society."* (INOU Mission Statement)

Ireland is facing an unemployment crisis of an unprecedented scale: it is a crisis that has been lead by a significant collapse within private sector employment and exacerbated by the retraction in public sector employment and by the underfunding of the community and voluntary sector, a significant employer in its own right and a key provider of public services. The dramatic deterioration in Ireland's public finances arising from an over reliance on expenditure taxes which evaporated as the economic crisis emerged, the extent of the employment and related taxes loss, the subsequent increase in social protection expenditure adds to the scale of the crisis Ireland has to address. All of this is further compounded by Ireland's nationalisation of private banking debt which adds a layer of horror to the challenges facing the country: threatening our viability as a people and undermining our ability to appropriately address the unemployment crisis.

The Thirtieth Amendment to the Constitution to be put to the Irish people on 31st May 2012 proposes an additional sub-section to Article 29.4, sub-section 10 which will read as: *"The State may ratify the Treaty on Stability, Co-ordination and Governance in the Economic and Monetary Union done at Brussels on the 2nd day of March 2012. No provision of this Constitution invalidates laws enacted, acts done or* *measures adopted by the State that are necessitated by the obligations of the State under that Treaty or prevents laws enacted, acts done or measures adopted by bodies competent under that Treaty from having the force of law in the State."*

At a time when Ireland is reviewing its Constitution, at a time when Ireland should be looking to strengthen the economic and social rights contained in the Constitution, an amendment is being proposed that will copper fasten austerity, an approach that the most recent poverty figures illustrates is already exacerbating socio-economic exclusion in this country. According to the Central Statistic Office's Survey on Income and Living Conditions for 2010 *"There was an increase in income inequality between 2009 and 2010 as shown by the quintile share ratio. The ratio showed that the average income of those in the highest income quintile was 5.5 times that of those in the lowest income quintile. The ratio was 4.3 one year earlier."* (p6)

It is also questionable whether this Treaty, should it have been in place prior to Ireland's economic collapse, would have made any difference or not: it is highly unlikely as Ireland was meeting the criteria of the then Stability and Growth Pact and entered this crisis with our public finances appearing to be in good shape. The extent and depth of Ireland's current crisis has its roots in the country's adoption of a neo-liberal economic model that lead to an overheating economy with an overexposed banking sector: these are critical issues about which the *Treaty on Stability, Co-ordination and Governance in the Economic and Monetary Union* says absolutely nothing.

European Policy: which way?

On March 3rd 2010 the European Commission published a Communication entitled *"EUROPE 2020 a strategy for smart, sustainable and inclusive growth"* which put *"forward three mutually reinforcing priorities:*

- *Smart growth: developing an economy based on knowledge and innovation.*
- *Sustainable growth: promoting a more resource efficient, greener and more competitive economy.*
- *Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion."*

Article 1.1 of the 'Treaty on Stability, Coordination and Governance in the Economic and Monetary Union' states: *"By this Treaty, the Contracting Parties agree, as Member States of the European Union, to strengthen the economic pillar of the economic and monetary union by adopting a set of rules intended to foster budgetary discipline through a fiscal compact, to strengthen the coordination of their* *economic policies and to improve the governance of the euro area, thereby supporting the achievement of the European Union's objectives for sustainable growth, employment, competitiveness and social cohesion."*

Though the end of this Article reflects the language used in *Europe 2020* the substance of the Treaty gives legal and constitutional priority to fiscal policy over all other policies. Looking at this issue from a purely economic perspective: how feasible is it to realise smart growth without an adequate investment in education and the necessary ICT infrastructure? The INOU would argue it is not and in particular to support and achieve economic development that is inclusive and equitable. This is an issue not just for Ireland but one for Europe. Similarly, social policy and its proper development and implementation should not only be viewed as desirable but it should be seen as imperative if Europe, its member states and its people are to flourish.

Europe 2020 covers a range of economic, social and environmental policies and sets a series of targets at both European and national levels through each country's National Reform Programme: a series of targets that will be hard to meet with a relentless focus on austerity yet which are lacking in ambition if Europe is to seriously address poverty and socio-economic exclusion. It is regrettable that Ireland as a Programme country is exempt from making a full NRP report this year as the Troika agreement does not cover all of the policy areas contained in the National Reform Programme.

The Treaty

One line of argument notes that the terms and conditions of the Troika agreement are so stringent that this Treaty will have little real impact on Ireland's current policy options; while a similar line of argument says that any return to the financial markets would demand a level of budgetary discipline that is effectively enshrined in this Treaty. However, another line of argument challenges the relentless focus on austerity and notes that no crisis so approached has yet produced the level of growth needed to get any country out of the current crisis facing Ireland. This line of argument is coming from an interestingly wide spectrum of opinion. Europe's sluggish economic growth is seen as having a potentially negative impact on the apparent upturn in the USA economy: which in turn presents fresh challenges for Ireland as we are so dependent on the progress of other countries given the open nature of our economy.

The INOU is strongly of the view that without proper investment in Ireland's future, it will be hard to generate the necessary levels of economic activity that will create sufficient jobs to give people, who are currently unemployed, and those leaving education over the coming period any real hope of sustainable employment. And it is hard to envisage how Ireland can successfully emerge from our current predicament without significant numbers of people getting back to or into work. In the meantime it is absolutely critical that supports to unemployed people are maintained and that quality education and training provision is developed and maintained that will secure unemployed people decent employment in the future while ensuring Ireland addresses its current and potential skills shortages.

On a technical issue Article 3.1.(b) the Treaty refers to "*a lower limit of a structural deficit of 0,5 % of the gross domestic product at market prices"* yet in practice it is extremely difficult to ascertain what exactly constitutes 'a structural deficit' and to put a meaningful figure on it. And what of other structural issues, for example, structural unemployment which has emerged yet again in Ireland and which has seriously negative consequences for Ireland's social development if it is not constructively addressed? It is hardly in Ireland's or Europe's interest if fiscal considerations are to be given such a weighting that addressing other serious challenges undermines social cohesion and the emergence of growth that is indeed smart, sustainable *and* inclusive.

In Conclusion

Fiscal stability is clearly an essential element for long-term sustainable growth but it must be pursued in a manner that is equitable and that does not undermine social and economic rights. To that end it is essential that Ireland seriously strives to address our current fiscal difficulties through the development of an equitable, broader and sustainable tax base. At a time when an increasing number of people are looking to public services and supports, including income supports, to meet their basic needs the maintenance of these supports are even more vital and reform must not come in the form of retraction but real reform that strives to meet people's needs appropriately. To that end fiscal policy, economic policy and social policy should be treated with equal gravitas otherwise socio-economic exclusion will persist and indeed will be exacerbated through the current austerity approach. In such circumstances it is very questionable if the vision Europe set out for itself in *Europe 2020* can be attained.

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