2. IRELAND IN 2011

In this chapter we set the scene for this *Socio-Economic Review*. To do so, we present a narrative outlining what happened over recent decades to bring Ireland to where it is today, where exactly Ireland finds itself now, where Ireland should go into the future and what it needs to do to get there. The remainder of this *Review* will address key policy areas, present a detailed analysis and highlight the key policy initiatives that are required if a New Ireland is to emerge from the current series of crises.

Given the limits of space available to us it is not possible to address all issues that need to be addressed or to present extensive detail on particular policy areas. Our focus in this chapter is on the broad socio-economic reality that has emerged. We do not accept many of the assumptions and so-called analysis that are guiding much of the commentary in public and policy-making arenas in recent times. The analysis of the past that seems to have underpinned decision-making is flawed and inaccurate. While some of the policy decisions that have been adopted did move in the right direction:

- Many initiatives since the current crises emerged have been deeply flawed and are likely to lead to growing inequality.
- They are built on a vision of the future that is unsustainable.
- They fail to put human dignity and the common good at the core of the policy-making process.
- In particular, they seem to be guided by a questionable vision of Ireland's future.

The scale and severity of the crises Ireland is currently facing raise obvious questions regarding how they occurred. We provide a commentary on the background to these events. We also address questions about how Ireland can recover from these crises and more importantly how we can shape a future Ireland that cares for the well-being of all its people and protects the environment.

The chapter is structured in four parts:

2.1 How Ireland got here: the background to the crises

There are both international and national roots to the current crises. From the perspective of Irish society, few would dispute that the latter is of major significance and the dominant factor. In this section we consider both these backgrounds.

2.1.1 The International Background

The origin of the international financial crisis can be traced back to the decisions taken by Ronald Reagan and Margaret Thatcher when they led their respective governments in the early 1980s. In the preceding decades there had been rapid economic growth driven by the reconstruction of Europe and East Asia that had been devastated by war. In that period the world's economies were regulated through strong state controls over market activity and strong state intervention to minimise inflation and recession (through control of monetary policy for example). These were accompanied by relatively high wages which were seen as essential to stimulate and maintain demand for what was being produced. It was the era of the Keynesian state.

However, as the reconstruction of Germany and Japan reached completion and the capacity of other economies began to grow also (e.g. Brazil, Taiwan and South Korea) a new problem emerged. The world's capacity for economic growth was increasing dramatically. A major problem of over-production was emerging. As production capacity exceeded demand two kinds of responses were encouraged - the first was to create huge competition between the various producers and the second was to increase the demand people had for products and services. The former led to a process of driving down costs which in turn led to reduction in many people's wages. This had the effect of increasing inequality both within countries and between countries. It had the added effect of driving down demand as people could not afford the products being produced which, in turn, led to the erosion of profitability among companies. The huge increases in the price of oil in 1973 and 1979 also impacted on this situation in a negative way.

Since the late 1970s capitalism has tried three approaches to solving the problem of overproduction i.e. neoliberal restructuring, globalisation and financialisation. The first of these was the route chosen by Reagan and Thatcher. This has been followed by globalisation which in turn was followed by financialisation. The problems produced by financialisation are the immediate cause of what happened to the financial system in recent years.

Neo-Liberal Restructuring: Reagan and Thatcher agreed that the way to save capitalism was to promote capital accumulation and they did this by:

- Removing state constraints on the growth, use and flow of capital and wealth; and
- Redistributing income from the poor and middle classes to the rich on the understanding that the rich would then be motivated to invest their new profits and reignite economic growth.

This theory proved false in that it saw global growth averaging 1.4 per cent in the 1980s and 1.1 per cent a year in the 1990s. This compared with an average of 3.5 per cent in the 1960s and 2.4 per cent in the 1970s when state interventionist policies were the accepted norm. This neo-liberal approach redistributed income to the rich and seriously damaged the incomes of the poor and the middle classes. It did not increase the demand for products on the scale required since those whose incomes were being damaged didn't have the resources to spend and the rich did not invest a great deal of their new gains as expected.

Globalisation: The second approach used to try to save capitalism was globalisation. Great effort has gone into the creation of a global market. Countries that had been outside the market or had been non-capitalist were integrated into the global market. This was accompanied by trade liberalisation, the removal of barriers to the mobility of global capital and the abolition of barriers to foreign investment. This was seen as the solution to overproduction. China was the largest non-capitalist country to move into this system. This process, however, worsened the problem of overproduction. While the world's consumption grew this was surpassed by growing production capacity. The profits of major corporations were not growing as fast as had been the case in preceding decades. In the 1960s the annual profit margin of the Fortune 500 companies was 7.15 per cent. This went down to 5.3 per cent in the 1980s and 2.29 per cent in the 1990s. Profit margins continued to fall in the early years of this century.

Financialisation: In order to increase profitability the capitalist world turned to 'financialisation'. In the past the financial sector made the funds of savers available to entrepreneurs to finance their production capacity. With the continued reality of overproduction the financial world began to invest surplus funds in the financial world itself and in property. A whole range of new financial 'products' were created that could be bought and sold. Interest rates were lowered to facilitate this process. The increasing resources available for purchasing property led to huge increases in the price of property. Mortgage companies became more aggressive in marketing their products introducing innovations such as 100 per cent mortgages, 'interest only' mortgages and 40-year mortgages. House prices soared. Lending standards were lowered. Many of these mortgages were held by people who could not afford to repay on the agreed terms i.e. these were 'subprime' mortgages. A further problem was created as these mortgages, were included with other assets in new derivative products called 'collateralised debt obligations' (CDOs). These products were sold to banks and financial institutions that were not aware of what these products really contained. As interest rates rose it became apparent that many of these products were not worth their face value. The total value of these products is not known but is estimated to run into trillions of dollars. Companies such as Lehman Brothers, Merrill Lynch, Fannie Mae, Freddie Mac and Bear Stearns in the USA and others across the world were simply overwhelmed by these products as their reserves could not meet the losses being faced. Some collapsed. Others were bought out. The major international insurance company AIG (American International Group) was brought down by its huge exposure in the area of 'credit default swaps' which are derivatives that make it possible for investors to bet on the possibility that companies will default on repaying loans. George Soros the well known investor estimated that €45 trillion are invested in a market on these swaps – a market that is totally unregulated. The seriousness of this situation was further exacerbated by the broad adoption of a policy of light-touch regulation for financial markets.

What we have been witnessing over the past few years is the collapse of financialisation - the third strategy to rescue capitalism from its core problem of overproduction.

Taken together these experiences imply a number of questions including the following:

- What is needed to ensure effective and efficient regulation at both national and international level of the world's financial systems?
- Does the world need to recognise that there is a fundamental flaw in capitalism that needs to be addressed?
- What needs to be done to ensure that economic development and social development are given equal priority in countries across the world?

2.1.2 The Irish Background

Given that Ireland is a small open economy, any form of international recession is bound to have implications for economic growth, jobs and trade. Consequently, the severity of the recent international recession would by itself have had serious implications for Ireland and would have guaranteed that this country experienced some form of recession. However, the recession experienced over the past three years has been a lot more severe due to an array of national policies and decisions over recent decades. Indeed, Ireland has been unlucky that both an international and national recession struck at the same time. However, Ireland was heading for a substantial slowdown independent of international developments.

Looking back, by the mid-1970s Ireland was well placed to have a period of strong economic growth. We had: just joined the European Union; were pursuing well-focused industrial policies; had low corporate tax rates; had an emerging legacy from the strong investment in education made since the mid-1960s; had a favourable geographic location for European markets; and our workforce spoke English. However, poor fiscal and monetary policy from 1977-1986 failed to provide the stability required to deliver this potential economic growth. Eventually, Government was forced to pursue appropriate policies and from 1987 onwards Social Partnership provided the framework to secure the stability required.

Since the late 1980s Ireland's population changed its relationship to employment; a change which provided a stimulus to economic growth in three ways.[1] First, the proportion of Ireland's population that was employed converged with the levels experienced elsewhere in Europe and the OECD. In 1989 only 31 per cent of Ireland's population was employed and this climbed to over 45 per cent by the end of the following decade. Second, the proportion of the labour force that was employed grew dramatically in the decade and a half from the early 1990s and the proportion unemployed fell dramatically after a period of jobless growth in the early 1990s. Thirdly, the labour force itself grew dramatically, increasing by over 900,000 during the 1990s. The key change in all of this was the increase in female participation in the labour force. Between 1990 and 2000 the number of females in the Irish labour force increased by almost 250,000 and the female labour force participation rate rose from 44 per cent to 56 per cent (OECD Labour Force Database, 2010).

[1] We explore these trends in more detail in section 3.3 of this review.

Complementing this labour force driven growth, was a very strong growth in productivity (average output) during the 1990s. Productivity growth helped Ireland become richer. However, as Ireland grew richer its productivity drew closer to the productivity levels of world-leading countries and its productivity growth slowed down. Subsequently, in the later years of the 'Celtic Tiger' it was population growth and not productivity or an increased employment ratio that was driving growth. This population growth, and the consequent increase in labour supply and economic activity, was being supported by a huge increase in immigration and was not likely to be sustainable over a long period. Put simply, by 2000/2001 Ireland had lost focus on productivity growth as the key to improving living standards and focussed simply on economic growth.

In effect, Ireland had reached a false conclusion on the issue of growth. Government policy became fixated on economic growth. It became convinced that economic growth was good in itself and the higher the rate of economic growth the better it would be for Ireland. Whatever supported economic growth was to be facilitated. Whatever controlled or limited economic growth was to be resisted. Consequently, Ireland followed a very questionable pathway as it put its faith (and huge incentives) in construction to continue the high growth levels that had been seen in previous years.

From 2000/2001 onwards, growth in housing construction masked Ireland's deteriorating 'fundamentals' for several years.[2] As Ireland's per-capita income grew the demand for housing grew. As we detail in section 3.5 of this review, Ireland's housing construction rose from 19,000 completions in 1990 to a peak of over 93,000 completions in 2006. While there were 48,413 households on local authority waiting lists for social housing in 2002, this level of housing construction was unsustainable by any standards. Most of the new construction was for private housing. Of the 57,695 houses completed in 2002, 51,932 were private housing. Of the 93,419 completed in 2006, 88,211 were private housing. Overall, the number of houses in Ireland rose from 1.2 million homes in 1991 to 1.4 million in 2000 and then exploded to 1.9 million in 2008. By 2007, construction accounted for 13.3 per cent of all employment, the highest share in the OECD (OECD, 2010).

This level of construction was encouraged and supported by a combination of factors of which three were:

[2] We examine Housing and Accommodation issues in more detail in section 3.5 of this review.

- Very low interest rates. These were dictated by the large EU economies which unlike Ireland were experiencing very low growth levels. Interest rates were reduced to very low levels to encourage investment in those countries. The same rates applied in Ireland, however, which was at the opposite end of the economic cycle.
- Large tax incentives for construction provided by the Irish Government.
- Unsustainable house price inflation and profiteering.

The results of this housing boom were catastrophic where Ireland was concerned

During this period Ireland had reached another false conclusion, this time on taxation.[3] It had come to believe: that low taxation was good in itself; that reducing tax rates would lead inevitably to an increase in tax-take; and that "giving people back their own money", through reducing taxes, was far better than investing that money in developing and improving infrastructure and services. The result of these beliefs was that by the end of the Celtic Tiger years Ireland had one of the lowest total tax-takes in the EU. At the same time, while there were improvements in areas such as housing, public transport and social welfare during those years, there was no doubt that Ireland's infrastructure and social services were far below an EU-average level. Despite very strong efforts from some policy analysts to convince Government and others otherwise, the strong assumption was maintained that infrastructure and social services at an EU-average level could be delivered with one of the lowest total tax-takes in the EU.

By 2007 Ireland had 'run out of road'. There was no further room for substantial improvement in the population/labour force/employment context. The labour market was over-heated and relying on inward migration to sustain labour supply. Productivity was weakening and the economy, and the total tax-take, were over-reliant on a housing construction sector that had already over-expanded. While a serious slowdown was inevitable the General Election of 2007 was fought on the generally accepted assumption that growth would average 4.5 per cent per year over the 2007-2012 period. All political parties except one drew up their manifestos on this basis. Many of those who challenged this assumption were rejected with derision.

Overall, Ireland's policy-making during this period was under-pinned by a series of false assumptions and conclusions that included the following:

[3] We review these issues in greater detail in section 3.2 of this review.

- Economic growth was good in itself and the higher the rate of economic growth the better it would be for Ireland. Whatever supported economic growth was to be facilitated. Whatever controlled or limited economic growth was to be resisted. So the promotion of growth as an end in itself became the focus of policy.
- The benefits of economic growth would trickle down automatically. Everyone would benefit.
- Infrastructure and social services at an EU-average level could be delivered with one of the lowest total tax-takes in the EU.
- The growing inequality and the widening gaps between the better-off and the poor that followed from this approach to policy-development were not important as everyone was gaining something.
- Low taxation was good.
- Reducing tax rates would lead inevitably to an increase in tax-take.
- "Giving people back their own money", through reducing taxes, was far better than investing that money in developing and improving infrastructure and services. The sum of Irish people's individual decisions would produce far better results for Ireland than allowing Government to decide how best to use the money.
- Ireland had a great deal to teach the rest of the world particularly about how it could reach full employment, generate huge economic growth and provide for all the society's needs while having one of the lowest total tax-takes in the Western world.

Arising from this series of false policy assumptions, there were many resulting policy failures. Among the failures were the following:

- Failure to take action to broaden the tax base by, for example:
  - introducing a property tax;
  - removing outstanding tax exemptions where there is not a demonstrated benefit-cost advantage;
  - introducing user service charges.
- Failure to promote tax equity by for example, introducing Refundable Tax Credits.
- Failure to overcome infrastructure deficiencies, such as broadband, public transport, primary health care, water, energy and waste.
- Failure to adequately address high energy costs.
- Failure to address high local authority charges on business.

- Failure to promote competition in sheltered sectors of the economy, such as professions.
- Failure to appropriately regulate the banking and financial services sector.
- Failure to manage the growth of personnel numbers in the public service.

2.2 Ireland in 2011: the context

In this section we analyse where Ireland stands today. We assess various dimensions of the current crisis and subsequently explore the present context in economic, social, political and cultural terms.

2.2.1 Ireland's Five-Part Crisis

Today, Ireland continues to be in crisis. At the outset of this period the National Economic and Social Council (NESC, 2009) summarised the nature of this crisis as one possessing five closely related dimensions. We briefly review and summarise each of these.

A Banking Crisis in which the taxpayer is taking responsibility for rescuing all the major banks and financial institutions from the consequences of the dishonesty and incompetence of individuals and institutions who were in charge of running and regulating our financial system. As NESC has pointed out (2009: *x*), the policy response to the banking crisis must also address:

- The need to ensure that recent policy measures provide protection to the increasing number of households with mortgage arrears;
- The need to ensure that recent government action prompts a renewed flow of credit to businesses in Ireland;
- The need to convince Irish society as a whole, and particularly groups making visible sacrifices, that those who led Irish financial institutions into their current reliance on the state, and who were major beneficiaries of the boom, are being held accountable and are bearing their share of the adjustment burden;
- The need to persuade our EU partners, other international institutions and the global financial market actors that a new regulatory regime and governance culture is being created in Ireland.

A Public Finance Crisis because we are borrowing far more than we are collecting in taxes. To bring Ireland back into line with our EU/IMF commitments, major budgetary adjustments have been required and will be required over the next few years. We discuss the nature of these changes later in this chapter. However, as NESC has noted, these fiscal adjustments need to be considered and implemented not just with regard to how they address the gap between taxes and spending but also with regard to how these adjustments impact on the other dimensions of Ireland's challenge: the economic crisis, the social crisis and the country's reputation (2009: *x*).

An Economic Crisis because we have lost many jobs and, throughout much of the last decade, fundamentally undermined our competitiveness. The speed, depth and nature of Ireland's economic decline necessitates a policy response which collectively addresses what NESC describes as "a difficult set of overlapping and competing objectives and factors" (NESC: *xi*). These include:

- The employment situation – particularly the threat of further unemployment and in particular large levels of long-term unemployment;
- Ireland's loss of competitiveness over the past decade;
- The pressures on certain enterprises created by the devaluation of sterling;
- The evolution of prices, including policy instruments that influence input costs to business, professional fees and rents;
- The level of domestic demand;
- The state of the public finances, which are directly affected by public sector pay developments and indirectly influenced by wider unemployment, economic and income developments;
- The burden of mortgage debt, particularly on those who become unemployed;
- Social solidarity, encompassing the whole of Irish society, not just those whose incomes are determined in collective bargaining.

We outline the nature of this economic crisis in greater detail later in this section.

A Social Crisis because our social services and social infrastructure are being eroded, unemployment is increasing, incomes are falling, debt levels are rising and the prospect of a sustained period of high long-term unemployment levels now seems likely. While the economic crisis, and in particular the collapse of private construction, provides some opportunities to address the social housing deficit (see section 3.5 of this review), policy makers need to be keenly aware that their responses to the other crises should not further undermine the vulnerable in Irish society and the social services and infrastructure on which they depend. We outline the nature of this social crisis in greater detail later in this chapter.

A Reputational Crisis because our reputation around the world has been damaged for several reasons (NESC, 2009: *xii*):

- The perception that Ireland has, along with a number of other countries, had a lax and ineffective system of regulation of the financial sector;
- The perception that Ireland's response to the banking crisis may not include sufficient change in governance and personnel
- The uncertainty about Ireland's willingness to participate in major developments in the EU;

These are added to by the perception that Ireland's public finances are vulnerable to default because of a combination of low growth, contingent liabilities to the banking system and the increasing ratio of debt to GDP;

2.2.2 The Economic Context

The dramatic and sudden turn-around in Ireland's economic experiences since 2007 needs to be considered in the context of our economic growth and expansion throughout the last decade. Clearly, as indicated earlier, there have been a number of major policy failures behind some of this growth (e.g. excessive fuelling of the construction industry and an unregulated banking sector). However, as table 2.1 shows, Ireland's Gross Domestic Product (GDP) and Gross National Income (GNI) have increased significantly since 1997.[4] The final column of the table tracks the per-capita value of GNI over the last decade. During that time it increased in real-terms (after taking account of price changes) by over 30 per cent.[5] The current economic slowdown has brought per capita income levels back to the levels experienced in the early years of this century.

[4] GDP is calculated as the value of all economic activity that occurs in Ireland. GNI is calculated as GDP minus the net outflow of income from Ireland (mainly involving foreign multinational repatriating profits), minus EU taxes and plus EU subsidies (for further information see CSO, 2008:76).

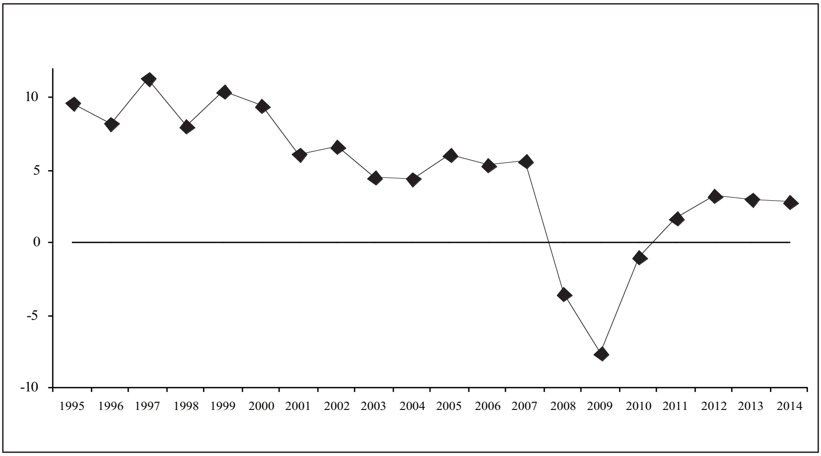
[5] We examine the distribution of this income, which was far from even, in section 3.1.

Table 2.1:	**Ireland's National Income, 1997-2009**		
Year	**GDP (€b)**	**GNI (€b)**	**GNI per capita***
1997	68.1	60.8	n/a
1998	78.7	69.8	n/a
1999	90.4	77.8	n/a
2000	105.0	90.5	€30,700
2001	117.1	99.0	€31,400
2002	130.5	108.3	€31,900
2003	140.0	119.7	€33,100
2004	149.3	127.9	€33,900
2005	162.3	139.9	€35,200
2006	177.3	155.4	€36,600
2007	189.4	164.1	€37,200
2008	180.0	156.0	€35,300
2009**	159.6	132.6	€31,300

Source: CSO, 2010:17

Note: * Gross National Income per capita at constant 2008 prices;
** Preliminary Figures

Chart 2.1: Ireland's GDP Growth, 1995-2014 (%)



Source: OECD Factbook 2008, CSO (2011) and Department of Finance (2010).

The speed and severity of Ireland's economic decline is also visible in chart 2.1. It shows the strength of economic growth since 1995 (most developed world countries experience 2-3 per cent growth per annum) and the rapid decrease between 2007-09. While the nature, timing and pace of the recovery remain unclear, all agree that there is likely to be a return to small positive annual GDP growth rates from 2011.

Among the components driving the decline in GDP growth rates has been the rapid decrease in house building. A housing bubble, where both prices and the number of units completed soared, saw Ireland move from building just 30,000 units in 1995 to a peak of 93,419 in 2006; in 2009 approximately 23,000 units were completed falling to approximately 14,000 units in 2010 (Department of Environment, Heritage and Local Government, 2009; AIB, 2011). It also produced over-priced housing, paid for by irrational borrowing, foolish lending and unrealistic profit expectations. The legacy of this policy disaster has been empty housing units (many of them in inappropriate locations), negative equity and high numbers of unemployed construction workers.

Similarly, the scale of the international recession has had an impact on the level of exports. These fell by almost 3 per cent in 2009 but recovered to grow by 6 per cent in 2010. During that period as production declined, both the number of workers and hours worked per worker were reduced.

For the public finances, the combined effects of these changes have been dramatic. Over the last decade the state had become dependent on construction related revenues which provided increased stamp duty, building related VAT and income taxes. Table 2.2 shows that as the economy turned these revenues rapidly declined. Overall, total tax receipts have fallen from in excess of €47 billion in 2007 to €32.5 billion in 2009; and fell further to €31.5 billion in 2010.

The state continues to invest in infrastructure and other capital projects and, as in previous years, has borrowed money to make these investments. However, given the aforementioned collapse in taxation revenues, the state has, since 2008, been borrowing to pay its day-to-day (current account) costs. This is a serious and unsustainable development. In 2009 the government borrowed over €12 billion to meet its day-to-day costs and a further €13 billion for capital investment (including contributions to fund the rescue of Anglo Irish Bank and to bail out the major banks via investment contributions from the national pensions reserve fund). By November 2010, the scale of the exchequer deficit and the ongoing, and escalating, bank bailout costs forced the state to turn to outside agencies for economic support. An agreement was reached with the IMF and EU for €85 billion in funding over the period 2010-2013. The bailout funds comprise €50 billion to facilitate state borrowing and refinancing over the period and up to €35 billion to rescue the banking system. In return for securing the right to borrow this money, the Irish Government signed a *Memorandum of Understanding* which set out a severe austerity programme over the period to 2014.[6] Budget 2011 commenced this programme with tax increases and spending cuts combining to a total of €6 billion in 2011. It also projected that in 2011 the government will need to borrow over €11.5 billion to meet its day-to-day costs and €8.8 billion for capital purposes; this money is being drawn down from the bailout funds.

Table 2.2: The changing nature of Ireland's current tax revenues

	Estimated Outturn 2007 €m	Estimated Outturn 2008 €m	Estimated Outturn 2009 €m	Estimated Outturn 2010 €m
Customs	285	255	209	230
Excise Duties	5,815	5,581	4,575	4,620
Capital Gains Tax	3,145	1,710	385	400
Capital Acquisitions Tax	383	320	260	240
Stamp Duties	3,195	1,780	900	975
Income Tax *	13,605	13,200	11,810	11,125
Corporation Tax	6,349	6,000	3,790	3,775
Value Added Tax	14,545	13,525	10,640	10,165
Other Levies	3	1	1	0
Total Tax Receipts**	**47,325**	**42,372**	**32,570**	**31,530**

Source: Department of Finance, Budget Documents 2007-2011

Notes: *Including income levy in 2009 and 2010.

**These figures do not incorporate other tax sources including revenues to the social insurance fund, the health levy and local government charges. These are incorporated into the totals reported in table 3.2.4 below.

[6] The memorandum has subsequently been revised by the Government elected in 2011.

Taken together, Ireland's General Government Balance (GGB) as a percentage of GDP (the key indictor used by the European Central Bank to judge fiscal policy control) will be 9.4 per cent, down from 11.6 per cent in 2010. These figures are well in excess of the 3 per cent limit set in the EU *Stability and Growth Pact*. Consequently, the objective of Government economic (fiscal) policy, as agreed with the EU and IMF, for the next few years is to reduce the GGB deficit indicator to 3 per cent by 2014. Table 2.3 outlines the pathway signalled by the outgoing Government to achieve this; a pathway that has been endorsed by the EU and IMF.

Table 2.3: Plan to reduce the General Government Balance, 2010-2014

	2010	2011	2012	2013	2014
GGB €m	-18,175	-15,150	-12,270	-10,170	-5,140
GGB as % GDP	11.6	9.4	7.3	5.8	2.8

Source: Calculated from Department of Finance, Budget 2011: D27.

While the international and national economic recovery are likely to somewhat assist in achieving this objective, it is clear that further tax increases and expenditure reductions must form a part of that transition. This guarantees a number of challenging Budgets in the years ahead. It is also assumed that the ongoing banking crisis does not require the exchequer to further invest in the banks and that the excessive budgetary cuts in Budget 2011 do not damage the economy so badly that it spirals further into recession, a risk we highlighted in our *Analysis and Critique of Budget 2011* (Social Justice Ireland, 2010). Were either of these to occur, they would undermine the sustainability of the EU/IMF deal in its current format and require additional years for Ireland to reach the 3 per cent of GDP threshold – indeed the IMF and EU have already signalled that this is likely.

Table 2.4 presents a summary of the projections for Ireland over the years 2011-2012. Most of this data is derived from the Department of Finance's Budget 2011 documentation and we highlight where necessary where these Government projections are unreliable given the economic and banking events that have occurred since December 2010 when the Budget was presented.

Table 2.4: Ireland's Economic Position, 2011-2012	
National Income	
GDP in 2011 (€m)#	€161,200
GNP in 2011 (€m) #	€127,900
GDP growth in 2011#	1.75%
GNP growth in 2011#	1.00%
GDP growth 2011-2014 (average) #	2.7% per annum
Exchequer Budgetary Position	
Current Budget Balance, 2011 (€m)##	-€11,530
Net Capital Investment, 2011 (€m)	€8,800
Capital Investment paid from current resources, 2011 (€m)	Zero
Capital Investment paid from borrowing, 2011 (€m)	All
Exchequer Borrowing, 2011 (€m)	€18,400
General Government Balance (%GDP)	-9.10%
Current Budget Balance 2012 (€m)	-€8,795
Current Budget Balance 2013 (€m)	-€5,280
Net Capital Investment 2011-2014 (€m)	€8,700 (average)
Exchequer Borrowing 2011-2014 (€m)	€14,100 (average)
National Debt 2011 % GDP*	107%
National Debt plus NAMA 2011 % GDP**	125%
Inflation and the Labour Market	
HICP inflation in 2011	0.70%
HICP inflation 2011-2014 (average)	1.3% per annum
Unemployment rate in 2011##	13.25%
Employment growth in 2011	-0.25%
Unemployment rate 2011-2014 (average)##	11.50%
Employment growth 2011-2014 (average)	1.06%

Source: Department of Finance, Budget 2011 (various tables) and separate calculations where indicated.

Notes: * Adjusted upwards to account for subsequent CSO revisions to GDP and borrowing to fund capital injections into the banks.
** Including a figure of €29 million to account for NAMA borrowings (NAMA, 2011:3). # This is a Department of Finance Budget 2011 estimate and the actual number is likely to be smaller. ## This is a Department of Finance Budget 2011 estimate and the actual number is likely to be larger.

Table 2.5: EU-27 Rankings (highest to lowest) on Three National Policy Indicators

Taxation as a % of GDP	Total Government Expenditure as a % of GDP	Total Social Protection Expenditure as a % of GDP
Denmark	Sweden	France
Sweden	France	Sweden
Belgium	Denmark	Belgium
France	Hungary	Netherlands
Finland	Austria	Denmark
Italy	Belgium	Germany
Austria	Italy	Austria
Netherlands	Finland	Italy
Germany	Portugal	United Kingdom
Slovenia	Netherlands	Finland
United Kingdom	Germany	Portugal
Hungary	Greece	Greece
EU-27 AVERAGE	United Kingdom	**EU-27 AVERAGE**
Cyprus	**EU-27 AVERAGE**	Slovenia
Spain	Cyprus	Hungary
Czech Rep	Czech Republic	Spain
Portugal	Malta	Luxembourg
Luxembourg	Slovenia	Poland
Bulgaria	Poland	Czech Republic
Malta	Bulgaria	Cyprus
Poland	Spain	**IRELAND**
IRELAND	Luxembourg	Malta
Greece	Romania	Slovakia
Estonia	Latvia	Bulgaria
Latvia	**IRELAND**	Romania
Lithuania	Estonia	Lithuania
Slovakia	Lithuania	Estonia
Romania	Slovakia	Latvia

Source: Eurostat online database (2009)
Note: A more extensive assessment of each of these indicators can be found in corresponding tables throughout this review. They are: table 3.2.1, table A1 and table 2.8.

A further insight into Ireland's economic standing is presented in table 2.5. Using figures highlighted throughout this review it outlines where Ireland stands relative to our fellow EU members on three key indicators – total taxation, total

Government expenditure and total social protection expenditure. In all cases, Ireland is near the bottom of the rankings. The rankings are based on Eurostat data compiled before the current economic collapse – the abnormal nature of fiscal policies since 2007 across all EU countries suggests that it would be inappropriate to make structural comparisons using this data.[7]

The obvious question arising from this table is: against whom do we benchmark ourselves as a society? Is it Latvia, Lithuania, Estonia, Slovakia and Romania? Are these the countries we wish to emulate in terms of public services, pensions, social welfare payments and wage rates (private and public)?

2.2.3 The Social Context

Throughout much of this review Ireland's social context is considered; this section provides a brief overview.

The ramifications for Ireland's people of the recent economic turmoil have been severe. Most notably, in the space of a few months, one of the great achievements of recent years has been reversed with unemployment returning as a widespread phenomenon.[8] In late 2006, 90,300 people were recorded as unemployed by the CSO's quarterly national household survey (QNHS), a figure which represented 4.2 per cent of the labour force. Four years later, the number of people unemployed tripled to reach almost 300,000 (approximately 14.1 per cent of the labour force). Suddenly, Ireland has returned to unemployment levels equivalent to those experienced in the mid-1980s. Behind each of these figures are people and families – the society-wide impact of these increases cannot be over-estimated.

The scale of this unemployment crisis, and the simultaneous collapse in employment opportunities, has resulted in many becoming stranded in unemployment. Consequently long-term unemployment, defined as those unemployed for more than one year, has rapidly increased. By late 2010 the long-term unemployment rate had reached 7.3 per cent of the labour force (almost 154,000 people) and this figure looks set to climb towards 200,000 during 2011. It is of some concern that a large proportion of the newly long-term unemployed possess skills for which there is likely to be limited demand over the next few years. In particular, large numbers of males who formerly worked in the construction

[7] See the Appendix of this review for more details.

[8] The data cited in this section comes from the CSO's QNHS, the official measure of employment and unemployment. We analyse the live register figures in section 3.3.

sector have joined this group and they will require significant assistance and retraining before many of them can return to employment.[9]

Another of the social ghosts of the 1980s and 1990s has also returned – emigration. While there are no official figures, estimates by the ESRI in their December 2010 *Quarterly Economic Commentary* have suggested that there was a net outflow of almost 34,500 people in the year ending April 2010 and they have projected a further net 100,000 people will leave by April 2012 (60,000 to April 2011 and 40,000 in the subsequent 12 months). However, they warn that these are assumptions rather than forecasts as there is little official data available. As the international economy recovers, something that is likely to precede Ireland's recovery by 12-18 months, it is expected that emigration will remain at these high levels with a large outflow of young and skilled Irish-born people.

The aforementioned collapse in taxation revenues has forced the government into five challenging budgets and a series of spending cutbacks in 2008, 2009 (twice), 2010 and 2011. Throughout this review we highlight and critique many of the cuts in social spending including the unacceptable cut to most social welfare payments delivered in Budgets 2010 and 2011. In the area of both national and local social services and initiatives, it is particularly difficult that these cuts are being implemented just as the demands for these services are increasing. The impact of these cuts, and the threats of further similar cuts, continues to undermine the social structures within Irish society and their ability to cope in the present circumstances.

The collective implications of these actions were well summarised by Magdalena Sepulveda, the UN independent expert on Human Rights and Extreme Poverty, who visited Ireland following an invitation from Government in January 2011.[10] In her preliminary report, she stated that "the current economic and financial crisis poses a disproportionate threat to those who did not benefit much from the Irish economic boom and is a serious threat to the milestones achieved in social protection". This is further reflected in the experience of the Society of St Vincent de Paul who reported that throughout the last 18 months calls for assistance dramatically increased with many from 'first-timers' struggling to cope with the impact of the current crisis. Similarly, Central Bank data has indicated that in 2010 €113m was out on loan from registered moneylenders (up 25 per cent since 2008) and in Dublin City Council there have been growing rent arrears levels among local authority tenants (€20m in 2010 which is up 40 per cent since 2009).

[9] We analyse the issues of unemployment, employment and work in Section 3.3.

[10] *Social Justice Ireland* held a detailed meeting with the UN delegation in January 2011.

Aside from growing unemployment and long-term unemployment, emigration, service and funding cutbacks and the ongoing problems of inequality and poverty, we continue to live in a society with alarming numbers of people with literacy difficulties across all age groups, schools with leaking roofs and 'temporary' portacabins and a two-tier health system where the availability of services is related to income rather than need. Clearly, Ireland in 2011 has a social crisis.

2.2.4 The Political Context

At a Government level, the result of the 2011 General Election has produced a new government with a large majority and a mandate to address the broad economic and social problems we have been outlining. The new *Programme for Government* covers a wide range of issues at different levels and we have published a review of the document on our website (www.socialjustice.ie). The programme contains very welcome commitments on some issues while being very vague on how it proposes to address other issues. It contains very few numbers or target dates. Its implementation will be very dependent on the EU/IMF bailout agreement being renegotiated so as to reduce the burden and to enable sufficient economic activity to ensure a viable future. Overall, it is clear that difficult choice will need to be made in the years ahead and *Social Justice Ireland* urges the new Government to place the protection of the vulnerable at the core of these decisions.

Finally the issue of governance is of major importance for society at large. There is a substantial role for civil society in the huge task that Ireland currently faces. Social dialogue is a critically important component of any effective decision-making in a modern democracy. Recently the process of consultation and society-wide cooperation has been undermined with the process often demonised and its significant positive contributions ignored. The severity of Ireland's current situation is reminiscent of the situation in the late 1980s when social dialogue was seen as the key to economic and social recovery; the lessons learnt then should be remembered now.

We believe governance along these lines can be developed in Ireland. *Social Justice Ireland* seeks real, effective engagement with the new Government – an engagement that reflects the value of social dialogue and the need for good governance characterised by transparency, accountability and inclusion.

2.2.5 The Cultural Context (assumptions, values and attitudes)

At times of crisis it is often the case that strategic thinking and planning are set-aside. This approach has been very visible in Ireland since the inception of the current crises. Its most visible manifestation has been the acceptance into the conventional wisdom of a series of largely unchallenged assumptions that are not valid. These include:

- That the economy should have priority over all else.
- That preventing all the major banks from collapse is the major economic priority.
- That cuts in public expenditure are the key. (They are only part of the solution.)

These assumptions fail to grasp the fact that economic development and social development are two sides of the one coin. Economic development is required to provide resources for social development. On the other hand social development is essential if economic development is to be successful. There will be no lasting economic development of substance without the provision of social services and infrastructure. For example, it will not be possible to promote a smart, green, hi-tech economy without having an education system that ensures people are capable of taking up jobs in these areas. Likewise infrastructure in areas such as public transport and Information and Communication Technology (ICT) are essential for a successful economy in the twenty first century. Thinking we can have economic development first and then follow-up with social development is to ignore many of the major lessons that have been learned over the past two decades.

There are other assumptions which are only half true that are repeated like mantras in policy discussion and commentary. These include:

- That everybody should make a contribution to the adjustment required.
- That fairness is important but taxes should not be increased.

Yes, we agree everyone should make a contribution insofar as they can. But we do not accept that some people should be driven into poverty because of the contribution that is demanded of them. To do this would be to solve one problem by creating a deeper and more long-lasting one. We reject any attempt to solve Ireland's problems by increasing inequality or by forcing the most vulnerable members of the population into a situation where they do not have the resources to live life with dignity. It is profoundly wrong also that poor people carry a major burden while senior bond-holders, who carry a part of the responsibility for Ireland's implosion, make no contribution to sharing the burden. We also agree that fairness is critically important but we do not believe that Ireland's socio-economic situation can be rectified fairly while we persist in having one of the lowest total tax-takes in the EU.

There are other values that are regularly repeated that we do accept. These include:

- That there should be far better value got for public expenditure.
- That the reform of the public sector is a major priority.

The widely quoted assumptions listed in this section have been adopted with limited consideration of their meaning or implications. Consequently, those that are not valid generate ill-considered policies which are met with widespread opposition and anger. As a society we are lacking a coherent set of guiding values and assumptions to shape the policies and actions of the decade to come.

But that is not all. Developments over the past decade and more and the response to the multi-faceted crises Ireland has been encountering have produced a situation which is dominated by individualism, anxiety and greed.

Individualism in the sense of people being seen as isolated, self-sufficient, economic individuals grew dramatically in recent years. More and more the individual has come to be seen as the primary unit of social reality and community connectedness is down-played and resisted. In practice, policy has done much to undermine this community dimension. This kind of individualism is seen as a virtue. Such an individual is seen as autonomous, owing nothing to anybody, accountable to nobody, responsible for nothing and can rely on nobody only himself or herself. This kind of person is seen almost exclusively in economic terms. This is the kind of person who deserves to "get their own money back" through keeping taxation low according to much of the rhetoric of recent years. As we have highlighted already this was justified on the false assumption that such people were far better at investing that money in developing and improving infrastructure and services. According to this understanding the sum of Irish people's individual decisions would produce far better results for Ireland than allowing Government to decide how best to use the money. We have seen the falsehood of this assumption. However, there has been a further development for those individuals themselves and for society as a whole and that has been the consequent emergence of anxiety as a constant in Ireland's core.

Anxiety follows the growing realisation that individualism as described above is not an adequate basis for making long-term progress or securing people's well-being. Endless anxiety emerges for one never has enough or has done enough to be safe and satisfied. As a result, the autonomous individual that is championed in much current economic theory is caught in an endless rat race of achievement that produces bottomless anxiety – about the market, about performance, about self-worth.[11] This anxiety, in turn, leads many such people to experience growing insecurity, pressure and threat. This in turn feeds into the wider society and how it experiences itself. The individual person experiencing anxiety often responds by seeking to get more, to have more, so as to control the future. This often leads to greed.

Greed generates what Brueggemann calls "ravenous acquisitiveness" so that life becomes a passionate pursuit of every form of security and self-worth, especially through money. This in some ways explains why people who have the most usually think they do not have enough. Those with less imitate this ravenous greed. It is not difficult to see how this played a large part in a process where lenders were attracted to give out loans because of the easy income that would supposedly flow from interest payments and borrowers took the loans as they imagined a better future beyond their current deprivation or a more secure future that would counteract the anxiety they were experiencing. This situation was exacerbated by a 'bonus' culture which saw many lenders and others gaining huge bonuses.

This series of developments which saw the growth of individualism, anxiety and greed formed part of the core of why Ireland (and much of the Western world) got to be where it is today. A pathway out of this morass is needed. That pathway should be guided by a vision of Irish society, a New Ireland, towards which policy can be guided. We now move on to address the issue of what Ireland's guiding vision should be and what we need to do to move towards that vision.

[11] For further development of these points cf. Walter Brueggemann, *From Anxiety and Greed to Milk and Honey*, Sojourners, http://www.sojo.net/

2.3 The Need for Vision: where is Irish society going?

The scale of the ongoing crises facing Ireland today is dramatic. They imply a period of recovery, one that will take a number of years. The nature of that recovery has both international and national aspects. While the former is out of our control, decisions regarding our national policy responses to these crises will need to be considered and taken over the next few months and years. *Social Justice Ireland* believes that these national decisions should be framed in the context of one central question: Where does Ireland, and Irish society, want to be in 10 years time?

2.3.1 A Guiding Vision for a New Ireland

Overall, at this time there is a need for vision. A guiding vision that charts the future direction and shape of Irish society is needed; one that takes a long-term perspective and implements policy to achieve this. *Social Justice Ireland* believes that Ireland should be guided by the core values of:

- Human dignity
- Sustainability
- Equality and Human Rights
- The Common Good.

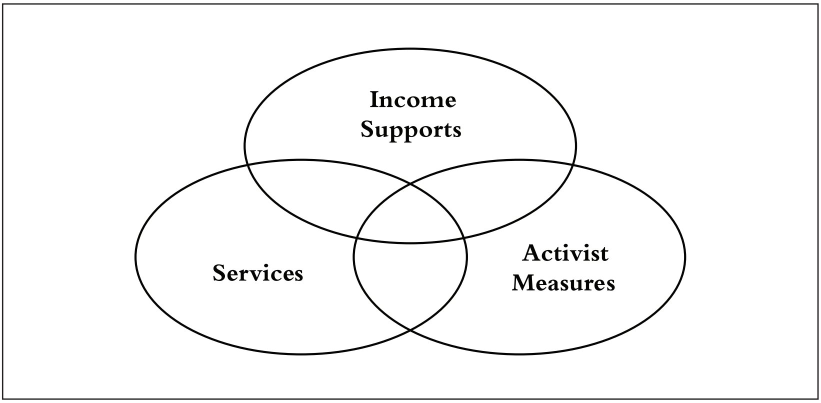
Being a little more specific, Ireland needs to see these values at the core of the vision of its future as a country where:

- Every man, woman and child has what is required to live life with dignity i.e.
  - Has sufficient income,
  - Has access to the necessary services and
  - Is actively included in a genuinely participatory society.
- Sustainability (economic, social and environmental) is a central motif in policy development. This would mean that:
  - Economic development, social development and environmental protection are seen as different sides of the same reality, all interdependent.
  - Balanced regional and global development would be at the heart of the vision of Ireland's future.
- Equality and a rights-based approach are at the core of public policy.
- International economic competitiveness is developed and sustained
- The common good is a constant goal of policy development.

2.3.2 The Developmental Welfare State – a useful model for social development

The formation of future policy should take account of the perspective that is offered by NESC in its report entitled *The Developmental Welfare State* (NESC, 2005). Chart 2.2 presents the core structure of the model NESC presented. It is developed on the understanding that every person in Ireland should have what is required to secure human dignity in three interrelated areas: (i) services, (ii) income supports and (iii) innovative measures that would secure active inclusion.

Chart 2.2: The Core Structure of the Developmental Welfare State



Services	Income Supports	Activist Measures
• Childcare • Education • Health • Eldercare • Housing • Transport • Employment services • Training	• Progressive child income support • Working age income for participation • Minimum pension guarantee • Capped tax expenditures	• Social inclusion • Area-based strategies • Particular community /group projects • Emerging new needs • Novel approaches

Source: NESC (2005:144, 156)

Table 2.6: NESC Life-cycle approach to delivering the Developmental Welfare State

	Who?	What?	How?
0-17yrs	Integration of services, income support and activist measures	Governance and leadership	Standards and rights
18-29yrs			
30-64yrs			
65+ yrs			
People challenged in their personal autonomy			

Source: NESC (2005:147)

In building the developmental welfare state NESC argued that Irish society should take a 'life-cycle' approach to ensuring that all three dimensions were delivered. As table 2.6 shows, such an approach would focus on identifying the needs of children, young adults, people of working age, older people and people challenged in their personal autonomy such as those in care or having a disability. The council suggested that for each group, policy should focus on securing an effective combination of income supports, services and active inclusion measures.

Successfully implementing this approach would underscore each of these group's ability to play a real and sustained role in Irish society and thereby play an important part in tacking social exclusion. This approach provides each sector involved with key challenges if the best options are to be taken and if the approach is to be successfully developed as a template for policy. A major part of the *Towards 2016* national agreement uses this approach to social development. It identifies 23 high-level goals across these age groups and interlinked areas. *Social Justice Ireland* believes that the Developmental Welfare State model and the *Towards 2016* high level goals should play a central role in implementing the social aspects of the vision for Ireland we articulate here.

2.4 Policy Priorities for Moving Towards the Vision

Social Justice Ireland believes that moving towards the vision outlined above, would require among other things:

- Raising Ireland's total tax-take in a fair and equitable manner while keeping Ireland a low-tax economy (i.e. below 35% of GDP which is the cut-off level provided by Eurostat for a low-tax economy).
- Providing the necessary resources over time to raise Ireland's infrastructure and social services at least to the EU-average level.
- Focusing economic growth on increasing per-capita National Income.
- Reforming the Public Service to ensure it maximises its capacity and delivers appropriate outcomes.
- Ensuring Ireland's economy is internationally competitive.
- Addressing the reality of unemployment for both short-term and long-term unemployed people.
- Reducing poverty with a particular focus on reducing child poverty.
- Developing long-term planning and ensuring all actions taken are sustainable economically, environmentally and socially.
- Tackling inequality and developing a rights-based approach to policy development.
- Developing a 'shared responsibility' approach to policy development.
- Ensuring that getting value for money is the norm where public expenditure is concerned.
- Minimising the exposure of the tax-payer to the losses incurred by banks and the consequent expenditure of tax-payers money on rescuing these.
- A commitment to reach the 23 high-level goals for various stages of the life-cycle set out in *Towards 2016*.
- Prioritise balanced local and regional development.
- The role of the Community and Voluntary sector being respected and supported.
- Dialogue with social partners being a central part of policy development.
- Ensuring all policy development is evidence-based and outcome-focused.
- Avoiding upward redistribution in the process of supporting banks, bondholders and developers.

We explore a number of these issues in greater depth below. Others are examined elsewhere throughout this *Socio-Economic Review*.

Raising Ireland's total tax-take in a fair and equitable manner

Social Justice Ireland believes that Ireland should remain a low-tax economy. However, it should be one that collects sufficient taxes to meet the provision of an acceptable level of public services. In that regard we note Eurostat's selection of 35 per cent of GDP as the dividing line between high and low tax economies (2008:5). Ireland should bring its overall level of taxation to 34.9 per cent of GDP.

The achievement of this low-tax benchmark is particularly relevant given the recent collapse of taxation revenues (detailed earlier in this chapter) and the obvious and immediate need for Government to rebuild the Irish taxation base. According to the Department of Finance (2010), in 2011 Ireland's total tax-take is likely to fall to approximately 30.5 per cent of GDP. It is this decrease that has placed the exchequer in such a precarious position and put so much unnecessary pressure on public services.

Table 2.7 estimates the scale of tax revenues that should be collected using this low-tax benchmark (34.9 per cent of GDP) with the Department of Finance's projected tax take for the years 2011-2014. The total taxation figure represents not just those taxes collected centrally by the exchequer but also contributions to the social insurance fund and revenues collected by local authorities.[12] As we show, if we increase our tax take to the level proposed by *Social Justice Ireland* significant additional revenue would be raised. While we do not suggest this change should be immediate, we believe Government should outline a pathway to achieve this target.

Table 2.7: Potential Irish Total Tax Revenues, 2011-2014 (€m)

Year	GDP	Tax @ 34.9%	Tax @ DOF %	Difference
2011	161,200	56,259	49,166	7,093
2012	168,100	58,667	52,952	5,715
2013	175,400	61,215	56,654	4,560
2014	183,500	64,042	60,555	3,486

Source: Calculated from Department of Finance Budget 2011: D9 and D25.
Note: See also Table 3.2.4.

[12] There are also some EU related taxes but these are small in the overall context.

In the longer term it is an obvious reality that Ireland can never hope to address its deficits in infrastructure and social provision if we continue to collect substantially less tax income than that required by other European countries. As we outline in some detail in section 3.2 of this review, *Social Justice Ireland* believes that these tax reforms should not be attained through increasing income tax rates, but rather via reforming and broadening the tax base so that Ireland's taxation system becomes fairer.

The recent bank bailouts and rescues have further added to the debt levels being carried by Ireland. Associated with this debt are large and increasing annual debt servicing costs which may consume between 15-20 per cent of the Department of Finance's annual projected taxation revenues. Later in 2011, once the process of bank bailouts, interest rate adjustments and debt restructuring has completed, *Social Justice Ireland* will revisit our proposed taxation benchmark and test its adequacy. Subsequently, we will publish an analysis and revise the benchmark upwards if appropriate.

Adequately resource Ireland's infrastructure and social provision

When considering the adequacy of the resources allocated to infrastructure and social provision, an analysis of Ireland's spending on social protection against that of other EU countries is telling. Social protection expenditure is defined by Eurostat to include spending on: sickness/health care, disability, old age, survivors, family/children, unemployment, housing and social exclusion initiatives not elsewhere classified (2007: 125). Table 2.8 uses the most recent figures, published by Eurostat, to show the size of this expenditure as a percentage of GDP for 2008 (the latest year for which figures are available). A comparison is also made with Ireland's GNP.

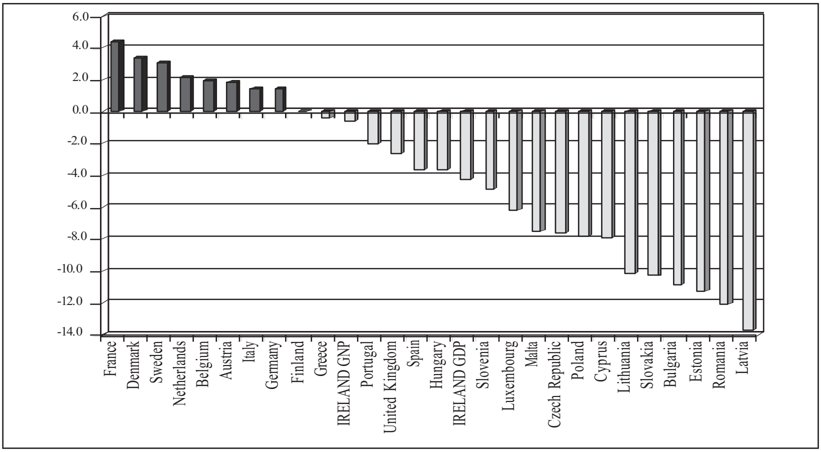
In 2008, Ireland's spending on social expenditure was below the EU average (of 26.3 per cent of GDP). Although the Irish figure has been rising in recent years, and is likely to increase further due to the large growth in unemployment, it is by-and-large only poorer new member states that record lower proportions of social expenditure. Chart 2.3 develops this analysis further and examines the difference between the proportion of GDP allocated to social protection expenditure by each of the EU-27 countries and the EU average.

Table 2.8: National Social Protection Expenditure as a % of GDP, for the EU-27 in 2008

Country	% of GDP	Country	% of GDP
France	30.8	Hungary	22.7
Denmark	29.7	**IRELAND GDP**	**22.1**
Sweden	29.4	Slovenia	21.5
Netherlands	28.4	Luxembourg	20.1
Belgium	28.3	Malta	18.9
Austria	28.2	Czech Republic	18.7
Italy	27.8	Poland	18.6
Germany	27.8	Cyprus	18.4
Finland	26.3	Lithuania	16.2
Greece	26.0	Slovakia	16.0
IRELAND GNP	**25.7**	Bulgaria	15.5
Portugal	24.3	Estonia	15.1
United Kingdom	23.7	Romania	14.3
Spain	22.7	Latvia	12.6

Source: Eurostat online database (2011) and CSO (2011:4)
Note: EU-27 average in 2008 = 26.3% of GDP

Chart 2.3: Percentage Divergence in National Social Protection Expenditure levels from the EU average*



Source: Eurostat online database (2011) and CSO (2011:3)
Note: *EU-27 average in 2008 = 26.3% of GDP

When social expenditure is assessed on a per capita basis Ireland's position marginally improves. However, when these figures are compared to other countries the Eurostat figures show that the German government spends 7 per cent more per person on social expenditure than Ireland does. Other comparisons against spending per Irish person include: Belgium 9 per cent more, France 11 per cent more, Austria 17 per cent more and Netherlands 28 per cent more.[13]

In the context of these figures, it is of no surprise that the reports mentioned earlier (and others detailed in section 3.1) highlight the high levels of poverty and exclusion in Ireland. *Social Justice Ireland* believes that it is important that Ireland, as a society, focuses on protecting our social provision in the years to come. It is of serious concern that to date, many of those dependent on services and supports in this area have experienced severe cutbacks as a result of various measures in recent Budgets. As we recover from the current crises, it is important that society continues to protect and assist its most vulnerable.

Focus policy to target growth of per-capita National Income

Social Justice Ireland believes that a series of new indicators is needed to measure the development of societies. The inadequacy of out current metrics was the theme of our 2009 Social Policy conference and the subsequent publication entitled *Beyond GDP: What is progress and how should it be measured*? (Reynolds and Healy, 2009). Later in this review we discuss the need to develop such alternative scorecards and in particular address the commitment to investigate the possibility of developing a set of shadow national accounts (see section 3.10).

In the years to come, as Ireland recovers, we believe that it is worthwhile for economic policy to focus on growing per capita national incomes rather than just their nominal levels. Per capita national income is calculated by dividing GNP (or GDP) by the population – establishing GNP per person. Moving to such an approach is particularly important in the context of projected population growth (see below). Reporting and monitoring increases in these indicators would enhance policy making and provide a more realistic yardstick to assess economic developments.

[13] All figures sourced from Eurostat online database (2011) and adjusted for purchasing power standards (PPS).

Ensure Ireland's economy is Internationally Competitive

Ireland lost competitiveness throughout almost all of the last decade. While National Income climbed so too did wages. Simultaneously, our infrastructure, both physical and technological, failed to keep pace with the rest of Europe while many of our public institutions performed badly.[14] Overall, we slipped backwards relative to our international competitors; a dangerous phenomenon for an export-orientated economy.

Without doubt, a key feature of Ireland's recovery is the need to rebuild this competitiveness. Already unit labour costs have fallen relative to our EU counterparts and this trend looks set to continue in 2011 (Irish wages are likely to be static at best while other EU countries will record small increases). However, as the World Economic Forum's *Global Competitiveness Reports* have pointed out, competitiveness is about more than just labour costs. Therefore, as Ireland recovers attention needs to be paid to the other key areas of competitiveness including infrastructure, technological connectivity, public sector efficiency, innovation and education/skills.

Address Unemployment and Target Long-term Unemployment

The past three years have seen Ireland return to the phenomenon of widespread unemployment. The transition from near full employment to high-unemployment has been a critically important characteristic of this recession. The implications for people, families, social cohesion and the exchequer's finances have been serious. Economic forecasts for the remainder of 2011 indicate that unemployment will increase further. There can be little doubt that we are entering a very challenging period where high levels of long-term unemployment once again become a characteristic of Irish society.

In Section 3.3 of this review we present a detailed outline of the approaches *Social Justice Ireland* believes the new Government should take to comprehensively addressing this crisis. The scale of these challenges is enormous. However, it is crucial that Government, commentators and society in general remember that each of these policy priorities affect people who are experiencing dramatic and, in many cases, unexpected turmoil in their and their families' lives. As Irish society comes to terms with the enormity of this issue, this perspective should remain central.

[14] See section 3.2 where we examine competitiveness in greater detail.

Reduce Poverty

The European wide social survey SILC (Survey on Income and Living Conditions) allows accurate comparisons to be made between the levels and rates of various socio-economic phenomena across the member states. The most recent poverty data indicate that throughout the EU-25 the average risk of poverty in 2008 (the latest year for which comparable statistics are available) was 16.5 per cent. In recent years Ireland's poverty levels have been falling, driven by the increases in social welfare payments delivered in the Budgets of 2005-2007. These increases compensated only partly for the distance social welfare rates had fallen behind other incomes in society over the preceding two decades. However, the recent cuts to these payments combined with reductions in wages and employment numbers is likely to see the poverty figure increase once again. There is a real danger that Irish society will let those on the lowest incomes, and in particular those dependent on social welfare, fall behind once again as it did in the late 1990s (see section 3.1(a)).

One of the most shocking current social statistics relates to child poverty. Of all the children (under 18 years) in Ireland, 18.6 per cent live in poverty - this amounts to approximately 205,000 children. The scale of this statistic is alarming and in recent years it has been increasing. Given that our children are our future, this situation is not acceptable. Furthermore, the fact that such a large proportion of our children is living below the poverty line has obvious implications for the education system, for the success of these children within it, for their job prospects in the future and for Ireland's economic potential in the long-run. Consequently, addressing child poverty must be a priority.

Despite recent policies, over the next few years *Social Justice Ireland* believes that it is possible to reduce Ireland's poverty rate further as most Irish people desire. This can be achieved through policies which continue to: benchmark social welfare payments; provide equity of social welfare rates across genders; provide adequate payments for children and deliver higher and universal state pensions and cost of disability payments. Throughout section 3.1 of this review we outline these policies.

As the economy recovers, a policy agenda focused on maintaining this position would equally be important and would reflect a clear willingness to include all of society in the fruits of the recovery. It would be a great mistake for Ireland, and Irish policy makers, to repeat the experience of the late 1990s, where economic growth benefited only those who were employed while others such as those dependent on pensions and other social welfare payments slipped further and further behind.[15]

[15] See section 3.1 and the paragraphs on 'Poverty and social welfare recipients' which provide details of the late 1990s experience.

Develop Long Term Planning

An essential element of any society is its ability to plan for the future. In that context an important insight into Ireland's future was provided in April 2008 as part of the Central Statistics Office (CSO) report on expected population trends. Entitled *Population and Labour Force Projections, 2011-2041* the report signalled a dramatic demographic transformation due to occur in Ireland over the next three decades.[16] Table 2.9 presents its main findings.

Table 2.9: Projected growth of the Irish population, 2002-2041

Year	Population Growth	% increase from 2002
2002	3,917,000	-
2006	4,232,900	8.06
2011	4,421,900	12.89
2016	4,606,900	17.61
2021	4,763,700	21.62
2026	4,883,000	24.66
2031	4,976,300	27.04
2036	5,055,500	29.07
2041	5,122,000	30.76

Source: CSO (2004; 2008: 27, 33). Using the CSO's demographic assumptions M0F1 – zero migration and high fertility.

As table 2.9 shows the CSO forecast that Ireland's population will climb from approximately 4.2 million people today to over 4.7 million people by 2121 and on to exceed 5.1 million people by 2041. The figures in table 2.6.4 reflect the most conservative CSO assumptions for population growth. While it is likely that the current recession and associated emigration will have some impact on these figures, the differences are unlikely to be substantial.

There are major implications for many public policy areas as a result of this projected increase. Where will all these extra people live? How will they travel around? What additional education and health facilities are required to provide for such additional numbers? How can Ireland ensure that we build a fair, inclusive and sustainable society which can adequately cater for all these extra people?

[16] See also Punch (2006).

Social Justice Ireland believes that these figures necessitate the development of long term planning. Rather than cope with the implications of this population growth once it has happened, we believe it is important to begin to plan now for its arrival. To do this successfully, policies need to be framed within a time frame of at least 10 years. These policies also need to look beyond economic growth as the principal priority driving Government, the policy formation process and society generally. Adopting this approach should ensure that short-term decisions being taken by Government do not work against the long-term interests of Irish society.

Address Inequality and Develop a Rights-Based Approach

Inequality is a key problem in Irish society. Inequality produces a whole range of negative outcomes for those who are poor and/or excluded. Increasing inequality, which has been the norm for some time, exacerbates the negative impacts on people who are poor and/or excluded. Reducing inequality must be a core objective of Government policy. *Social Justice Ireland* also believes strongly in the importance of developing a rights-based approach to social, economic and cultural issues. The need to develop these rights is becoming ever more urgent for Ireland in the context of achieving recovery. Such an approach would go a long way towards addressing the growing inequality Ireland has been experiencing.

Social, economic and cultural rights should be acknowledged and recognised just as civil and political rights have been. Among others, we believe that seven basic rights that are of fundamental concern to people who are socially excluded and/or living in poverty should be acknowledged and recognised. These are the rights to: sufficient income to live life with dignity; meaningful work; appropriate accommodation; relevant education; essential healthcare; cultural respect; and real participation. Until these rights are effectively recognised then Ireland and the EU will continue to have a major credibility problem, as they will be failing to match their commitment to civil and political rights with an equal commitment to social, economic and cultural rights.

To ensure that the recognition of social, economic and cultural rights goes beyond words, however, it is essential to address the question: how can such rights be made justiciable (capable of being vindicated in law)? In particular, how can this be done in a way that respects the political process and does not destroy the balance of power between the judicial and the governmental dimensions of society while also respecting the social, economic and cultural rights of people?

In previous publications we have developed a detailed proposal showing how this could be done[17]. We believe that movement in this direction would be a very progressive development and would make a major contribution to seeing the emergence of a New Ireland which would facilitate and support the well-being of all people equally.

Develop a 'Shared Social Responsibility' approach[18]

The current series of crises risks a regression in rights, social protection and democracy. On the one hand there is a danger that people put all their trust in the market as the only real source of solutions to the challenges being faced. On the other hand there is a danger that people expect Government to resolve all the challenges effectively and fairly. Both of these extremes must be resisted. As resources are scarce it is important that all stakeholders recognise the importance of securing the wellbeing of all. There must also be recognition of the need for social, environmental and intergenerational justice. To be effective an approach is required that is characterised by a spirit of reciprocity, mutual accountability and a shared commitment to reducing social inequalities and inequalities of influence.

We live in a world in which no-one is totally independent or immune from the damaging consequences of other people's actions or failure to act. The most advantaged population groups must not ignore their interdependencies and responsibilities vis-à-vis the rest of society. This is especially important when the least advantaged see their achievements in terms of access to rights, public services and common goods placed under threat. It is very important that all sectors of society work together and share responsibility for combating the causes of inequalities, poverty, insecurity and discrimination.

Taking a 'shared social responsibility' approach would mean that individuals and institutions (public and private) would be required to be accountable for the consequences of their actions or omissions. This would apply to the impact on areas such as the protection of human dignity, the environment and common good, poverty and discrimination and the pursuit of justice, development and social cohesion. It is clear that all individuals and institutions do not have equal responsibility in the various areas addressed. Some have much greater resources, power or capacity and, consequently, have greater responsibility. But all have some capacity and, consequently, some responsibility.

[17] For a further discussion of this issue see Healy and Reynolds (2003).

[18] Work is currently underway in the Council of Europe on this issue. It is likely to lead to publication of material in the course of 2011.

For such an approach to work effectively would require much greater transparency and accountability, much greater access to knowledge and a deliberative approach to decision-making. It would require a new approach to responsibility in a context of interdependence.

Avoid Upwards Redistribution

An unavoidable element of Ireland's recovery is the need to address the mess created by the incompetent management and regulation of our banking institutions. A similar, and related, mess needs to be cleaned up following the illogical behaviour of numerous property developers (big and small); ranging from those who built unwanted housing to those who dramatically over-paid, and over-borrowed, to buy development land. In addressing both these related problems Government must avoid adopting policies where the exchequer, representing society as a whole, provides huge resources to bail out a few companies, individuals and bondholders while inequality is allowed to continue growing and the most vulnerable are left further behind. Overpaying for bank assets as they transfer to state control or allowing broke developers keep 'performing assets' while the state carries the burden for their un-performing assets is simply unacceptable. Similarly, burdening society with the debts of wreckless banks while not sharing some of that burden with all bondholders who financed it is unfair and irresponsible. As we rebuild the financial system of this country we must avoid upwards redistribution in supporting banks, bondholders and developers.

2.5 Focusing on Specific Issues

In 2011, the challenges facing Irish society are among the greatest in living memory. As we have outlined in this chapter, it is necessary to face these challenges strategically; not with piecemeal policy initiatives to cope with the short–term, but with thought-through integrated policy initiatives that plan for the longer-term.

In the following sections of this review, we outline in greater detail what this would entail and how, through making better choices, Ireland can recover to become a fairer society. The specific issues we address are:

- Income
- Taxation
- Work
- Public Services

- Housing and Accommodation
- Healthcare
- Education and Education Disadvantage
- Intercultural & Migration issues
- Participation
- Sustainability and the Environment
- Rural Development
- The Developing World

On each of these issues, we propose a core policy objective. We also provide an analysis of the present situation, review relevant initiatives and outline key policy priorities aimed at securing a new and fairer Ireland. In doing this, we clearly indicate the choices *Social Justice Ireland* believes should be made in the years immediately ahead.