

Social Justice Ireland

Working to build a just society

A Framework for Solidarity and Sustainable Recovery

Briefing for IMF, European Central Bank
and European Commission

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Introduction

Ireland needs a significant change of direction. It is clear that while five years of austerity have reduced expenditure, increased taxation and reduced the Government's borrowing requirement, they have not delivered the outcomes that were promised when it was first imposed.

While Ireland hit all its targets on reducing borrowing and repaying bondholders, poverty, unemployment and social exclusion have all risen dramatically.

A further huge negative has been the fact that much of the austerity process has benefited the rich at the expense of the rest of us. Low and middle-income people have had to bear a disproportionate part of the burden.

Vulnerable people have seen their incomes fall, their bills rise, their services decimated and their future prospects become bleaker by the day.

Economic and ethical failure

There are two key issues that need to be recognised as Ireland reviews its current situation. The 'austerity' approach has been both an economic failure and an ethical failure.

Firstly, the 'austerity' approach adopted by the EU and promoted by the Troika (IMF, the European Central Bank and the European Commission) has not been based on any credible economic theory or sound

research. The academic basis for this approach has been discredited¹. The outcomes it produced in practice have also undermined its credibility.

Secondly, the moral basis for such an approach has also been unethical. The bond-holders and gambling bankers who caused much of the crisis have been repaid in full and have made no contribution to rescuing societies from the mess they created. In practice it was those on low and middle incomes who have borne the brunt of the adjustment rather than the rich and powerful.

Markets and moral hazard

In the decades that preceded the current crisis, markets for goods and services (as normally understood) became less important while the emphasis on financial markets as the key to economic growth escalated dramatically.

Regulation was eased, capital controls were removed, capital taxes were reduced, a global capital market was created. As a result, the level of debt rose rapidly. More and more, those involved in financial markets focused on increasing their income and profits by developing and investing in financial 'products' rather than in real goods and services. When the crash came in 2008 it is estimated that \$800 trillion was being traded globally in derivatives.

¹ Details and relevant studies on the undermining of the academic basis for 'austerity' may be accessed on our website: www.socialjustice.ie

The academic basis for 'austerity' has been discredited. Its credibility has been undermined by its results in practice. The moral basis for such an approach is unethical as it was those on low and middle incomes who have borne the brunt of the adjustment rather than the rich and powerful.

Combined with this focus on financialisation the bankers and financial institutions at the core of this process were secure. In practice they were guaranteed that if they lost in their gambling on derivatives and the like they would still be reimbursed in full. This is what happened when the crash eventually came.

This situation of moral hazard persists five years after the crash. This means it is more than likely that there will be further crashes in the future.

As well as this, the changes required in the banking system at the core of the Eurozone have not been put in place. Resolution of this problem remains far from assured.

Recovery?

We are told constantly that recovery is almost here. But the recovery implied in the pathway currently being followed strikes *Social Justice Ireland* as being extremely problematic.

It is most likely to be a ‘recovery’ that benefits the rich at the expense of the rest of us; that benefits the strong at the expense of the weak; that offers no hope for the majority.

Ireland needs to have a clearly articulated vision that would motivate people, a vision of where it wishes to go and how it intends getting there.

In this document *Social Justice Ireland* sets out its vision of Ireland’s future, the values on which it should be based and presents a framework for policy development to move Ireland in this direction.

It is a framework that would promote real recovery but would also be based on and would secure solidarity. We call it a *Framework for Solidarity and Sustainable Recovery*.

The economic crisis confronting Ireland is the result of the failure of an economic and social philosophy that exalted private greed above the common good.

The response to the crisis has been guided and underpinned by many of the mistaken assumptions of the Celtic Tiger Years.

Many of the progressive social programmes introduced during the previous 20 years have been eroded or abandoned and the state remains committed to the ultra-low tax model of the early 2000s.²

Alternative economic and social proposals are dismissed out of hand while decisions are imposed without consultation with citizens and with little examination of the impact of those decisions.

A lazy reliance on outworn neo-liberal dogmas is disguised by frequent declarations that ‘there is no alternative’.

What would *real* recovery look like?

Social Justice Ireland believes that Ireland cannot continue to be guided by the failed ideologies of the past.

Ireland’s crisis demands both an immediate policy response – for example the investment programme advocated by *Social Justice Ireland* and a debt reduction pact with the European Union – and also the development of a vision of a New Ireland.

We must ask the question: what does *real* recovery look like?

- Will it be characterised by gains in wealth for the

few, and stagnation for the many?

- Will our citizens’ access to healthcare continue to be determined by the size of their bank accounts?
- Will one in every five Irish children continue to live in poverty?
- Will long-term unemployment continue for years to come, while a lucky few see their incomes soar?

Sustainability is a central motif for economic, social and environmental policy. Central to this is the recognition that economic development, social development and environmental protection are complementary and interdependent.

Addressing these questions and challenges cannot be postponed until after the IMF/EU programme comes to end. They cannot wait for the next electoral cycle. They demand an immediate response and immediate answers.

The decisions taken now will shape the recovery to come and

² For a much more detailed elaboration of the opening paragraphs of this briefing cf. *Social Justice Ireland’s* annual Socio-Economic Review for 2013, *What Would Real Recovery Look Like?* pp.10-66

the shape of Irish society over the next decades.

Social Justice Ireland believes that an alternative vision of Ireland's future is urgently needed.

This vision should prioritise the common good and provide economic and social security for all the people of Ireland while ensuring that all policy decisions are focused on delivering a future that is sustainable economically, environmentally and socially.

Such a vision requires radically different policies to those pursued by Government and the IMF/EU/ECB; alternative policies which *Social Justice Ireland* has advocated for many years.

Ireland is still a wealthy country, despite its recent challenges, and still has the resources and skills to achieve 'liberty, justice and equality for all its citizens', in the words of the Democratic Programme of the first Dail (1919).

What has been missing is the resolve, the will and the vision to achieve a New Ireland.

A guiding vision for a New Ireland

In this section we explain *Social Justice Ireland's* vision and later we set out the framework and some of the main practical measures necessary to put it into effect.

Social Justice Ireland advocates a new guiding vision

to shape the future direction of Irish society.

We believe that Ireland should be guided by a vision of becoming a just society in which human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.



Ireland should be guided by a vision of becoming a just society in which human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.



Core Values

The **core values** of such a society would be human dignity, equality, human rights, solidarity, sustainability and the pursuit of the common good.

Human dignity is central to our vision. It demands that all people be recognised as having an inherent value, worth and distinction regardless of their nationality, gender, ethnicity,

culture, sexual orientation or economic and social position.

Social Justice Ireland believes that in a New Ireland human dignity must be respected and that the State must uphold and promote human dignity, treating all people in the country alike with dignity and respect.

The need for greater **equality** is closely linked to the recognition of human dignity and the desire for social justice. Great disparities in wealth and power divide society into the rich and the poor, which weakens the bond between people and divides society between the lucky and the left-out, between the many and the few.

A commitment to equality requires society to give priority to this value so that all people can achieve their potential.

The development and recognition of **human rights** has been one of the great achievements of the 20th century. In the 21st century human rights are moving beyond civil and political rights to embrace social, economic and cultural rights.

In this context *Social Justice Ireland* believes that every person has **seven core rights** that should be part of our vision of the future i.e.

- the right to sufficient income to live life with dignity;
- the right to meaningful work;
- the right to appropriate accommodation;

- the right to relevant education;
- the right to essential healthcare;
- the right to real participation and
- the right to cultural respect.

Policy decisions should be focused on moving towards the achievement of each of these rights.

Solidarity is the recognition that we are all bound, as human beings, one to another, within nations, between nations and across generations. Many policy decisions taken in recent years are unjust to future generations.

Solidarity requires all people and all nations to recognise their duties to one another and to vindicate the rights of others. Solidarity enables people and communities to become the shapers of their own destiny.

Sustainability is a central motif for economic, social and environmental policy. Central to this is the recognition that economic development, social development and environmental protection are complementary. They are also interdependent. None of these objectives can be achieved by ignoring any of the others.

Respect for the natural environment is not a luxury to be indulged in but an imperative that cannot be ignored.

A commitment to the **common good** is also critical. The right of the individual to freedom and personal development is

limited by the rights of other people.

The concept of the ‘common good’ originated over 2,000 years ago in the writings of Plato, Aristotle and Cicero. More recently, the philosopher John Rawls defined the common good as ‘certain general conditions that are...equally to everyone’s advantage’ (Rawls, 1971: 246).

Social Justice Ireland understands the term ‘common good’ as being ‘the sum of those conditions of social life by which individuals, families and groups can achieve their own fulfilment in a relatively thorough and ready way’ (Gaudium et Spes, 1965 no.74).

This understanding recognises the fact that the person develops his or her potential in the context of society where the needs and rights of all members and groups are respected (Healy and Reynolds, 2011). The common good, then, consists primarily of having the social systems, institutions and environments on which we all depend work in a manner that benefits all people simultaneously and in solidarity.

A study by NESC states that ‘at a societal level, a belief in a “common good” has been shown to contribute to the overall wellbeing of society. This requires a level of recognition of rights and responsibilities, empathy with others and values of citizenship’ (NESC, 2009: 32).

This raises the issue of resources. The goods of the

planet are for the use of all people – not just the present generation but for generations still to come.

The present generation must recognise it has a responsibility to ensure that it does not damage but rather enhances the goods of the planet that it passes on – be they economic, cultural, social or environmental.

The structural arrangements regarding the ownership, use, accumulation and distribution of goods are disputed areas. However it must be recognised that these arrangements have a major impact on how society is shaped and how it supports the wellbeing of each of its members in solidarity with others.

Social Justice Ireland believes that the values outlined above must be at the core of the vision for a nation in which all men, women and children have what they require to live life with dignity and to fulfil their potential, including sufficient income, access to the services they need and active inclusion in a genuinely participatory society.

There must be a serious debate in Irish society about our economic and social priorities. If there is not, policy will continue along the current trajectory with regressive budgets, cuts to vital services and a continued low-tax policy.

Social Justice Ireland believes this vision of a New Ireland should guide policy development and decision-making in the period ahead.

A Framework to move towards this vision

1. Ensure Macroeconomic Stability	2. Move Towards Just Taxation	3. Enhance Social Protection	4. Reform Governance	5. Create a Sustainable Ireland
Reduce Ireland's debt burden	Bring tax-take to European average	Protect services by adjusting deficit reduction	Reform policy evaluation	Combat climate change
Financial and fiscal stability	Increase tax level equitably	Combat unemployment	Develop a rights-based approach	Balanced regional development
Investment programme	Reduce income inequality	Reduce poverty	Promote social dialogue	Indicators of progress and wellbeing

To move towards our vision five key policy areas must form part of an integrated framework and be addressed urgently. These are in the areas of macroeconomic stability, taxation, social security, governance and sustainability.

1. Macroeconomic Stability³

Ensuring macroeconomic stability requires

- A reduction in Ireland's debt burden,

³ A much more detailed analysis of the issues addressed under the five parts of this framework together with details on the proposals being made are set out in our Socio-Economic Review for 2013 (Healy et al: 2013)

- The restoration of fiscal and financial stability, and
- The launching of a substantially larger investment programme than currently envisaged.

All of these measures are connected. An investment programme will contribute to jobs and recovery which in turn will help lower Ireland's deficit and real debt burden.

Financial stability will ensure that additional bank bailouts do not threaten Ireland's fiscal stability and provide Irish firms with greater credit facilities.

A reduction in Ireland's debt burden will increase confidence in Ireland's capacity to grow and exit the EU/IMF programme, thus reducing yields on Irish government debt.

There is one further issue that requires attention if Ireland is to have macroeconomic stability into the medium term i.e. the commitments entered into in the EU's Fiscal Compact.

The Compact rules require government deficits to be 3% or less; government debt to GDP ratio to be 60% or less; Government structural deficits to be 0.5% or less.

They also require a 1/20th reduction in debt per year if a country has a debt to GDP ratio above 60%. The Fiscal Compact has been voted on and transposed into Irish law.

Of particular concern to Ireland is the pace at which its national debt must be reduced. This may well place very difficult fiscal requirements on the Irish

Exchequer in the medium term as it would be likely to limit Ireland's scope for investment and, consequently, for moving out of the current impasse.

Consequently *Social Justice Ireland* believes that Ireland will need a reduction in its current debt burden combined with substantial additional investment if it is to ensure macro-economic stability in the years ahead.

Reducing Ireland's debt burden

The Irish Fiscal Advisory Council (2012: 35-36) has forecast that debt-to-GDP levels will peak at 120 per cent of GDP during 2013, while the Department of Finance (2012: 91) has assumed it will peak at 121.4 per cent of GDP in the same year.

However, the Council also warned that if Ireland's recession follows the trajectory of a 'balance sheet recession' then debt-to-GDP levels will continue to rise. This is because balance sheet recessions induce 'L-shaped' growth patterns in which GDP falls rapidly and then stagnates.

Without growth, Ireland's real debt burden will continue to increase.

A large proportion of Ireland's debt was accumulated in the course of rescuing the Irish banking sector in a manner which resulted in a much lower sharing of the financial burden by investors than would have been expected if the rescue was of any other business sector.

In addition, the loss of confidence in Ireland during 2009-2010 was a direct result of fixed-asset analysts and other observers of the government bond market viewing Ireland's assumption of banking debt as unsustainable.

To reduce Ireland's debt burden in 2013 the European authorities must uphold their agreement to retrospectively recapitalise Irish banks.

The total cost of the banking rescue has been €62.8bn, of which €11.4bn has come directly from the Exchequer, €30.7bn through promissory notes and €20.7bn from the National Pension Reserve Fund.

This part of Ireland's debt represents a direct subsidy by the Irish public of international bondholders and the European banking system. In June 2012 the Eurogroup appeared to recognise this, holding out the possibility that the European Stability Mechanism (ESM) would retrospectively recapitalise the Irish banking sector by purchasing the Irish government's bank equities.

However, following this agreement key member-states

appear to have withdrawn their agreement to recognise this principle.

In 2013 the Irish Government appeared to secure an agreement on the status of the promissory notes granted to Anglo-Irish Bank (the now liquidated IBRC) by the government in 2010.

Unfortunately this agreement does not appear to be in the spirit of the June 2012 agreement. Instead it has transferred the promissory notes to the status of sovereign debt, confirming that Irish citizens must bear the responsibility for the mistakes of the Irish banks and for the rescue of international bondholders.

Ireland's economy will only expand again if the debt burden is reduced. Such expansion is essential if it is to contribute to a European recovery and to ensure that all *public* funds lent to Ireland through the Troika's programme are returned in full.

To reduce Ireland's debt burden in 2013 the European authorities must uphold their agreement to retrospectively recapitalise Irish banks. If this is done through the ESM – which would take ownership of the majority of the Irish banking sector as a result – this decision must take account of Irish mortgage holders and the need to secure credit availability in the Irish economy.

The ESM must also be prepared to further recapitalise the Irish banking sector if necessary. European authorities should also consider

further changes to the status of the government bonds which will be issued to replace the promissory notes, including further extending the maturity and applying a lower interest rate to them. It has already been agreed by the Council of Ministers that such measures are to be applied to the loans received under the EU/IMF programme. This should lead to a less onerous repayment schedule and boost confidence in Ireland.

Financial and fiscal stability

We have already highlighted the importance of focusing on development of real markets as distinct from financial markets much of which serve no useful economic or social purpose.

We have also pointed to the implications of the Fiscal Compact for Ireland's budgets in the medium term.

We now identify some other issues that must be considered to ensure Ireland's financial and fiscal stability in the medium to long term.

The stability of Ireland's financial system remains of great concern. Credit supply is reported to be extremely tight.

The Central Bank of Ireland published research by two of its economists indicating that 'the Irish rejection rate for credit applications is the second highest in the euro area, while Irish SMEs are among the most likely to have faced increased collateral requirements, increased

interest rates, or lower loan quantities'.

At the same time Ireland had almost double the amount of discouraged borrowers – those who do not even apply for loans – than the euro area average (Holton and McCann, 2012).



Without investment there will be no jobs. Without jobs there will be no recovery and without recovery Ireland will be stuck in austerity.



A banking sector that does not supply adequate credit to those firms seeking to invest and expand inhibits economic growth.

It is recognised by Irish policymakers that the Irish banking sector is unprepared for widespread losses on distressed mortgages (e.g Honohan, 2013).

This raises the possibilities of further demands by the banks for capital on the basis of the Prudential Capital Assessment Review targets imposed by the Troika.

Social Justice Ireland believes that government must ensure that additional demands for recapitalisation by banks are

met by the ESM in line with the June 2012 decision and ensure a flow of credit to Irish firms.

At the same time it is crucial that Ireland pay its way and that its annual budget is brought back into balance.

While this is a core feature of current government policy it is highly unlikely that such a balance will be achieved without a reduction in Ireland's debt burden and the development of a substantially larger investment programme than currently envisaged.

An investment programme

Since the onset of the recession Ireland's GDP has declined by just over 16 per cent, GNP by nearly 23 per cent and domestic demand by 28 per cent (CSO, 2012). Unemployment remains at 14.2 per cent, despite a small rise in employment in the fourth quarter of 2012 (CSO, 2013).

Both the Troika and Department of Finance believe that the domestic economy will remain stagnant and rely on a rise in exports to boost growth. Increased investment in the domestic economy is urgently needed to provide employment and much-needed infrastructure. This would have two positive effects i.e. it would reduce unemployment and it would increase the long-term productivity of the Irish economy.

It is essential to bear in mind that without investment there will be no jobs. Without jobs

there will be no recovery and without recovery Ireland will be stuck in austerity for the foreseeable future. Social Justice Ireland believes that there must be an off-balance sheet investment programme between 2013 and 2015 of €7bn, along the lines outlined in its *Budget Choices* Policy Briefings in recent years.

This should be focused on projects that provide a financial return. It would enhance growth and contribute to a reduction in the deficit by, reducing unemployment and increasing tax returns among other things.

2. Taxation

The American jurist Oliver Wendell Holmes once said that ‘taxes are the price we pay for a civilized society’. *Social Justice Ireland* has long argued that Ireland’s total tax-take is simply too low to pay for the services and social security provision that is necessary to ensure human dignity for all.

Social Justice Ireland also believes that the incidence of taxation falls too much on the shoulders of the poorest in society.

In our annual Socio-Economic Review for 2013 published in April, 2013 we examined Ireland’s taxation system in depth and set out an integrated and comprehensive range of proposals (Healy et al, 2013).

Below we highlight three immediate priorities on taxation that would form part of the *Framework*.

Bring total tax towards the European average

Ireland’s total tax-take in 2010 was 28.2 per cent of GDP, some 7.4 per cent below the European average. In this figure we include ALL taxes, social insurance payments and charges paid nationally or locally. The Department of Finance estimates taxation as a percentage of GDP will be 31.7 per cent of GDP by 2015.

Social Justice Ireland believes that Ireland should raise the total tax-take 34.9 per cent.

This would still keep Ireland as a low-tax economy as defined by Eurostat, while raising significant revenue.

The table below compares the Department of Finance’s targets for taxation as a percentage of GDP, as announced in the Medium Term Fiscal Statement released before Budget 2013, with the level of taxation that would be raised were Ireland to increase its tax take to 34.9 per cent of GDP.

The reliance on a relatively low level of taxation to fund vital public services contributed to the scale of the crisis in the public finances.

Ireland can never hope to address its longer-term deficits in infrastructure and social provision if it continues to collect substantially less tax income than that required by other European countries it seeks to emulate.

Potential Irish Total Tax Revenues, 2011-2015

Year	GDP	DoF GDP %	DoF Tax	Tax@34.9%	Difference
	(€bn)		(€bn)	(€bn)	(€bn)
2011	158,993	30.4	48,334	55,489	7,155
2012	163,150	30.4	49,598	56,939	7,342
2013	167,725	30.9	51,827	58,536	6,709
2014	174,100	31.5	54,842	60,761	5,919
2015	181,400	31.7	57,504	63,309	5,805

Source: Department of Finance (2012: 87).

As part of its *Framework for Solidarity and Sustainable Recovery, Social Justice Ireland* recommends moving towards a total tax take of 34.9 per cent of GDP, which would keep Ireland as a low-tax country while remaining below the EU average.

There should also be a public debate on the appropriate level of taxation required over the next 20 years to fund Ireland's public services and social security system.

Future policy development may possibly involve increasing public spending and tax levels. These questions should be openly debated instead of avoided by policymakers.

Increase taxes equitably

An increase in total tax-take must be done in a fair and equitable manner. Tax increases should not be attained principally through increasing income tax rates but rather via reforming and broadening the tax base so that Ireland's taxation system becomes fairer.

This would involve shifting taxation towards wealth, ensuring those who benefit the most from Ireland's economic system contribute the most, in the most efficient manner.

Changes in taxation since 2010 have been regressive, with the increase in VAT impacting particularly significantly on those with the lowest incomes. In future tax changes should be progressive.

Reduce income inequality

Income inequality, gender inequality and inequality of opportunity represent a key problem in Irish society. They produce a range of negative outcomes for those who are poor and/or excluded.

Growing inequality, which has been the norm for some time, exacerbates the negative effects on people who are poor and/or excluded. The 'gini coefficient', a measure of income inequality, has risen from a low in 2009 of 29.3 to 31.1 in 2011 (CSO, 2013). Reducing inequality must be a core objective of Government policy.

The key mechanism through which income inequality is reduced is redistribution via the tax system.

Since Budget 2010 government policy has redistributed income from those who earn less to those with more. Moreover, particular measures such as cuts in the lone-parent allowance particularly affect women.

In light of our comments above on financial markets *Social Justice Ireland* supports the introduction of a Financial Transactions Tax (FTT). We believe the Irish Government should become part of the European initiative to introduce such a tax. This initiative is supported by eleven member countries in the EU and would be a step in the right direction towards controlling the reckless gambling in financial markets. While raising revenue it would



Ireland should move towards a total tax take of 34.9 per cent of GDP, which would keep Ireland as a low-tax country while remaining below the EU average.



also be a step towards much-needed fairness in the area of taxation.

Government should proof its annual budget to ensure it reduces poverty and inequality. This should be a statutory responsibility of Government which would enlighten public debate.

In the Budget 2013 documentation the Department of Finance attempt to obfuscate the effect of its measures by selectively citing research conducted by the ESRI among others (Department of Finance, 2012: B40). This should not happen.

3. Social Protection

There have been significant cuts to social services and welfare payments since 2008. *Social Justice Ireland* believes many of these cuts have been socially destructive and counterproductive.

They have reduced demand in the economy and many have been imposed without an

adequate examination of their likely impact. Moreover, in reducing the budget deficit the balance between cuts and taxes has been incorrect.

As *Social Justice Ireland* has consistently argued, taxation should be increased towards the European average while the social services infrastructure and social welfare payments should both be protected.

In recent publications *Social Justice Ireland* has proposed specific priority areas for investment.

Below we suggest three immediate priorities for government that we believe should be at the core of any *Framework for Solidarity and Sustainable Recovery*.

Protect services by adjusting deficit reduction

Since 2008 the government has cut spending by €18,559m while increasing taxes by €9,300m: a ratio of €2 in spending cuts for €1 in tax rates rises.

By the projected end of the EU/IMF programme in 2015 taxation will have contributed €11,000m and spending cuts €21,859m to the total budgetary adjustments; the ratio of tax increases to spending cuts is set to remain unaltered.

Measures must be taken to reduce the deficit but they should not fall upon the most vulnerable in society. Cuts to services and social protection payments ensure that they do in fact fall disproportionately

on those who are least able to take the impact of such cuts.

Social Justice Ireland recommends that the ratio of spending cuts to tax increases for the whole period should be reversed.

This would go some way to taking account of the excess burden placed on the spending side in the attempt to reduce the budget deficit.

Combat unemployment

Unemployment has risen rapidly since 2008 and by the fourth quarter of 2012 stood at 294,600, or 14.2 per cent, of the labour force (CSO, 2013).

While it fell by 19,200 in the fourth quarter, employment only grew by 1,200, reflecting the level of discouraged workers and emigration.

Long-term unemployment is at 8.2 per cent of the labour force, lower than the third quarter of 2013, but this decrease may also be due to emigration and discouraged workers. The IMF (2012) estimates that unemployment will still be at 13.4 per cent in 2015.

Unemployment is the gravest crisis facing Ireland at the present time. It has a corrosive effect on people and communities throughout society. Our proposal for an investment programme for Ireland has been mentioned above.

The European Commission in its Review of Ireland's progress on meeting its bailout targets clearly identifies the

There is a real danger that Irish society will permit those on the lowest incomes, and in particular those dependent on social welfare, to fall behind once again, as it did in the late 1990s

importance of the small and medium enterprise (SME) sector as a generator of employment in Ireland. Two-thirds of people employed in the private sector in Ireland are employed by SMEs according to the European Commission's review of Spring 2012.

Yet many of these SMEs struggle to access the basic capital they require to do business. Greater Government action is required to unblock this log-jam.

Social Justice Ireland also proposes the introduction of a *Part Time Job Opportunities Programme* which would create thousands of jobs for those who are long-term unemployed.

These proposals are covered at greater length in chapter 5 of our Socio-Economic Review for 2013 which addresses issues related to work, unemployment and job creation (Healy et al 2013: 150-167).

Reduce poverty

There is a real danger that Irish society will permit those on the lowest incomes, and in particular those dependent on social welfare, to fall behind once again, as it did in the late 1990s (Healy et al 2013: 82-118).

From 2006, Ireland's poverty levels had been slowly falling, driven by the increases in social welfare payments delivered in the Budgets of 2005-2007.

These increases compensated only partly for the extent to which social welfare rates had fallen behind other incomes in society over the preceding two decades.

However, these advances have been reversed. The 'at-risk-of-poverty' rate rose from a low of 14.1 per cent in 2009 to 16 per cent in 2011, consistent poverty rose from a low of 4.2 per cent in 2008 to 6.9 per cent in 2011 and the deprivation rate rose from a low of 11.8 per cent in 2007 to 24.5 per cent in 2011 (CSO, 2013:1).

In 2011 the single largest demographic group at-risk-of-poverty was children, with nearly one in five at risk of poverty (CSO, 2013).

It would be a great mistake for Irish policy makers to repeat the mistakes of the late 1990s.

At that time economic growth benefited only those who were employed while others, such as those dependent on pensions and social welfare payments, slipped further and further behind.

Social Justice Ireland believes that policy in the future should provide equity in social welfare rates across genders while providing adequate payments for children and those with a disability. These issues are examined in greater detail in chapter 3 of our Socio-Economic Review for 2013.



Government must engage more extensively with all sectors of Irish society, particularly those most affected by cuts in particular areas.


4. Governance

It has been widely recognised that Ireland's governance was poor in certain areas prior to the economic crisis, particularly in relation to financial regulation.

Moreover, the economic crisis has led to government making rash and hasty decisions without consultation, whether in relation to financial or budgetary policy. These have been recognised as damaging or – as in the case of the bank guarantee – catastrophic.

Reforming governance and widening participation are a necessity and this issue is

addressed in chapter 11 of *Social Justice Ireland's* Socio-Economic Review (Healy et al, 2013: 243-251).

Social Justice Ireland believes that governance must form part of any *Framework for Solidarity and Sustainable Recovery*. Below are three immediate priorities.

Reform policy evaluation

Policy evaluation has been extremely poor in some cases throughout the crisis. *Social Justice Ireland* welcomes the steps taken by Government to increase its research and evaluative capacity. However, we believe that Government should also take steps to increase the transparency of budgetary and other important decisions, which are often opaque.

Government should publish its analysis of the impact of budgetary measures and engage in public debate in the light of that analysis.

A rights-based approach

Social Justice Ireland 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.

We believe 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 in society.

Social dialogue

Government must engage more extensively with all sectors of Irish society, particularly those most affected by cuts in particular areas.

Government has provided a high-level forum called the IFSC Clearing House Group for the financial industry, and 23 changes were made in the Finance Act 2012 to accommodate this group (McGee, 2012).

This contrasts with the treatment of bodies representing vulnerable groups in Irish society. These do not have access to the senior civil servants or ministers and have been unable to secure changes in legislation.

We have already seen the damaging effects to Ireland when one sector's voice is prioritised by government in policymaking.

Government should engage in on-going wide-ranging

consultation on budgetary measures, consulting with those groups which will be particularly affected by each proposed measure and sharing its own impact assessment of the proposed measure.

Of particular concern in this context is the community and voluntary sector which has seen a huge increase in the demand for its services as the crisis continues but whose funding has been reduced proportionately more than other sectors.

5. Sustainability

Sustainable development is development which meets the needs of the present while not compromising the needs of the future. In this regard financial, environmental, economic and social sustainability are all key areas that Ireland must prioritise. In chapter 12 of our Socio-Economic Review we outline these issues in greater depth (pp.252-266).

Here we identify three immediate priorities as part of our *Framework for Solidarity and Sustainable Recovery*.

Combat climate change

Climate change is the largest long-term challenge facing Ireland and the wider world today. The challenge of reducing Ireland's fossil fuel emissions should not be postponed in the face of the current recession. *Social Justice Ireland* believes that Ireland should adopt ambitious

statutory targets regarding the limitation of fossil fuel emissions and introduce the taxation measures necessary to achieve this.

It is time to put a stop to short-termism. We must ask ourselves as a society where we are right now and, more importantly, where we want to be in the future.

Balanced regional development

A sustained recovery requires balanced regional development. During the recession, particular regions of Ireland have suffered more than others. In our Socio-Economic Review we look specifically at rural development (2013: 267-278). While the numbers in employment in Dublin have grown slightly since the first quarter of 2012 historically less developed regions continue to witness reductions in the numbers in employment (CSO, 2013).

Rural areas have been severely impacted by cuts in services. *Social Justice Ireland* believes that policy must ensure balanced regional development through the provision of services and through capital spending projects.

New indicators

Creating a sustainable Ireland requires the adoption of new indicators to measure progress and wellbeing. We analyse these issues in chapter 12 of our Socio-Economic Review for 2012 (pp.252-266).

GDP alone as a measure of progress is unsatisfactory, as it only describes the monetary value of gross output, income and expenditure in an economy.

The Report by the Commission on the Measurement of Economic Performance and Social Progress, led by Nobel prize winning economists Amartya Sen and Joseph Stiglitz and established by President Sarkozy, argued that new indicators measuring environmental, financial sustainability, wellbeing and happiness are required.

Social Justice Ireland believes that government should adopt such benchmarks against which Ireland can measure its substantial progress in these areas (Reynolds and Healy, 2009).

Conclusion

Social Justice Ireland fully acknowledges Ireland's difficult fiscal position. We also accept that Ireland must pay its way.

But we also believe that Ireland needs a fundamental change of direction.

The future being presented to Irish people after five years of

extraordinary austerity is not a future most Irish people desire. It is economically unviable and morally unethical. They do not believe the future currently being offered is viable or sustainable or desirable. An alternative is required.

Social Justice Ireland strongly believes that there are alternatives to the present approach which would protect the vulnerable, support economic development and do this in a sustainable manner that would be good for people, good for society and good for the economy.

In this Policy Briefing we:

- Set out a different vision for Ireland's future;
- Clearly identify the core values of that future vision; and
- Set out a *Framework for Solidarity and Sustainable Recovery* that would move Ireland towards such a future.

This Briefing argues that Ireland needs to recognise the essentially complementary nature of economic and social development – they are two sides of the one reality.

Economic development is essential to provide the resources necessary for social development.

But social development, in turn, is essential because there can be no lasting economic development of any substance without the provision of social services and infrastructure.

To see how true this is all one has to do is reflect on the

importance of a good education system for the development of a 'hi-tech, hi-spec, smart' economy.

At the same time we argue that both economic development and social development must be sustainable if they are to be of lasting value.

All development must be sustainable economically, socially and environmentally. Otherwise it should not be accepted as development.

Recognising the importance of sustainability presents new challenges which must be addressed, not ignored, in the rush to address the urgent rather than the important.

It is time to put a stop to short-termism. We must ask ourselves as a society where we are right now and, more importantly, where we want to be in the future.

Many Government initiatives since the current crisis began have been deeply flawed. We analysed many of these in our Socio-Economic Review for 2013.

It is of immense concern that, to the extent that they reflect any kind of vision of the future, it is one that is not sustainable and highly questionable, anyway, in terms of its underlying values.

The financial crisis of recent years has led to a widespread belief worldwide amongst academics, policymakers and even business people that the neo-liberal version of capitalism itself is in a serious crisis. Such debate is no longer

confined to a radical fringe but is rightly now part of mainstream thinking.

A vision for a sustainable future needs to be articulated.

Social Justice Ireland advocates a vision for Ireland based on the core values of justice, human dignity, equality, human rights, solidarity, sustainability and the pursuit of the common good.

To move towards this vision five key policy areas must be addressed urgently. These are:

- **macroeconomic stability**
- **just taxation**
- **social protection**
- **governance**
- **sustainability.**

We present these in this Briefing as our *Framework for Solidarity and Sustainable Recovery*.

These should be at the core of Ireland's policy-development from this point forward.

It is also important that the various parts of this Framework should be addressed in an integrated and coherent manner.

It is not sensible to try to resolve Ireland's present crisis by addressing one or two of these issues and omitting the remainder or postponing them until later.

If Ireland is to experience real recovery then all five areas must be addressed simultaneously and in an integrated manner.

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