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### **Fairness and Wellbeing - An Employers' Perspective**

*Turlough O'Sullivan*

'Fairness and Wellbeing'.... At least I think we can all agree that nobody is actually against either of these objectives. As we live our personal lives, most of us have some immediate sense of what is good for those around us and what is not. When trying to address the same concepts to society at large, it is not quite so straightforward. In order to make some sense of whole collections of peoples, we use wider concepts and models to structure our thoughts.

Over the course of my adult life, the models that we use have changed. Two decades ago, it was still fashionable to think in terms of two competing ideologies. On one hand was the state socialism that promised equity but which diminished that part of the human spirit that craves for individual expression. On the other side was a belief in unfettered market forces, a sort of war of all against all that promised individual freedom but failed to capture that part of all of us that is essentially social.

Alongside this was the now utterly outdated notion that employees should align with the former and management with the latter. Such ideological naivety is gone and only resides with commentators who know little of the modern workplace.

State socialism is now stone dead, certainly in Europe. As for the other extreme, we know at some deep level that a population that has no ethic other than adherence to the forces of the marketplace is not worthy to call itself a society: it is just people living uneasily alongside each other.

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So where do we start... as we strive for fairness and wellbeing? Do we start with “the state” as the socialist would, with “the individual” as the libertarian would or do we reach out for some middle ground and say that the real basis for any social foundations lies with “the community”?

Each of these models can deliver absurdities and cruelties. No, in my view we start with what works.

I would like to see a society in which every individual is afforded the possibility of self-respect – by being allowed to flourish to his or her maximum potential.

If we are to tackle poverty, and make our society fairer for the disadvantaged, then enterprise must be encouraged, not stifled, and it should be easy to get a job. Inevitably, there will be many people who will be unable to find employment for whatever reason. We will be better equipped to care for them in a vibrant economy than in a stagnant one.

The concept of ‘Fairness and Wellbeing’ is easy for people to identify with but much harder to deliver upon. Up until the emergence of the ‘Celtic Tiger’, our small, open economy was distinguished by the problems associated with high unemployment, mass emigration and public finances spiralling further into the red with each passing year.

Today, these particular problems are a distant memory, but they have been replaced by challenges more associated with a successful economy. We have a thriving, vibrant business sector, almost full employment, low inflation, and a steady stream of foreign direct investment, which still sees Ireland as a prime location for European operations and, by European standards, a young, educated and flexible workforce. However, our economy faces significant challenges.

These problems have shown that they will not be cured by smothering them with cash. We need to be innovative to solve many of them.

## Economy

In 1997, Ireland had a long-term unemployment rate of 5.6%. Today that labour market measure stands at 1.5%. Then our living standards, measured in terms of GDP per capita, were significantly below the EU average; now they are 32% above the EU 25 average, putting Ireland among the top four countries in the world for GDP per capita.

What is perhaps more important is the fact that this increase in our living standards and the GDP per capita increase have been matched by sustained employment growth over a continued period. From 1.38 million at work in 1997 to just under two million today, the Irish economy has managed to generate a consistent cycle of growth, income and jobs which has employed 500,000 more people in eight years.

Reductions in taxes, both personal and corporate and the balancing of the public finances have played a large part in this turnaround.

The level of social spending now funded by the taxpayer is beyond what we could have imagined in the early 1990's. As a nation, we have become **the** case study in economic turnaround and the envy of many of our European partners.

We should never underestimate how much a growing economy contributes to all in society. While there will always be difficulty in prioritising projects worthy of investment, both economically and socially, the creation of jobs, the increased revenues from personal and corporate taxation and the revenues derived from increased economic activity are the producers of resources needed to provide for the weaker sections of our society.

We have seen extraordinary advances in our economic performance and improvement in living standards over the past number of years, shown most clearly by the massive rise in employment. In virtually

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banishing long-term unemployment and in providing a policy climate that promotes strong employment growth, the prospects for our younger generation have changed markedly. The ending of forced emigration; the relative ease of securing quality employment; the increases in the minimum wage which are targeted at those in lower paid jobs; the incentives for growth provided by low taxes - all these factors have been critical to the emergence of a new economy, far removed from the dark days of the not so distant past.

## **Link between welfare and the economy**

The National Economic and Social Council is representative of many elements of Irish life. It was interesting to note that its recent report on the Developmental Welfare Economy suggests that strong economic performance and improved social protection are neither intrinsically opposed - nor do they inevitably occur together. Rather, they can be made to support each other. Social policy is not simply an exercise in redistributing a surplus, there to be dispersed after successful economic performance. The composition and manner of social spending are as important as the level of spending itself. According to the report, on the one hand, low-skilled employments in the private sector have come on stream. On the other hand, social welfare payments have improved significantly in real terms, and there is evidence that earnings inequality makes only a minor contribution to the proportion of the population recorded as at-risk-of-poverty. In fact, while private services have come on-stream at the bottom end of the labour ladder, the highest poverty risks in Ireland still attach to being unemployed rather than in employment at a low wage. This has been supported by the recent ESRI report on 'Trends in welfare for vulnerable groups'.

That there are outstanding issues of social deficit is not contested; how to deal with them in an effective and sustainable way is a difficult and important question. Sustainable social policy requires consistency with

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maintaining a competitive economy. As stated clearly in this NESC report, social policy must be designed in a way that supports rather than acts against economic performance.

Ireland is now an income-rich country. However, because of the scale of underperformance and underinvestment in the past, we are a poor country in terms of the wealth of our public capital. We are playing catch up, but, thanks to the health of the overall budgetary situation, we **are** catching up.

## Challenges to the economy

As a country, we are facing substantial new challenges if we are to continue to compete successfully in the global economy. Our recent exceptional spurt of growth is unlikely to be repeated and the factors that contributed to it have all now changed significantly. The labour force will grow more slowly; Foreign Direct Investment will be more difficult to attract; Ireland is now a high cost economy and many types of economic activity are moving outside our scope; EU funding will no longer be available to fund infrastructure development. Ireland's economy can continue to grow faster than other EU states but there is no guarantee that this will happen. It must involve a new and stronger focus on productivity and innovation. Our small, very open, economy does not have the option of standing still – we grow our economy or we witness the gradual withering of progress already made. This then is the context within which we must address welfare issues and move towards the solution of outstanding social inequities.

The NESC report is detailed, comprehensive and complex. If anything, that confirms that there are no easy solutions to the problems we face. The focus on a developmental approach in the report is refreshing; the call for innovation and openness to change is at one with the priorities of the business community, correctly identifying responsibilities on the part of all actors.

## Societal Challenges

Thanks in no small part to our economic performance, we do not have the high unemployment rates nor do we yet have the large elderly populations that some of our European colleagues have to contend with. However, as the NESC report highlights, we all know that we do face serious social challenges:

- Firstly, the report identifies a deep-rooted social disadvantage of a section of the population, which remains dependent on means-tested social assistance
- Secondly, there are excessive pressures on many people at work who want to improve their employment prospects and their family lives. The challenge here is to develop services, such as childcare, eldercare, housing, transport and training, which help people to remain attached to the workforce in a flexible way throughout their lives; and
- Thirdly, we need to ensure that our values – respect for the individual, human dignity and solidarity – are fully reflected in the standards of social protection extended to people with disabilities, the very elderly and people in institutional care.

Of course, in many instances, additional resources do not guarantee results. New ways of working, new policy instruments and institutional innovations are required to deliver the necessary improvements. IBEC recognises these challenges and we have called for action on issues such as childcare, affordable housing, the improvement of our transport networks and most importantly, the up-skilling of workers through retraining.

There is a need to strive for excellence in the delivery of all public services – including giving an overriding priority to value for money. Business automatically looks at outcomes; there is no reason why social services cannot be delivered with the same focus.

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There needs to be a much greater emphasis on innovation and excellence in the development of welfare services. Thus, solutions are not merely found in annual ramping up of income transfers. There are clear messages for education and health. The statement that “Social protection that is paid for by the State does not have to be provided by the State” resonates well with those who look with despair at the ever-increasing cost of services with little or no apparent improvement.

## Health

The health sector is a particular case in point where massive spending increases have not delivered better services. The NESR report says, “this makes the extent to which reform accompanies the allocation of further resources to the health services critical to their effective and efficient development and to public confidence in public services generally” and “additional resources do not guarantee the outcomes sought.

New ways of working, new policy instruments and institutional innovations are required if additional resources are to be effective in significantly improving on social outcomes.” Thus, there are responsibilities for all actors in achieving real progress.

## Education

Educational spending has also risen as a percentage of our GNP. This year, the Government will spend just under 20% of gross voted expenditure on education and the outcomes are still far from acceptable. The needs of children at pre-school and early school-going ages must be addressed. The coordination of efforts across departments and agencies is an identified and clear first step.

A recent study by the OECD identified a series of priorities in this area, where inaction will have serious societal long-term effects. Issues of

early educational dropout are severe, both at second and third level. This represents a serious loss of opportunity for young people and will carry a big economic cost in the future. Innovation is called for in dealing with these problems as well as more investment. This will need to be accompanied by greater flexibility and up-skilling by educationalists. There are roles and responsibilities for parents, for local voluntary action and for business in dealing with education deficits. The interdependence between the economic and social is very evident in the consideration of education policy.

## Local Action

I support the argument for the strengthening of local action in dealing with social exclusion. We can all list the localities that stand out for all the wrong reasons – crime, drugs, unemployment etc. The argument for innovation and much better local coordination is compelling. However, this cannot be merely an extension of what has been happening up to now – it is not a question of beefing up local partnerships and other agencies with lots of new staff. We need new approaches with stronger accountability and involvement of local government in bolder roles.

The planning function has a major role to play and forward planning in its fullest sense must inform the development of new communities so that mistakes of the past are not repeated.

## Hybrid System of Social Protection

As that NESC report highlights, many of the policy changes since the mid-1980s suggest that Ireland's hybrid system of social protection is performing well. For example:

- Ireland combined rapid economic growth and high employment



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growth with increases in the level and coverage of income support provided to those without jobs

- A significant number of measures were introduced to support the family as rising numbers of females entered the labour market (the Carer's Allowance, Carer's Benefit, Respite Care Grant, Employment of Carer Tax Allowance)
- The needs of people with disabilities to have greater access to mainstream services, their right to autonomy and higher standards for people in institutional care, are being promoted and advanced;
- The tax wedge (income tax and PRSI contributions) on average is the lowest in the EU 15;
- A set of in-work benefits and employment supports have been developed that increase the incentive for welfare recipients to take employment and/or better their skills;
- The hardship associated with the lowest money incomes has been significantly reduced through the combination of a higher floor to real incomes and improved benefits-in-kind
- The increase in educational participation by young people and the standards they are attaining are good by international standards.
- A strong legislative and institutional framework to promote equality has developed, and a national minimum wage (albeit at a rate higher than necessary) has been introduced;
- Action has been taken to position Ireland's welfare state to meet the rising pension bill of the future
- Progress has been made in recovering ground lost during the period of economic downturn and the quality of the infrastructure through which services are provided is being significantly improved.

However, there are still serious challenges facing us as a community.

- There is the experience of a minority characterised by low educational attainment and long periods on means-tested social assistance.

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- Children enrolling in primary schools designated as disadvantaged show significant lags in their school preparedness and the gap is still there five years later.
- Schools with larger numbers of students from poor backgrounds have higher levels of absenteeism and, such students are more likely to engage in part-time work that impacts negatively on their school performance.
- At a time when some 55 per cent of young people are entering third level education, another 18 per cent are not completing secondary school. More of the employment needs of new ICT and financial services companies have to be met by skilled immigrants.
- Though unemployment has been massively reduced, dependence on means tested social welfare by people of working-age has actually increased

New ways of working, new policy instruments and institutional innovations are required if additional resources are to be effective in significantly improving on social outcomes.

The weaknesses rather than the strengths of incremental public spending on social protection that have evolved in Ireland came more to the fore when new pressures on the Budget came to bear from mid-2001.

The latest study conducted by the ESRI entitled 'Trends in Welfare for Vulnerable Groups', provided an interesting view on the issues of poverty and disadvantage in Irish society.

This study provides us with a picture of how substantial groups, vulnerable to poverty, have fared during the economic boom by using a wide range of indicators capturing different aspects of living standards and deprivation. The groups covered by the study were children, older people, the unemployed, the ill or disabled, and lone parents. Some of the key findings contained within the report are that:

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- Living standards rose significantly over the period from 1994 to 2001 for all these groups. However, some lagged behind average incomes so their relative income poverty rates rose.
- Children saw a particularly marked improvement in their situation, reflecting a dramatic decline in the extent to which their households depended on social welfare.
- Older people saw their relative income poverty rates rise substantially, but the broader set of indicators of living conditions suggested an improvement in their situation.
- For the unemployed, deprivation and psychological distress levels remained high, but the numbers affected fell dramatically and their housing and neighbourhood environment improved relatively rapidly.
- The ill and disabled fared relatively poorly compared with the other groups studied, as their relative income poverty rates rose sharply and their rate of improvement in other areas was typically below average.
- Lone parents saw a significant reduction in their levels of welfare dependency but despite this continued to experience relatively high levels of consistent poverty and deprivation.

Economic exclusion was found to be associated with a variety of other dimensions of exclusion including housing, neighbourhood environment, health and social participation. However, the degree of association was modest, and the numbers experiencing multiple deprivation across all that range of dimensions was very small. A significant reduction in exclusion levels was observed across the educational spectrum and across age, gender and urban-rural categories.

And while there are justifiable concerns regarding what is now being defined as a 'vulnerable class', there is no doubt that the situation for our poor, our elderly and our children has improved immeasurably since the 1980's and early 1990's.

## Conclusion

So, let us put away our ideological models that have often done more to narrow debate than to widen it. Let us agree that we want individuals to flourish to the full, to recognise that a part of this is that we feel some sense of community and that a most necessary part of this is to have a place of choice in society, a role, a job.

We then look at what works. The government, the trades unions, the social/community/voluntary pillar and the employers have worked through the social partnership programmes to make Ireland a better place. Since the dark days of the 1980's, there has been a sea change in the Irish economy and in Irish society, largely through this practice of co-operation. It is still in everyone's interest for each stakeholder to apply our highly developed commercial ability to create an environment that will support, rather than constrict, our further development, both in economic and societal terms. Only by having a competitive and vibrant domestic economy can we deliver for those less well off in society. The continuation of our outstanding economic performance, the achievement of value for money in our economy and improved infrastructure have an effect on all of us, but particularly on our ability to provide for those less well off in our society.

I have supported this approach over the last eighteen years ... and I continue to see potential in it for the future... not for ideological reasons but because it has delivered practical benefits for all. It works.