

Social Equality for All

The unfinished agenda

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Buíochas a ghabháil...

Is mór an onóir dom labhairt libh anseo inniu agus bainim taitheamh as ócáid an Ardfeis seo tuairimí éagsúla a roinnt libh agus éisteacht leis an méid atá le rá ag an deireadh seachtaine seo.

It is an honour to be invited to speak here today and I look forward to this opportunity to share some ideas and opinions as well as to listen to some of the debates over this weekend.

Let me begin by saying that the title of this session ‘Social equality for all’ is very apt. For me, it sums up what should be the core of a progressive vision for the future of this country. The Nevin Economic Research Institute – named after the late Dónal Nevin – was established by a number of trade unions in 2012 to promote economic research in Ireland. Not affiliated to, or supportive of, any political party we aim for the goal of conducting economic research to the highest standards and in a way that can genuinely contribute to public debate and choices informed by evidence and a vision of an alternative society and economy. In undertaking economic research, we strive to reflect the values of social justice and real democracy taking account of where Ireland is at in today’s Europe and today’s world. Although not speaking on behalf of the trade union movement we focus our attention on those areas of the economic debate which are of greatest concern to the trade unions at this time:

- Jobs & quality of work
- Pay & pensions
- Public services
- Enterprise, investment and economic renewal

The work of the NERI...

Our work is carried out on an all-Ireland basis with offices in Dublin and in Belfast. Last November I spoke on the topic of full employment at meeting in this venue during the Labour Party annual conference and today I welcome this opportunity to focus on the issue of equality and how we could bring about a more equal society in the future. What I have to say here might be interpreted, if you don’t mind my saying so, as ‘Socialism Made Easy’¹ for Fianna Fáil!

Equality is a key challenge

Equality like many other terms can be a slippery one. There are many aspects to equality and many ways of understanding and observing it. The work of Professor Kathleen Lynch and Dr John Baker at UCD has provided an important conceptual basis for a developed understanding of equality. The work of various public agencies as well as voluntary organisations such as the Society of St Vincent

¹ This being the title of a pamphlet written by James Connolly in 1897

de Paul and the Vincentian Partnership is highly significant in not only highlighting the challenge of inequality at this time but in pointing out social policies that can make a difference. Trade unions have a vital role not only in defending worker's rights and pay but in advancing a social programme to change Ireland into a more economically dynamic, socially equal and politically accountable place – *the best small equal country in the world in which to do business*. Various civil society organisations have a crucial role in critiquing existing policy and in articulating sound, realistic alternatives. Although having endured some bad publicity in recent years, the Churches also have a role to play. Some of the most energetic, socially committed and outspoken activists, commentators and analysts have been religious persons drawing attention to the scandal of homelessness, poverty wages, inadequate mental health services and the way in which we, sometimes, treat minorities including Travellers as well as recent arrivals to our shores.

Equality of respect

Social equality is about equality of respect for everyone. The unique dignity of each person is respected by a society founded on principles of equality. Institutions such as the State and the Market exist to serve human need and purpose: not the other way round. However, a key dimension of equality is economic equality relating to access to those resources vital to human well-being: income, employment, health, education and caring. All of these are economic goods as well as public and social goods essential for the well-being of any community. Unequal access to employment, income and education early in life, as we know, magnifies the chances of living in poverty, poor health and long-term unemployment later in life. Perhaps nowhere is the scandal of inequality so blatantly obvious as in the unequal access to essential health care and treatment. Successive Governments have contended with this issue. The fact is that we still have a strongly-entrenched two-tier health system where money matters in getting to the top of the queue for diagnosis and treatment.

The poor have taken the greatest hit

The Great Recession of 2008 exposed many deep, underlying problems in Irish society and economy. Even if there are some limited positive aspects to the experience of solidarity during the adjustment which followed it remains the case that the bulk of the adjustment in spending cuts, tax increases, stealth charges, withdrawal of discretionary benefits and services have fallen disproportionately on poorer households. While difficult to measure, research by the ESRI shows a disproportionate impact on households from increases in indirect taxes and regressive income tax measures especially in recent budgets. I might add the non-implementation, to date, of certain pension relief measures announced in Budget 2013.

Domestic enterprise must move to the fore

However, the crisis of 2008-2014 (it isn't over yet) exposed at least one vital failing in Irish economic policy, namely, the lack of a credible, sustainable and sufficiently ambitious native enterprise strategy focussed on exporting and on research and innovation. We continue to rely, disproportionately, on foreign direct investment (welcome as that is) to the neglect of the long-term development of a research-rich and dynamic enterprise sector capable of competing on global and home markets. Some outstanding success stories are there. However, small and medium-sized enterprises continue to fall short of what is needed. Yet still provide two out of three jobs and are

driving some of the recent welcome pick-up in employment. However, continuing lack of access to funding and support is holding back SME's.

A Vision is needed

Looking to the future what vision is possible and what vision is desirable? I suggest that a vision of a more equal society should be based on:

- A living income for all households from 'cradle to grave'
- A dynamic, export-orientated 'middle strand' of enterprises to complement micro- and large-scale enterprises.
- Full employment with a target of 80% employment rate for working-age adults.
- Decent work with decent conditions of remuneration, working hours, paid leave entitlements and workplace participation coupled with strong and more effective legal and institutional protection for workers especially those who most vulnerable.
- Excellent public services encompassing a universal social – not private – health service, education including early childhood care and a strong social protection net which guarantees income, training and work opportunities where appropriate for all residents of this State.

Six key areas of public policy

Key to future economic success will be the following six critical areas of public policy:

1. A new banking system that works for households and enterprises
2. Adequate levels of taxation to pay for excellent public services
3. Reform of our health and education systems to make them accessible to all and to raise, further, the quality of their outcomes (the two goals of equality and quality of outcomes not being exclusive of each other as OECD research demonstrates).
4. A national investment strategy to rebuild and renew Ireland's infrastructure especially in the areas of social housing, renewable energy, retro-fitting, water and broadband.
5. Strengthening of collective bargaining rights and employment protection to tackle the economically and socially damaging area of low-pay and precarious work.
6. Moving towards a decarbonised economy in gradual steps through appropriate investment and shifting of taxation to 'bads' allied to an adequate living income for all.

Without a re-structured and cleaned up banking system we will not see the speed of economic recovery needed to bring about full employment. I would suggest a Banc Glas – a new Green Bank formed as a separate commercial entity from AIB and BOI, publicly controlled and accountable and competing in the market for enterprise lending, small to medium-sized saver deposits and investment in 'green technology'. Such a bank could work in tandem with the European Investment Bank and help rebuild the damaged areas of our economy. Perhaps a leaf could be taken from the founding legislation for ICC in the 1930s? The proactive, advisory role of ICC in the 1980s in anticipating enterprise failure and intervening before it was too late could be an important function of a new bank.

The temptation of promising tax cuts

I have mentioned tax. Writing in the Financial Times recently, Janan Ganesh observed:

An election campaign does not consist of two competing answers to the same question but two attempts to set the question.

I fear that The Wrong Question has been set for Election 2016 – or whenever it happens. A deadly, seductive and economically questionable promise of TAX CUTS beckons. All temptation comes with sugar and honey and appears as utterly reasonable and self-evident. So much so, that not only has anyone not, so far, publicly challenged the notion of cutting taxes but the debate is in danger of slipping into HOW we are going to cut taxes – in the fairest way or some such point. As often is the case, a debate once begun rests on ‘self-evident truths’ that are rarely contested and probed.

Now, who could be against tax cuts, it might be asked?

Aren't we all paying far too much tax?

Wouldn't a tax cut stimulate growth and enterprise?

Wouldn't it put more money into people's pockets and help domestic demand?

And wouldn't a tax cut aimed at low income households or earners in exchange for more taxes on the better off be a fairer and economically helpful thing to do as Ireland makes a fragile exit from recession?

And suppose the Government of the day offered you tax cuts in exchange for something else – something you really, really wanted as part of some agreement wouldn't that be better than no agreement? There is the world of realpolitik, pragmatism, deals and getting what's best in a less-than-ideal situation.

And then progressive and left-leaning politicians in the UK and the US have been known to favour tax cuts for low-income working families via child or low-income tax credits. Sure who could be against such a measure?

And then there is the most tempting and seductive of all as the Tempter whispers in the ear of some politician: Votes, Seats, Power.

Some facts about taxation not widely known or believed...

Here are some interesting facts:

- One year before the biggest financial and fiscal crisis to hit Ireland in 100 years, in 2007, all political parties in the Oireachtas endorsed a general reduction in taxation rates by one means or another.
- In 2007 approximately one half of the entire working population had been removed from the income tax net.
- Irish employer contributions to social insurance (PRSI) is among the lowest in the European Union.
- While Irish income tax is progressive (the rich pay more as % of their income) it is not as progressive as often claimed due to divergences between amounts actually paid and 'headline' rates (including the often quoted 53-55% top marginal rate).
- When indirect taxes (VAT and excise duties) are taken into account the overall tax situation is neither strongly progressive or regressive (the poorest and richest pay the most)².

² See a recent NERI working paper by my colleague Dr Micheál Collins and Dara Turnbull. 'Estimating the Direct and Indirect Tax Contributions of Households in Ireland'

- We had, and still have, one of the poorest developed early childhood systems in Europe (although improvements have been made).
- We have a completely inadequate mental health service for people especially children and teenagers.
- Our welfare system – although very effective – is not adequate to prevent one in ten going hungry at times.
- We are facing into the worst crisis of homes with private rents increasing sharply in many areas and social housing output negligible.

Avoiding and dealing with occasions of temptation

In the ancient Greek epic poem *Odyssey*, the ship of Odysseus sails past dangerous rocks as his ears are tortured by the sweet song of the Sirens. This song drove Odysseus mad with desire, and his sailors had to tie him to the ship rail, prohibiting him from giving in to temptation. If it were not for this the ship would have crashed on the rocks. I suggest that all talk of income tax cuts (as distinct from tax reform) is a dangerous form of modern day political temptation for the following reasons:

- Tax-cutting during an on-going period of fiscal adjustment is highly questionable when the government deficit is still in excess of 3%
- The evidence reviewed by OECD and other analysts is underwhelming concerning the claimed growth impacts of cutting income tax.
- Cutting taxes and removing people from the tax net undermines the goal of excellent public services (last evening you debated the critical state in which mental health services are at this time).
- And it undermines the goal of an equitable, balanced and inclusive income tax system.

I suggest that it when comes to cutting taxes everyone remain tied to the ship's rail for the foreseeable future.

How about a national car bumper sticker campaign saying:

I love Universal Social Charges to pay for OUR public services.

You see - the beauty of USC is that

- it applies to many different kinds of income
- it is not riddled, to the same extent as 'income tax', with all sorts of reliefs and exemptions
- it is reasonably simple to understand and operate³.

Perhaps there is a case for abolishing income tax as we know it, replace it with USC, make the rates more progressive (e.g. by introducing three or even four bands) and then re-term it as 'income tax'!

http://www.nerinstitute.net/download/pdf/neri_wp_household_tax_contributions_collins_and_turnbull_nov_2013.pdf

³ Although the Revenue Commissioner's Frequently Asked Questions about USC runs to 55 pages. www.revenue.ie/en/tax/usc/universal-social-charge-faqs.pdf

However, it is not in the areas of USC or income tax – as we know it – where Ireland is out of step in Europe. It is in the area of social insurance where our contribution rates are among the lowest.

Reforming and improving public service

Yes, I know someone, here, will say ‘what about reforming public service so it delivers more for less without imposing extra taxes on businesses and workers?’ That is a fair comment and one that needs to be addressed because there is no point in making the case, as I am, for European level taxes (I didn’t mention Nordic) without also addressing any inefficiencies, duplication or lack of accountability in public service delivery. Progress has been made. More is needed. But, it would be less than honest to claim that we can meet the challenge of increased population, more people over 65 in the coming decades and rising demands for better health and education services by just squeezing more and more out of what remains in the public service. Put simply and bluntly, our tax levels are not adequate to pay for the levels of public services we want. It is as simple as that. Yes, there is scope for higher taxes on wealth and income at the upper end of the wealth and income spectrum. However, revenue buoyancy from faster economic growth and additional revenue flows must also come from a greater level of tax on the middle and lower income groups as well as higher taxes on capital and on high-income households. This is highly contentious and certainly not many here or in other forums would share this view, I suspect. However, at the core of our debate on equality and the future of our economy and society is the need for an honest, evidence-based, value-led debate on the role of taxes, public services allied to strong and dynamic enterprises.

The best way to reward work is to pay decent living wages.

The best relief to give hard-pressed working families is to stop cutting further into education, health and welfare which only impact disproportionately on poorer households.

The best way to ensure greater social equality is to increase Ireland’s ‘social wage’ by way of a proper employer and employee-funded social insurance system – this will pay for education, health and income during periods of learning, unemployment, sickness or retirement.

The best way to tackle poverty is to create decent jobs that pay, not welfare-dependent households which must rely on a fragmented combination of tax reliefs and welfare payments.

The best way to create employment is through enterprise – public, private and voluntary/not-for-profit and not excessive reliance on large footloose multinational companies (welcome as they are).

The best way to fix our public finances is to grow the economy – not to continue cutting our way out of a deficit.

And the best way to raise levels of happiness and well-being is by economically empowering individuals and communities so that they can live lives of worth and mutual support and caring.

And in conclusion...

In this centenary year we remember the start of a terrible world event that ripped the world apart and set the scene for the second world war and the rise of authoritarian dictatorships. In two years time we remember the Somme and the GPO. But, in five years time, we remember An Chéad Dáil and the Democratic Programme. That Programme contained the following pledge:

It shall be the first duty of the Republic to make provision for the physical, mental and spiritual well-being of the children of the State. Likewise it shall be the duty of the Republic

to take such measures as will safeguard the health of the people and ensure the physical as well as the moral well-being of the Nation.

In many ways the unfinished business of the democratic revolution unleashed at that time was the goal of social equality and true emancipation. Today we see a rise in homelessness, poverty, precarious and low-paid work, the scandal of zero-hour contracts and the corrosive effect of long-term youth unemployment and under-employment where skills and human capabilities are wasted. I can only conclude with the words of James Connolly in 1897:

If you remove the English army tomorrow and hoist the green flag over Dublin Castle, unless you set about the organization of the Socialist Republic your efforts would be in vain. England would still rule you. She would rule you through her capitalists, through her landlords, through her financiers, through the whole array of commercial and individualist institutions she has planted in this country and watered with the tears of our mothers and the blood of our martyrs.

For 'England' read 'Neo-liberalism' and a host of policies, trends, assumptions, interests and ideologies that haunt Europe and the world at this time. Ireland is surely no exception.

Ar scáth a chéile a mhaireann an pobal agus ní neart go cur le chéile mar oibrithe, fostaitheoirí agus saoránaigh na poblachta seo.

We live in each other's shadow and there is strength in pulling together as workers, employers and citizens of this Republic.

It is time to face the future with a new vision for this Republic.

Thank you for listening.