Ireland: Selling the Country to the Highest Bidder

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INTRODUCTION

The Irish government responded to the outbreak of the coronavirus pandemic in Ireland by introducing a strict lockdown in March 2020, accompanied by government spending on various types of financial support for individuals and firms affected by the state-enforced suppression of economic activity. The first case of the respiratory virus (SARS-CoV-2) that causes the COVID-19 disease infecting a person in Ireland was recorded on February 29, 2020. Ireland introduced social distancing measures in March, leading to one of the strictest lockdowns on economic activity in the European Union (EU). The first lockdown caused a sharp decline in economic activity during the second quarter of 2020, with the exception of the pharmaceutical sector, which actually grew over the same period. Demand rebounded somewhat in the third quarter as containment and social distancing measures were gradually relaxed. The rise in infections after the summer led to the reimposition of a lockdown in October – again, one of the strictest in the EU. Domestic demand fell by almost one-fifth in the first half of 2020, and unemployment peaked at 30 per cent in June.[129]

The Irish government adopted a similar strategy as other high-income countries: to impose containment measures up to and including a total lockdown of economic activity in order to relieve pressure on the healthcare system. Social distancing measures were gradually relaxed mid-year before being reimposed in October in response to the so-called 'second wave' of the pandemic. Overall the Irish government's COVID-19 containment strategy mirrors that of the majority of European Union (EU) member states, and can be described as 'a rolling lockdown until a vaccine'[130]. There have been four main stages to the government's economic response: the first stage of emergency supports for the protection of incomes was rolled out in March; the second stage was marked by the July Jobs Stimulus programme; the third stage centred on measures included in the October Budget (2021); and the final stage to date has been implemented in October and November in response to the second lockdown.

Alongside the operation of automatic stabilisers and the annual state budget (Budget 2021, announced in October), the discretionary economic response has been legally underpinned by three main Acts: the Financial Provisions (COVID-19) Act 2020[131], the Financial Provisions (COVID-19) (No. 2) Act 2020[132], and the Credit Guarantee (Amendment) Act 2020[133]. The policy response throughout 2020 has aimed to protect jobs, ensure cash flow, and stimulate demand. Discretionary fiscal spending (including contingent measures),"unparalleled in Irish economic history", has amounted to €25 billion for 2020, or the equivalent of 12.4 per cent of modified Gross National Income (GNI*)[134]. The government committed to additional discretionary expenditure in 2021 of €12.6 billion, or 6.2 per cent of GNI*, in Budget 2021.

The Central Bank of Ireland (CBI) projected a decline in consumer spending of 10 per cent for 2020, noting that:

129 Department of Finance. *Taking Stock: The Fiscal Response to COVID-19*, November 2020. https://www.gov.ie/en/publication/84a0c-taking-stock-the-fiscal-response-to-COVID-19/

130 Mangan, Oliver: *Rolling lockdowns risk inflicting permanent damage*, Irish Examiner, 26 Oct 2020. https://www.irishexaminer.com/opinion/columnists/arid-40071002.html

131 *Financial Provisions (COVID-19) Act 2020*. 17 July 2020. http://www.irishstatutebook.ie/eli/2020/act/4/enacted/en/html

132 *Financial Provisions (COVID-19) (No. 2) Act 2020*. 1 August 2020. http://www.irishstatutebook.ie/eli/2020/act/8/enacted/en/html

133 *Credit Guarantee (Amendment) Act 2020*. 24 July 2020. http://www.irishstatutebook.ie/eli/2020/act/5/enacted/en/html

134 Department of Finance: *Taking Stock: The Fiscal Response to COVID-19*, November 2020. Page 8.

"Contact-intensive sectors, which also tend to be labour-intensive sectors, are likely to be the slowest to recover."[135] Surprising export figures indicating a decline of only 0.3 per cent in 2020 caused a massive revision of the CBI's projections for 2020 GDP. In its third quarterly bulletin, CBI forecast a decline in GDP of just 0.4 per cent in 2020 – an upward revision of 8.6 percentage points compared to the previous quarterly bulletin.[136]

Some of the prominent characteristics of the economic impact of the pandemic and its associated lockdowns in Ireland include:

- There has been a striking divergence between the impact on domestic demand and the impact on export performance;
- Labour-intensive indigenous sectors have suffered a disproportionate economic impact, resulting in remarkably high levels of unemployment;
- Ireland has experienced the smallest GDP decline in the Eurozone, but one of the largest consumption declines;
- There was a significant upward revision of the estimated economic impact on the Irish economy throughout 2020 as the limited impact of the pandemic on exports became clear.

The key characteristics of the Irish government's economic response to COVID-19 include:

- Like many other countries, the Irish state has engaged in uncharacteristically high public spending in the form of state aid for businesses, and welfare support for workers and the unemployed;
- The majority of the state's fiscal expansion in 2020 has been in the form of direct expenditure and direct taxation measures; indirect measures such as credit guarantees have provided the second tier of support;
- Government spending has aimed to protect the incomes of landlords and banks, alongside the incomes of workers and firms; while 'holidays' for mortgage and bank loan repayments were introduced, they were largely voluntary and dependent on the goodwill of the bank[137];
- There is an almost total lack of spending on climate-related measures;
- The fiscal support provided seeks to preserve and extend Ireland's status as an offshore global financial centre and tax haven;
- There has been no distinction made between indigenous and foreign-owned firms;
- The government has not taken the opportunity to impose any environmental, social and governance (ESG) or labour requirements on firms that receive state aid, nor has it taken an ownership claim in recipient firms;
- Government spending has largely followed a neoliberal horizontal model, with only the hospitality and tourism sectors receiving specialised support; and
- Increased discretionary spending to protect workers' incomes has been accompanied by attacks on the existing rights of workers and trade unions.

Against the backdrop of the unfolding pandemic, the Irish state held a general election in February 2020, and political parties spent the next several months attempting to form a government. A Fine Gael/Fianna Fáil/Green Party coalition was formed after agreement as reached on a Programme for Government in June. All three parties have previously been part of governments that oversaw harsh austerity programmes in the aftermath of the Eurozone debt crisis and the Troika bailout of Ireland in 2010. These parties have attempted to explain their "activist" fiscal response to the COVID-19 crisis and justify its divergence from their previous policies[138], while at the same time preparing the ground for the withdrawal of support measures and a quick return to 'balanced budgets' within the EU's stability and Growth Pact framework[139].

135 Makhlouf, Gabriel: *Macroeconomic impacts of COVID-19 and the monetary and fiscal policy response*, Introductory statement by Mr Gabriel Makhlouf, Governor of the Central Bank of Ireland, at the Special Oireachtas Committee on COVID-19, Dublin, 7 July 2020. https://www.bis.org/review/r200817i.htm

136 Central Bank of Ireland: *Quarterly Bulletin No.3 2020*, 3 July 2020. https://www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q3-2020

137 McCabe, Conor: *Hope or Austerity: A Road Map for a Better, Fairer Ireland After the Pandemic.* A report for Unite the Union. 6 May 2020. https://unitetheunion.org/media/3027/hope-or-austerity-a-roadmap-for-a-better-fairer-ireland-after-the-pandemic-v2.pdf

138 Department of Finance: *Taking Stock: The Fiscal Response to COVID-19*, Nov 2020.

139 Department of the Taoiseach: *Programme for Government: Our Shared Future,* 29 Oct 2020. https://www.gov.ie/en/publication/7e05d-programme-for-government-our-shared-future/

In November, the Department of Finance stated: "Once an effective vaccine (or other therapeutics) is rolled-out and economic recovery more firmly entrenched, fiscal support must be withdrawn in a gradual manner. That the cost of borrowing will no doubt rise as monetary policy becomes less accommodative, further emphasises the need to more closely align the revenue and expenditure sides of the fiscal accounts."[140]

TIMETABLE OF POLICY MEASURES

***Table 1**: Timetable of policy measures introduced in response to COVID-19*[141]

DATE (2020)	MEASURE(S)
February 29	First case of COVID-19 recorded in Ireland.
March 12	All educational facilities including schools, universities and childcare facilities close for a two-week period.
March 16	Irish government establishes the pandemic unemployment payment (PUP).
March 24	The Temporary Wage Subsidy Scheme (TWSS) is established. All non-essential shops in Ireland close. All sporting events are cancelled.
March 27	First full lockdown introduced.
May 18	Easing of restrictions on workplace attendance; social distancing measures begin to unwind.
July 23	Government announces the July Jobs Stimulus package of €5.2 billion. The Employment Wage Subsidy Scheme (EWSS) replaces the TWSS.
October 7	A partial lockdown is reintroduced in response to COVID-19 second wave.
October 13	Budget 2021 to tackle COVID-19 recession is announced.
October 21	Ireland is first EU country to re-enter a full statewide lockdown.

DEMAND AND SUPPLY-SIDE SUPPORT

The Irish government has framed its economic policy as being a two-pronged, and two-phased, response to the pandemic. The first aspect of the response is short-term and demand-focused. This first line of response has aimed at stabilising aggregate demand in the economy. Many of the measures announced in March and July can be included in this demand-side policy programme.[142] The second aspect

140 Department of Finance: *Taking Stock: The Fiscal Response to COVID*-19, Nov 2020. Page 3.

141 Abridged from Department of Finance. *Taking Stock: The Fiscal Response to COVID-19*, Nov 2020.

142 Department of the Taoiseach. *July Jobs Stimulus 2020,* 23 July 2020. https://www.gov.ie/en/campaigns/5654a-july-jobs-stimulus/

is aimed towards medium-term economic stabilisation by focusing on the supply side – i.e, preserving the productive capacity of the economy. These supply-side policy measures were included in the initial stimulus programmes as well as in Budget 2021.[143]

The first stage of the government's economic response included the Temporary Wage Subsidy Scheme (TWSS) and the Pandemic Unemployment Payment (PUP). These two schemes, both introduced in March 2020, have had the most significant impact on protecting the incomes of workers and households. The PUP was a direct transfer from the government in the form of a boosted welfare payment to unemployed workers, while the TWSS aimed to keep workers attached to their jobs throughout the lockdown period[144]. Prior to this, there was not a comparable short-time working scheme in place in Ireland. Households were granted payment holidays on mortgages and personal bank loans, and allowed to defer payment on stamp duty and the local property tax. All of these measures aimed primarily to protect incomes and incentivise social distancing, while the TWSS also aimed to preserve jobs. Companies were targeted with various cash-flow and liquidity measures.[145]

The second stage of the government's economic response was the July Jobs Stimulus, which amounted to €5.2 billion, or 2.6 per cent of GNI*. This included €4.3 billion in additional direct expenditure, including the extension of the PUP and the transformation of the TWSS into the Employment Wage Subsidy Scheme (EWSS) and its extension until March 2021.[146] Tax relief measures worth €900 mio. for companies and households were also included in the July Jobs Stimulus.147 While the first stage largely aimed to protect the incomes of households in order to make it safely through the lockdown, this second phase explicitly aimed to boost aggregate demand in the economy against the backdrop of more relaxed social distancing measures. The July Jobs Stimulus also included €500 mio. in direct capital investment[148] – a significant measure, but an insufficient amount, in a state where public services have been chronically underfunded for decades and were at "breaking point" prior to the COVID-19 outbreak.[149] The capital investment includes spending on schools, transport and tourism.

The PUP is the single largest expenditure item for the government in 2020, amounting to €5.09 billion, while the TWSS/EWSS is the second-largest expenditure at €4.53 billion. The third-largest expenditure item was healthcare provision, with an additional €2.53 billion being directed towards the provision of personal protective equipment (PPE), the general COVID-19 response capacity, equipment, and testing.[150]

The third stage of the government's pandemic response – Budget 2021 announced in October 2020 – assumes a steady easing of restrictions in 2021 and a strong recovery from the pandemic. However, it also envisages a disruptive 'no-deal' British exit the EU. A flexible €3.4 billion Recovery Fund, equivalent to around 1.7 per cent of GNI*, is a central element. Budget 2021 boosts capital expenditure by almost €1 billion to €9.1 billion, an increase of 12 per cent on 2020 levels.[151]

143 Department of Finance. *Budget 2021,* 13 Oct 2020. http://www.budget.gov.ie/Budgets/2021/2021.aspx

144 Department of Finance. *Taking Stock: The Fiscal Response to COVID-19,* Nov 2020.

145 Ibid.

146 Department of the Taoiseach: *July Jobs Stimulus 2020,* 23 July 2020.

147 Ibid.

148 Ibid.

149 McCabe, Conor: *Hope or Austerity: A Road Map for a Better, Fairer Ireland After the Pandemic.* A report for Unite the Union, 6 May 2020.

150 Department of Finance: *Taking Stock: The Fiscal Response to COVID-19*, Nov 2020.

151 Department of Finance: *Budget 2021*, 13 Oct 2020.

Table 2: Direct expenditure measures in € billions[152]

Expenditure item	2020	2021	Total	% GNI*
Social protection (including Pandemic Unemployment Payment and TWSS)	10.37	3.18	13.55	6.7
Health (capacity, equipment, PPE, testing)	2.54	1.88	4.42	2.2
Education	0.32	0.23	0.55	0.3
Further and higher education	0.32	0.17	0.49	0.2
Business, enterprise and innovation	0.94	0.10	1.04	0.5
Housing, local government and heritage	1.10	0.05	1.15	0.6
Transport/tourism/sport	0.57	0.40	0.97	0.5
Other	0.64	0.38	1.02	0.5
Total allocated	16,78	6.39	23.17	11.4
Contingency		2.10	2.10	
Recovery Fund		3,40	3.40	
TOTAL DIRECT EXPENDITURE	16.78	11.89	28.67	14.1

Taxation measures, including a reduction in the standard VAT rate from 23 per cent to 21 per cent, have also aimed to increase demand. This six-month VAT cut entered into place in September at a cost of €440 million. A 'stay and spend' tax rebate was introduced to incentivise the purchase of food and domestic holiday accommodation. First-time homebuyers have been granted an income tax credit of up to €30,000 (increased from the existing tax credit of €20,000) in a 'Help to Buy' scheme that will run until the end of 2021.[153]

SUPPORT FOR FIRMS' VIABILITY AND LIQUIDITY

Policies enacted to prevent corporate insolvency have included taxation measures, a €2 billion credit guarantee, payments deferral and direct transfers.[154] To ease cash-flow problems, in March the government introduced the early 'carry-back' of trading losses for companies that had been profitable in 2019 – allowing them to receive an immediate refund of some or all of the corporation tax they had paid for the previous year. Another taxation measure aimed at firms' liquidity was 'warehousing' (the deferral of VAT and PAYE taxation payments with no penalty or interest). Tax debts incurred before the end of September 2020 were reduced to 3 per cent.[155] By November 2020, more than 70,000 businesses had used the tax warehousing scheme to defer payment of €2.1 billion in taxes.[156] Commercial rates (local government tax) have been waived for companies.

A direct transfer was introduced for companies affected by lockdown – the COVID Restrictions Subsidy Scheme – for the period from October 13, 2020 to March 31, 2021.[157] Under the CRSS, a company that has lost 75 per cent or more of its turnover in comparison to 2019 is eligible to receive

152 Abridged from Department of Finance: T*aking Stock: The Fiscal Response to COVID-19*, Nov 2020. Source: Department of Finance, Department of Public Expenditure and Reform. GNI* relates to modified Gross National Income and is projected at €202 billion for 2020.

153 Department of Finance: *Budget 2021*. 13 Oct 2020.

154 Makhlouf, Gabriel: *Macroeconomic impacts of COVID-19 and the monetary and fiscal policy response*, Introductory statement by Mr Gabriel Makhlouf, Governor of the Central Bank of Ireland, at the Special Oireachtas Committee on COVID-19, Dublin, 7 July 2020.

155 KPMG: *Ireland: Tax developments in response to COVID-19'*, KPMG website, updated 18 Nov 2020. https://home.kpmg/xx/en/home/insights/2020/04/ireland-tax-developments-in-response-to-COVID-19.html

156 Revenue: *Revenue confirms Debt Warehousing Scheme remains available to support businesses impacted by current Level 5 restrictions*, Press release, 13 Jan 2021. https://www.revenue.ie/en/corporate/press-office/press-releases/2021/pr-011321-revenue-debt-warehousing-scheme-restrictions.aspx

157 Revenue. 'COVID Restrictions Support Scheme (CRSS)'. Revenue website. 13 Nov 2020. https://www.revenue.ie/en/self-assessment-and-self-employment/crss/index.aspx

a grant of up to €5,000 a week. The relief consists of a cash payment of 10 per cent of the average weekly value of the company's turnover in 2019, up to €20,000, and 5 per cent thereafter, up to a maximum total weekly payment of €5,000.[158] It is aimed mainly at the hardest hit sectors of the economy such as retail and hospitality. This programme has been estimated to have cost the government €80 mio. a week during the second lockdown.[159]

Contingent support for companies includes the Credit Guarantee Scheme, which guarantees business loans of up to €1 mio. for up to seven years. Under the scheme the state gives a guarantee of 80 per cent to participating banks (AIB, Bank of Ireland and Ulster Bank). Various existing government agencies including Enterprise Ireland, MicroFinance Ireland and the Strategic Banking Corporation of Ireland are empowered to offer bridging and start-up grants and loans to companies. Enterprise Ireland offers rescue and restructuring finance for firms assessed to be viable but in need of changed business models. The contingent loans aspect of the government's response package for businesses appears to have been singularly unsuccessful to date, with very low levels of take-up. With high levels of existing debt, and no debt relief floated by the government, firms are reluctant to borrow.

Table 3: *Contingent supports in € billions*[160]

Measure	2020	2021	Total	% GNI*
Credit Guarantee Scheme	2.00	0.00	2.00	1.0
Pandemic Stabilisation Fund (ISIF)	2.00	0.00	2.00	1.0
Future Growth Loan Scheme (longer-term loans)	0.50	0.00	0.50	0.3
Liquidity support through SBCI – Working Capital Loan Scheme	0.29	0.00	0.29	0.1
Sustaining Enterprise Fund	0.18	0.00	0.18	0.1
MicroFinance Ireland (loans)	0.04	0.00	0.04	0.0
Seed and Venture Capital Scheme	0.01	0.00	0.01	0.0
TOTAL CONTINGENT SUPPORT	5.02	0	5.02	2.5

CLIMATE AND ENVIRONMENTAL MEASURES

One of the most striking features of the government's economic response to the pandemic is the relatively very low level of spending on environmental projects aimed at decarbonisation. In the July Jobs Stimulus worth more than €5 billion, just €10 mio. was directed explicitly to greening corporations through the Green Enterprise Fund.[161] This includes supports for companies engaging in green research and development, and climate-related capital investment.

A more substantial proportion of the €500 mio. in direct capital investment announced in the July Jobs Stimulus may also be directed towards green investment. This in-

158 Ibid.

159 Burke-Kennedy, Eoin: *Government's business support scheme to cost €80m a week*, The Irish Times, 3 Nov 2020. https://www.irishtimes.com/business/economy/government-s-business-support-scheme-to-cost-80m-a-week-1.4398202

160 Departments of Finance and of Public Expenditure and Reform.

161 Department of the Taoiseach: July Jobs Stimulus 2020, 23 July 2020.

cludes up to €100 mio. for retrofitting buildings and homes; and €15 mio. for the restoration of peatlands (which are carbon sinks). However, the €113 mio. budget for investment in transport is not earmarked for public transport infrastructure but can also be spent on roads and other carbon-intensive forms of transport.[162] Even if the entire €113 mio. transport budget went towards public transport, the total additional discretionary spending on climate-related projects for 2020 would amount to €228 million. This is just under one per cent of the €25 billion in total discretionary spending for 2020.[163]

A HORIZONTAL APPROACH

Despite unprecedented public intervention in the economy, and unprecedented public spending, the Irish government has maintained its generally neoliberal approach to the economic recovery. Almost all spending aimed at supporting businesses has been indiscriminate and is equally accessible to all firms despite the social or strategic value, or climate impact, of these companies.

The Irish government has targeted only two sectors of the economy – hospitality and tourism – with sector-specific measures. As mentioned above, a 'stay and spend' incentive provides a tax credit of €125 if a person spends €625 or more on food and accommodation listed on the National Tourism Development Authority register between October 2020 and April 2021.[164] Of the €500 mio. provided for new capital investment in the July Jobs Stimulus, the majority of funds are directed towards government departments and climate, but there is an additional €40 mio. dedicated to investments arts, tourism, heritage and Gaeltacht (Irish-speaking communities) projects.[165]

NATIONAL AND FOREIGN FIRMS

No distinction has been made at the policy level between indigenous and foreign-owned firms, so long as they are domiciled in Ireland. Branches of multinational corporations that are registered in Ireland are entitled to equal supports as indigenous firms. The July Jobs Stimulus also earmarked €10 mio. to attract foreign direct investment (FDI) through new marketing initiatives of the state's FDI agency, the Irish Development Agency (IDA). In its 2020 country report on Ireland, the European Commission pointed out that an astonishing 22 per cent of Irish GDP in 2018 was composed of ongoing royalty payments, indicating widespread profit-shifting by multinational corporations dealing in intellectual property.[166]

PUBLIC OWNERSHIP STAKES IN FIRMS

Financial support from the government to companies comes with no strings attached. Government funding, including direct cash transfers, to business is aimed at restoring the economic viability of the company and nothing further. There has been no indication from any government representative of an intention to take a public ownership stake in recipient firms. There are no requirements whatsoever for any firm to meet employment, environmental or any other standards before it can qualify for government assistance. While some EU member state governments, and EU institutions, such as the European Central Bank (ECB) and the European Insurance and Occupational Pensions Authority (EIOPA), have called on credit and insurance companies that are recipients of public funds to refrain from paying out dividends and bonuses, or engaging in share buybacks[167], no such conditions have been applied to recipients of Irish government spending in response to COVID-19. Likewise, the Irish government has not expressed any intention to exclude firms from receiving gov-

162 Ibid.

163 Author's calculation.

164 Department of Finance: *Budget 2021*, 13 Oct 2020.

165 Department of the Taoiseach: *July Jobs Stimulus 2020*, 23 July 2020.

166 European Commission: *Country Report Ireland 2020 – Commission Staff Working Document*, 26 Feb 2020. https://ec.europa.eu/info/sites/info/files/2020-european_semester_country-report-ireland_en.pdf

167 Moody's Analytics: *EBA and ECB Recommend Prudent Distribution and Remuneration Policies*, 15 Dec 2020. https://www.moodysanalytics.com/regulatory-news/dec-15-20-eba-and-ecb-recommend-prudent-distribution-and-remuneration-policies

ernment support if they are domiciled in jurisdictions on the EU's third-country tax haven blacklist.

The Irish Congress of Trade Unions (ICTU) has called for progressive conditionality to be imposed on businesses that receive COVID-related government funding, including the exclusion of firms that are registered in, or have subsidiaries in, a jurisdiction on the EU list of non-cooperative tax jurisdictions; firms that pay out dividends or bonuses; and firms that engage in share buy-backs.[168] The ICTU has also called for supports to businesses to be conditional on recognition of trade unions, and commitments to provide decent work.[169]

The one area in which the government has asserted more influence is in the state's two-tier healthcare service, which is closer in style to the US healthcare system than to Britain's National Health Service or other western European systems. Ireland does not have universal access to primary healthcare, with more than half of the population forced to bear the full costs of a visit to a GP.[170] In March, the government rapidly boosted the Health Service Executive's (HSE) budget by €2 billion and ended a staff recruitment ban. Acting in accordance with Section 38 of the Health Act, the government reached an agreement with the state's 19 private hospitals stating they would function as public hospitals for 12 weeks, which was later extended. This expanded the state's healthcare capacity by 17 per cent instantly and created a temporary single-tier service.[171] The arrangement "is in effect a business contract where the physical assets remain in private hands while the service is made public".[172] The government has not indicated any intention to make these changes permanent and has pledged to unwind them after the pandemic.

WORKERS AND TRADE UNIONS

The Central Bank of Ireland forecasts an average unemployment rate across 2020 of 15.1 per cent.[173] In April 2020, more than 1.2 mio. people were receiving either the PUP, the TWSS, or another form of unemployment support.[174] The total unemployment rate, including recipients of all of these schemes, peaked at 29.1 per cent in April, while youth unemployment rose to 37.8 per cent. Female participation in the workforce fell to 52.9 per cent, which is lower than in the aftermath of the global financial crisis.[175] The CBI forecasts an unemployment rate of 8 per cent in 2021 and 7.5 per cent in 2022. During the second lockdown, as of November 3, 40,800 employers had registered for the EWSS and 330,000 workers were receiving the subsidy. The government reduced the level of payments in July, negatively affecting domestic demand.[176]

The CBI warns, "the phasing out of these schemes in 2021 will result in a significant increase in unemployment, owing, in part, to increased redundancies".[177] Trade unionists have urged the government, instead of abruptly withdraw-

168 Irish Congress of Trade Unions: *Submission to the Committee on Social Protection – Pandemic Unemployment Payment (PUP) Scheme*, 12 August 2020, https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/joint_committee_on_social_protection_community_and_rural_development_and_the_islands/submissions/2020/2020-12-08_submission-natalie-fox-ictu_en.pdf; and ICTU: *Congress Budget 2021 Recommendations – No Going Back*, 2020. https://www.ictu.ie/publications/fulllist/ictu-budget-2021-recommendations-no-going-back/

169 Ibid.

170 Burke, Sara, et al.: *Sláintecare – A ten-year plan to achieve universal healthcare in Ireland*, Health Policy, 122/12, 2018, pp. 1278-1282. https://www.sciencedirect.com/science/article/pii/S0168851018301532

171 Baker, Noel: Simon Harris: *There can be no public versus private in hospitals' battle against COVID-19*, Irish Examiner, 24 March 2020. https://www.irishexaminer.com/news/arid-30989896.html

172 McCabe, Conor: *Hope or Austerity: A Road Map for a Better, Fairer Ireland After the Pandemic.* A report for Unite the Union. 6 May 2020, p. 5.

173 Central Bank of Ireland: *Quarterly Bulletin 04, 2020*. Oct 2020. https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2020/quarterly-bulletin---q4-2020.pdf?sfvrsn=7

174 Ibid

175 Ibid

176 Ibid

177 Ibid, page 37.

ing supports in 2021, to transform the EWSS into a "permanently established German and Nordic-style short-time work scheme".[178] The government made a €200 mio. investment in 2020 in job retraining and placement assistance. This has not involved the direct creation of jobs but rather has focused on skills development and retraining, placement schemes, recruitment subsidies for employers, and job search assistance. The investment includes the creation of 35,000 additional places in further and higher education.[179]

A major point of dispute between the government and the trade union movement regards workers' redundancies. The government imposed a ban on workers claiming redundancy status from their employer, while refusing to ban employers from making forced redundancies.[180] Under Irish employment law there is a legal difference between being 'laid off' and being made redundant. Prior to the COVID-19 pandemic, workers who were laid off by the employers for more than four weeks were legally entitled to claim statutory redundancy from their employer. The state provided a 60 per cent rebate to employers who made redundancy payouts, but this was abolished during the pandemic. During the first lockdown, the government imposed a ban on workers seeking statuary redundancy (and an associated redundancy payout) in order to prevent corporate insolvency. The trade union movement has called for a ban on forced redundancies.[181] The ICTU has described the situation in which workers cannot claim redundancy, but employers have the right to enact forced redundancies, as "anomalous and unfair", and stated that the safeguard was suspended "in a manner that has failed to maintain an appropriate balance between the interests of workers and employers".[182]

CONCLUSION

The COVID-19 pandemic developed during a year of profound political change in Ireland, starting with an historic general election in February. For the first time in the state's history, Sinn Féin topped the poll, winning 24.5 per cent of the first-preference vote (under the single-transferable vote system). The Green Party took seven per cent of the popular vote, with smaller left parties Labour, Social Democrats and Solidarity/People Before Profit taking a combined share of the vote of around 10 per cent. Fianna Fáil and Fine Gael – both parties of the centre-right that have alternately led every government for a century – polled 22.2 per cent and 20.9 per cent respectively.[183]

The leftward surge of the electorate was fuelled, in particular, by anger at the long-running housing and homelessness crisis; a shambolic, two-tier healthcare system; and a plan by the incumbent Fine Gael government to increase the retirement age from 66 to 67 years old.[184] All parties and the media described the general election as a "vote for change". However, in June, the Greens agreed a Programme for Government with Fianna Fáil and Fine Gael, putting both parties back into government.

The Greens secured agreement for making year-on-year emission reductions of seven per cent each year until 2030 – though the cuts will take place in the second half of the decade, after the end of this government term. More importantly, the program fails to outline exactly where these cuts will come from. It leaves the most polluting sections of the Irish economy entirely intact, with minimal reforms, if any – the cattle farming, aviation and road haulage sectors are practically untouched. The agreement does not include a firm commitment to ban the importation of fracked gas.[185]

178 ICTU: *Congress Budget 2021 Recommendations – No Going Back*, 2020, p. 4.

179 Department of Finance: *Taking Stock: The Fiscal Response to COVID-19*, Nov 2020.

180 Miley, Ingrid: *ICTU calls for moratorium on compulsory redundancies*, RTE news website. 29 May 2020. https://www.rte.ie/news/business/2020/0529/1143434-ictu-calls-for-moratorium-on-compulsory-redundancies/

181 Ibid

182 Ibid

183 *Results Hub – General Election 2020*, The Irish Times website, https://www.irishtimes.com/election2020/results-hub

184 Clancy, Emma: *Ireland's Fig Leaf'*, Tribune, 29 June 2020. https://tribunemag.co.uk/2020/06/irelands-fig-leaf

185 Department of the Taoiseach: *Programme for Government: Our Shared Future*. 29 Oct 2020.

The program for Government contained virtually nothing when it comes to the crises in housing costs, social housing and homelessness. The pandemic seems to have barely registered in the healthcare section of the program for Government, with health reforms (called Sláintecare) aimed at improving access, affordability and quality being postponed until 2022. There was nothing in the program either for workers' rights, with no commitment to enshrine statutory collective bargaining rights for all workers, nor enforceable access to workplaces for unions.[186]

The most important aspect of the agreement is its fiscal policy. The program commits to deepening Ireland's tax haven economic model, refuses to impose higher taxes on the wealthy, and commits to making year-on-year deficit reductions. The only new revenue will come from regressive consumption taxes including the carbon tax, and taxes on plastic and sugar.[187]

Against the backdrop of the COVID recession, this blanket commitment to reducing the deficit each year reflects the failed Fine Gael and EU austerity ideology that has caused so much pain in Ireland since the 2008 crash. In light of these challenges, neither the program for Government, nor any of the COVID-19 economic response program deal with the scope of the challenges facing working people in Ireland.

Mid-year, Ireland's GDP was projected to shrink 2.3 per cent in 2020, far less than the EU average of a 7.4 per cent contraction. This has since been revised down to a contraction of just 0.4 per cent of GDP. The European Commission estimates that Ireland would be one of only two EU economies to return to their pre-pandemic performance by the end of 2021.[188] The massive divergence between domestic demand and export performance is an indication of Ireland's ongoing status as a corporate tax haven and offshore financial center. The historic levels of unemployment demonstrate the fact that it is indigenous companies that provide the vast majority of jobs, as opposed to the less-affected FDI sector. While the level of government spending has been large, the overall impact is limited due to its neoliberal characteristics.

Ireland's public services, after a decade of harsh austerity, are in desperate need of investment. In health and education, the state has been singled out as underperforming on provision by the OECD and European Commission. At the tertiary education level, Ireland spends on average less than 60 per cent per pupil of its high-income EU counterparts.[189]

The key limitations of the government's fiscal response are:

- It completely fails to respond meaningfully to the need for a climate transformation of the Irish economy and agriculture sector;
- The government has missed the opportunity to impose high labour, social, environmental and governance standards on the recipient firms;
- The measures reinforce Ireland's harmful economic model of relying on the corporate tax receipts of multinationals rather than investing in indigenous firms and strategic sectors;
- The amount of direct capital investment in public services amounts to a small percentage of the overall spending;
- Similarly, there is very little investment to solve the long-running housing and homelessness crisis that Ireland has experienced in the wake of the global financial crisis and Troika bailout;
- Payments to landlords and banks were deferred but not reduced, and debts will need to be repaid in full emerging from the pandemic;
- There is no strategy for post-2021 spending; the only action that has been committed to is the withdrawal of supports, including the abolition of the EWSS.

With regard to a stable economic recovery, the most damaging economic policy is perhaps the failure to write down private household debt. There is no strategy whatsoever to deal with the private debt overhang that has accrued during this crisis. The government has refused to take the

186 Ibid

187 Ibid

188 Beesly, Arthur: *Ireland's COVID-hit economy boosted by multinational corporations*, Financial Times, 17 Nov 2020. https://www.ft.com/content/2a23d1a5-d8c4-448a-9782-6ccf3bb4d7b1

189 OECD: *Education spending (indicator) 2021*, https://data.oecd.org/eduresource/education-spending.htm

opportunity presented by massive public intervention in the economy to shape the future of that economy. At this stage, the government continues to appear committed to annual cuts to public spending to reduce the public debt to GDP ratio, without regard to the impact of this approach.

NOTE ON MODIFIED GROSS NATIONAL INCOME

Throughout this report, the measure of 'modified Gross National Income' (GNI*) is used instead of GDP. Official GDP figures have a major and serious role to play in fiscal planning, spending and borrowing. They need to be credible and a measurement of real economic activity. The infamous announcement in 2016 that Irish GDP had grown by more than 26 per cent in 2015 raised an enormous red flag, prompting economist Paul Krugman to coin the term "leprechaun economics".

In response, the Central Bank of Ireland published a study stating that to measure growth or activity without the reality being skewed by the activities of multinationals, GNI* should be used instead. GDP and Gross National Income differ as a result of the 'net factor income from abroad' (eg, repatriated profits and dividends of multinationals). While GDP is a measurement of the income generated by the economy, GNI measures the income actually available to its residents. Ireland's GDP is routinely more than 20 per cent greater than GNI, one of the largest differences among all economies globally (the two figures can usually be used interchangeably). Even using GNI is not sufficient to get an accurate picture of real economic activity according to the Irish Central Statistics Office, which developed a measure of modified Gross National Income, or GNI*. GNI* is Gross National Income "adjusted for retained earnings of re-domiciled firms and depreciation on foreign-owned domestic capital assets" – ie, modified to account for depreciation on intellectual property owned by technology and pharmaceutical firms.