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Challenge to Irish Trade Unionism

NATIONAL WAGES AGREEMENTS

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an astms pamphlet

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Challenge to Irish Trade Unionism:

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CHALLENGE TO IRISH TRADE UNIONISM:

NATIONAL WAGES ARGEEMENTS

Should the Trade Union Movement enter into another National Wage Agreement?

This question is now vital for 400,000 Irish Trade Unionists and their families. It is also crucial for the Trade Union Movement as a whole. For a new National Agreement, unless it included gains almost certainly unobtainable at the present time, would be a deplorably misguided step for the Irish Congress of Trade Unions and could drastically damage the morale and unity of our whole Trade Union Movement.

The Crisis We Now Face

The western world now faces uncontrollable super-inflation. Currency crisis is the order of the day. There is every possibility of exchange rate wars and trade wars like the '30s. The inflation is passed like a plague from country to country by the multi-national firms and the speculators in currency. The more open one's national economy, the higher the proportion of exports and imports to GNP, the greater the chances of being damaged by the world crisis.

EEC membership makes Ireland's economy more open than ever before, with the Government forbidden to control the flow of capital or goods. The Common Market's project of economic and monetary union, which the Irish Government supports, would forbid us to use our exchange rate to help our exports. Food prices are soaring, because of the EEC and world-wide high demand, bringing a 60% income increase to the farmers in two years but a 25% food price rise for the Irish housewives (1). There are 7% of our workers without a job. Fortunes are being made in inflationary capital gains and property speculation, while a policy of inflating the currency is followed by the Banks (2).

(1) Ruaidhri Roberts, ICTU General Secretary, has pointed the consequences: "There is no doubt that with further food price increases to come, and corresponding wage increases to follow, we shall be told that the level of wages and prices in Ireland is rising at a faster rate than in other European countries, with adverse effects upon our competitiveness. Yet how can food prices increase to European levels and how can wages and salaries adjust to European prices without our price-wage increase being higher than the European average? Certainly the solution is not to be found in saying to our members that they not only have to face the risk of redundancy arising from European competition, but that those who remain employed **must** suffer a real reduction in their earnings", 25/4/1973.

(2) Total domestic credit was expanded by 30 per cent in the past year, the largest category of lending being to property companies for largely non-productive purposes, **Annual Central Bank Report 1972-'73,** Page 15. See also below.

Putting the Costs on Wage and Salary Workers

The Government, against the advice of the Trade Union Movement, has put the country in this open and vulnerable position, with the support of the greater part of Irish business, much of it foreign owned or controlled and only indirectly concerned with our national development. At the same time the Government follows conservative policies in economic planning and taxation, aimed at cushioning to the utmost big farmers and rentiers, landlords and owners of shares.

In this situation the employers and businessmen, whose interests are central to the Government, seek naturally to maintain and increase their incomes to the utmost. They seek, so far as possible, to lay the costs of doing so on Irish employees and Trade Unionists — the costs of inflation, the costs of the Common Market, the costs of their own inefficiency, desire for easy profits and reluctance to invest, the cost of the income increases big farmers are now receiving, the costs of running an economic system on more conservating lines than almost any in the Western World.

When all is said and done this is basically why employers and the Government want a new National Agreement. They want it to hold back wages and salaries to the minimum compatible with maximum profit-making and capital gains for the maximum number of Irish employers and property-owners in the coming two years to 1975.

This is what they miscall an Incomes Policy. It is supported by the press and the pundits and the university experts, most of them conservatives to the core (1). But it is really a Wages Policy, for the only incomes they seriously want controlled are wages and salaries. Above all they want the Trade Unions to hold back wage and salary increases themselves.

Hence our Movement must consult its own members and use its own experts. It must expose the lies and misrepresentation it will face, for no National Agreement realistically obtainable at the present time is likely to serve the interests of the mass of Irish workers.

Some Trade Union First Principles

It is not the proper function of the Irish Congress of Trade Unions to help run an incomes policy in a market economy and free enterprise society together with the employers and the

(1) Not all of course. The best discussion of the subject, which points out all the snags, is Professor E. T. Nevin's **An Incomes Policy in Ireland,** published by the ITGWU in 1963. E. T. Nevin is now Professor of Economics at Swansea.

Government civil servants. All trade unionists honour the dedication of the Congress leaders. But there has developed a danger of Congress becoming an economic policeman, with the leaders of the Trade Union Movement enmeshed in the bureaucracy and machinery of Government, an inevitable outcome of centrally negotiated agreements and the agencies set up to enforce them.

This makes for poor trade unionism. It demoralises the members and Trade Union officials, whom the members expect to do the negotiating for them. If persisted in for long it breaks vital links between the two and changes the social role of the Trade Union leadership from that of being representatives and continual champions of their members' interests to agents of income control and surrogates of the Government.

In Professor Nevin's words, "Immense strains are placed on organised representatives of both sides of industry by National Agreements. Neither workers nor employers after all join their respective bodies to hold down profits or wages. Their motives are the opposite of this. The principal job of a Trade Union is to protect the interests of its members, just as the principal job of a company is to make and sell goods at a profit under our system. This does not mean that a Trade Union or an employer has not responsibility to the public. **It means simply that a Trade Union can only accept wider responsibilities to the extent that it does not seriously undermine its ability to discharge its fundamental duties to its own members. Before embarking on a national incomes policy all sides of industry should ponder this with some care."** (1)

The Need For Realism

Trade Unions exist to serve their members' interests, to get them higher pay and better conditions, a continuous, never-ending process in a society where the means of wealth production are still mainly in private hands.

For whether one likes it or not employees are concerned primarily about their wages. They have no direct interest in capital, its growth, the use of profits or decisions on investment, which in our society are taken by other people. Whether one likes it or not the mass of wage and salary earners feel that capital is alien to them, belonging to others, and that investment requirements are no reason to restrain wage demands.

Trade Union officials putting capital or investment needs first are in danger of losing their members' trust and confidence, becoming in the end like State functionaries, as in a Corporate State. If workers owned capital the situation would be different. But this is not so in our society, which is one where the only people directly interested in capital development are those who

(1) Ibid, Page 13.

share profits from the use of capital and who decide on its use. But these are not the Trade Unionists.

It would be very unrealistic of Irish Trade Union leaders to think things might be different here. It would be particularly unrealistic at a time when the Trade Union Movement must meet the challenge, as never before, of protecting its members' living standards in face of the Common Market and a world inflation of an unprecedented kind and in face of a concerted campaign by employers and the Government to restrain the wages and salaries of Irish workers.

Industrial Democracy and a National Agreement

The Irish Congress of Trade Unions has in effect recognised this. In Killarney this summer the Congress adopted a resolution proposed by the ITGWU which stated, "This ICTU Conference resolves that such a movement towards meaningful industrial democracy at both national and company level must be a prerequisite for any form of incomes policy which could be regarded as being truly democratic and comprehensive, embracing all forms of income without exception. Conference holds that workers must be guaranteed that their wage-restraint will lead to productive and beneficial investment and not towards even further increases in the personal incomes of the privileged sections of society, and that **the only effective guarantee of this would be democratic control by workers over the utilisation and allocation of such investment funds".**

The Congress is right and the ITGWU spoke the truth in submitting such an important resolution (1). But is it likely that a National Wage Agreement this autumn will give "democratic control by workers" over the utilisation and allocation of investment funds in Ireland? Could anything do so in fact short of moves towards quite a different form of society to the present? If this is so has not Congress and the ITGWU already recognised in effect that "a truly democratic and comprehensive" incomes policy is in practice unobtainable? How then can any Irish Trade Union leader sincerely urge his members to have wages and salaries controlled?

It is possible that the Government, to put pressure on the Special September Conference on the National Agreement will announce some measure of "industrial democracy" beforehand. Indeed this is very likely, so anxious are the Government and employers to tie down the Trade Union Movement. Committees may be set up; there could be talk of "worker participation" and "worker directors". The phrase "industrial democracy" can mean many different things and all sorts of schemes can be suggested in its name. **But one can confidently say that it will certainly not mean control by workers over the use and allocation of investment funds.**

Trade Union executives, leaders and delegates will not allow themselves to be conned by skilful pressure of this kind. As always they know the right test of what to do. They are there to serve their members and the members' interests come first; let the press and the pundits and politicians say what they may.

(1) On the same point the President of the ITGWU, Senator Fintan Kennedy, said, "A wage policy on its own, even if we have a high measure of price control, does not make sound economic sense. What this union is concerned with is the emergence of a broadly based national economic and social plan of which a policy on prices and incomes — mind you not just wages and salaries but all incomes, including profits, dividends, rents and so on — could form an integral part".

Pay Control For Employees, But What Of Other Incomes?

In the 14 Rounds since the War free collective bargaining has tended to lead to larger overall pay increases than National Agreements. Hence the obvious desire of employers and the Government to get another National Agreement at this time.

Pay control for wages and salaries, but what of other incomes? Only half the employee labour force are members of Trade Unions, so the other half would not be covered by a National Agreement. Many of these are very low-paid workers; how does a National Agreement or incomes policy benefit them?

Increases in incomes from self-employment and professional earnings are not controlled, despite widespread tax evasion and income concealment. How does an incomes policy cover them?

Increases in farmers' incomes are not controlled — up over 60% in the past two years, or £140 million, **on which they pay no income tax.** (1)

Income increases from profits are not controlled. If a firm's employees get less under a National Wages Agreement than with free collective bargaining, the result is higher profits for employers. The Government could forbid the distribution of these, which increases share values and makes capital gains more likely in the future, as the profits are retained in the firm or invested elsewhere. In the insurance business, for instance, and many foreign owned companies, higher profits from wage restraint

(1) It is true they pay some £12 million in rates, but threequarters of agricultural holdings are derated. This contrasts with over £150 million paid to the Government by income tax payers. The ICTU, the CII and the Association of Junior Chambers of Commerce of Ireland have all called for the levying of income tax on better-off farmers — so far unavailingly.

mean more money flowing out of the country to the benefit of foreign shareholders or for investment in other lands. Wage increases foregone are never recovered, but profits postponed can be recovered tomorrow.

The market value of ordinary shares in the Irish Stock Exchange is estimated to have increased by £140 million in 1972. (1) Even allowing £40 million for new issues, this means shareholders made a capital gain of £100 million in the past year — tax free as the country has no Capital Gains Tax. Profits outside agriculture are estimated to have increased 15½% in 1972, though some firms will have figures considerably higher than this. (2)

The Scandal Of Bank Lending and Bank Profits

Increases in property incomes are not controlled — one of the greatest social scandals of the country. Landlords make hay, taking advantage of the accommodation shortage, to charge rocketing rents to young people in the cities, married couples and the aged. There is no control of rents or house prices and the resulting profits, although a model of machinery for doing this exists in the North and in Britain.

Income increases from land speculation are not controlled. Here fantastic fortunes are made by the owners of land which is zoned for development though they make no social contribution or investment whatever. Increases in land values like these should be heavily taxed, if not wholly appropriated by the community which is really responsible for them.

Incomes from shell companies and holding companies are not controlled, where the Tony O'Reillys of our society become millionaires overnight.

All these interests benefit enormously from inflation and desire it to continue, for it transfers wealth continually from producers to property owners.

The Banks plead eloquently for wage and salary restraint. Income increases, says the Central Bank, must be in line with increases in output and real production. Credit should be expanded only for productive purposes. But the Banks are amongst the biggest offenders themselves, fuelling the fires of inflation with their lending policies.

In the year since February 1972 bank loans to property companies increased 107%, twice the rate of increase of all other categories of lending. Loans to manufacturing companies — the most important sector from the point of view of production — went up only 21%, **the lowest rate of increase** of any category of lending. (3) Small wonder Bank profits are soaring as they are. The Bank of Ireland Group's profits increased 43% in the past year, Allied Irish Banks by 23%. The high interest rates announced in early August — to stem capital flowing from the country, say the Banks, when the British raised their interest rate — will automatically bring in bigger Bank profits without any extra effort or investment on their part. The Banks clearly have a vested interest in continuing inflation.

(1) Sunday Independent 8/7/1973. (2) **Review of 1972 and Outlook for 1973**, Page 15.
(3) **Annual Report of the Central Bank 1972-1973**, Page 39.

Do National Agreements Help The Low Paid Workers?

A main argument of those in favour of a new National Wages Agreement is that the 14th Round increases for the low paid workers were got by wage restraint on the part of those better off. (v. Appendix for the essential data).

This statement is much repeated, but in fact it is false to suggest that the gains of the 14th Round for the lower paid have been bought by the sacrifices of the better paid. The latter have made sacrifices, true, and numbers of better paid Trade Unionists are now getting wages under the National Agreement which are lower than they could get by free collective bargaining — to their obvious dissatisfaction. But their sacrifices have benefitted their employers, not their less favoured fellow workers.

A moment's thought will show why. For there exists no mechanism in fact whereby wage restraint by better paid workers will be translated into wage improvement for the less well-off, thus narrowing differentials. If a skilled worker or white collar worker gets an £x pay increase under the 14th Round, while he could get £x+y from "free collective bargaining," his employer, not he, is better of by £y as a result of the National Agreement. The employer may consume the £y or invest it in his company, but there is no means of ensuring that it will go instead to the lower paid unskilled worker in the firm next door.

Workers under £30 a week who got the full 14th Round increases did so because their employers were able to pay them and still find it more profitable to keep them in employment at the new rate than replace them by machines. With free bargaining the employers could have paid the same increases, and perhaps in some cases more. The £40 a week worker, however, has got a lower percentage overall than he might have done with free bargaining, to his employer's considerable benefit in many cases.

What The Trade Unions Should Look For

If maximum wages and salaries for the maximum number of wage and salary earners can be got in one way alone — by active trade unionism in a free collective bargaining situation — what about the low-paid workers? Should the Government do nothing at all about income distribution, but leave it to the market and free collective bargaining, where the low-paid workers are weakest?

Of course no one suggests any such thing. Trade Unionists know better than most the unfairness and injustice which income distribution by the market brings about. The Trade Union and Labour Movements have always campaigned for Government intervention to help the weak, the deprived and poorly organised of our society. Indeed it could be said that it is they more than any other force which have been responsible for the relative humanising of both Irish and industrial society in the past fifty years.

But it must be the right intervention by the Government — not intervention which makes it impossible for Trade Unions to really serve the interests of their members, contradicting the very nature of trade unionism.

The intervention the Trade Unions should seek from the Irish Government to help its weaker members and secure fairer distribution of income is not an "incomes policy" and either statutory or voluntary control of wages and salaries. What we should demand is State intervention (a) through Minimum Wage and Equal Pay legislation; (b) through price control of essential items like housing, rents and key foods, with the use of food subsidies if necessary for the latter purpose, to cover bread for example, or bus fares or milk for children; (c) through the use of taxation and social security policy to redistribute incomes in line with social justice and the requirements of productivity.

Desirable National Agreements — A Policy For Low Paid Workers

If unions are weak and workers badly paid the real answer is better trade unionism, to which there are no short cuts and for which unfortunately no substitute is adequate.

Pending that situation, however, there is a case for the Trade Union Movement as a whole assisting its weaker members by seeking to bargain with the employers — throughout the economy or sections of it — for **a minimum flat-rate increase for lower paid workers,** as long as it does not prevent other workers using their trade union strength to improve themselves. This would help those needing help most, but not at the cost of weakening trade unionism as a whole.

Trade Unions should bargain too for **annual increments of wages for manual workers,** so that they could look forward to income improvements as they get older, as many white collar and professional employees can. This need not be inflationary as the place of better paid older workers at the top of their scale would continually be taken by younger ones at the bottom. **Fair employment procedures in the workplace, better pension provision for manual workers, fringe benefits for the low paid as well as white collar staffs and recognition of Trade Unions and union representatives,** provide ample scope for the whole Trade Union Movement to champion the interests of its weaker members.

Related to the above is **Minimum Wage Legislation,** which the Congress should insist be extended more widely than now. At present there are approximately 120,000 employees in the Republic covered by minimum wage legislation or by registered employment agreements. One important group of them, 30,000 farm employees, have not received the full increases permitted by the 14th Round, despite the fact that the Agricultural Wages Board has legal power to insist on it. The present farm worker's wage is £19.80 for a 50 hour week outside Dublin. Essential too is a **Minimum Income Guarantee** through tax credits which should also be championed by Congress and is discussed further below.

Equal Pay Legislation is the most useful way to help the largest group of all of low-paid workers — women. The State itself, as the country's largest employer, should implement equal pay in all its parts. The British Equal Pay Act, 1970, requires that women be paid equally with men for like work by 1975. Some employers seek to evade it, but it has been a major step forward which we should copy.

Price Control: Despite the good work of the National Prices Commission, on which the Trade Union Movement is represented (1), and despite Mr. Justin Keating's price stability orders it has been estimated (2) that price control measures will reduce the inflation rate by only 2% this year, which is counterbalanced by the estimated 2% increase caused by this year's Budget's higher taxes. Some particularly important prices for lower paid workers, like rents or house prices or food, are rising much quicker than the general cost of living index — house prices by 80% since 1969, food prices by 32% since 1971. The Government has done nothing about land and property speculation, a major cause of rising rents and house prices. It is reluctant to offend the landlords by fixing fair rents. It does not want food subsidies on essentials for fear of offending the farmers and the Common Market. Unless these things are done price control benefitting the lower paid will be largely a myth. Without them wage restraint in the next two years must undermine the living standards of masses of Irish workers.

Keeping Income Increases In Line With Productivity

The Government says it wants an incomes policy to keep money increases in line with productivity and the real output of goods and services in the economy. The aim is praiseworthy for if income increases outstrip output, prices must rise and the value of money fall. The means proposed are illusory, however, for the Government is neither willing nor able to control all kinds of in-

(1) By John Carroll and Harold O'Sullivan.

(2) By Colm Rapple, **Sunday Independent,** 1/7/1973.

comes (1). What is sought in practice is wage and salary control so that employees will accept lower incomes than they otherwise could get.

But there does exist another way by which the Government can directly influence the distribution of income and keep income increases in line with productivity. This is by using the tax system, taking from those who have grabbed more than their due of the national cake or who are earning more than their real social worth and giving to those who for social or humane reasons need higher incomes than they can earn on the market.

The Government already does this to some extent. The post-tax distribution of income is considerably fairer than its pre-tax distribution. Tax and social security measures have considerably benefitted pensioners, whose incomes have risen more rapidly than average wages and salaries in recent years. What is new is for the Government to use the tax system to bring income increases in line with increases in real output — the appropriate job for the Government, not the Trade Union Movement.

In other words, when a worker or employer, a professional man or a farmer or property owner gets income increases in a particular period of time higher than considered justified by real contribution to output, the Government could intervene to limit the increase by taxation.

Taxes On All Citizens, Not Some

This is not a novel proposal. Elements of it were referred to in the 1965 NIEC Report on Incomes Policy. Professor Fogarty, director of the Economic and Social Research Institute, has advocated it, as have distinguished economists abroad. (2)

It is a realistic policy for the Trade Union Movement to advocate when faced with Government and employer pressure to hold back wages and salaries. The Congress should say to the Government that the problem of inflationary income increases should be tackled by fiscal and taxation policy, which is workable, rather than by incomes policy, which is not.

It is in line, moreover, with other policies the ICTU has periodically advocated. It would require all citizens to give annual income returns, including the larger farmers. Capital gains would be taxed and there would be more scrutiny of professional earnings and fee income. Production and productivity norms would need to be worked out in firms and industries by employers and employees — an exercise making possible a valuable extension of consultation and employee participation.

(1) Governments, for propaganda purposes, aspire to a comprehensive incomes policy covering all earnings but, as at least one member of the present Cabinet has admitted, only wages and salaries can be effectively controlled.

(2) M. P. Fogarty, **We Can Stop Rising Prices,** E.S.R.I., 1970. See also Barbara Wootton, **The Social Foundations of Wage Policy, 1955,** and **The Observer,** 13/12/1970.

Pay or profit increases higher than the Government deemed justified by real increases in output would be taxed accordingly; the tax would be returned if the increase could be shown as justified by real production.

As Professor Fogarty writes of his proposal on these lines: "A scheme of this sort would take a lot of administering, but it is basically simple. Under it the Government does not need to fix individual wages and prices. It has only to satisfy itself that the general effect of each firm's pay and dividend policy is in line with the aim of keeping the national price level and the cost of living stable. Under this scheme there is only one decision, or at most two, to be made about each firm's pay or dividend policy each year and Ireland is a small country where there are not so many organisations to consider. To make administration simpler, it would be reasonable to exempt from the scheme organisations employing less than ten."

The Proper Responsibility of the Government On Incomes

The advantage of this policy for the Trade Union Movement is that it puts the responsibility for influencing the overall distribution of incomes in accordance with social criteria back where it properly belongs — in the court of the Government, through the use of the most appropriate instrument for the purpose, the Government's taxation powers.

Taxation policy then, not wage and salary control, would influence differentials. Discussion of these would become what it properly should be — an open, political process where all citizens can take part in debate on how society, through the State, should influence the market distribution of income, using tax and social security measures, in accordance with the real social value of people's work. It is only in such a way that judges, for example, can effectively be made to show how their services require a several thousands pounds salary increase overnight and that people can evaluate whether the output of politicians justifies pay rises of £20 a week and whether nurses and hospital attendants, farm workers and hotel workers should be so poorly paid as they are.

Tax credits, likewise, could be used to provide a minimum income guarantee for the very low paid, the pensioners and the like, as is now proposed in Britain. This means that the Revenue Commissioners would give money to some people while taking it from others, in accordance with widely agreed social criteria which are openly decided on by the Oireachtas through political process. The tax and social security system should also be more rationally used to give high child allowances to the families needing them most and better benefits to older and handicapped workers, taking into account their real need for extra income, as can never be done by a wage system which decides pre-tax incomes according to entirely different principles (1).

One obstacle is the present exemption of farmers and many owners of capital from tax. Another might be the conservatism of the Revenue Commissioners in face of taking on new functions. Another could be the slowness of our experts and economists to think outside well-trodden paths. Most important might be the hesitancy of Irish employers and the Government before adopting a course which could be far more beneficial to the mass of employees than a National Wages Agreement.

But these are not insuperable. They certainly should not prevent the Irish Trade Union Movement from considering such proposals and putting them to the Government, if adopted, as part of an overall plan to help the low-paid and the weak of Irish society — a plan produced by the Trade Union Movement itself which would be more practicable, generous and thorough than any likely to be proposed by people from outside our ranks.

Pay Increases Raise Output and Productivity

All employees know that pay increases are good and the higher they are the better. But Trade Union leaders might more vigorously proclaim it, so loud and influential are the forces in our society saying the opposite.

Pay increases raise the public's demand for goods and services. They generate an expansive economic climate. The economic growth and rising standards of the 1960s could never have occurred in Ireland without the rapidly rising demand made possible by higher incomes. Indeed without high pay increases things could have been much worse. As Professor Nevin has written, "Most Western European countries have been operating very close to the limit of their capacity for almost the whole of the post-war period; theirs have been economies which have been bulging at the seams, as it were. Pressure on money incomes in such a situation can have only a relatively small influence on output; most of it will be dissipated in higher prices. Ireland is not in that situation. Taking the economy as a whole neither labour nor land nor capital is operating at anything like capacity. To ease the pressure on incomes in such circumstances may not be so obvious a thing to do; the fall in pressure may reduce the impetus to output as well as that to prices. This is not to argue that increased output in Ireland can be stimulated only by increasing demand, but it does point to one aspect of incomes restrai which is of particular significance to Ireland". (1)

(1) The Family Income Supplement, operating in Northern Ireland and Britain, is an example of such a measure. It gives additional income to low paid workers with families, on top of child allowances, while they are in employment. It is basically an attempt to compensate for the inability of the wage system in a market economy to take account of social needs like family responsibilities.

Pay demands are the best spur to increased efficiency and productivity by employers, keeping them under continual pressure to do better if they wish to maintain, not to mind increase, their profits. With a National Agreement this pressure is reduced and there is much less push on management to increase output and productivity.

Free collective bargaining is essential to allocate resources rationally in a market economy, for how else can employers attract and keep labour which is high in demand but short in supply? Where free collective bargaining has been interfered with for long periods, as in the Dutch and Swedish "incomes policies" of the 1960s, they have invariably broken down in the end, as is happening in the U.K. and USA at the present time. It is untrue to claim, as do economists hostile to trade unions, that wage differentials are primarily due to union wage rigidities. These reflect the conditions of the labour market, not cause it. Since the war, in every major industrial country, whether strong or weakly trade unionized, the relative position of different industries in the pay hierarchy has hardly altered. (2)

Do High Pay Increases Generate Unemployment?

Since they raise demand and output, increases in wages and salaries make more jobs in the economy. It is nonsense to argue, as do some conservative economists, that pay increases cause directly a growth in unemployment. They create jobs by putting money in the hands of the public, which has important multiplier effects. The demand thus generated creates far more jobs overall than are lost in marginal firms.

No one denies that such marginal firms exist, and are ofter smaller employers in weak or vulnerable industries. In sucn cases the expansive effect of a pay increase in increasing market demand and making it easier to sell what is produced, may be counterbalanced by the rise in costs which makes it more difficult.

Here the Trade Union answer is for employers to open their books, to take their employees into their confidence and discuss with them frankly the situation of the firm — not just when a

(1) **An Incomes Policy for Ireland,** Page 18. On an important related point concerning the effect of income increases on exports, Professor Nevin writes in the same work: "All the experience of Western Europe in recent years suggests that increased exports are a consequence of accelerated growth and not (or, at least, not only) a cause of it, precisely because productivity rises rapidly when output is rising and thus exports become competitive . . . The authorities may thus be in grave danger of putting the cart before the horse if they pin their hopes on increased exports as such, rather than higher output as such."

(2) OECD, **Wages and Labour Mobility,** 1965.

crisis arises but in advance when adverse trends first show themselves. Employees in a firm are as well able to appreciate the implications of costs and sales projections as can any accountant, if they are given the facts honestly and consulted on what to do about them, and will normally gear their own wage demands accordingly. When employees are not so consulted, when management are not willing to share elementary information with their staffs, why should the latter be blamed for concluding that management have something to hide and for acting in accordance with their trade union strength and organisation?

The Trade Union Movement should demand of employers and the Government that workers or their representatives should have access to the basic facts of the firm, especially in these marginal cases, and be entitled to be consulted on what is done, as an essential measure to prevent unemployment and raise productivity. It is perfectly possible to build in safeguards in such procedures against the divulgence of trade secrets or confidential information.

"Opening the books" provides plenty of scope for the Congress to discuss with our employers and to urge in legislation on the Irish Government. (1)

Is Inflation Mainly Due To Pay Increases?

The Trade Union Movement needs to nail the lie that it is the unions which are responsible for our rocketing inflation. High pay increases are consequence, not cause, as unions struggle to maintain their members' standards in face of soaring price rises, rising taxes and unproductive credit expansion by the Banks.

Essentially inflation means a situation where prices of goods and services are rising more rapidly than the actual increased output of the goods and services themselves. It has manifold causes, of which Trade Union pay claims are only one and by no means the most important.

On the one hand the insufficient growth of output can be blamed, due in turn to a multitude of causes-low investment, out-of-date capital, bad management, poor markets, the alienation of employees from their work and so on.

On the other hand the too rapid rise in prices can be blamed — higher import prices caused by inflation in other countries, world commodity shortages and the link of our currency to the sinking British pound; higher export prices as our meat, for example, gets more from EEC buyers than our housewives can pay at home; higher taxes to finance increased Government expenditure; higher profits and labour costs.

The whole process is fuelled by accommodating Bank credit, much of it for unproductive purposes, as we have shown, which dilutes the currency and makes unprecedented profits for the Banks.

(1) See Clive Jenkins and Jim Mortimer's **The Kind of Laws the Unions Ought To Want,** 1967, for a very valuable discussion of this and related matters. It contains much material relevant to the situation in the Republic.

In this complex situation it is impossible to show that employee pay demands and trade union strength and militancy are the primary and principal cause of inflation. Books on inflation are now themselves a growth industry, but the best economic writing shows that trade union action is a consequence, not a cause, of the other factors listed. (1)

Thresholds and Escalators — How Keep Up With Rising Prices?

The Trade Union Movement should not delude itself about the effectiveness of an escalator or threshold agreement in protecting their members' standards in a time of rising prices. These have been widely tried in America and France but have become in time quite unpopular with the people they covered.

Ruaidhri Roberts, of the Irish Congress of Trade Unions, has stated that whether we have a National Agreement or not "The Trade Union Movement should at least be aware of the desirability in all circumstances of insulating our wages against the effects of these increased prices by having all wages linked to a 1% increase for every 1% increase in the cost of living." (2)

This sounds fine but it would not preserve the real value of our members' wages. For most workers roughly one third of any pay increase will be taken in taxation by the Government. **Pay increases should therefore cover tax as well as price rises if their real living standards are not to fall.**

As Professor Louis Smith points out, (3) taxes on wages are automatically increased in a time of inflation by the Government's failure to adjust income tax allowances. If money falls 10% in value in a year then tax allowances should rise by 10% to give the same real worth. Otherwise the tax burden inceases. **Instead of 10% extra wages the trade unionist needs 10% plus the extra tax on the increase, or about 13%, to stay in the same position as before. Income tax allowances should be tied to the cost of living index, as is now the case in the Netherlands and Canada.**

Another objection to a 1% escalator is that cost of living increases are calculated on the official Government price index and do not allow for the different expenditure patterns of households. Lower paid families spend a greater proportion of their money on food, rent and housing. They will find that the price index is not weighted in their favour and that their cost of living in 1972

(1) For example F. Wilkinson and H. Turner, **Do Trade Unions Cause Inflation?** 1972; W. A. Morton, Trade Unions, Full Employment and Inflation, in R. J. Ball and P. Doyle, **Inflation,** Penguin Modern Economics, 1967. (2) ICTU Wages Conference, 16/5/1973.
(3) **Sunday Press,** 8/4/1973.

went up by more than the official 8.6%. Escalators and thresholds agreements are of small value to lower paid workers who suffer most through inflation. They merely maintain the differential between the two groups and in fact increase the cash difference between the two groups (1).

A 1% escalator is a minimum demand for Trade Unionists. It is inadequate, however, to protect their incomes fully because of the drawbacks mentioned and needs to be objectively evaluated in this light.

The Vital Role For Congress

The arguments point against the Irish Congress of Trade Unions supporting a new National Agreement this year. But this is not to deny that Congress has a vital role — in furthering co-operation in wage claims between unions, in representing the views of the whole Movement to the Government and in winning public opinion to support a policy for low paid workers through Government legislation on the lines discussed in this pamphlet.

Ruaidhri Roberts has said (2), "Without a National Agreement we shall simply continue to react to circumstances". But it need not necessarily be so. It is not the proper job for the Congress to negotiate on wages. This our members expect their own Union leaderships to do. There is, however, a vast job which is appropriate for the Congress. Doing it well will require the working out of new forms of consultation and cooperation between Unions. It will require new methods of approach to public opinion and a clearer presentation of the Trade Union case on incomes. It will call for new resources of expertise and organisation and a firmer presentation of the Trade Union case to the Government in numerous areas of social and economic policy other than wage bargaining.

In approaching its work along these lines the Congress would have the support of the whole Trade Union Movement and would be playing the forward and progressive role which is urgently called for in Irish society today.

Data on 13th and 14th Round Increases

(see tables on opposite page)

Explanatory Notes on Tables: It is not possible to evaluate the real increases or decreases in real earnings over the full three year period of the 13th and 14th Rounds until we know the cost of living increases in the last six months of 1973. Hence we take a 2½ year period. The two Tables are two ways of making valid comparisons of 2½ years of National Agreements with the increases in living costs incurred in the same period. Table 1 is based on the assumption that pay increases at a particular moment of time should be compared with

(1) See articles on escalators and thresholds by S. Kelly, **Tribune,** 17/7/1973 and J. Handy, **New Society,** 26/7/1973.

(2) At the Special ICTU Wages Conference, 16/5/1973.

TABLE 1

13th AND 14th ROUND PAY INCREASES COMPARED WITH COST OF LIVING INCREASES OVER 2½ YEARS(1)

	A	B	C	D	E	F	G	H	I
12th Round Basic Wage Rates as of December 31, 1970	£15	£20	£25	£30	£40	£50	£60	£70	£80
(1) 13th Round Phase 1 from Jan. 1, 1971	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
(2) 13th Round Phase 2 from Jan. 1, 1972	1.37	1.57	1.77	1.97	2.37	2.77	3.17	3.57	3.97
(3) 14th Round Phase 1 from July 1, 1972	2.60	2.60	2.69	3.10	3.72	4.14	4.56	4.97	5.39
Total Increase in 2½ years to June 30, 1973	5.97	6.17	6.46	7.07	8.09	8.91	9.73	10.54	11.36
26% Cost of Living Increase required in that period to maintain real wages	3.90	5.20	6.50	7.80	10.40	13.00	15.60	18.20	20.80
Increase or decrease in real wages in 2½ years to June 30, 1973	+2.07	+0.97	-0.04	-0.73	-2.31	-4.09	-5.87	-7.66	-9.44
Allowance for final 10p of 14th Round, Phase 1, July 1, 1973	+2.17	+1.07	-0.06	-0.63	-2.21	-3.99	-5.77	-7.56	-9.34

TABLE 2

	A	B	C	D	E	F	G	H	I
13th Round Basic Wage Rates as of January 1, 1971	£17	£22	£27	£32	£42	£52	£62	£72	£82
(1) 13th Round Phase 2 from Jan. 1, 1972	1.37	1.57	1.77	1.97	2.37	2.77	3.17	3.57	3.97
(2) 14th Round Phase 1 from July 1, 1972	2.70	2.70	2.79	3.20	3.82	4.24	4.66	5.07	5.49
(3) 14th Round Phase 2 from July 1, 1973	2.07	2.28	2.49	2.72	3.16	3.59	4.02	4.46	4.89
Total increase in 2½ years to July 1, 1973	6.14	6.55	7.05	7.89	9.35	10.60	11.85	13.10	14.35
26% Cost of Living Increase required in that period to maintain real wages	4.42	5.72	7.02	8.32	10.92	13.52	16.12	18.72	21.32
Increase or decrease in real wages in 2½ years to July 1, 1973	+1.72	+0.83	-0.03	-0.43	-1.57	-2.92	-4.27	-5.62	-6.97

(1) The first four columns of these Tables are taken from the valuable article by Manus O'Riordan on "Wages and Inflation", **Liberty,** August, 1973.

the rise in the cost of living during the subsequent phase and not with price increases during the previous phase. Hence if the 13th Round Phase 1 increase is included, the 14th Round Phase 2 should be excluded. Table 2 is based on the assumption that a pay increase at a particular time has a compensating function for prices increases during a preceding period. Hence if the 14th Round Second Phase on July 1, 1973, at the end of the 2½ year period, is regarded as compensating for price increases during this period, the 13th Round First Phase on January 1, 1971, cannot be so regarded. The cost of living increase of 26% occurred between November 1970 to May 1973.

While the Tables give the increases or decreases in real wages due to price increases, they do not give data, of course, on the effects of taxation, which will substantially affect real take-home pay for every income level, as referred to earlier in our pamphlet text.

Even more important in making comparisons, however, would be to see how data on productivity and real increases in output compare when measured against income increases at the different levels of pay. In the case of some workers their real output will have increased over the 2½ years by much more than their increases in pay; in the case of others their output increase will have been less. In evaluating the pattern of differentials shown in these Tables this is a crucial point, for to look at the pay side alone can give a very misleading picture. Unfortunately we have no national data on the productivity increase of workers on different income levels.

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