



The Impact of Austerity on Ireland

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Background

- Ireland's bank guarantee introduced with indecent haste in September 2008
 - Ireland had to foot a €64.1bn cost for saving individual banks
 - Led to Ireland's bailout in November 2010
- Ireland's first austerity budget introduced in October 2008



Policy

- Policy was driven by the Troika and was all about reducing borrowing to 3% of GDP by 2015
- ***The plan was:***
 - Make internal ‘adjustments’
 - Place Ireland on a secure funding footing
 - Benefit from broader economic recovery
 - Leave
- Ireland held up as the “poster child” for austerity and this policy had a real and negative impact on working people



What happened?

- ❑ Reduced day to day household spending
- ❑ Households not investing
- ❑ Government spending on day to day costs has reduced
- ❑ Government not investing in infrastructure
- ❑ Company spending on day to day costs has reduced
- ❑ Companies not investing



Impact on Ireland of Austerity

- From Q1 2007 to Q3 2010 there was a decline of 21% in GDP
- Ireland's general debt increased by 320% in the same period
- Unemployment grew from 4.6% in 2007 to 14% in April 2013
- Massive youth emigration – our brightest and best are leaving
- Legislation introduced to cut the wages of Public Servants who did not agree to a pay cut
- One in every seven jobs lost
 - Construction jobs reduced from 250,000 to 100,000
 - 10 % of Retail Jobs lost



Cost to Ireland of European Banking Crisis

■ According to Eurostat

- Ireland contributed €41b towards the cost of the EU banking crisis
- Cost to Ireland as a % of GDP is 25%
- Irish people have paid 42% of the total cost of the European Banking crisis – population 0.9%
- The European banking crisis to date has cost every individual in Ireland nearly €9,000 each.
- The average throughout the EU is €192 per capita.



Impact on Services

- Austerity cuts particularly the budgets of 2011 and 2012 were all about financing cuts and were not policy driven
- Carers, the elderly, the unemployed, people with disabilities, children, the poor were all hit hard by austerity
- Government refusal to pay adequate levels of rent supplement led to an increase in homelessness and the increases use of emergency housing which is more expensive
- No increases in pension payments since 2008 but big increases in prescription charges, heating and electricity has hit pensioners hard



Impact on Services

- Between 2009 and 2013 funding of the Health Services Executive fell by 22% - €3.3b
 - Staffing reduced by 22% - 12,200
- Funding of Universities has reduced by 35% with fees increased to €3,000 and bigger class sizes
- Unemployment rates have risen from 5% in 2008 to 11.4% in August 2014
- Increased levels of taxation
 - Water tax
 - Property tax
 - Universal Social Charge



Conclusion

- **Austerity has not worked and has cost jobs**
- **Austerity fatigue is growing – water tax considered to be a tax too many**
- **Austerity alone as a way of solving Ireland's economic crisis was a mistake and was counter productive**
- **Bondholders should have been burned**
- **Should have been a fairer distribution of the adjustment**

