No Going Back

A New Deal towards a safe and secure future for all
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Health

Pre crisis
• Unequal two-tier healthcare system.
• Underfunded and under-resourced system of public health.
• A disconnected system of privately provided residential care.

Post crisis
• A universal public healthcare system free at the point of use.
• An integrated and properly funded health and social care system.
• A proactive system of public health.

Housing

Pre crisis
• Private sector led housing system with sky-rocketing rents and house prices.
• Government subsidies and transfer of public land to private sector.
• Almost no new public housing provision.

Post crisis
• A right to an adequate, secure home that is affordable.
• A massive programme of public housing construction on public land.
• Tenant rights and rent controls.

Early years’ care and education

Pre crisis
• A market-driven model of provision.
• Some of the highest childcare fees in Europe.
• Low pay and poor terms and conditions for childcare workers.

Post crisis
• A high-quality public service for Early years’ care and education.
• Affordable and capped fees for parents.
• A model that values its staff.
• Staff salaries to be publically funded.
No Going Back   A New Deal toward a safe and secure future for all

**Education**

Pre crisis
- One of the lowest levels of per-pupil education spending in Europe.
- The highest class-sizes in primary schools in Europe.
- Amongst the lowest level of investment in third/higher level education in Europe.
- High rates of early school leaving from secondary school for disadvantaged pupils.

Post crisis
- Increased investment in education at all levels.
- Reduced class sizes.
- A fully funded plan to meet increased future education demand.
- An inclusive education system, particularly for disadvantaged communities.

**Collective bargaining and workers’ rights**

Pre crisis
- No right to collectively represent workers
- No right to access workplaces
- No right to organise
- No right for Trade Unions to be heard
- Bogus self-employment and precarious work practices.
- Prevalence of low pay

Post crisis
- A Trade Union Rights Act to include:
  - A right to collectively represent workers.
  - A right of access to workplaces.
  - A right to organise.
  - An end to bogus self-employment and precarious work practices.
  - Living wage should replace minimum wage.

**Social Welfare and Benefits**

Pre crisis
- Inadequate rates of sickness, disability and unemployment benefit.
- Waiting periods.
- No income protection.
- Extended state pension age.

Post crisis
- Guaranteed illness benefit and income protection.
- A sufficient social safety net.
- Social security and income insurance.
- No extension of state pension age.
Climate Action

Pre crisis
- Carbon emissions in both jurisdictions above EU norms.
- Targets too small to address the crisis.
- Exposure of vulnerable workers and communities.

Post crisis
- A ‘green new deal’ stimulus and inclusive plan.
- “Green proofed” public procurement.
- A “just Transition” for workers and communities.

International Solidarity

Pre crisis
- Tax havens and aggressive tax avoidance.
- Missed Official Development Assistance (ODA) targets.

Post crisis
- Abolition of tax havens.
- Commitment of 0.7% of national income to international development aid.
- Debt cancellation and debt restructuring.

Paying for this New Deal

Pre crisis
- An ‘under collection’ of taxes and social insurance.
  - In 2018, it was €11 billion in Ireland and €330 billion (£292bn) in the UK.
- An ‘under spend’ on public services and investment.
  - In 2019, it was €17 billion in Ireland and €368 billion (£323bn) for the UK.
- Increases in the cost of living caused by lack of investment in areas like childcare, housing, health, education and public transport.

Post crisis
- A new economic and social model based on progressive values.
- An infrastructure based programme of fiscal stimulus.
- A radical expansion of universal basic services.
- Higher taxes on net wealth, property, inheritances and gifts.
- Close the gap on social contributions from employers.
- Taxes on environmentally costly activities.
- A review of all current tax expenditures.
Executive Summary

The COVID-19 pandemic has caused unprecedented disruption to societies and economies around the world. This crisis has fundamentally changed the relationship between the state, businesses and workers. We must reassess our economic model in light of the sacrifices made by workers in essential services. The indispensability of basic services and the welfare state are also being brought into sharp focus. Our society has fundamentally changed and our economy needs to reflect that. There can be no going back.

Our recovery should occur as a gradual and phased unfreezing, alongside a parallel phasing out of government income and liquidity supports. Crucially, there can be no cliff-edge removal of these supports. Central Banks will need to make ‘whatever it takes’ commitments to ensure that governments are able to continue to act as income and liquidity sources of last resort. We must also recognise the scale of debts incurred by many households and businesses over this period and recognise the need for appropriate debt relief.

The length and depth of the recession will be determined, at least in part, by the policies we choose and values that guide us.

Recovery and Rebuild

- We have the potential to make a strong recovery, but this is dependent on keeping as much of our economic infrastructure in place as possible. Once the virus is in abeyance we can move to the stimulus phase of the recovery.
- While public deficits will increase, it would nevertheless be wholly unacceptable and inappropriate to implement or pursue cutbacks. The stimulus phase should principally focus on addressing the housing emergency and the transition to a zero carbon future.

Social Protection

- In addition to preserving our economic infrastructure, we must also make an equal effort to support our societal infrastructure.
- The crisis has forced us to reassess what we mean by adequate levels of social protection. We have learned that the level of social welfare previously offered to both the sick and the unemployed was inadequate, as were protections offered to private sector workers. At the end of the crisis we cannot pretend these levels of support are adequate to provide for any family.
• We must accept the inadequacy of the social welfare system that we abandoned in the crisis and build one based on a strong safety net and a decent standard of living.
• We must protect workers’ incomes in this crisis and the crises to come through a system of social security.

Workers’ Voice

• We should recognise the vital role that workers in essential services played during this crisis by ending the scourge of low pay and precarious work that pervades these sectors in particular.
• We should no longer tolerate bogus self-employment and precarious work practices. There should be an automatic presumption of employee status. All households should have a minimum and sufficient level of income that enables full participation in society, while all workers should be paid at least a living wage.
• All business support measures should be linked to trade union access and recognition and full and active participation in national industrial relations machinery in both jurisdictions: vetoes and opt-outs for statutory bodies such as JLCs are not tenable and they never were.

• We must vindicate the rights of workers across the island of Ireland by ensuring their voice is heard through access to collective bargaining.

Health

• This pandemic has shown that the public health care system is singularly the delivery model of choice, when the universal human right of the people to health care and life itself is threatened.
• We must build a universal public healthcare system free at the point of use funded by taxation across the island of Ireland.
• We must also re-invest in publicly provided long term care and a proactive system of public health.

Education

• We must greatly increase investment in education at all levels if we are to build a high-productivity, high-skills competitive economy. This also means planning for increased demand in the future.
Childcare

- The emergency model adopted for childcare should be retained. Employee compensation in the sector should be paid by the government in both jurisdictions in the future.

Housing

- The ongoing failures in the provision of housing – an essential public service – points to the need for a major public house building programme on public land undertaken through public agencies. Legislation is needed to oblige all levels of government to realise the right to adequate, safe, secure and affordable housing.

Poverty

- Create a society built on an equality and human rights framework that would seek to end the scourge of poverty through policies designed to reduce income and wealth inequalities.

In order to achieve this society, we must have an economy where our obligations are shared out equally. Businesses which have received the protection and support of the state during this crisis must now be called upon to contribute their fair share to this new social contract.

A New Deal and How to Pay for it

- The enormous levels of state support for the private sector during the great lockdown highlights the fundamental reliance of business on the state. As during the Great Depression, we have discovered that the state is not only the income and liquidity provider of last resort – but it is also the insurer of last resort for the entire private sector.

- There must be a fundamental reform of government revenue on both parts of the island in order to bring us into line with the rest of Western Europe. In particular, there needs to be a medium-term expansion of employer social security contributions, as well as increased taxation of wealth, passive income and environmentally damaging activities.
Introduction

The COVID-19 crisis is a major and transformative shock to the global economy that will have profound and long-lasting social, economic and political implications.

The great lockdown has already produced radical economic policy interventions that would have been unthinkable just months earlier. Parts of the economy have been put into deep freeze. Governments around Europe are acting as income sources of last resort and paying the bulk of wages for a significant minority of private sector workers. Further radical measures are possible including billions in grants, tax deferments, subsidies for short-time work and zero interest loans to private businesses.

Unemployment rates have surged across the globe with some countries reporting record numbers signing on. Government deficits will reach double digits in many countries as tax receipts collapse and as governments support household incomes and funnel liquidity to the private sector. The indispensability of basic services and the welfare state are being brought into sharp focus, as is our understanding of essential work. Eventually the massive public deficits brought on by the crisis will require some combination of tax increases, debt relief, or financial repression through higher inflation. National and international policies to minimise borrowing and debt servicing costs will be essential.

Rebooting the economy will be challenging and in some ways the concept of rebooting is unhelpful. Instead, the recovery should occur as a gradual and differential unfreezing of activity by sector, alongside a parallel phasing out of government income and liquidity supports.

Governments must agree protocols with unions and employers that ensure full protection for workers and the public in workplaces in line with public health advice, as containment policies are gradually lifted and replaced by targeted measures to protect workers and workplaces.

When we are confident the pandemic is firmly under control and clearly in abeyance, then we will need to move from ‘support’ policies to ‘stimulus’ policies.

We are enduring an economic crisis that is qualitatively different to any other recession in modern times. A new type of crisis requires us to consider policies that might otherwise have been rejected as politically impossible.

The scale of financial commitments that nation-states will make over the coming months and years may imperil their debt sustainability. In order to prevent financial contagion across the European continent, and to enable individual countries to avoid having to implement cutbacks, it will be imperative that nation states are immune to the dangers of rising bond yields and debt servicing costs. Monetary authorities need to make a ‘whatever it takes’ commitment.
to ensure this does not happen regardless of inflationary concerns. We will need to consider all progressive policy options over the months and years to come including debt mutualisation at the Euro area level.

Eventually we will find a vaccine and a degree of normalcy will return to the global economy. But that will not be the right time to ask ourselves what type of economy we want in the future. The time to consider that question is right now. The status quo was not working for millions and is, in any event, an environmentally unsustainable model.

We need a new deal for workers and households that is negotiated through dialogue with government and employers.

We must replace the low-road model of economic development that characterises both economies on the island of Ireland, focusing as it does on cost reduction, low pay and precariousness. This model should be replaced by a high-road model based on high productivity well-paid jobs with a fair share of income for workers, a right to collective bargaining. Equally, the new economy that emerges on the other side of the crisis should be based on the principles of inclusive growth, environmental sustainability and universal basic services.

The enormous levels of state support for the private sector during the great lockdown highlights the fundamental reliance of business on the state. As during the Great Depression, we have discovered that the state is not only the income and liquidity provider of last resort – but it is also the insurer of last resort for the entire private sector. It is therefore clear that the time has come for a fundamental overhaul of the levels of per capita government spending and government revenue. In particular, Congress argues that there should be a significant widening and deepening of employer’s social insurance contributions (the social wage) in order to bring it up to the EU average. We also argue that the time has come for the introduction of net wealth taxes and a full review of tax incentives to ensure a focus on sustainable progressive incentives and support for a just transition to a greener more sustainable economy.

The crisis has forced us to reassess what we mean by adequate levels of social protection and what we mean by essential workers. No longer should any worker have to work for less than the living wage and no longer should we tolerate bogus self-employment. There should be an automatic presumption of employee status. All households should have a minimum and sufficient level of income that enables full participation in society, while all workers should be paid at least a living wage.

The decades long attack on, and undermining of, universal basic services must end. Crucially, the Republic of Ireland
must transition to a single tier health service. The two tier public/private system has impeded the care delivery model. The lack of investment and reliance on private providers, particularly in public provision of care of older people has rendered a sector now in need of state rescue.

Childcare costs are extremely high on both parts of the island and this acts as an impediment to labour market participation – particularly for women. The state should pay the wages of all workers in the early year sector, while subsidising other costs for parents.

There must be a return to public provision and democratic control of key services on both parts of the island. For example, the gradual expansion of free public transport over the medium-term is an important element of meeting the carbon targets and ensuring a just transition. A ‘green new deal’ should form the basis of industrial policy and this deal should be guided by the principle of a just transition for workers and households. Other elements of the green new deal should include state-led consortia to deliver renewable energy and home and work retrofitting at no upfront cost with repayments linked to income.

The ongoing failures in the provision of housing – an essential public service – points to the need for a major public house building programme on public land undertaken through public agencies and a programme of public housing for all. Such a programme would act as an important stimulus to work creation and community re-development.

It is Congress firm view that this crisis requires the amendment of the Constitution to insert a right to adequate, safe, secure and affordable housing. Such a provision would provide a basic floor of protection and, crucially, would oblige all levels of government, including local authorities, to progressively realise that right. In Northern Ireland there should be legislation enacted to ensure a similar obligation for all levels of government.

Finally, without collective bargaining there can be no real engagement with unions. All business support measures during the crisis should be linked to trade union access and recognition and full and active participation in national industrial relations machinery in both jurisdictions. Vetoes and opt-outs for statutory bodies such as Joint Labour Committees are no longer tenable.
Both economies and societies will eventually recover from the great lockdown. However, the length and depth of the recession and the extent of human loss will be determined, at least in part, by the policies and values we choose now. Now is also the time to consider the type of economy we want in the long-run. This should be an economy based on inclusivity, participation and on sustainable development in line with commitments under the UN Sustainable Development Goals (SDGs).

The rest of this paper outlines the Congress view on how this can be achieved.
Stay Safe – Managing the Great Lockdown and the Aftermath

There is nothing in modern history that compares to a recession of this type. It will certainly be very different in nature to the demand-side balance sheet recession that shook the global economy after the 2008 financial crash. The supply-side nature of the COVID-19 containment shock renders conventional monetary and fiscal policy almost irrelevant.

For each month of containment, the OECD estimates output will decline by 25% in the median economy and that there will be an annual loss of 2 percentage points of economic growth. The tourism sector faces a decrease of up to 70%, while sectors such as wholesale/retail trade, real estate, aviation and construction will all experience deep declines. The OECD project that the initial impact of the shock will range from just over 15% of GDP in the Republic of Ireland to almost 35% of GDP in Greece. All the job gains made since 2012 could be lost in mere weeks.

The IMF forecast that the US economy will contract by 5.9% in 2020 and that the euro area will contract by 7.5%. Record numbers are falling into unemployment across the OECD. The impact will be similarly devastating across the island of Ireland. The IMF projects that the Irish economy will shrink by 6.8% and that the UK economy will contact by 6.5%. Governments face a massive rise in public debt with deficits averaging over 10% in rich countries. The tourism sector faces a decrease of up to 70%, while sectors such as wholesale/retail trade, real estate, aviation and construction will all experience deep declines. These industries tend to employ a greater proportion of females and young workers and they are likely to be disproportionately impacted by this crisis.

Even so, there is an expectation from most institutional forecasters that economies will be able to return to growth swiftly, with a recessional duration of perhaps just two quarters and minimal damage to productive capacity. However, this projection comes with major caveats. There have never been attempts to shut down and then restart economies on anything remotely like the scale envisaged this year. In addition, we simply do not know the trajectory of the pandemic over the next year or so and the implications for economic activity.

State as income source of last resort

Both economies on the island of Ireland are facing a sharp economic downturn. The need to prevent large scale permanent job losses and a destruction of productive capacity is second only to ensuring sufficient resources for health services as an economic imperative.

Protecting jobs and productive capacity necessitated large-scale supports for businesses and manufacturers to cover wages and other costs for the periods when they were shut down or impaired by the COVID-19...
shutdown. There are some firms for whom activity has slowed dramatically and there are firms for whom activity has simply evaporated. In effect, the state needed to become the income source of last resort for the private sector as well as for households.

In this context, the decision to introduce temporary wage subsidies as advocated by ICTU was necessary and correct, as were the decisions to enhance the level of social protection payments for those put out of work. Preserving the existence of as many vulnerable but viable firms across the economy as possible is essential, as is preserving the connection between employer and employee. In the Republic of Ireland, the cost of the €350 pandemic payment and the wage support schemes have together been budgeted at 4 to 5 billion euro over 12 weeks.

A reformed short time work scheme should also be considered as a way to preserve jobs and skills within firms that can continue to operate, albeit at reduced levels for safety or other reasons. These schemes proved effective in Germany and other countries during the 2008 crisis. For firms who face closure, direct government grants of sufficient scale and a postponement of tax obligations should be available to all such businesses that commit to decent work and to retaining their workforce.

Traditional monetary or fiscal stimulus is not the correct economic response to this type of shock, at least not just yet. With the exception of additional resources for health sector support, such measures would be inappropriate and ineffective at this time as we are actively trying to suppress certain types of economic activity and to deep freeze the economy. A major economic stimulus will eventually be required across the OECD but the right time for those policies will be in the second half of 2020, or whenever the virus goes into abeyance. For now, we need an economic support package rather than a stimulus package.

Fiscal and monetary policy ‘whatever it takes’

The crisis will cause the public finances to go sharply into deficit across the OECD in 2020. Even so, governments must do whatever it takes to preserve the productive capacity of the economy. Fiscal and monetary policy will both play essential roles supporting the economy. Crucially, private sector businesses will need access to guaranteed liquidity during the acute stage of the crisis.

Zero interest loans should be made available to tide businesses and households with cash flow problems through the next few difficult months. If Central Banks show willingness to operate as de facto lenders of last resort for governments, then governments will themselves be able to operate as guaranteed lenders of last resort.
providing liquidity support for households and firms across their economies.

This is potentially problematic for the Republic of Ireland as it does not control its Central Bank. If the ECB were to fail to act, then the Irish government should borrow the money it needs directly. Borrowing costs are currently close to zero and the announcement by the ECB of a €750bn bond buying programme should keep them there. For Northern Ireland, the UK government have indicated their willingness to extend supports to firms and the Bank of England may directly support UK public deficits.

**Transitioning from support to stimulus**

The current lockdown is a public health emergency of an unprecedented nature. It can only be tackled with unprecedented measures. As we transition from lockdown to stimulus households and businesses that were viable ‘pre-COVID’ cannot be saddled with debt that they accrued solely because of their compliance with a lockdown imposed for public health reasons. This would be beyond unfair. Such debts would act as a brake on business and a barrier to employment.

We call for a debt-write down of COVID related mortgage, rent, utility and insurance debts. Where this cannot be realised we call for the introduction of a once-off levy on capital income to ensure that the financial burden of this crisis is borne by all. We oppose the socialisation of private COVID related debt and seek to engage to establish the most effect use of relief funding as stimulus to work and business.

In addition, such a strategy would help avert a situation whereby firms transition out of the acute phase of the crisis in a vulnerable state and weighed down with mounting debts. Governments would essentially ‘eat’ the cost which then spreads it over the population as a form of social insurance. The economy will be stronger in the long-run because disruptive business failure and permanent job loss is averted and productive capacity maintained.

The transition from the support phase to the stimulus phase will depend on the progress of the virus itself and its diffusion through the community. The lockdown is likely to be eased differentially between and within economic sectors and has the potential to return again and again until such time as a vaccine is publicly available. Great care must be taken around the ending of recent measures taken to support incomes. Moving too fast would damage aggregate demand and potentially prolong the recession. Against this is the immense fiscal cost of maintaining these schemes. A phased reduction in the generosity of the wage-subsidy scheme on a sector by sector basis may be wiser than a sharp cut-off after 12 weeks.
We have the potential to make a strong recovery from this crisis, but it is dependent on keeping as much of our economic infrastructure in place as possible. Once the virus is in abeyance we can move to the stimulus phase of the recovery. While public deficits will be severe, it would nevertheless be wholly unacceptable and inappropriate to implement or pursue cutbacks.

Household and businesses will also have incurred significant debt over the period of this crisis. Whether through rent, utility bills and other contracts, households and businesses will require appropriate relief including debt write-downs where necessary.

The stimulus itself should be consistent with the principles of inclusive and sustainable growth. Congress’s view is that there should be a green investment stimulus to include retrofitting, public transport and renewable energy infrastructure coupled with higher levels of investment in areas like childcare, and a massive increase in spending on public housing.

We also see the need to invest in people as that will be necessary to fully realise this new flourishing economy. There has, for many years, been a deficit in spending on education across the island of Ireland. For the Republic of Ireland, only two countries spent a lower proportion of national wealth on education. As we move forward from the current crisis, the lessons of the hugely damaging austerity agenda of successive governments that followed the last economic downturn must be acknowledged. The education system must be protected from further damage.

Such a programme should be paid for by increasing per capita government revenue to Western European averages over a five to ten-year period.
A New Deal for Workers and Households

Now is the time to consider the type of economy we want in the long-run. This should be an economy based on the values of solidarity, fairness and equality as well as inclusive, participative and sustainable development.

Workers’ Voice

Most households are reliant on wages for the bulk of their income. As such, a minimum goal for all governments should be to achieve wage growth that outstrips increasing costs of living. In the short-to-medium term, workers can achieve real wage growth by increasing the productivity of their labour, or by negotiating a larger share of GDP through collective bargaining. In the long-term, an economy can only sustainably achieve high real hourly wages if it also achieves high levels of productivity. A collective approach to labour market regulation involving workers and employers can resolve collective-action problems related to skill formation, retention and training, leading to an increase in labour productivity.

Trade unions can influence both the labour share and the productivity channels, to the benefit of workers. On one hand, unions increase the bargaining power of labour thereby enabling workers to negotiate a larger slice of the economic pie. At the same time, coordinated wage bargaining can impede cost competition strategies and encourage productivity enhancing measures, and in so doing push the economy towards a high wage and high productivity equilibrium.

The high-road economic model that exists in many European countries shows that collective bargaining is consistent with high levels of productivity and strong economic performance. There is no intrinsic tension between collective bargaining and economic efficiency. Alongside this, international research shows that collective bargaining strength is positively associated with a higher labour share and with lower economic inequality.

Competitiveness is consistent with the high-road approach based on driving productivity, but also ‘low road’ approaches based on driving wages and other costs downwards. However, only the high-road approach is consistent with inclusive growth. IMF and OECD research finds that more prevalent trade unions and collective bargaining are associated with reduced market inequality.

In July 2019, Congress brought forward proposals to promote collective bargaining in the Republic of Ireland. These included the revision of existing industrial relations legislation to unblock and facilitate the regulation of pay and conditions of employment in certain sectors, such as through Joint Labour Committees; the adoption of a Trade Unions Rights Act setting out a Charter of Rights for trade union members; the adoption of a new European directive.
on collective bargaining, and availing of the scope under European procurement legislation to promote collective bargaining in procurement. Trade unions should also have a statutory role in all health and safety inspections.

OECD research points to the inclusive collective bargaining systems of Austria, Denmark, Germany, the Netherlands, Norway and Sweden, where coordinated, sectoral agreements set broad framework conditions but leave detailed provisions for firm-level negotiations. The OECD finds that such systems are associated with better employment, productivity and wage equality outcomes than the predominantly firm-level bargaining with less sectoral bargaining and coordination in the Republic of Ireland, and especially the firm-level only bargaining in Northern Ireland.

The positive outcomes arising from inclusive collective bargaining systems has led the OECD to conclude that:

‘The best way of fostering an inclusive collective bargaining system is through well-organised social partners based on broad memberships. To extend social dialogue to all segments of the economy, including small firms and non-standard forms of employment, governments should put in place a legal framework that promotes social dialogue in large and smalls firms alike and allows labour relations to adapt to new emerging challenges.’

Implementing Congress July 2019 proposals to promote collective bargaining would begin to put such a legal framework in place in the Republic of Ireland and contribute to economic recovery. A similar framework is also essential in Northern Ireland.

**Engagement with trade unions**

Social dialogue, according to the ILO, covers ‘all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy’.

In its country report for 2019, the European Commission commented that social dialogue in Ireland is ‘characterised by its mostly consultative nature’ and that unions and employers’ representatives ‘are rarely involved and consulted in relation to the European Semester process by the government’. The government did not address this criticism in its formal reply to this report.
In response to a joint proposal from Congress and IBEC, the government agreed in November 2019 to review the Labour Employer Economic Forum (LEEF). Congress subsequently sent proposals to government with the aim of giving participants a meaningful and timely involvement in the design and implementation of economic, employment and social policies. This review has been suspended pending the formation of a new government.

The absence of any forum for engaging with unions in Northern Ireland has been a longstanding weakness with regard to the functioning of the Northern Ireland Executive. The dialogue previously attempted through the Civic Forum proved too broad to be able to make any meaningful contribution. If it is to function effectively, the Executive needs to engage with unions.

The Executive realised this by convening an Engagement Forum involving unions, employers, and state agencies at the onset of COVID-19 to advise and support the Executive to protect workers and the economy. Such a forum is needed beyond times of crisis to ensure a fair and prosperous economy for Northern Ireland.

We are convinced that a reformed LEEF in the Republic of Ireland and a permanent Engagement Forum in Northern Ireland are needed, now more than ever. And we are equally convinced that a deeper engagement with unions must be part of a broader inclusive process encompassing proper dialogue with civil society, more participatory decision-making, and democratic reforms at domestic, European and international levels. We need a democratic social contract to rebuild our economy, promote decent work and pay, tackle fundamental societal challenges in health, housing, and education in particular, through better public provision, and to decarbonise.

In the Republic of Ireland, both the outgoing government and the parties currently negotiating the formation of the next government, have made various commitments to engage with stakeholders regarding economic recovery. To ensure that such interventions are effective and achieve their intended goals and that all stakeholders benefit, sectoral committees should be established involving employee, employer and Government representatives to assist in the development and implementation of sector-specific responses and subsidies, the retention and re-employment of staff on decent wages, working conditions and work, in line with commitments under UN SDG 8 in particular which commits us to promoting inclusive and sustainable economic growth and decent work for all.

And it is clear that an intrinsic component of engagement with unions is collective bargaining. A genuine commitment to engaging with unions, by definition, means respecting and upholding the fundamental right of workers to bargain collectively with their employers to address the inherent power imbalance in their relationship.
To ensure that such interventions are effective and achieve their intended goals and that all stakeholders benefit, sectoral committees should be established involving employee, employer and Government representatives to assist in the development and implementation of sector-specific responses and subsidies, particularly in the tourism, wholesale/retail, real estate, aviation and construction sectors.

Decent Social Protection

Some of the most significant economic policy decisions taken by the government during the COVID-19 pandemic relate to social welfare and benefits.

As the full scale of the economic impact of the pandemic emerged, social welfare payments were also altered for those who lost employment. In the Republic of Ireland, a COVID-19 unemployment benefit was introduced which was paid at 1.7 times the standard rate of Job Seekers’ Allowance. In Northern Ireland the UK government increased various elements of the Universal Credit Payment which includes Job Seekers allowance and Housing Benefit.

However, government support in this crisis has gone beyond the standard welfare payments that we have come to know. Following intense pressure from Trade Unions, a third pillar of protection was introduced on the Island of Ireland. In both the Republic and Northern Ireland, schemes were introduced which sought to protect the earnings of individual employees who were made temporarily redundant by their employer.

In the South, CSO Live Register figures from late-April showed that over 800,000 people were in receipt of social welfare income supports, with almost 600,000 in receipt of the COVID-19 Pandemic Unemployment Payment. In Northern Ireland, there have been 45,000 new claimants for Universal Credit between the middle of March and the middle of April, a 10-fold increase.

The first thing we have learned is that the level of social welfare that was previously offered for both the sick and the unemployed is inadequate. Once this crisis began to take hold, government policy on the island of Ireland recognised this immediately. This recognition cannot be simply unwound.

At the end of this crisis we cannot return to the previous rates of illness and employment benefit and suddenly pretend that they are sufficient to provide for any family. Beyond social welfare, our experience of this crisis has also taught us that we are missing another central plank in the welfare state, social security.

From Social Welfare to Social Security

Over the few short weeks since the outbreak of the pandemic, the social welfare system on the island of
Ireland has changed dramatically. While the measures are certainly welcome, the fact that they were necessary at all should cause us to ask whether our system was really fit for purpose before this crisis.

There will be many who will argue that the COVID-19 pandemic represents a unique historical episode and that no lessons can be drawn from the policy changes that flowed from it. This is mistaken. The response to the COVID-19 crisis reveals fundamental flaws in our social welfare system and importantly also shows what the solutions are.

Yes, the circumstances of the COVID-19 are unique. However, the nature of the labour market disruption is the same as it has always been. A large number of people have had their employment terminated or curtailed through no fault of their own.

In previous recessions, job losses have occurred more gradually and affected fewer people overall so it has been easier to ignore the inadequacies of our social welfare system. This is no longer the case.

Social security is often used in lieu of social welfare as if both terms were interchangeable, but they are not. Social welfare describes the standardised benefits and transfers made to citizens who become unemployed. Social security is a means by which the state provides insurance for the income of workers if they lose their employment.

The last few weeks has shown that in order to tackle a global crisis like COVID-19, social welfare was not sufficient, we needed social security. We would argue that this will be the case in the future too. Social security will also be required to deal with the ongoing climate crisis.

After this crisis we all must urgently focus on the task of decarbonising our economy in order to save our planet. If we are asking workers across the world and on the island of Ireland to give up their work and livelihoods for the benefit of us all, we must offer them the same protection that we have offered furloughed workers in this crisis. Workers impacted by climate change must have income guaranteed social security until they can secure work commensurate with their skills and ability and adequate to their need.

Yes, the circumstances of this crisis have been unique, but what it has really shown us is that we are simply unprepared for the crises to come.

**Valuing that which is essential**

COVID-19 virus has caused governments to shut down large sections of the economy in order to contain infection. However, it is not practical in any sense to shut down an economy entirely.

Governments have been clear that there are essential services necessary to have a functioning society. In these sectors workers must report for work as normal in order
to maintain life, health and recovery, food and energy supply as well as vital public services. What this crisis has shown, is that there are thousands of workers who are essential to our economy. This means that at its most basic level of functioning, our society cannot survive without the labour that these workers provide. This is surely the definition of an ‘essential worker’.

Given this definition, one would expect that a society which recognises the indispensability of these workers would seek to ensure that we have an economy which rewards these workers commensurate with the value that we place on their labour. We do not.

Instead, we have an economy where essential workers are among the lowest paid people in employment. In many instances, some of these workers also face the most precarious forms of employment so that the inadequate reward they receive for their labour is also highly uncertain. In many cases these low paid but essential workers are female and this is the driving force behind the persistent gender inequalities in our labour market.

There are many ways to measure low pay, but one of them is to measure the average wage of an employee against the Living Wage. The Living Wage is the wage level that researchers have come up with to calculate how much a worker needs to earn in order to have a basic standard of living.

In the Republic of Ireland, more than 50% of Wholesale and Retail workers earn below the Living Wage. In Northern Ireland 40% of workers in food manufacturing, 55% of residential care workers and 60% of workplace cleaners earn below the living wage. What this means is that workers who we deem to be essential are not paid a wage that is sufficient to support a basic standard of living.

There are too many sectors and industries that have been labelled as low skilled and therefore consigned to perpetual low pay. If anything, the COVID-19 emergency has shown workers in these sectors that they are worth more than our economy currently values them.

After this crisis has abated, after the weekly applauses have ended and the lights in windows have been extinguished, we cannot simply return to the way things were. Workers in these sectors deserve more than a weekly bonus or a one-off payment, they deserve to be valued.

Reforming the welfare state

1. Universal Basic Services

Universal right of access to basic services should be on the basis of need and not ability to pay. Essential needs include health, education, housing, transport, childcare, and adult social care. It also requires bringing essential
services such as waste collection and recycling into public control. Universal basic services are the provision of free (or extremely low cost) public services available to all and funded by taxation.

Universal basic services should be considered critical investments in the social infrastructure needed for required and economies to flourish. The framework needed is one based on the principles of need and sufficiency. Meeting our sustainability targets will require a re-imaging of the bounds of the welfare state including the provision of free education and healthcare, affordable housing, childcare and adult care, and greater access to heavily subsidised public transport. Expansion of universal basic services would reduce the significance of market inequality through de-commodification of essential services.

2. Health

The COVID-19 crisis has been a major challenge for health systems worldwide. The pandemic has made starkly clear the extent to which we collectively rely on healthcare workers of all types to keep us safe, often at considerable risk to themselves.

Like many aspects of our welfare state, the COVID-19 pandemic has caused us all to re-examine the adequacy of our health services. The speed and scale of the impact of this pandemic has challenged how we think and value health service provision in many ways.

In the South, the most obvious example of this re-examination is the temporary nationalisation of private healthcare facilities so that the existing public healthcare system has the capacity to respond to the crisis.

The Republic of Ireland has had a healthcare crisis for decades, but once again, it has taken the speed, scale and scope of the COVID-19 emergency to demonstrate where the solutions lie. Because of the absence of universal health coverage and long waiting times for treatment, the unmet need for medical care in the South is above the European average, with people on low incomes encountering greater barriers to access health services.

We cannot continue with a system that discriminates in access to essential services such as medical tests to medical tests and care according to whether an individual has private insurance. Sláintecare represents a programme to realise such a system. The plan was agreed in cross party committee in 2017 and adopted by government. The plan commits government to creating a modern, integrated health system delivering timely care based on clinical need for everyone. Congress reiterates its support for this programme, which is needed more than ever.
The health service is at a critical juncture with plans to transition from a system of over reliance on acute care to one of universality and the development of primary care services. Planning must now start for delivery of the vision for an integrated, universal health service and to do this it must ensure appropriate funding and staffing are made available.

This pandemic will have a long term effect on health services, the delayed care and the mental and physical exhaustion of frontline health care workers will inevitably result in crisis care models continuing for well into 2022. To serve the public and learn from this difficult period we must keep what was good and what worked.

We must remove the recruitment embargo and prioritise clinical leadership teams, care delivery based on clinical need on presentation, care triage and stepdown post-acute phase in the community.

Both the Republic of Ireland government and the Northern Ireland Executive must now implement a sustainable funded workforce strategy to ensure that we can rectify the current nurse and midwife staffing problems in the public health service and compete within an international labour market which will be suffering the same aftershock and competing in the same pool for health care professionals.

This is essential in order to ensure that a sustainable level of nurses and midwives are available to continue to deliver care. The workforce plan must include increasing the undergraduate places for nursing and midwifery and other health care professional training. We know that the CAO figures confirm applications exceed places for nursing, medical and other HCP courses and we must now capitalise on this as it is an advantage we hold.

We must also re-invest in publicly provided long term care. In Northern Ireland we must end the practice of the private sector delivering public sector work. Care homes, which are mainly delivered by the private sector, experienced almost a quarter of the overall deaths during the pandemic. Across a broad range of services, the delivery needs to move from the private sector back into the Health & Social Care system. Permanent jobs must again become the norm in health and social care with agency worker being utilized in only a small number of areas.

In the Republic of Ireland, outsourcing of the care of our older population means that 82% of this care is now provided for profit by private organisations. This was a mistake and if we learn anything from this pandemic it must be that public service delivery of this care with established staffing levels must be the future.
While Northern Ireland benefits from a universal healthcare system and an integrated health and social care system, many of the lessons in the Republic of Ireland still apply. Outsourcing is creeping into the system and this cannot be allowed to take hold.

Furthermore, the COVID-19 crisis shows how the cuts to public spending that have taken place over the last number of years reduced much needed spare capacity in Northern Ireland’s social care system. These cuts to social care have placed an even greater burden on our health service than might have otherwise been.

Across both parts of the Island of Ireland however, irrespective of the system of healthcare that exists, the absence of an adequate system of public health has been one of the most glaring inadequacies exposed by this crisis. Public health is different from healthcare. Public health seeks to ensure that people lead healthy lives and that we take proactive measures to ensure it. A public health system which invests in preventative care in the community and guarantees a decent quality of life to those living with chronic health conditions should be the foundation of our new approach to health.

The virus represents a wakeup call. This is no more apparent than in the care facilities we provide for our increasingly ageing population. We have paid a price for underinvestment in our care services, has been revealed in the unacceptably high number of deaths in these facilities. As a society we owe an obligation of decency to our elderly and vulnerable population in the care that we provide. It is clear from this crisis that we have failed in that duty.

The failure of successive governments to invest in health, coupled with ideologically driven cutbacks and outsourcing policies, have led to critical failures in patient care systems which must now be put in place to ensure this does not happen again.

3. Education and Childcare

The numbers of students in primary, post-primary and tertiary education have risen significantly in recent years. They are expected to continue to rise, especially in post-primary and tertiary education, until at least the middle of this decade. Investment in education is more than repaid economically via increases in the productive capacity of the economy and via benefits in areas such as crime reduction, health improvements, civic and social engagement.

What economists call human capital development, which is a life-long process, not only enhances labour productivity but is also a necessary input for and complement to innovation and economic development. Early years are
the most important for such development and strong education systems are empirically associated with faster economic growth. Spending on education generates positive externalities for the wider economy to the extent that it represents genuine investment in useful learning and critical thinking.

Government spending on education per pupil is low in both jurisdictions compared to other high-income countries and just two thirds of the per-pupil spend in Switzerland. Total spend is only one element of overall educational outcomes. Even so, both countries lag on a per pupil basis with the Republic lagging in terms of spending on primary and tertiary education. Similar shortfalls also exist within post-primary, further and adult education. If we want to increase the long-run productive capacity of the economy, then we should significantly increase the amount of money we spend per pupil on education.

A similar point can be made about total government and higher education spending on research (R&D). The Republic and the UK both spend well under half the amount that the best performing countries spend on a per person basis. This is a false-economy that will ultimately reduce our long-run growth potential.

Continuous learning for adults is crucial for the changing world ahead. Worryingly, the Republic of Ireland and the UK exhibit very low rates of in-job training at 23.3% and 30.6% of employed people in 2016, substantially less than the top performers. This policy risks significant hardship for workers facing changes in the form of automation or the change to a sustainable economy. This absence of investment in skills could imperil our long-term economic prospects and the success of our “Just Transition” plans. Government policy must address these gaps to ensure workers are equipped for the economy of the future.

A notable labour market policy failure in the South and in Northern Ireland is the very high cost of childcare. This acts as a barrier to labour market participation for second earners and lone parents. It not only leads to exclusion for these groups (primarily women) but also makes our economy weaker and less productive in the long-run. The emergency model adopted for childcare should be retained. Employee compensation in the sector should be paid by the government in both jurisdictions in the future, with households only paying non-labour costs, with regulation of fees.

4. Housing

Affordable, secure and high-quality housing is pivotal for life chances. Unfortunately, our housing systems fail many people including the young, individuals on low to middling incomes, those in precarious forms of work and
the vulnerable. Rather than a right, adequate housing has been treated as a luxury across the island of Ireland.

Housing provision in both jurisdictions has come to be dominated by speculative builds and widespread financialisation in many of the linked submarkets of our housing system. Where the state formerly intervened to provide affordable housing at scale, our housing systems in both jurisdictions are dominated by private provision supported by state subsidy.

In Northern Ireland and the Republic, housing is increasingly sourced on the private rental market where previously, many individuals could avail of public housing in the form of provision by the Northern Ireland Housing Executive in NI and various Local authorities in the Republic. In both systems, these tenants experience the most acute issues of affordability. These tenancies also face the most precarious living situations, a fact recently highlighted by the COVID-19 crisis.

In both regions, the state should intervene to address issues of supply and demand. In the shorter term, the current pandemic provisions controlling rents and limiting evictions should be extended. Private rental tenancies should be reformed along NESC proposals to build a secure occupancy regime to construct a viable tenure option across the island. Tax instruments can target unearned windfall gains accruing to landowners and raise revenues from site values to encourage the productive use of land. Tackling bogus self-employment and precarious work in the sector is essential if the construction sector is to represent an attractive career for workers. Government should legislate to improve these working conditions, collect needed revenues where workers are misclassified, and mandate green and labour friendly conditions within procurement contracts.

Public authorities should build viable and attractive public housing which should be made available to many different cohorts thus preventing the loss or degradation of public assets through public land sales/grants or right to buy provisions. The public sector should re-enter the housing system as a major player in housing provision through traditional channels and new schemes such as cost-rental associations, learning from European best practice. Cost rental accommodation should be universally available to all. A programme of investment in new builds, green retrofits to meet environmental needs and amenities to build sustainable communities is essential to meet needs and spur national recovery projects as we restart the economy.

Successive governments over recent decades have failed to adequately address the Republic’s long-standing housing crisis. It is the firm view of Congress that this crisis requires the amendment of the Constitution to inset a right to adequate, safe, secure and affordable housing.
Such a provision would provide a basic floor of protection and, crucially, would oblige all levels of government, including local authorities, to progressively realise that right. In Northern Ireland there needs to be legislation to achieve the same effect. There is a pressing need for affordable housing which can only be delivered through a public housing model. The artificial constraint on the Northern Ireland Housing Executive’s ability to borrow must be lifted in order to make this a reality. In short, the right to housing, not the continuation of the failed market-based approach, should underpin and direct all public policy relating to housing.

**International Solidarity**

The pandemic has highlighted that we live in an interconnected world. The policies and actions we pursue profoundly affect people elsewhere and vice versa. Rarely has the need for international solidarity between people and between governments been more evident. Our international policies should always be guided by the principles of equality, sustainability and human rights. This requires us to commit to environmentally sustainable policies and requires us to refrain from activities that harm people in other countries including through the consequences of our trade policies.

For example, Ireland and the UK behave in many respects like tax havens. This has an enormous financial cost for people in other countries and undermines the principle that the wealthy and powerful should make a fair contribution to the rest of society. Tax law should be reformed to prevent aggressive tax avoidance in both jurisdictions. This applies to businesses and to individuals. The UK’s tax havens should be defacto abolished via reforms to tax law and its enforcement. The impact of COVID-19 on the poorest countries that have neither the foundation of sufficient health services nor income support to deal with the potential consequences of the disease is profound. If leaders in wealthier countries and the international institutions fail to address these fundamental humanitarian and socio-economic conditions in the lowest income countries, the results will be catastrophic.

In addition, the Republic consistently fails to meet its commitments to poorer countries by falling far short of the agreed annual payments of 0.7% of national income. The Republic of Ireland should follow the UK Government approach of legislating for the 0.7% target. Both Governments should also support the implementation of universal social protection systems and provide investments for the SDGs. Finally, both the Republic and the UK have failed to show solidarity with the Global South on debt justice issues. Both countries should commit to supporting debt cancellation and debt restructuring for poorer countries. Doing so will greatly assist those countries ability to fight the current pandemic and to better develop their economies.
Pensions

The decision to increase the pension age from 66 to 67 in 2021 and to 68 in 2028 means that the Republic of Ireland, which currently has the youngest population in Europe, is on course to have the highest pension age in the world in eight years. It is going too far too fast. Each year increase costs workers €13,000, as well as secondary benefits such as free travel and the fuel allowance. It is an attack on the living standards of workers in their later years that will push many into poverty. The Government should reverse this decision and engage with unions to address the challenges posed by population ageing.

How do we pay for this new deal?

An expansion of universal basic services, coupled with the additional public spending arising from the crisis, will necessitate a significant increase in government revenue over time. As it happens, the Republic of Ireland and the UK have the lowest levels of public spending and the lowest levels of government revenue in all of high-income Western Europe (per person). In other words, both countries can significantly increase their public spending without increasing taxes to levels in excess of Western European norms (see chart 1 below).

Both governments are well below the average for a typical member of the comparison group for total spending and total revenue per person. This amounts to annual shortfalls of billions when scaled to their respective populations.

Turning first to per person public spending we can see that the Republic of Ireland and United Kingdom have low levels compared to similar countries in Western Europe (chart 1). The Republic of Ireland spent about €3,476 less per person than the average comparator, or over €17 billion for everyone in the state in 2019. The under-spend for the UK was €5,506 (£4,833) per head, implying an overall gap of €368 (£323) billion in 2019.

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1 The comparator group includes all Western European states with a population of over a million (thus, excluding states like Luxembourg and Iceland) and with output per capita in excess of €30,000 (thus excluding Portugal, Spain and Italy).

2 Standard comparisons of public spending/revenue often use GDP as a denominator. Given the issues with GDP measurement in the Republic of Ireland we instead scale according to population. The typical member, or comparator average reflects spending or receipts for all other countries divided by the total population of those states.
Unsurprisingly, this low level of public spending is accompanied by low levels of revenue, most of which comes from the tax take, including social contributions. Breakdowns by tax type reveal the primary sources of ‘under-taxation’ (chart 2). Specifically, both countries show a substantial shortfall in social contributions (like PRSI and National Insurance). They collect less than half of what is typical for the comparison group.
Chart 2: Low total tax take per person (tax and social contributions per person 2018)

<table>
<thead>
<tr>
<th>Comparator average</th>
<th>£0.00</th>
<th>£2,000.00</th>
<th>£4,000.00</th>
<th>£6,000.00</th>
<th>£8,000.00</th>
<th>£10,000.00</th>
<th>£12,000.00</th>
<th>£14,000.00</th>
<th>£16,000.00</th>
<th>£18,000.00</th>
</tr>
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<tbody>
<tr>
<td>Republic of Ireland</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£11,601</td>
<td></td>
<td></td>
<td>£5,605</td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£12,437</td>
<td></td>
<td></td>
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<td></td>
<td>£9,926</td>
<td>£8,781</td>
<td></td>
<td>£2,328</td>
<td></td>
</tr>
</tbody>
</table>

Source: European Commission, Taxation and Customs Union Data on Taxation (2020), Eurostat Population on 1 January by age and sex (2020), author calculations
This is especially true in the Republic of Ireland, where the entirety of the gap is explained by a lack of social contributions relative to what is typical among wealthy Western European countries. In other states, these payments fund a range of benefits including sick pay, unemployment and pensions that protect a significant amount of former income up to a certain threshold. Meeting comparator norms per person would have netted the state over €15 billion and more than covered the total tax gap of around €11 billion based on 2018 figures.

The UK sees gaps under both the tax and social contribution headings, amounting to an implied gap of €330 (£292) billion in 2018.

Taxes, including social contributions, are levied on a variety of income sources, purchases and stocks of assets. We can break overall taxes into taxes on labour, taxes on consumption and taxes on capital to help us see where gaps arise. These categories can also reveal something of how taxes are distributed through the population.

Labour taxes – i.e. taxes and contributions linked to wages, transfer payments and pensions – are the major source of the overall gaps in revenue receipts in both the Republic of Ireland and in the United Kingdom. The implied gap from labour taxation is larger than the aggregate gap for the Republic, showing a deficit of €2,832 per person in 2018. The deficit in the UK, €4,566 (£4,040), accounted for over 92% of the gap in the UK. The implied gaps in both cases are substantial, at nearly €14 billion for the Republic and over €304 (£269) billion for the UK.

Table 1, in turn, shows that the reason for the massive ‘hole’ in labour taxes relative to Western Europe is the absence of employer payments, in the form of social contributions and payroll taxes. Both states levied less than half the typical level of employer labour tax per person in 2018. In the Republic, the state would have collected nearly €9 billion in additional receipts at average tax levels in 2018. Raising employer taxes to comparator averages would close nearly four of every five euros of the aggregate tax gap. Employer tax could similarly help rectify gaps in the UK – meeting average rates per person would have increased receipts by nearly €137 (£121) billion.
Table 1: Labour tax receipts from employers and employees

<table>
<thead>
<tr>
<th>Comparator</th>
<th>Employee payments</th>
<th>Employer payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republic of Ireland</td>
<td>€4,609</td>
<td>€1,692</td>
</tr>
<tr>
<td>UK</td>
<td>€3,156 (€2,792)</td>
<td>€1,425 (€1,260)</td>
</tr>
<tr>
<td>High-income Western Europe</td>
<td>€4,689</td>
<td>€3,478</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Comparator</th>
<th>Republic of Ireland as a % of Average</th>
<th>UK as a % of Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republic of Ireland</td>
<td>98.3%</td>
<td>48.7%</td>
</tr>
<tr>
<td>UK</td>
<td>67.3%</td>
<td>41.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Comparator</th>
<th>Republic of Ireland ‘under-taxation’</th>
<th>UK ‘under-taxation’</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€80</td>
<td>€1,785</td>
</tr>
<tr>
<td>Republic of Ireland</td>
<td>€1,533 (€1,356)</td>
<td>€2,053 (€1,816)</td>
</tr>
</tbody>
</table>

Source: European Commission, Taxation and Customs Union Data on Taxation (2020), Eurostat Population on 1 January by age and sex (2020), author calculations

Note: All € figures are per head of population.

In contrast, Republic of Ireland and UK taxes on consumption – for example VAT and excise taxes – are far more typical of Western European norms. In fact, the Republic collects more tax under this category than is typical. These taxes tend to be regressive, with lower income groups paying more as a proportion of their income. Even so, there is scope for increases in certain consumption taxes to limit environmental damage such as pollution taxes. However, any such increases must give due consideration to their effects on lower income households.

Finally, capital taxes collected per person are high in both states. However, in the case of the Republic, this gap is explained by unusually high corporate tax receipts, much of which is tied to aggressive tax planning by multinational firms.

On the other hand, we see a significant under-collection in taxes under subcategories of capital taxation. The tax yield on stocks of capital – things like wealth, inheritance and property taxes – is low in the Republic of Ireland. In the Republic the gap is €153 per person or approximately €750 million over the whole population.
Income from self-employment is taxed lightly in both cases, with collected receipts just under half and two thirds of comparator averages for the UK and the Republic of Ireland respectively. Both governments would collect considerably more tax were they to meet the average (€28 billion or £5 billion in the UK, and €1.4 billion in ROI).

We have shown that the relatively low levels of public spending and taxation in both states means that there is ample scope to increase public spending levels to achieve all of the goals set out in this document.

The relatively low level of government revenue means there is significant space to expand the revenue base without damaging the economy. Closing the highlighted gaps would go a substantial way towards rectifying tax gaps in both countries (Chart 3).

For the Republic, simply collecting at typical per person rates under the headings of employer taxes, taxes on the self-employed and stocks of capital would nearly close all of the aggregate gap. Leving European average rates of tax on employers and the self-employed would close nearly half of the gap in the UK. These additional revenues would raise an additional €11 billion in the Republic, and €165 (£146) billion in the UK.

**Chart 3: Contributors to the per person gap by tax type in the Republic of Ireland and UK 2018**

Source: European Commission, Taxation and Customs Union Data on Taxation (2020), Eurostat Population on 1 January by age and sex (2020), author calculations

Note: The corresponding population scaled gaps for these data are: Labour tax on employers: €8.8 billion ROI, €136.8 (£121.1) billion UK; Labour Tax on employees: €102.2 (£90.4) billion UK; Taxes on self-employed: €1.4 billion ROI, €27.8 (£24.6) billion UK; Taxes on stocks of capital: €750 million ROI; Other Tax: €150 million ROI, €63.3 (£56) billion.
Congress believes that these taxes could fund the expanded social state we need. Therefore, we propose:

(A) Greater contributions from employers in the form of social contributions and/or payroll taxes;

(B) Greater taxation of assets and property, including financial property (e.g. a net wealth tax and a higher property tax);

(C) Greater taxation of passive income such as inheritances and gifts, as well as rental income;

(D) A comprehensive review of all existing tax expenditures with a view to possible abolition; and

(E) Greater taxation of environmentally damaging activities.

These reforms to the tax base will enable the implementation of the expansion of the welfare state and social transfers we describe earlier in the document, as well as fund the necessary just transition to a zero-carbon future.
Conclusion

This COVID 19 pandemic has demonstrated the crucial importance of a good society. It has also given us a glimpse that we can and must do better. There can be no going back. It has also created a marked shift in public opinion across the island in how citizens view their public services, who and how they consider essential workers and the need for more state intervention.

The policy options we arrive at happen by choice not chance. This crisis is very different (as it is unprecedented), from the global financial crisis of 2008. The response from our governments now, therefore has to also be different. The response must be to build a new economic model in both jurisdictions across the island of Ireland which puts the values of fairness, economic justice, equality and inclusivity centre stage.

We have to use this crisis as the opportunity to prioritise tackling key structural problems in housing, health, education and in our economy amongst other areas to put workers and communities first. In this paper we have outlined a vision of what our future can look like, but importantly we have clearly outlined how this new deal can be funded and supported. There is no better time to address these structural inequalities. The time for action is now. As the largest civil society organisation across the island of Ireland, Congress will work with others to make this vision a reality.
No Going Back  A New Deal toward a safe and secure future for all
No Going Back - A New Deal toward a safe and secure future for all