BUSINESS 2000

THE SUNDAY BUSINESS POST
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Industrial relations are mired in conflict as employees and employers seek a compromise

The Siptu march held earlier this month: unions are threatening a strike on November 24 FEARGAL WARD

Partnership struggling in the recession

Industrial relations refers to the way that employees and employers interact. During the economic boom relations were generally harmonious. The partnership process oversaw industrial relations at a national level and set norms for pay increases, which tended to apply both in unionised and non-unionised sectors of the economy.

Now, however, conflict has broken out, with unions leading marches on the streets and threatening to organise a national strike on November 24. Meanwhile, employers say they have no money to pay increases which had been promised to employees under an agreement signed last year. So, what has changed?

A history of partnership

Industrial relations are generally easier during prosperous times. During the boom, many companies did well and could afford to increase employee pay, often ahead of the rate of inflation. Together with lower income taxes this led to significant real – ie, after inflation – increases in living standards. Job numbers also increased as companies hired more people to meet an increasing demand for their products.

The state – the biggest employer in the state – also had plenty of money and was able to increase pay and employment levels.

At a national level, the government, employers, trade unions, farmers and groups representing the voluntary and community sector oversaw industrial relations through a partnership process. This process started in 1987, with an agreement by employees to forego wage increases in order to help the economy out of a crisis in the public finances, in return for promised tax cuts at a future date. Subsequent agreements at a national level set pay norms for the economy and involved agreements on other aspects of government social and economic policy.

Before partnership, trade unions had to negotiate pay increases firm by firm. However, partnership did away with the need for much of this negotiation at a local level. Companies generally followed whatever agreement was reached at national level. Even in areas where the workforce is non-unionised, many firms followed the centrally negotiated pay increases. Other firms, such as many multinationals, tended to operate pay agreements focused more on individual targets and goals.

However, as the economy boomed, higher pay and more jobs kept most people happy.

Pressure from the recession

The recession has put industrial relations under pressure. Suddenly companies are under pressure to cut costs, and many do not have the money to grant annual wage increases. Private sector companies have made staff redundant and, in some cases, cut pay and conditions in response to falling sales.

This has inevitably led to disagreement and conflict. Meanwhile, due to the collapse in stock markets, problems have also emerged in the pension funds of many private sector companies. In response, many companies have also changed their pension schemes.

In particular, so-called defined-benefit schemes, where the employee's pension is based on their final salary, are generally not now offered to new staff.

Pressure has also emerged in the public sector. The state has imposed a pension levy, effectively reducing take-home pay for public sector employees. It has also threatened to cut pay and conditions further in the budget; it said it wanted to cut €1.3 billion from the public sector wage bill. This is one reason why the trade unions have organised protests and threatened to take strike action.

The government has also hit take home pay for all employees through increasing income taxes, particularly in the April Budget. It has done this – not by increasing income tax rates – by pushing up special health and income levies which are imposed on income and by taking more PRSI from higher earners.

As well as the dispute in the public sector, closures and threatened closures have also led to conflict in some private sector firms. For example, Waterford Crystal employees staged a sit-in due to a dispute about redundancy terms.

Partnership under threat

All these trends have put pressure on the partnership process. The government is still talking to the trade unions and employers, but progress is difficult. The government wants to save money in the budget by cutting pay and conditions for public sector employees.

The trade unions have said the government is risking pushing the economy into a longer recession and damaging services to the public.

Watch the newspapers and listen to the news over the next few weeks to see what happens. If partnership collapses, then the whole structure of industrial relations will change again. Companies and trade unions will have to reach agreements at a local level and the government, as an employer, will have to negotiate with the unions in relation to the public sector.

For many individual companies this would mean putting new structures in place to conduct such negotiations.

Questions to ask

- Is it better to try to find a way out of our problems through continuing the partnership process? What are the advantages and disadvantages of doing this?
- Are the trade unions justified in threatening a national strike?
- What are the advantages to employees of being in a trade union? Are there any disadvantages?
- What are the advantages and disadvantages for employers of dealing with their employees via a trade union?
- Is there a trade-off in a recession between cutting jobs and protecting people's pay?

Business 2000

The Business 2000 articles provide topical information for a wide audience, including Leaving Certificate students of business, accounting and economics, as well as their teachers.

The articles complement the case studies that are published annually in *The Sunday Business Post* Business 2000 multimedia resource package. The resource is designed and developed by Woodgrange Technologies in partnership with the Business Studies Teachers Association of Ireland and the Department of Education and Science.

The resource is printed and distributed free of charge to every second-level school and selected third-level institution on the island of Ireland. The Business 2000 articles are published every Sunday during school term. The teachers' support desk at Woodgrange Technologies can be reached at 01-4735940 or by e-mail at: business2000@woodgrange.com. Back-up and archive material can be found on www.business2000.ie.

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