

# High inflation will shape pay bargaining says Fórsa chief

**BRIAN SHEEHAN**

**Maintaining living standards against a background of rising living costs will be the priority in future pay negotiations, according to the leader of Ireland's largest public service union.**

Speaking at the Páforra conference in Killarney on Wednesday of this week, Fórsa general secretary Kevin Callinan said: "If the return of inflation is sustained over time there will certainly be a renewed focus on the cost of living when negotiations on a new public service deal get underway."

The union leader said that latest year-on-year figures show Irish inflation running at 2.85%. With the figure at over 4% in Germany, Mr Callinan pointed to what he referred to as a new tolerance of inflation among European policymakers and central banks.

He said this includes the European Central Bank, which shows no signs of increasing interest rates – its traditional response to growing living costs.

"This approach presents significant opportunities in terms of employment, public services and infrastructure. But it has a different impact on the lower paid in all sectors, for whom cost of living increases are far more than a mere statistical indicator," he said.

Mr Callinan added that the daily costs borne by workers, particularly the lower paid, are not fully reflected in the Consumer Price Index, which is the standard measure of inflation. "I speak here of rent or mortgage payments, childcare costs, and fuel prices that are set to further rocket. These necessities form very large elements of weekly outgoings for lower and middle income families, regardless of what sector they work in," he said.

## **TALKS NEXT SUMMER?**

Referring to the current two-year public service pay agreement as "untypically short" – it expires in December 2022 – the Fórsa general secretary said they expect talks on its successor to get underway in early summer 2021.

Mr Callinan told delegates that 'Building Momentum' was significantly skewed in favour of lower-paid workers, with a €500 a year floor in pay rises that gives those on lower incomes significantly larger percentage increases than higher-paid staff.

He said improving living standards while "poverty-proofing lower pay" would fit with the Coalition's stated objective of moving to a living wage. And he called on the Government to

play its part as an employer, noting that many public servants – including in the Defence Forces – earned below the living wage.

## **COVID RECOGNITION**

Mr Callinan revealed that Minister McGrath had recently sought ICTU's views on recognition for workers' efforts during the Covid pandemic, and that the issue was to be addressed by the Labour Employer Economic Forum (LEEF), which brings together senior representatives of Government, employers and unions.

"The competing messages emerging from Government in recent weeks were not helpful, but I hope for an outcome that will bring lasting improvements for workers across the economy. The most effective recognition of the efforts of our health workers would be an unequivocal determination to create the universal health system promised by Sláintecare. But few would argue that those who truly risked their lives to keep the rest of us safe should get some acknowledgement," he said.

## **AGAINST DEFENCE FORCES REVIEW**

Mr Callinan also said associations representing Defence Forces personnel and Gardai should be allowed to affiliate to, or associate with, the Irish Congress of Trade Unions (ICTU), "so that the interests of their members can be represented as equals in a true parity of esteem."

But he said that ICTU "strongly opposed" the establishment of a permanent review body to deal with Defence Forces pay, warning that this would herald the end of centralised public service pay agreements. "It would make much more sense for the Irish Government to recognise the value of the system of pay determination that has served the country well in good times and bad," he said.

"We understand the sensitivity surrounding the role of the military and the different context in relation to the right to strike. But, just as the members of the defence forces stood alongside fellow public servants to keep citizens safe during the pandemic, so too should they receive an equal opportunity to have their pay and conditions dealt with in the same process as their public service colleagues," he said.

## **INFLATION FORECASTS**

Separately, the ESRI, in its latest quarterly economic commentary this week, said the recovery from Covid-19 has contributed to inflationary pressures in many advanced economies, stemming mainly from global supply chain problems and energy prices.

"While the current expectation is that these factors are largely temporary, further domestic inflationary risks remain relating to the rapidity of the recovery in household spending as well as how price changes feed into wage expectations", it said.

At this juncture, the ESRI's expectation is that inflationary pressures "will peak in Q4 2021 and abate through 2022". They expect an inflation rate of 2.3 per cent in 2021 and 2.5 per cent in 2022.

### **TO FEED INTO PAY?**

The Central Bank this week exhibited caution in its forecasted inflation this week, and touched on some concern that this could feed into wage demands. The Bank said that HICP inflation is forecast to average 2.1 per cent in 2021, but when energy prices are excluded, inflation of 1.2 per cent is expected.

"While the upward pressure on prices from higher energy costs is forecast to ease next year ...(it said) there is a risk that product and labour supply constraints persist as demand remains relatively strong, leading firms to pass higher costs on to consumers", it said.

"Similarly, if households begin to expect higher inflation, this could become self-fulfilling as firms and workers bid up prices and wages in anticipation, which could in turn lead to further inflation", the bank cautioned.