FSU pre budget submission 2023

financial services union

STRONGER TOGETHER

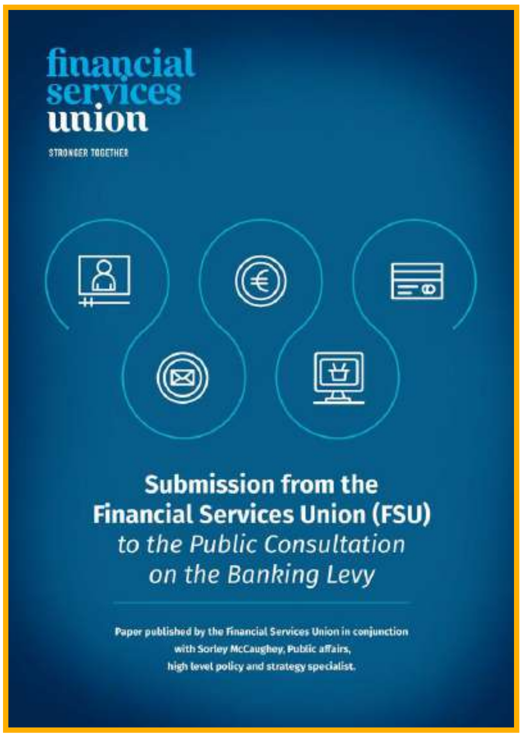
Who are we?

The Financial Services Union (FSU) is the leading Trade Union representing staff in the Financial Services, Fintech, and Tech sectors. We have membership in over one hundred companies and are organised in the Republic of Ireland, Northern Ireland, and Great Britain with headquarters in Dublin and a presence in Belfast. We support thousands of members building their career in the financial services sector – in banks, fintech companies, the life assurance sector, game and animation and specialists support firms. We are the collective voice of staff in some of the leading financial institutions across Ireland and beyond. Built on a network of locally elected representatives, we pride ourselves on being our members voice in negotiations with employers on critical workplace issues such as pay, the right to disconnect, leave entitlements, and health and safety. We are a representative and campaigning union based on shared common values of decency, fairness, equality, and respect in the workplace.

Introduction

The changes occurring in the wider financial, FinTech and tech sector can cause major challenges to people and society unless they are managed carefully and for the benefit of people as well as institutions. In this pre budget submission the FSU will concentrate on a number of issues that we feel, if implemented will benefit workers, consumers, and society. Trust in the sector is improving but is not at a level that we would expect or accept. It is important that local banking services are protected and that access to cash and other essential services are maintained. The driving force behind this submission is to help maintain and improve local retail banking services, provide better governance frameworks in our main retail banks, and enable better financial support for staff. We will talk through our views on the banking levy, worker, and consumer directors on the boards of the main retail banks, the linking of a living wage and proper working conditions on any company availing of Government tax credit initiatives, the reintroduction of tax relief for union membership and the continuation of the increase in the benefit/voucher to €1,000 tax free.

FSU General Secretary John O Connell, Eileen Gorman FSU President
and Minister for Finance Michael McGrath TD



Bank Levy

Retaining the Levy

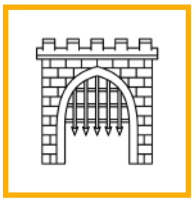
It is the FSU's position that retaining the banking levy, expanding its scope to include new entrants to the banking sector, and ring-fencing its resources for specific community and social initiatives, can help to re-establish crucial trust between banks and customers and to help fulfil the critical function the banking sector plays in our lives and our economy fairly, equitably, and effectively.

Expansion of levy

Technological advances have seen a steady growth in the presence of fintech companies globally, including in Ireland, all of whom are currently exempt from the banking levy. In our view, fintech companies, which are increasingly profitable, but have no branch network to support, are at an unfair advantage over domestic retail banks.

This is a view also reflected in the Banking Review, which points out, 'any new entrant to the Irish market would be exempt from it [banking levy], placing the traditional banks, in particular, at a disadvantage to those new retail banking providers. Revolut for example, now have over 2 million Irish accounts, are increasingly profitable, but are currently exempt from the levy.

To create a level playing field, the scope of the levy should therefore be expanded to apply across all players in the wider banking sector including digital providers.



Ringfencing the Funds

The FSU believes that a reformed banking levy offers the possibility of re-packaging the levy as a source of funding for societal good. At present, the levy is absorbed into the general exchequer, and customers enjoy no discernible benefit from the levy. On the contrary, many customers are seeing the quality of their banking experience reduced, as banks move to mainly digital services.

We believe the revenue generated by the levy should be ringfenced and used strategically to enhance the unique role of retail banking within society, to improve digital literacy, and to support vulnerable groups and communities by ensuring access to branch services and ATMs.

With the move to greater digitalisation, accelerated by Covid-19, more than 200 bank branches have been closed since 2021. The Joint Finance, Public Expenditure and Reform Oireachtas Committee's (JFPERC) report on banking, the Banking Review, and the Irish Banking Culture' report on Public Trust in Banking, all make clear that the closures will have a detrimental effect on communities, including some of the most vulnerable people in society. Older people, those who struggle with literacy and by extension digital media literacy, farmers, all rely principally on cash, and are vulnerable to being left behind as digitalisation becomes the norm. It is a development that could be 'detrimental to the economic and societal wellbeing of such communities''

Literacy is a major barrier to full participation in online banking with as many as 17.9% of adults having problems sufficient to exclude them from online banking. In addressing this challenge, the JFPERC on finance, noted that accessibility audits of banking services in the State should be carried out and that, in particular, accessibility issues for those with low levels of digital skills are identified, monitored, and mitigated against.

The announcement by the Minister for Finance, Michael McGrath TD on the 12th of July of the development of the first National Financial Literacy Strategy for Ireland is to be welcomed.

Ringfencing the banking levy, therefore ensuring there is adequate funding available for the implementation of the strategy would provide real benefits to communities and vulnerable groups.

A ringfenced fund with social good at its core, ensuring a network of branches and other retail banking outlets including credit unions and post offices would also go some way to demonstrating a tangible dividend from the bank levy to customers, and citizens more broadly.

Funds

The funds raised should be used to enhance existing banking services in communities across the Country and to provide additional digital and literacy programmes on top of existing services.

For this type of levy, it is instructive to look beyond the banking and financial sector to other industry levies that have been utilised to incentivise certain activities. The Apprenticeship Levy introduced in the UK in 2017 provides an interesting example for this case.

While the activities and functions may differ, the Apprenticeship Levy provides a workable architecture for the banking Levy to be taken forward.

The apprenticeship levy is a training levy and, in common with all training levies, it requires specified employers to make prescribed payments which can then be spent on approved programmes that develop the skills of their workforce.

- Since April 2017, UK employers (including subsidiaries) who have a pay bill of more than £3 million annually are required to pay the Apprenticeship Levy. The Levy is charged at a rate of 0.5% of the pay bill exceeding the £3 million threshold (the Levy contribution increases by £5,000 for every additional £1 million in pay bill).
- The levy is paid monthly, and the levy funds are held in a digital account which can only be accessed by employers who have also paid the levy.
- In addition to the payment made by the employer, the government makes an additional ten per cent monthly contribution to the employer's digital account.
- The funds in the digital account including the government contribution expire after 24 months if not utilised by the employer.
- For employers who can't make full use of their own levy funds, they can pledge up to 25% of their levy funds to other smaller businesses to support them to invest in apprenticeship programmes.

- Levy funding can only be used to invest in high quality apprenticeships with recognised qualifications.
- Levy funds can't be used to pay apprentice wages, for 'top-up' qualifications, or qualifications that are not already approved as part of the apprenticeship.

Naturally the programmes and services for which banks could bid for would be tied to the priorities that government has for the banking sector in the future.

Examples of how the fund could be used would be but not limited to:

- The upgrade of existing banking services currently provided by each of the retail banks which contribute to the levy. This would require coordinated mapping of each of the banks existing services to give a complete view of existing available services. Each Bank would be able to make a submission to get access to finance from the fund for enhancing their existing retail banking services.
- The provision of new digital and literacy programs provided through a professional operator at a local community level.
- The provision of new banking hubs across the Country where communities are without existing local retail banking services which could be shared between the main banks to allow access for people to full banking services in their local community.
- The provision of new ATM services in areas of the Country which are not covered by exiting services.

Similar to the Apprenticeship Levy, all these bids would have to be approved by a body set up by government to oversee the Banking Levy fund. The group would be composed of representatives from government, industry, Trade Unions, and groups representing those most affected by changes in the banking industry.

While the government co-funding element is an important part of the Apprenticeship Levy, this could be introduced to the Banking Levy at a later stage when the fund had established itself and its activities.

The banking levy as it currently exists is a legacy of the Great Financial Crash, but establishing a mechanism to shape the future of banking in Ireland would be a far more powerful legacy.

These funds would be administered by a project group set up in the Department of Finance combined with members from relevant stakeholders.

Tax on Benefits/Vouchers

In last year's budget the Minister for Finance increased the maximum amount that can be received in one year from the benefit/voucher scheme to €1,000 tax free and made it possible to be made in two payments throughout the year. This has allowed companies to financially support their employees through what has been a very challenging time with the increased cost of living. The FSU would encourage the Minister for Finance to continue with last year's decision and extend it for a further year.

Worker Directors

A new form of Governance for the Banks is required. Giving greater representation to employees has been supported by the EU for many years, through employee financial participation. Ireland increasingly looks like a laggard when it comes to this more representative and progressive form of corporate governance. There are some straightforward steps the Government can take to advance this, including implementing the UK Code of Governance recommendations on Worker Directors which apply to publicly listed Irish Companies, by legislating for board-level representation for employees and consumers. The inclusion of worker directors and consumer representatives to the Boards of retail Banks would provide a wider perspective on issues of acute public concern such as Competition in the sector, branch closures, the loss of ATM facilities and the relentless push for customers to go online. Worker directors and customer representatives on the Board would help ensure that financial institutions hold themselves to high standards of customer care and issues like that which were highlighted recently by the Central Bank about service levels at bank call centres may be avoided.

Home Working Allowance

For this submission, we would like to concentrate on the home working allowance that is currently available from the Revenue Commissioners. Currently If your employer does not make a payment of €3.20 per day, or pays you less than your allowable costs, you can claim remote working relief.

The FSU position is that the daily payment amount should be raised to take into account the real cost of working from home, the savings that are been made by the employer on rent and other items and the basic issue that costs should not be moved from the employer onto the employee. The increased cost of living in 2023, with large increases in home heating costs in particular bring this issue into focus.

The FSU would argue that the current €3.20 per day should be dramatically increased to take account of the rising cost of home heating, electricity, broadband, insurance, and other ancillary items.

Back in 2021, the Government estimated that some 400,000 people could benefit from this credit. However, latest Revenue figures show that just 20 per cent of those eligible have claimed the relief thus far for 2022. Revenue figures also show that the average benefit received from those who did claim the credit was just €61.

This shows that not only is the day rate too low the application method to claim the tax relief is too cumbersome and should be simplified.

Tax Credit for Game Sector

In budget 2021 the Minister for Finance Pascal Donohoe TD announced a Digital Gaming Sector Tax Credit similar to Section 481, Tax Credit for Film, Television and Animation. The FSU would qualify our support for this tax incentive as we feel a full, transparent discussion needs to take place on the meaning of "quality employment". One aspect of the section 481 tax incentive specifically relates to the maintenance and provision of 'quality employment'. To avail of this tax incentive employers will have to undertake a signed statement that they will provide quality employment opportunities. The FSU released a report on working conditions in the game sector, that highlighted several worrying issues, including that: 64% of respondents have experienced low pay in the games sector in Ireland and 17% of respondents have experienced missed payments, while 45% note working unpaid overtime. 55.5% of respondents have been required to work crunch time (overtime, often unpaid, towards the end of a project/deadline or near game release) in their jobs. 62% of survey respondents do not have secure employment contracts, while 43% of respondents note experiencing frequent job instability, including through lay-offs and impermanent contract status. 12% have experienced harassment and/or intimidation based on their gender, ethnicity, age, or sexuality. Furthermore, experiences of discrimination came in the form of interpersonal relations (20%), working conditions (10%), workloads (8.5%), pay and bonuses (8.5%) and more. Game development is an international industry and without the cultivation of decent quality employment in Ireland, our sector risks losing its best talent to international markets potentially negating the benefits of investment and incentives in the sector. The FSU propose the Minister makes it a legal requirement for any employer who wishes to avail of the tax incentive to show that they at a minimum pay the living wage, provide secure contracts of direct employment, give proper pension provision and support employer engagement with trade unions.

Tax relief for union membership

Current legal position

Relief for trade union subscriptions was previously provided for in section 472C of the Taxes Consolidation Act 1997. That section ceased to have effect for the tax year 2011 and each subsequent tax year. Consequently, no relief is available for trade union subscriptions for any of those tax years. Tax relief on union subscriptions was first introduced in 2001. This was to bring workers entitlements into line with people paying fees to professional bodies who already received tax relief on such fees.

In 2009 the then Minister for Finance, Brian Lenihan TD. initially announced he was abolishing tax relief not just on trade union subscriptions, but on fees to professional bodies. However, the cut for fees to professional bodies was never implemented. For example, a business can also receive full tax relief on subscriptions to bodies such as Ibec and ISME.

The FSU would argue the current situation is discriminatory against workers and needs to be rectified. The EU directive requires that EU Member States with collective bargaining coverage rates of less than 80 per cent, in consultation with the social partners, provide a framework of enabling conditions and establish an action plan for promoting collective bargaining. Reintroducing tax relief on trade union subscription can help achieve these aims.

Collective Bargaining Support Fund

There are two major changes on the horizon in the industrial relations space which will have a direct effect on the way unions and employers go about their business.

- **The EU Directive on Minimum Wage**

The EU Directive on Minimum Wage requires that EU Member States with collective bargaining coverage rates of less than 80 per cent, in consultation with the social partners, provide a framework of enabling conditions They should also establish an action plan (reviewed at least every five years) for promoting collective bargaining.

- **Good Faith Bargaining**

If implemented and enacted in a way that promotes the positive aspects of collective bargaining the recommendations of the LEEF group on good faith bargaining which we expect to be enacted before the end of the year has the capacity to change the industrial relation landscape.

Both of these impending changes are to be welcomed but it is also clear for them to be successful and for the Government to meet its target as set down in the EU directive then additional support will be required for trade unions.

Training of staff on the complexities of the legislation on how to channel the benefits of the legislation into firm actions and outcomes will be challenging for trade union to achieve out of existing resources. It will require new and enhanced training initiatives for all trade unions and their activities.

Educating the general public on what constitutes collective bargaining and the benefits that can accrue to workers from collective bargaining will be central to the success of any Government campaign in meeting its requirements under the EU directive requiring it to meet collective bargaining rates of 80%. Unless there is a concerted effort by all to promote collective bargaining, the 80% threshold will not be met.

Technological advances are enabling unions and business to target and segment their offering and message in new and innovative ways. New technology will play a pivotal role in increasing collective bargaining density particularly in training and educating union staff and the general public, This will require large investment from unions in new technology and IT systems.

To help Unions in this regard the FSU would propose the Government establish a support fund for collective bargaining for this set purpose.

Individual trade unions should be able to avail of funding once they meet certain criteria set down by the requisite Government department.

There is no point in legislating if the tools for implementation are not provided and funded properly.

Summary

In summary the FSU position is that the following recommendations would help bring better working conditions for those in the banking and gaming sectors.

- Retain and expand the banking levy and ringfence the funds for social good.
- Extend the decision made in last year's budget that the maximum amount that can be received in one year from the benefit/voucher scheme is increased to €1,000 tax free and enable it to be made in two payments throughout the year.
- Tax relief should be introduced for trade union subscriptions.
- The FSU propose the Minister for Finance makes it a legal requirement for any employer who wishes to avail of the digital Gaming tax incentive to show they at a minimum pay the living wage, provide secure contracts of direct employment, give proper pension provision and support employer engagement with trade unions.
- The Government should legislate for board – level representations for employees and consumers in the three retail banks.
- The Government should establish a collective bargaining support fund to help support the implementation of the EU Minimum wage directive and the impending good faith bargaining legislation.
- The €3.20 per day home working allowance should be dramatically increased to take account of the rising cost of home heating, electricity, broadband, insurance, and other ancillary items. The method required to claim the tax relief should be simplified to encourage greater take up.

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