

Report of the Commission on
the Irish Trade Union Movement

Future Positive

Trade Unions and the Common Good



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Contents

Introduction	2
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Future Positive: Trade Unions and the Common Good	5
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Introduction	6
Economic Conditions in Europe	6
The Politics of Austerity	7
Social Europe Looks North	8
Deeper EU Integration	10
A New Labour Market	13
Union Organisation	14
The Common Good	17
Towards A Political Economy of the Common Good	21
A Future Model?	24
Conclusion	26

Organising for Challenging Times	29
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Introduction	30
Decisions of BDC 2011:	30
Decent Work	30
A Strong Local Infrastructure	31
Options Emerging from Clare Discussion	31
Conclusion:	34

Introduction

Delegates to BDC 2009 approved the establishment of a Commission to undertake a review of the structure of the Irish trade union movement and make recommendations on how it might be restructured to meet the new challenges it faced.

At BDC 2011 the Commission presented an interim report to Conference - *A Call to Action* - which recommended a programme of work to be undertaken. This interim report of the Commission was unanimously accepted by BDC, through the adoption of an enabling motion. A Strategic Organising Committee was subsequently established to take forward the recommendations of the Commission.

The Strategic Organising Committee identified a number of work streams as priorities and asked that detailed work be carried out on these. They included:

- **The establishment of Sectoral Industrial Groups** The Commission recommended that affiliated unions with membership in particular sectors in the economy - north and south - be brought together to identify what actions they would recommend in order to increase the capacity of unions to organise and represent workers more effectively. Each of the sectoral groups produced a report and each concluded that a more co-operative and integrated approach to collective bargaining and organising would make a significant and positive difference.
- **The Congress Communications Group** was asked to finalise a strategic communications' policy to address the scale of activity required to connect with union members, unorganised workers and civil society generally. In seeking to develop a comprehensive proposal the group recognised that there were a number of constraining factors that required resolution

in advance of the development of an overall strategy. As an interim step, it was agreed that work would commence on developing a better resourced central communications function under the auspices of Congress, on putting in place a formalised structure for the coordination and management of communications across the movement and the development of agreed principles and protocols to support more effective message management and the establishment of a Framework Agreement.

- **A group was established to carry out a detailed survey of affiliated unions** to determine the resources available to unions and to ascertain the main items of expenditure incurred by them. The survey sought specific information from affiliates on spending in the areas of organising of new members, education and training services, communications, finance, administration and services. The survey showed that considerable potential existed to generate savings by the establishment of centralised purchasing across the movement.
- **A small ad-hoc group was asked to begin work on a proposal to develop a Workers' College** A group of specialists drawn from affiliated unions and Congress examined a proposal for the development of a Workers' College. In an interim report the group recommended that a viable Workers' College could be established. Its establishment would require a transition period, during which unions would be encouraged to co-operate through joint training courses. The transition period would be used to resolve other issues leading to the establishment of a Workers' College, including learning recognition and certification, the financial costs and sources of revenue, the staffing requirements and premises.

On the September 4, 2012 a meeting of Congress affiliates was held. The purpose of this meeting was to hear progress on the priorities identified by the Strategic Organising Committee and to consider a paper prepared by the General Secretary, David Begg.

This paper forms the first section of this document. ***“Future Positive – Trade Unions and the Common Good”*** is an analysis of the conditions that affect trade union organisation both nationally and internationally and sets out the challenges that face unions in Ireland.

The meeting approved this document and asked for a further paper to be prepared that would set out the future structure of the trade union movement in Ireland, particularly by drawing on work already done in the various work streams.

This latter paper forms the second section of this document and is entitled ***Organising for Challenging Times***. It was presented to a Congress Executive Council meeting on February 20, 2013 and to a later meeting of Congress affiliates held on March 20, 2013.

It proposes a gradual move away from the current structure over time and the possibility of a smaller number of unions organised on a sectoral / industrial basis. It also envisaged a much stronger role for the trade union centre and a devolvement of some functions from individual unions to the centre. At the meeting held in March 2013 it was agreed to proceed as follows:

- That the two papers prepared by the General Secretary and which arise from the work undertaken by the Strategic Organising Committee and the various working groups it has established, would be brought together in a single document, and

- That they together with an Executive Council motion would form the basis of a further debate to be had at BDC 2013.

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Future Positive

Trade Unions and the Common Good



Introduction

It is almost five years since the financial crisis began. Unfortunately, much of what we warned of with regard to the policies adopted at Government and EU level has come to pass, as has the predictable social and economic damage.

From our own perspective, a number of initiatives designed to equip the trade union movement to accommodate to these dramatically changing circumstances - most notably the Trade Union Commission - have been put in place.

The Congress organisation has been restructured and we have established the Nevin Economic Research Institute (NERI), which has already made a significant contribution to the reshaping of economic thinking that must take place in this country. But there is a long road yet to travel.

Economic Conditions in Europe

The policy response to the wider financial crisis at European level has seemed often to be incoherent.

Indeed, the most recent manifestation of the crisis in Cyprus merely serves to confirm how corrosive and self-defeating the policies of EU – and domestic authorities – have proven to be.

The June 2012 Summit of the Heads of Government did appear to more seriously address the crisis, possibly reflecting the arrival on the scene of the then newly-elected French President, Francois Hollande. Nevertheless, the engagement Congress has had to date with the Troika has revealed an extraordinary unwillingness to accept that austerity is not working, despite overwhelming evidence of the contrary.

On the face of it the German Government and monetary authorities remain opposed to any or all of the measures which might resolve the crisis, namely: mutualisation of debt via Eurobonds, increasing the size of the ESM (currently €500 billion), allowing the ECB to act as a lender of last resort, easing the pace of fiscal consolidation and engineering a credit boom in Germany itself.

It remains to be seen whether President Hollande can force a rethink on these matters.

Ireland accepted the Fiscal Compact Treaty largely because of fears about access to the ESM. While the export side of the economy continues to perform well, domestic contraction means that unemployment will remain at a high level with an increasing structural component. Even the IMF acknowledges that it will still be above 10 percent by 2017.

The same organisation described our current 23 percent rate of *underemployment* as “staggering” in a recently-leaked report which also warned that recovery was highly uncertain.

The decision of the last Government to conflate banking and sovereign debt was a public policy failure of epic proportions. Despite pumping €64 billion into the banks since 2008 it is becoming clear that an escalating home loan crisis will require further recapitalising in the medium term.¹

Debt levels are approaching 120 percent of GDP. This makes for a situation in which austerity begets more austerity and ultimately becomes unsustainable. Yet the EU Commission insists on sticking with the programme.²

1 Carswell, Simon (2012) “Elderfield says banks will need up to €4 billion over the next six years”. *The Irish Times*. 31 May, 2012. P.3

2 Press Release ‘Commission Sets Out the Next Steps for Stability, Growth & Jobs’. 30 May, 2012. <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/513&format=HTML&aged=0&language=EN&guiLanguage=en>

The decision of the last Government to conflate banking and sovereign debt was a public policy failure of epic proportions.

However welcome, we should be clear that our bank debt problem was not solved by the deal on the Anglo promissory notes.

The essential problem remains: 1.8 million people at work in the Irish economy cannot possibly repay a bank debt burden of €64 billion, particularly as we have already paid almost 50 times more than all other EU citizens.

Paul Krugman has likened what is happening in the Eurozone to a medieval doctor bleeding a patient and then when he does not recover, bleeding him some more until he eventually succumbs.³ The policy is completely illogical unless a political explanation can be found for it.

The Politics of Austerity

If the policies being adopted by the Eurozone (and indeed the UK) are a conspicuous failure why would any rational person want to stick with them? One possible explanation advanced by Paul Krugman is that the explanation lies in ideological prejudice against the role of Government in the economy.⁴

The possibility exists that those of a Conservative and economically liberal outlook see in the crisis an opportunity to bring European labour markets into line with those of the United States. Thus, when they speak of growth they do not mean demand driven growth. They mean supply side growth or 'structural' reforms – merely a euphemism for giving employers more freedom to hire and fire, to outsource jobs, to privatise and in general be less constrained by regulation. That is of course the American model, which has been fuelling corporate profits as it depresses wages. The former US Secretary of Labour, Robert Reich, sees in this a drive for convergence on both sides of the Atlantic, bringing declining real wages, less economic security and

worse public services. He asserts that this is not sustainable, economically or politically.⁵

Of course, if this is true, it is only possible because of the hegemony of the political right in Europe up to now. In 2000 centre-left parties were in power in 12 out of the then 15 European Union member states. But by the end of the decade things began to change. Support for the German social democrats (SDP) collapsed in the Federal Elections of 2009 and the Labour Government was defeated in Britain in 2010 with its worst result since 1918 at only 29 percent of the vote.

Even in Sweden the social democrats registered their worst vote since 1911. Britain, Germany, Sweden, Holland, Italy and France – the collective home of European social democracy – all swung to the right.⁶ The consequence of this political shift is that policies which give priority to reducing the deficit at the expense of the public sector gained the upper hand. The public sector is portrayed as a sink of inefficiency and waste, which deserves to be cut back radically to allow the private sector to breathe. These are arguments which were also deployed in the 1930s and it is remarkable that after 80 years they retain such force and can be resurrected with such ease. The point to note is that this line is used everywhere, not just in Ireland.⁷

Perhaps a key reason for this is the ability of the right to present its case using the simple metaphor of the household budget. The seductive argument that the national budget can be managed just as people handle their individual finances reappears in every crisis, as though Keynes had never written *The General Theory*.⁸

5 Reich, Robert (2012) 'A Diabolical Mix of US Wages and European Austerity'. *The Financial Times*. May 30th, 2012.

6 Meyer, Henning and Rutherford, Jonathan (eds) (2012) *The Future of European Social Democracy: Building the Good Society*. London and New York. Palgrave MacMillan.

7 Gamble, Andrew (2012) *After the Third Way: The Future of Social Democracy in Europe*. London and New York. I.B. Tauris.

8 Keynes, John Maynard (2008) *The General Theory of Employment, Interest and Money*. BN Publishing.

3 Krugman, Paul. *BBC Newsnight* Programme. 30 May, 2012.

4 Ibid.

The centre-left has never managed to counter this with a similarly clear analogy to explain the necessity of deficit financing in a recession and make it sound like the common sense it is.

Instead, deficit financing is represented as profligacy and public expenditure is declared to be out of control. Governments that practice deficit financing in a recession are accused of not cutting the deficit fast enough.

High deficits are now presented as immoral, blighting the chances of recovery and loading burdens on to future generations. It is never acknowledged that bequeathing them a shrunken economy is actually a far worse proposition: in Ireland's case the economy will have reduced by at least one fifth by the time the current 'austerity programme' is completed.

The difficulty the left has in defending its stance on the deficit is symptomatic of a deeper problem. The deficit is represented as a proxy for 'Big Government', which itself is portrayed as the root of the problem. It is asserted that Government has expanded too much and has become too intrusive in the economy, thereby causing the crash.

Yet in Ireland's case it is never acknowledged by those on the right that the deficit was actually caused by the private sector – by taxpayer 'support' of the banks and the collapse of an unsustainable tax base under the weight of rising unemployment.

Instead we hear repeatedly that the state (public sector) has become too big must be cut back through privatisation and outsourcing, to allow the healthy forces of the private sector to bring forth new growth.

In this narrative the state always features as obstructive, inefficient, wasteful and restrictive. Government is held to be captive to 'special interests' (meaning public sector unions) and exists to frustrate new developments and hold back the spontaneous dynamism of the private sector. In

seeking to defend the role of government and its spending levels, the left is identified being allied to the forces that are preventing recovery and new growth.

Across Europe, social democracy has struggled to present a narrative of common sense in an era where its traditional values have been challenged by globalisation and EU integration.

Social Europe Looks North

The golden age of social democracy occurred between the end of the World War II and the first Mitterrand government in France. The French socialists tried to build 'socialism in one country' using capital controls, but they discovered the rich could circumvent these controls. Mitterrand had to change direction.

Moreover, the two oil crises of the 1970s and the collapse of the Bretton Woods regime shook the foundations of the post-war settlement, challenged its capacity to deliver efficiently with justice and forced the left onto a defensive posture from which they have yet to recover.

In effect they realised that national Keynesianism had reached its limits, and Mitterrand's u-turn in 1983 in France was a catalyst. That is why Jacques Delors and other prominent socialists turned to Europe to realise their goal of a good society – 'Social Europe'. The problem is that as Conservatives and economic liberals gained the ascendancy Social Europe was sidelined.

In due course, the right trained its guns on the trade unions. As deregulation, privatisation and retrenchment of the welfare state spread, unions became characterised as 'anachronistic' and 'irrelevant'. Unions were weakened by globalisation which offered new exit strategies to capital and diminished its returns regarding centralised collective bargaining.

Across Europe, social democracy has struggled to present a narrative of common sense in an era where its traditional values have been challenged by globalisation and EU integration.

Retaining capital investment became the overriding objective of public policy and thus gave multinational corporations leverage to demand conditions – including weak labour laws and low corporation taxation – as a condition of investment. European integration compounded the problem to the extent that it accommodated the demands of supply-side macroeconomic policy that favoured capital's volatility.

Initially, it appeared that the best articulated response to those changes was the Third Way Project which originated in the US with the Clinton led Democratic Party, but found its most elaborate expression in New Labour in the UK. Its recipe for social democratic renewal found imitators throughout Europe and beyond (although not conspicuously in the Irish Labour Party). It seemed for a period in the 1990s that the Third Way was the only available option for progress in coping with the complex reality of the globalised world.

However, in time it became clear that this was not the case.

In essence the Third Way sought to disengage social democracy from its trade union origins, seeing this as a necessary hallmark of its 'modernist credentials', which would in turn make social democratic parties electable in the long run.

It was a mistake that had been committed earlier by US Democrats, who decided to distance themselves from traditional constituencies in order to champion a more appealing 'centrist' agenda. Over time, this led to a widening gap between party preferences and the everyday politics of working people.⁹

The Third Way fallacy of excluding the unions from the drive to build a progressive alliance betrayed a dangerous neglect of the labour movement's foundations, as well as a disregard for the practical realities of the labour market.

There is one region in which the influence of social democracy shapes the national polity regardless of who is in power. The Nordic countries are consistently the most economically efficient and socially cohesive societies in the world.

The great success of their labour movement is that even christian democratic and liberal parties, if elected, have to govern within a social democratic framework, which embraces high quality, universal public services, high levels of labour market participation, low levels of inequality and an ideology of social dialogue.¹⁰ Moreover, these countries came through the 2008 crisis in much better shape than most others in Europe.

But with regard to the current dominance of the politics of austerity it does appear that the tectonic plates of European politics have shifted once again.

Electoral results in France, Greece, Italy and Germany reveal a strong rejection of those poisonous politics.

It is to be hoped that the 2012 election of President Hollande will help bring about a better balance at the heart of Europe between France and Germany, between austerity and growth and between left and right.

The German Social Democrats (SDP) could also become involved in government in 2013. This could bring about a radically different political environment.

The demise of the Third Way thinking has opened up the space for a neo-revisionist school of social democracy. This seeks to adhere to traditional values while living within a more complex relationship between markets, state and society.¹¹

9 Tsarauhas, Dimitris (2012) 'Reframing Social Democracy' in Henning Meyer and Jonathan Rutherford (eds) *The Future of European Social Democracy: Building the Good Society*. Palgrave Macmillan.

10 Katzenstein, Peter (1985) *Small States in World Markets: Industrial Policy in Europe*. New York. Cornell University Press.

11 Meyer, Thomas and Hinchman, Lewis (2007) *The Theory of Social Democracy*. Cambridge. Polity Press.

In other words it seeks to bring trade unions back into the equation. Trade unions for their part must recognise the importance of class interests in politics and endeavour to educate their members accordingly. This is an important consideration for Congress because social democracy has never really taken root in a strong way in Ireland.

It is a little ironic that having campaigned to achieve labour representation and set up political parties to achieve it (in our case the 1912 foundation of the Labour Party), we do not put more effort into making it work for us.

Deeper EU Integration

While the debate about the Fiscal Compact excited a lot of interest in Ireland from abroad because of the referendum, a bigger issue that received little attention in public discourse, was that Europe was on the cusp of making a huge leap forward towards economic (and by extension political) integration.

This is based on the belief that there are only two possible outcomes to the current crisis; either the Eurozone will unravel with unknown consequences or there will be deeper integration.

The basic idea of European integration was conceived around the belief that only a state of inter-dependence between the different nations' key industries, as well as other economic activity such as agriculture, would secure long-lasting peace on a continent where the quest for hegemony and resource dominance had caused so much misery and devastation.

The steel and coal industries, traditional strongholds of the left and trade unions thus became the first targets. The project was strongly supported by leading trade unionists, Heinrich Imig and Heinrich Strater, respectively leaders of the German Coal & Steel Workers, and Walter Freitag, President of the German Federation of Trade Unions (DGB).

Jean Monnet, who set up the Action Committee for the United States of Europe in 1955, included only unions and excluded employer involvement. According to his biographer:

"He thought employers incapable of distinguishing the general interest from their own. The labour unions, he felt, because they represented broad masses, had a better sense of it. He had also been helped by the French unions in the Monnet Plan, and the German unions were helping him now".¹²

Subsequently the Treaty of Rome (1957) was signed, enriching the principle of free movement of goods, services, capital and labour. The Single European Act of 1987 put this into effect and the Maastricht Treaty of 1992 opened the way for economic and monetary union (EMU) 10 years later.

But the problem with monetary union is that the institutional architecture to support it was never put in place. The establishment of the European Central Bank allowed for central control of monetary policy but the Stability & Growth Pact proved unequal to the task of coordinating economic and fiscal policy.

To compound the problem it is now clear that the Eurozone was never an optimal currency area, primarily because Greece has a poor record of defaulting (it was locked out of financial markets for 53 years).¹³ To a large extent this has contributed to the present crisis.

The key preoccupation of the trade union movement as integration deepened was to preserve the concept of Social Europe. The key figure in this endeavour was then Commission President and former French Finance Minister, Jacques Delors.

¹² Duchene, Francois (1994) *Jean Monnet: The First Statesman of Interdependence*. London and New York. WW Norton & Co. P.285.

¹³ Reinhart, Carmen M and Rogoff, Kenneth (2009) *This Time is Different: Eight Centuries of Financial Folly*. Princeton NJ. Princeton University Press.

It is a little ironic that having campaigned to achieve labour representation and set up political parties to achieve it, we do not put more effort into making it work for us.

As mentioned earlier, Francois Mitterrand conceded less than two years into his Presidency, that 'socialism in one country' essentially had no future alongside the development of a European Community in which the goal of economic convergence was gradually becoming more central.

Capital flight in response to Mitterrand's early announcement proved how vulnerable individual nation states had become in the customs union of the EEC. Europe, led by the unique personality that was Delors, became the new hope.

In the post-Delors era the hope reposed in the possibilities of insulation from the socially damaging effects of globalisation has eroded somewhat. The core of the issue is that the fundamental freedoms of the internal market – of goods, capital, services and people – have been given a privileged position.

An activist (teleological) approach by the European Court of Justice (ECJ) has pushed EU integration further in the direction of economic liberalism. There is no balance.

Hence the current demand of the European Trade Union Confederation – as of June 2012 - for a full Social Compact, to counter the judicial and fiscal policy trends.

The response from the EU Commission was the proposed 'Monti II' clause which, in effect, would have circumscribed industrial action by requiring a test of proportionality to be determined by the Courts. It might have fixed one problem by creating another.

The hopeful thing is that 12 member states have warned the Commission off 'Monti II' via the recently introduced 'yellow card' system. Thus it cannot go any further but the imbalance at the core of the problem remains.

The *Realpolitik* of the situation is that the European integration project has been hijacked by the neo-liberals and our job is to take it back from them.

This is about a conflict of ideas and as Keynes pointed out:

"The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood".¹⁴

It is a task for the left and for trade unionists. We must give full support to the ETUC campaign for the Social Compact. For years European integration proceeded on the basis of a permissive consensus. In other words, people didn't challenge it because it was doing no harm. This time is markedly different.

Large sections of the European population, particularly workers, are disaffected by the policy of austerity. Suddenly Europe matters. It is seen to have an effect on peoples' lives. The European elite are embarking on the most radical stage of integration at a time when the permissive consensus no longer exists. To the contrary, the European Trade Union leadership – the successors of those who were the core of Monnet's Committee for a United States of Europe – are completely disaffected. The European project has always struggled to find democratic legitimacy.

Its absence is now of such a magnitude as to undermine further integration. The trade unions are in a position to demand terms. A Social Compact for Europe could be the price.

¹⁴ Keynes, John Maynard (2008) *The General Theory of Employment, Interest and Money*. BN Publishing. P. 239.

For Ireland, integration towards economic and monetary union raises a number of specific issues not much remarked upon yet:

- We do not know whether there will be an acceptance of solidarity. Germany has so far ruled out Eurobonds, using the ESM to recapitalise the banks or allowing the ECB to act as a lender of last resort. The state of Nevada in the US is often compared to Ireland in Europe, yet six percent of its GDP is provided by the Federal Government. This is what a transfer union means;
- Tax harmonisation is an inevitable consequence of integration. If average EU corporate taxes were applied, Ireland's corporation tax rates would go up to 25 percent. So far, calls for any kind of tax coordination (the Congress position) let alone tax harmonisation, have been routinely dismissed as an outright assault on national sovereignty and each member's freedom to compete for FDI. The left's critical assessment of tax competition and the way it shifts the burden from capital to labour and consumption has failed to gain traction. But sooner or later this will become an issue that needs a mature debate. It will be a difficult debate, because so much of Ireland's manufacturing employment is based on foreign investment e.g. Intel which employs 5,000 people. It is an issue complicated by a question of the sustainability of an industrial policy so heavily dependent on foreign companies;
- Ireland's foreign policy has been based on the notion of being a multi-interface periphery.¹⁵ That means that our relationship with Britain and the US are of equal importance to that of Europe. Can that survive deeper integration, and if not, how will it affect FDI?;
- The current Taoiseach has described Britain as our most important ally in Europe. The British Tory Party is congenitally Eurosceptic and even Labour has spoken of the possibility of a referendum on Europe. If Ireland becomes part of a more deeply integrated Eurozone, and Britain moves in the opposite direction, what happens to that special relationship in Europe? With whom can we then ally to provide counterweight to the strong inter-governmentalism of France and Germany? Our natural allies would seem to be the small open economies of Northern Europe. But they are all social democrats in polity. Would they see any merit in aligning with a liberal market economy in the Anglo-Saxon mode? What common cause could they make with a country which is at the other end of the spectrum from them in terms of tax and public spending and which does not even have a legal right to collective bargaining? Quite possibly Ireland could find itself without friends or influence.
- In terms of the core work of trade unions - wage bargaining - a fiscal union would suggest that competitiveness would be significantly determined by maintaining inflation at or below those of our partners. This raises important issues about coordination of wage bargaining and of social policies to mitigate the employment effects of a deflationary fiscal policy. These issues have been avoided because of recession but they will become live again in the event of recovery. This implies a need to return to some sort of social dialogue. Comparative advantage for small open economies is highly dependent on coordination and coordination depends on the quality of labour market institutions.¹⁶

15 Ruane, Joe (2010) 'Ireland's Multiple Interface – Periphery Development Model: Achievements and Limits' in Michael Boss (ed) *The Nation State in Transformation: Economic Globalisation, Industrial Mediation and Political Values*. Denmark. Aarhus University Press.

16 Hall, Peter A and Soskice, David (eds) (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford and New York. Oxford University Press.

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If it survives, the Euro will only exist within the context of a more deeply integrated Eurozone. Whether it comes about, and on what terms, is an issue for trade unions which is superseded in importance by only one other: our ability to organise. But before addressing that topic we need to consider the type of labour market we will be trying to organise.

A New Labour Market

Work gives us our status in the community. It provides our livelihood and, if we are lucky, gives a degree of fulfilment. Current trade union organisation is based largely on the structures of the early industrial era, when collective action was used to improve living standards. It still is, but in a changing labour market profile where manufacturing is down to 12 percent of the labour force.

Globalisation is a process of market integration worldwide. Over the past 60 years it has accelerated steadily as new technology and management approaches have reduced transportation and transaction costs. Until about a decade ago the effect of globalisation on the distribution of wealth and jobs was largely benign. On average, advanced economies were growing at a respectable rate of 2.5 percent and, in most, the breadth and variety of employment opportunities seemed to be increasing. But that is changing. By relocating some parts of international supply chains, globalisation has been affecting the price of goods, job patterns and wages almost everywhere. In the advanced economies it is redistributing employment opportunities and incomes.¹⁷

Generally speaking what has been happening in advanced economies is that the lower value added and labour intensive activities have been moving to low cost economies. As they move up the value chain, as they must to keep ahead of this trend,

lower skilled manufacturing jobs are being lost, but some jobs are being created for highly educated workers. Denmark, for example, is a country that has handled this very intelligently. There are as many people working in textiles now as in the 1990s but they are working on design.¹⁸

Ireland had its longest most sustained period of economic expansion between 1994 and 2001, when 600,000 new jobs were created. Most of these new jobs were in the domestic economy with many women coming into the labour market for the first time, or perhaps returning following caring responsibilities.

The interesting thing to note is that only 14 percent of the new jobs were in manufacturing which should cause us to treat forecasts of an export led recovery with caution.¹⁹

According to FAS/ESRI forecasts the total number of persons at work in the Irish economy is predicted to contract from 2,030,000 in 2008 to 1,953,000 in 2015, representing a decline of 77,000 or annual net jobs losses of 11,000.

This is in sharp contrast to the 375,000 jobs created between 2001 and 2008.

The changing profile of the labour market is the subject of a forthcoming publication by two prominent academics. They observe that the Irish occupational structure has been transformed in recent decades, with rapid growth in professional employment and slightly less rapid growth in services employment. Technical professional growth is driven primarily by business services, high tech manufacturing and finance, commerce and insurance. Large numbers of professional jobs have also been created in social services, creating an

¹⁷ Spense, Michael (2011) 'The Impact of Globalisation on Income and Employment' in *Foreign Affairs*. July/August 2011. Vol. 90, No. 4, P. 28-41

¹⁸ Conversation with Mr Mogens Lykketoft, former Finance Minister of Denmark. 22 May, 2012.

¹⁹ O'Rian, Sean (2004) *The Politics of High Tech Growth: Developmental Network States in the Global Economy*. Cambridge and New York. Cambridge University Press.

important political split between technical and social service professionals. Where technical professional are typically male, non-union and work in the private sector, social services professionals tend to be female, unionised and work in the public sector. As the authors put it:

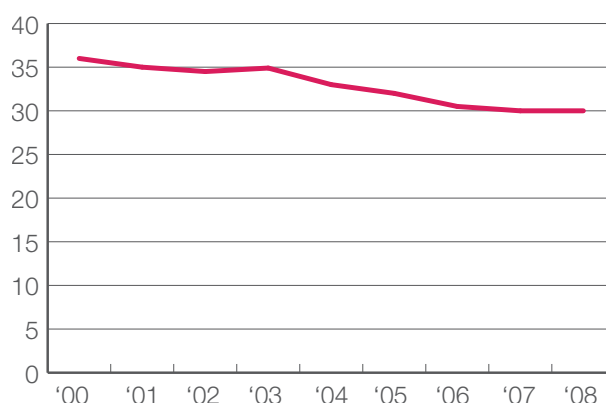
*"Underneath the façade of a seamless shift towards a post-industrial, professionalised labour force lie tensions between two middle classes, with a quietly growing distance to the low paid service workers who rarely take their place on the political stage. These tensions have been greatly heightened by the crisis in the public finances following the recession and conflicts over reductions in public spending, cuts in public sector wages and increases in tax."*²⁰

They opine that these tensions are exacerbated by the problems of investment. As public services form a smaller part of a household's resources, conflicts over pay are greatly heightened. Furthermore, the basis for an accommodation of 'The Two Middle Classes' around a trade-off of higher taxes and good pay and conditions in the public services to support all sectors is weakened. Similarly the support of business for the Welfare State - important for its sustainability – is undermined. If public services are eroded, the danger of middle class flight to private provision, may only polarise public-private conflicts further. As against this analysis the pressures of the recession make it more difficult to finance private provision such that, for example, thousands of people have given up private health insurance, thereby falling back on the public system.

Union Organisation

Prior to the onset of recession trade union membership – as measured by Congress affiliation figures – was at an all-time high of 814,000. In the four years since membership has dropped by 20,000. Union density, on the other hand, has been declining for the last 25 years as the size of the labour force grew at a higher rate than union membership. Paradoxically, this trend reversed with the recession as more jobs were lost in the economy overall in non-unionised employments than in unionised employments. Density now stands at approximately 38 percent, which is relatively high by international standards.

Graph 2: Trade Union Density in EU27 (simple average), 2000-2009



Source: ETUI Benchmarking Working Europe 2012

²⁰ Benner, Chris and O'Riain, Sean (forthcoming) *Remaking the Information Economy: The Politics of Work in Silicon Valley and Ireland*.

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Table 4: % of Employees who are Union Members, Ireland, 2003

Sector of Employment	Union Member?
Agriculture	12
Mining	69
Manufacturing	36
Utilities	91
Construction	30
Transport etc	54
Wholesale and retail	23
Hotels and restaurants	11
Financial Services	41
Business services	16
Public Admin	75
Education	66
Health	63

Source: Benner & O’Riain (forthcoming)

The changing occupational profile of the labour market is a challenge. As density has diminished our influence and leverage has diminished. This leads to the difficult paradox that peoples’ interest in joining unions diminishes as our capacity to defend them diminishes. Explanations for reduced density are as much about excuse as reason.

Certainly, negative perceptions of unions - as ‘irrelevant’ or as protectors of ‘insider’ (meaning public service workers) interests - are fanned by a consistent hostility and antagonism across much of the media.

In reality, all of these difficulties were known for years and there is widespread agreement about the analysis. The core problem is that for too long we did nothing about it.

There is now a considerable body of research available to unions on the effectiveness of organising methodologies²¹ and it is known that there is no single right way of going about it. Different situations require different approaches.

All the research shows there are two main reasons why workers don’t join trade unions:

- a) They have never been asked;
- b) They fear their employer’s reaction.

The reason why there are such a high level of unionisation in the public sector is that there is no fear factor. That is not the case with the private sector.

It is a chicken and egg situation.

We need a strong trade union movement. We need to aspire to the levels of organisation that apply in the Nordic countries where density levels are at least double what they are here.

But the Nordic variety of social democracy took a long time to build.

It is based on strong unions with strong national federations engaging in social dialogue in order to have a strong open exporting economy, high quality, universal public services supported by taxation and high levels of participation in the workforce. The Nordic economies are fiscally conservative and they operate generous welfare regimes based on rights and obligations. They are the most equal, most socially cohesive and economically efficient countries in the world.

21 For example Gall, Gregor (2012) *The State of the Unions – 2012*. Cres, Hertfordshire and Geary, John (2012) ‘The Status of, and Proposals for Union Organising in Ireland: A Presentation to Congress on Research Findings’.

There is also the option of the continental social market economy model, as epitomised by Germany. It involves many of the features of the social market economy but the welfare regime is based more on a male breadwinner model (with roots in the era of Bismarck and christian democracy). It also has a strong vocational training ethos and 'codetermination'. It is likely that in future we will see the Nordic and German social market models moving closer together.

Another option, which some would be more comfortable with, is the French approach. This involves a strong state built on a revolutionary history and with a strong socialist party. There is a very strong tradition of protest and this is the *raison-d'être* of the French trade unions. However, density is very low – approximately eight percent - and their influence is not significant, even with the Socialist Party. It would take a radical change in the Irish psyche to accommodate this approach.

In any event we have to decide what we want to be and go about getting there.

It is not really enough to expect people to join us because we say they should. We need to offer them a pathway to a better society which is realistic and achievable, with their support.

We have to stop cursing the darkness and start lighting some candles. We must acknowledge that what we have been doing has not worked and we have to optimise the strengths that we have. That means optimising existing capacity and achieving a degree of cohesion that heretofore has been noticeably absent.

Finally, we can also afford to acknowledge that there are forces at play that we can do little to influence. Essentially the balance of power between capital and labour has shifted fairly significantly in the last 30 years - and it has not shifted in our favour.

Not alone did we experience the end of the post war settlement – the golden age of social democracy – but the geo-political landscape changed in a way that no one expected. When the Soviet Union collapsed and China and India entered the global economy, almost 1.5 billion new workers were added to the existing industrial workforce almost overnight. Such a massive increase in the human resources available for capital to exploit could not but weaken organised labour.

What Ben Bernanke, Gordon Brown and others referred to as 'The Great Moderation' was partially predicated on this aspect of globalisation. This was a belief that a policy framework had been found which allowed for robust economic growth without inflation. It rested on three pillars:

- A cheap credit model;
- The deflationary effect of cheap Chinese exports;
- A change in the balance of power weakening labour in the manner described.

Events have shown that the cheap credit model was not sustainable. While it lasted it gave workers the impression that they were better off than they were because they could buy goods and property in a way that was disconnected from their basic income.

Thus there was less demand for wage rises and so no impact of significance on inflation.

The global imbalances generated by China's export policy means that it too is transitory.

So, the only pillar remaining is the enduring tension between business and labour. It is a conflict that will remain, front and centre in world affairs. It is a reality that dispels the notion that trade unions have somehow become irrelevant.

Trade unionism has always sought to ameliorate the unjust effects of capitalism and create conditions to liberate working people from the dehumanising effect of markets on society.

Moreover, there is no longer any possibility of disguising the fact that wages in the industrialised countries are the key to living standards. Unions are the only actor in the market capable of ensuring a fairer distribution of the wealth generated. That is the importance of bargaining collectively.

And that, quite simply, is why business interests use all their power to obstruct the achievement of a legal right to collective bargaining in Ireland and to denigrate the role of unions.

The Common Good

Trade unionism has always and ever sought to ameliorate the unjust effects of capitalism on working people and create conditions to liberate them from the dehumanising and commodifying effect of markets on wider society. Three goals were seen as central to this ambition:

- to democratise capitalist society through the ballot box;
- to regulate the labour market in the interest of workers;
- to establish the Welfare State.

Unions and their political allies collaborated on these tasks and empirical evidence demonstrates that real social change has only ever been achieved through a combination of a strong trade union centre and social democratic incumbency in Government.²² These achievements were generally located in a context where trade unions helped to institutionalise a compromise with capital, trading moderate wage increases and a rare use of the strike weapon, for stable rates of productivity growth and for predictability in the labour market.²³

That this exchange has always been pragmatic should not disguise the sometimes brutal contest between capital and labour and the respective values which inform it. One hundred and fifty years ago, social democracy proclaimed that freedom cannot exist without equality. This is still the case today.

Marx correctly described the mechanism through which capital is accumulated by those who have property. Unless it can be counterbalanced by a Government acting in the interests of all citizens, and by effective collective bargaining systems, capitalism will invariably make the rich richer and the poor poorer (although not necessarily in absolute terms).

Political attempts to establish material equality are opposed by liberals who do not brook any interference with markets. For liberals, equality is purely a formal matter of civil and political rights. For the left and trade unionists, equality must be material insofar as material living conditions determine the degree of equality of opportunity. The Welfare State is a means to realise material equality and equal opportunity.

Citizens are central. Associating citizens to the common good is what socialism is all about. The republican state focusses on the services - namely the public goods - which it must provide to citizens. These services are the *res publica*, which all citizens share.²⁴

As Amartya Sen has pointed out²⁵, savage cuts in important public services undermine the essential social commitment that emerged in post war Europe and which led to the birth of the Welfare State and the national health services, setting a great example of public responsibility from which the entire world could learn.

22 Pontusson, Jonas (2005) *Inequality and Prosperity: Social Europe Vs Liberal America*. New York. Cornell University Press.

23 Tsarouhas, Dimitris (2012) 'Social Democracy and Trade Unions' in Henning Meyer and Jonathan Rutherford (eds) *The Future of European Social Democracy*. London. Palgrave MacMillan.

24 Collignon, Stefan (2012) 'The Preconditions of Social Europe and the Tasks of Social Democracy' in Henning Meyer and Jonathan Rutherford (eds) *The Future of European Social Democracy*. London. Palgrave MacMillan.

25 Sen, Amartya (2012) 'Austerity is Undermining Europe's Grand Vision'. *The Guardian*. July 3rd, 2012.

The unprecedented economic turbulence that erupted in 2008 has challenged people to think anew about what they consider really important. While neoliberalism has been discredited people have not yet embraced a systematic and progressive democratic alternative. The emphasis needs to shift towards developing a political economy model which is both resilient and capable of sustaining the common good.

The notion of 'The Common Good' has deep roots. It goes back to ancient times, combining the philosophy of Plato and Aristotle with Augustine and Thomas Aquinas. The Scottish (and Irish) philosopher, Francis Hutcheson described it as "that which procures the greatest happiness for the greatest number."

Since the French Revolution the defence of the Common Good was vested in citizens as sovereign. At a minimum it means the primacy of people over things, of labour over capital. The attainment of the Common Good is the sole reason for the existence of public authorities. Human rights are integral to the achievement of the Common Good.

The political challenge facing humanity can be summarised as in terms of how we successfully combine three things: economic efficiency, the freedom to realise one's full potential and genuine social justice. In the present era, we have lost the correct balance between the three elements of this equation.²⁶

In practical terms a political economy of the Common Good requires the collective capacity of the state to insulate citizens against the risks inherent in the 'creative destruction' of the capitalist system. The most substantial financial crisis in a century was caused by excessive ill managed, and downright irresponsible, risk taking.

Thus far, the main impact of financial uncertainties on working people has been the transfer of much of the risk associated with pension provision from the corporate sector to the individual.

The risks which innovation supposedly enabled financial institutions to manage more effectively were, overwhelmingly, generated within the financial system. The claim that such innovations enabled these institutions to manage risks more effectively proved entirely false.

Eventually these institutions became uncontrollable. They resembled collections of unruly barons who would depose any king who imposed restrictions on the aggrandisement of their wealth and power. All this is violence against the Common Good, whereas measures such as the imposition of a financial transaction tax on capital movements is an example of states trying to secure the Common Good against the risks posed by markets.

The capitalist system is now so all powerful, so capable of creating and destroying wealth, so international in reach, so amoral, so partisan in its media that we can only engage effectively with it if we fully understand, embrace and practice the core values of our movement. The following is the core deposit of belief that we can all hopefully subscribe to:

1. **Capitalism does not exist independently of society**, and it is proper for the democratic will to be asserted over business and private power. Markets do not regulate themselves and best outcomes do not happen spontaneously;
2. All human beings are morally equal; we all have an equal entitlement to self-determination; all life-chances should be as equal as possible; **social justice** is a condition of liberty;

26 Valley, Paul (ed) (1998) *The New Politics*. London. SCM Press.

The unprecedented economic turbulence that erupted in 2008 has challenged people to think anew about what they consider really important.

3. There is strong and convincing empirical evidence to show that societies which value **equality** do better than others.²⁷ Moreover, in an emerging global order, no side can secure their own advantage in the long term by impairing the opportunities of others. Inequality can most effectively be minimised by support for collective bargaining, minimum wages, and the provision of public goods such as education, healthcare, childcare, eldercare, housing and public transport;
4. **Solidarity** is not as an abstract ideal but a practical solution to overcoming risks and threats which cannot be withstood individually. It is about enabling the emotional and intellectual recognition that citizens must lend their collective support to get better outcomes in pensions, health care etc and also to curtailing the excesses of corporate power for their own, their children's and their fellow workers' sake. In the end we are all ultimately responsible for all. Larkin's dictum "An injury to one is an injury to all" is timeless.
5. Work is inherently part of the dignity of a person and that **labour is not a commodity**. But the trend is in the opposite direction. Increasingly companies pay enormous salaries and bonuses to their top management but regard other employees as so much flotsam and jetsam to be discarded at will. The minimisation of unit labour costs is an objective used to justify any kind of harsh restructuring including outsourcing and relocation to low cost locations. Year on year people have less security in their jobs; they become more stressed about work pressures on their family life; the public safety net is shrunk, making them more vulnerable to private hire and fire decisions; more public services are contracted out to businesses which will run them in a way that will make the most profit regardless of the impact on the vulnerable. As a result many citizens have only a precarious hold on employment. Many people would stand together if they felt that their welfare and security were imminently threatened. When the truth is well disguised it can induce apathy. To mobilise people on their own behalf is what must be done. Trade unions are the only labour market actors either interested in or capable of achieving a measure of redistributive justice through collective bargaining. This mobilisation must constantly be renewed in every generation. That is why **organising** is a core trade union value, not just a technique;
6. The economy must always and everywhere be embedded in society and not the other way around. This brings to the fore the question of **sustainability**. Economic growth rates should not exceed those necessary to maintain full employment and the environment should be protected against pollution and climate changing emissions. For too long a culture of consumerism was marketed in a way that suggested consumption as a yardstick for self-esteem – increasingly also including children. Ireland became a place where sections of the population felt they had to buy things they didn't need, with money they didn't have to impress people they didn't like;
7. The polity of Ireland should be that of a **coordinated market economy**²⁸ in order to achieve the objectives of full employment and social cohesion. This is more in line with the approach of other European countries with the exception of Britain which is classified as a liberal market economy. The basis for this is that a small open economy is always likely to be vulnerable to external market conditions. The country must seek to trade ambitiously but it must also seek to put in place the means to compensate its citizens for the vicissitudes of free markets (its economy must be embedded

²⁷ Wilkinson, Richard and Pickett, Kate (2009) *The Spirit Level: Why Equality is Better for Everyone*. P. 247.

²⁸ Hall, Peter A and Soskice, David (eds) (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford and New York. Oxford University Press

in society). People need to have the institutions in place to ensure that proper training and development of the workforce can move with the requirements of industry and that disputes can be conciliated.

8. **Promoting fraternal and cooperative relations** with workers in other countries is much more than an aspiration; it is essential if we are to achieve any balancing of the power of international capital. This implies a continuation, and deepening, of our engagement with the ETUC, ITUC and bilateral relations with other national trade union centres.

These values are complementary to the objects of the Irish Congress of Trade Unions as set out in its Constitution.

The region of the world where these values are best exemplified is in the Nordic countries.

To some extent each Nordic country moved in a liberal direction under the influence of EU integration pressures, but none embraced neoliberalism as a polity.

Social Dialogue is a key component of their success and, although it almost succumbed to the 'Primacy of Politics' argument in the 1980s and 1990s, it had recovered its status by the end of the 1990s to a point where it is seen as a first refuge in a crisis and seems to be firmly embedded in the institutional architecture of each country.

That the neo-corporatist institutions have proved enduring is not all that surprising. In large measure these institutions are rooted in the social democratic accords of the 1930s – for example the famous Saltsjobaden Agreement in the case of Sweden – and are built on an ideology of Social Dialogue.²⁹

In the 1950s two economists, Rehn and Meidner, working for the Swedish LO (blue collar trade union centre), designed an economic model which came to influence all Nordic countries in greater or lesser degree. The model provided for high levels of labour force participation facilitated by high quality universally provided public services funded by taxation. It is a model characterised by gender equality and relatively small wage differentials. How it worked was that increased levels of public services, like childcare, to support higher female labour force participation, were staffed by the women coming into the workforce. People working in this area have good quality pedagogical qualifications and are public servants. In order to pay them, sufficient tax has to be raised so low paid private service type employment is less viable.³⁰

Of course this model has been modified for the needs of each country and it has also changed many times as external conditions have changed, such as with the onset of globalisation. In recent years Nordic social democratic hegemony has been interrupted by the election of liberal or christian democratic led governments but even they must campaign and govern within a social democratic polity.

Research conducted in 2011 into the impact of the process of globalisation and European integration concluded that it had significantly affected both small and large states alike. But small states appeared to have adapted better. They had higher rates of productivity, lower unemployment and higher GDP per capita than large states. Moreover, this had been accomplished with more cooperative and better coordinated relations between state and market actors through neo-corporatist concertation. Referring specifically to the performance indicators of a good society and economy the author observed:

29 Katzenstein, Peter (1985) *Small States in World Markets: Industrial Policy in Europe*. New York. Cornell University Press. Crouch, Colin (2011)

30 For a full explanation of the Rehn-Meidner Model see Blyth, Mark (2002) *Great Transformations: Economic Ideas and Institutional Change in The Twentieth Century*. Cambridge and New York. Cambridge University Press. P. 119-128

Research conducted in 2011 into the impact of the process of globalisation and European integration concluded that it had significantly affected both small and large states alike.

"The Nordic and continental small states have all largely avoided both the problems of poverty, inequality and lack of job security plaguing Anglophone Europe, and in many cases, also the insider-outsider division of the labour markets of the bigger continental and Mediterranean countries. In addition, they have introduced flexibility into labour markets without jeopardising security, increased the sustainability of pension systems without seriously affecting pensioners' income, and reduced the generosity of social assistance programmes without reneging on commitments to equality, universality and/or solidarity".³¹

Towards A Political Economy of the Common Good

The basic test of leadership is to explain the world to people. In the absence of a sustained critique of the conditions which brought about the crisis of deregulated financial capitalism, outrage and passion might drift to the fringes of politics. Trade unionism must also be about offering the hope of a better fairer future. Ultimately, it is about morality.

In the real world the supposedly ubiquitous homo economicus is a mysterious ghost. His existence is persistently asserted, but we rarely encounter him face to face. Competition, individualism and inequality – these ideological props of the era of neo-liberalism – are not what make people tick. People want a job where they can be fulfilled and be treated with respect, they want to set up a home, they want children and to do the best for them. In short, they want to be able to live out life to their full potential. It is our job to make sure that this is possible. It is our job to build a society based on the moral foundations of a political economy of the common good.

How can we go about this? We are not, on the face of it, starting from the most propitious of circumstances. Ireland is under the effective economic governance of the Troika. It will be some time before we regain our independence and even then we will be a heavily indebted nation, limiting our scope to do the things we might want to do.

Moreover, we have to face up to the fact that our development model is no longer fit for purpose. This is evident in a number of respects viz;

- We had an unbalanced economy and an unbalanced tax base. The size of the construction sector was twice what it should have been and we relied heavily on construction-related transaction taxes;
- Our industrial base is hugely dependant on FDI as opposed to a lower productivity labour intensive indigenous sector. In this respect we are the mirror image of other small Northern European countries, like Finland and Denmark;
- Ireland is classified in political economy literature at worst as a weakly libertarian democracy³² and at best as a developmental network state.³³ In between are categorisations of a liberal market economy with counter tendencies³⁴ or as a competition state.³⁵ It lacks the systems to maintain adequate conditions for the employment of private, social and political autonomy against the occurrence of social risks. In short it is not now, and never has been, a social democracy.

31 Schmidt, Vivien A (2011) 'Small Countries, Big Countries under Conditions of Europeanisation and Globalisation' in Uwe Becker (ed) *The Changing Political Economies of Small West European Countries*. Amsterdam University Press. P.149

32 Meyer, Thomas and Hinchman, Lewis (2007) *The Theory of Social Democracy*. Cambridge. Polity Press.

33 O'Riain, Sean (2004) *The Politics of High-Tech Growth: Developmental Network States in the Global Economy*. Cambridge and New York. Cambridge University Press.

34 Smyth, Nicola Jo-Anne (2005) *Showcasing Globalisation: The Political Economy and the Irish Republic*. Manchester. Manchester University Press.

35 Kirby, Peadar (2010) *Celtic Tiger in Distress: Explaining the Weakness of the Irish Model*. Hampshire. Palsgrave MacMillan.

- Ireland is facing into a future where a more deeply integrated Eurozone is in prospect. This is likely to challenge key policy preferences – such as low corporation tax – and see us move in the opposite direction to Britain ‘our closest ally in Europe.’³⁶
- Changing demographics also bring challenges. The pensions regime is under enormous strain of a retiring generation of baby boomers and this aging process will put pressure on health care provisions and eldercare. It is a strain likely to manifest itself in intergenerational disputation.

There are some positives too. The political tectonic plates have definitely shifted in Europe. The rebalancing of relationships with Germany produced a change in direction at the European summit at the end of June 2012. The outcome was described in the international press as being capable of transforming Ireland’s position.³⁷ Moreover, the international press has also observed that the fundamentals of the Irish economy on the supply side are sound.³⁸

Earlier in this paper reference was made to the work of two economists working for the Swedish LO – Gosta Rehn and Rudolf Meidner – who in the 1950’s designed the acclaimed ‘Nordic Model’.

It would be foolish to think that this model could simply be imported to Ireland. It has undergone many modifications to meet changing circumstances over the years and cultural factors would also have to be taken into account.

Ireland needs its own version of the Rehn-Meidner formula. No more a Celtic Tiger but perhaps a Celtic sustainability model.

The Nevin Economic Research Institute (NERI) is ideally placed to take on this challenge. This is not the work of weeks or months, but a task to be completed over the next couple of years.

Already it has scoped out the task³⁹ noting that a 10 year vision needs to be developed for the implementation of a realistic and imaginative economic plan. As they describe it: “The long-term goal could be a ‘Nordic’ type social contract where trust, cooperation and consensus are built around (i) high taxes (ii) relatively generous social provision (iii) solidarity across all groups”⁴⁰

Happily, a good deal of work complementary to building a new economic and social model, has been done by the National Economic and Social Council. The NESCC model of the Developmental Welfare State⁴¹ provides an important conceptual reference. It is possible to become a more dynamic economy and move towards a model of taxation and welfare that guarantee a basic income, adequate education and healthcare.

However before moving towards this type of model the public will need to be convinced.

Citizens are not likely to vote for higher taxes unless they can see the possibility of a clear payback in terms of the quality of their lives. That means having public services that effectively and efficiently respond to their needs at every stage of the life cycle. It also means a fair and progressive system of taxation with minimum scope for avoidance and zero tolerance for evasion. Anyone familiar with Irish society in the recent past will realise that this involves a cultural transformation.

36 Kenny, Enda (Taoiseach) (2002) cited in Deaglán de Bréadún ‘Britain is Ireland’s Closest Ally, Says Kenny’. *The Irish Times*. May 15th, 2012.

37 Wolf, Martin (2012) ‘A Step at Last in the Right Direction’. *The Financial Times*. 4 July, 2012 P13

38 Elliot, Larry (2011) ‘Ireland becomes Poster Child for Implementing Austerity Programmes’. *The Guardian*. 27 November 2011.

39 Quarterly Economic Observer. Nevin Institute for Economic Research. Summer 2012

40 IBID. P15

41 National Economic and Social Council (2005) *The Developmental Welfare Stat.* Report No. 113 Dublin NESCC

Ireland needs its own version of the Rehn-Meidner formula. No more a Celtic Tiger but perhaps a Celtic sustainability model.

But the status quo is not viable. NERI has looked at trends in Government revenue and expenditure and it is clear that if we don't move off our present trajectory a political economy of the common good will prove impossible.

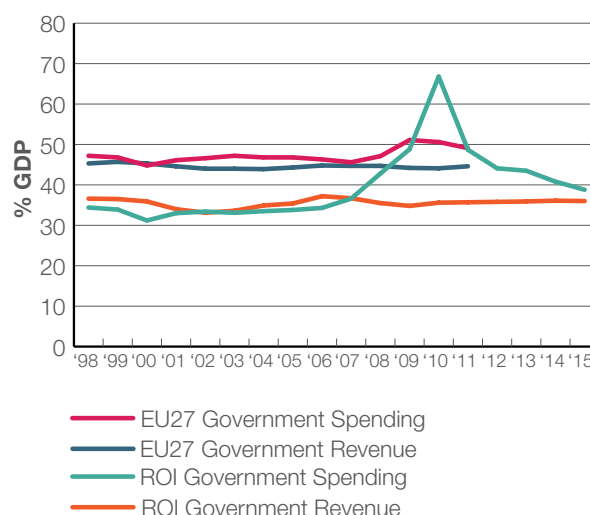
We will remain an unequal poorly developed society out of line with the rest of Europe. It seems virtually impossible to realise positive social change by taking Ireland further away from EU norms of spending and taxation, as envisaged under existing policies. The trends in expenditure and revenue, as seen from the following chart, are set to return to the pre-crisis path which implies no structural change for the future.

The implication of the overall fiscal adjustment package, if carried through, will be to shrink the size of government spending as a percentage of GDP to a level shared by EU member states at the bottom of the European league. The chart overleaf, compares EU states in terms of the percentage of GDP collected in revenue in 2011. Ireland is close to the bottom.

If we are to move towards a sustainable economy and society, we will require a new approach to revenue and expenditure:

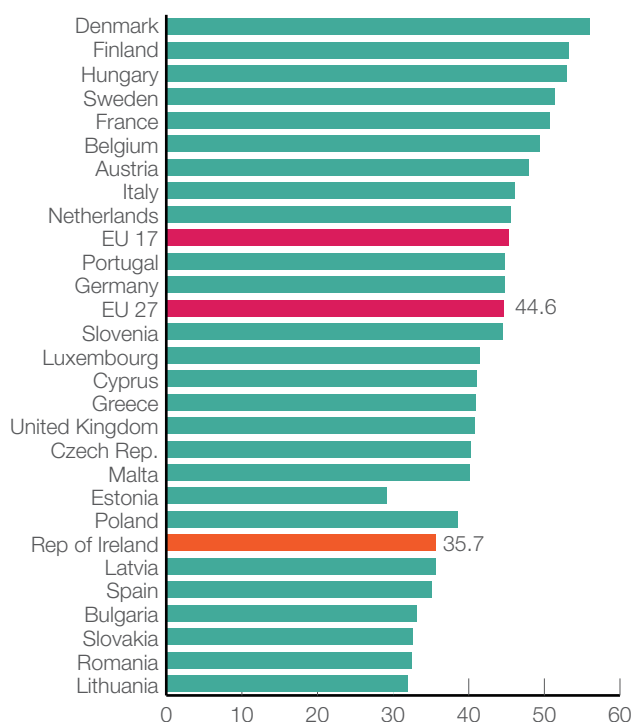
- We need to move closer to European norms of spending and revenue raising – the era of low taxes and widespread tax reliefs is no longer appropriate;
- The structure of taxation needs to change towards higher taxes on immobile property, capital income and high energy consumption.

Graph 3: Trends in Total General Government Expenditure and Revenue – Republic of Ireland (1998-2015)



Source: Eurostat. Refer to indicator 7.1 in the NERI Quarterly Economic Facts (Summer 2012).

Graph 4: General Government Revenue as a % of GDP– EU member states (2011)



Source: Eurostat. Refer to indicator 7.2 in the NERI Quarterly Economic Facts (Summer 2012).

A Future Model?

A Co-ordinated Market Economy

Looking beyond macro-economic considerations our core proposition is that Ireland should reposition itself as a coordinated market economy.⁴² In essence this means we put in place the institutions necessary to get best outcomes recognising the interdependence which is a characteristic of a small open economy. We cannot simply surrender our future to the random selection of free markets. We need to recognise, for example, that thousands of public servants are engaged in assisting private firms to be more competitive. This is part of a complex industrial policy in which the taxpayer gives hundreds of millions annually to industry, farming, tourism and forestry.⁴³

Enterprise Policy

A strong focus on FDI has been a stable element of Irish economic policy for nearly 50 years. It has become institutionalised in the structure of economic rules and regulations and in the State institutions that deal with industrial policy. The particular sets of taxation, investment and industrial policies that have been in place in order to attract FDI have themselves created the dilemmas of under investment in social and physical infrastructure, weaknesses in the innovation system and inequality.

But these policies were not inevitable. Singapore has pursued FDI equally avidly but investment in public infrastructure has been a central part of the policy approach there. The Nordics have proven very successful in attracting FDI, at least partly because of their broad social investments and strong domestic innovation.

Finland is a case in point. A late industrialising country like Ireland, it still challenges Ireland's record in growth led by an indigenous high technology sector, while sustaining public investment and high levels of equality.⁴⁴

Investment in Infrastructure

The package of measures to stimulate the economy announced by the Government in July, 2012 were welcomed by Congress as the beginning of a new policy approach towards the financial crisis. Of itself the €2.25 billion committed over 7 years is not a sufficient response to the scale of the problem. At this stage a considerable amount of research has been done by Congress and NERI⁴⁵ which demonstrates both that the country has an infrastructural deficit and that there are strong employment gains through multiplier effects to be achieved from investment in infrastructure. Moreover, we have been able to demonstrate how it is possible to do this off-balance sheet.

Institutions

A crucial feature of the successful coordinated market economies of Europe is the quality of their institutions. Many of Ireland's institutions have been shot to pieces during the financial crisis. The banking system is an obvious example. The next several years will see banks restrain lending for housing and economic activity while they deleverage their debt. Our banking system is not fit for purpose.

42 Hall, Peter A and Soskice, David (eds) (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford and New York. Oxford University Press

43 Sweeney, Paul (2012) *State Support for the Irish Enterprise Sector*. TASC Industrial Policy Group.

44 O'Riain, Sean (2008) 'Competing State Projects' in Maura Adshead, Peadar Kirby and Michelle Millar (eds) *Contesting the State: Lessons from the Irish Case*. Manchester and New York. Manchester University Press.

45 *Delivering Growth and jobs: Funding a Major New Investment for Ireland*. Irish Congress of Trade Unions. June 2012. O'Farrell, Rory, (2012) *An Examination of the Effects of an Investment Stimulus*. NERI Working Paper, 2012/No. 4.

The next several years will see banks restrain lending for housing and economic activity while they deleverage their debt. Our banking system is not fit for purpose.

Wage Bargaining

A more integrated Eurozone in which the levers that control the economy are centralised is likely to bring the issue of incomes policy to the fore. It is conceivable that a government which eschews Social Dialogue will still retain a vital interest in the wage determination mechanisms. The reason is that competitiveness will be related closely to control of inflation. A trade union movement interested in solidaristic wage bargaining to promote equality will see influence on the social wage as a means of achieving that objective. Therefore, coordinated wage bargaining is likely to be a more important feature on the industrial relations landscape in a more deeply integrated Eurozone. Indeed it is conceivable that this might be attempted on a Eurozone wide basis if the ECB migrates towards acting as a central bank normally would. However, differences between the culture of wage bargaining in different countries suggest this as a more distant possibility leaving national coordination a more likely short term policy objective.

Patient Capital

A State Investment Bank to engage in counter cyclical lending is urgently needed. This was a function effectively discharged by ACC and ICC in the past, the latter being responsible for some of our most successful indigenous start-ups. Our inability to build an indigenous industrial base to match and to achieve a truly symbiotic relationship with the FDI sector is an enduring weakness of industrial policy. A possible inhibiting factor in the lack of a system of patient capital provision which is a feature of the banking system of other countries.

A National System of Innovation

In 1992 NESC commissioned a Norwegian academic, Prof. Lars Mjoset, to explore why Ireland was not succeeding as well as other small open economies.⁴⁶ One of the factors he identified in his report was the absence of a national system of innovation. By the time he reported, Ireland's economy was beginning to take off and the report languished. It could profitably be revisited to see if it has a relevance in current circumstances.

National Champions

State intervention in the indigenous economy is the only proven road to industrial development. We should be upfront about this. Ireland needs to create more 'National Champions' and both the private and public sectors should collaborate in pursuit of this objective. Congress has long advocated the establishment of a State Holding Company structure for this purpose.⁴⁷ The concept of 'National Champions' is frowned on by neo-liberals on the basis that the state lacks the ability to pick winners. But picking winners to invest in Ireland has been a feature of the IDA's approach for a long time.

Corporate Governance

At its most basic the crisis that hit Ireland in 2008 was one born of a massive failure in corporate governance in the private sector of the economy. Some of our largest private sector firms were found to have been playing fast and loose with the rules. In the process Ireland's reputation was seriously damaged with consequences for investment. For a long time Ireland was toxic. We cannot afford not to change the culture and regime of corporate governance.

46 Mjoset, Lars (1992) *The Irish Economy in a Comparative Institutional Perspective*. NESC No. 93.

47 Sweeney Paul (2005) *The Case for a State Holding Company*. ICTU.

A More Integrated Eurozone

It seems certain that any solution to the Eurozone crisis will involve a large step forward towards political integration. What this might mean for Ireland has not really featured as a topic of public discourse. At a minimum it strengthens the case for coordination – of taxes, of wage bargaining, of welfare system, of employment policy, of industrial policy – because interdependence will be a reality that no one can afford to ignore. The challenges for Ireland will concern our relationship with Britain, formerly ‘our greatest ally in Europe’ but henceforth likely to be moving further away from us in a more Eurosceptic direction. Of necessity we will have to live with a more coordinated (if not harmonised) approach to corporate taxation, most likely through the common consolidated tax base. Finally, as pointed out above, coordination is not consistent with maintaining a liberal market economy model.

A Northern European Arc of Prosperity

Interdependence finds its most acute expression between the people who populate the separate jurisdictions on this island. How is co-ordination to be made meaningful where one case is a regional economy of the UK with a separate currency? The barriers to coordination in these circumstances are certainly formidable. Nevertheless, the evolution of regional governance in the UK may open the way to innovative ways of cooperating. It may be, for example, that Scotland will choose independence and join the Eurozone. That may be far fetched but even if the status quo remains there are possibilities. For a time prior to the financial crisis the notion of ‘an arc of prosperity’ transcending the Nordic countries, Scotland, Northern Ireland and the Republic was popular. The crisis in the Eurozone has pushed the idea into the background again but the idea of regional collaboration retains merit. This would be particularly so if the Republic choose to move towards the Nordic model. In any event finding a way to optimise outcomes from coordination is something NERI should study.

Human Rights

The hegemony of liberal democracy is well established in the advanced industrial countries. But there are distinct differences between its two main strands – libertarian democracy and social democracy – which can be located in a conception of human rights. Libertarian democracy (neo-liberalism) is concerned only with civil and political rights while social democracy also comprehends economic, social and cultural rights. Social democrats insist that equality of opportunity is only meaningful when a person has the necessary resources to live a full life. In practice free markets cannot provide those resources to everyone so logically social democrats created the Welfare State to make life chances as equal as possible. That is why human rights are an essential underpinning of a political economy of the common good. From this one can reason clearly why a legal right to collective bargaining is a human right. Trade unions are the only economic market actors interested in distributonal justice which they seek to achieve through collective bargaining.

Conclusion

The present crisis can be a catalyst for positive change in Ireland. This is the third time since independence that we have looked into the abyss of economic desolation. In the past people feared that Ireland might not be a viable economic entity.⁴⁸ That concern was forgotten with the onset of the Celtic Tiger but it has returned with a vengeance. Perhaps the question is less about survival than about the terms on which we survive.

For trade unionists an unemployment rate of 15 per cent is a socially unacceptable price. We now have a chance to change things radically and permanently. The outline of a political economy of the common good has been sketched out above.

48 MacSharry, Ray & White, Padraic (2000) *The Making of the Celtic Tiger: The Inside Story of Ireland's Boom Economy*. Cork Mercier Press.

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It will take a lot more work to shade in the picture. And it is a challenge for all of us to build a better Europe. The enduring question of social democracy is posed all the more crucially at this point: can the citizens of Ireland be organised into a progressive, redistributive coalition through the promise of collective services and a more just society?

Making sure the answer is in the affirmative is our historical task.

This challenge is one for all trade unionists and the left in Europe. Ireland is not a significant player in Europe but we have to make our own bit of history in our own time. We must build a strong, vibrant and effective trade union movement to articulate and progress the rights of workers at a time when these rights are being oppressed to a degree unprecedented in modern times. Because this is beyond the lived experience of this generation of leaders there is a natural inclination to embrace an incremental approach. That is not likely to be an adequate response. Something bolder is called for.

Organising for Challenging Times



Introduction

The most recent assessment of the challenges facing us was captured in a document entitled *'Future Positive: A Medium Term Strategy for the Trade Union Movement'* circulated to unions. At the symposium held in Clane on 4th September, 2012, it was agreed that the General Secretary should flesh out some ideas raised at the end of his presentation to the meeting. That is the purpose of this short paper and it should be read in conjunction with *'Future Positive'*.

Decisions of BDC 2011

It is important to recall that certain important decisions have already been taken as a result of adoption of the report of the Commission *'A Call to Action'* at BDC 2011. The key decisions relate to the following:

- Formulation of a new Strategic Plan;
- Construction of an alternative political economy model and advocacy for it;
- Facilitation of increased participation and democracy;
- Organise to increase density;
- Work towards cooperation and rationalisation on a sectoral basis in order to improve the effectiveness of organising and collective bargaining;
- Establish a Strategic Organising Group;
- Review the Constitution;
- Appoint an International Secretary;
- Conduct further research and consultations;
- Establish a Workers' College.

Decent Work

The document considered by the Clane conference included a compendium of values which should inform trade union activity in the modern world. Foremost among these values was the objective of decent work. Congress has been actively campaigning on this theme including collaboration with our colleagues in the TUC, Scottish TUC and Wales TUC through the Council of the Isles.

We believe that work is inherently part of the dignity of a person and that labour is not a commodity. But the trend is in the opposite direction. Increasingly companies pay enormous salaries and bonuses to their top management but regard other employees as so much flotsam and jetsam to be discarded at will. The minimisation of unit labour costs is an objective used to justify any kind of harsh restructuring including outsourcing and relocation to low cost locations. Year on year people have less security in their jobs; they become more stressed about work pressures on their family life; the public safety net is shrunk, making them more vulnerable to private hire and fire decisions; more public services are contracted out to businesses which will run them in a way that will make the most profit regardless of the impact on the vulnerable. As a result many citizens have only a precarious hold on employment. Many people would stand together if they felt that their welfare and security were imminently threatened. When the truth is well disguised it can induce apathy. To mobilise people on their own behalf is what must be done. Trade unions are the only labour market actors either interested in or capable of achieving a measure of redistributive justice through collective bargaining. This mobilisation implies the active participation of members and must constantly be renewed in every generation. That is why organising is a core trade union value, not just a technique. It is the driving imperative for restructuring the movement.

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A Strong Local Infrastructure

A strong local infrastructure is an essential complement to the new possibilities suggested in the following pages. Absent the full engagement and democratic participation of members any new organisation structure, however ambitious, will struggle to reach its full potential. That is the experience of some affiliates and it is certainly the experience in the United States. Moreover, the public visibility of local engagement is an essential campaigning tool.

As things now stand there are 3 components to the localisation of trade union activity viz:

- Branches of individual trade unions sometimes with officials and premises;
- Trades Councils;
- Congress Centres Network.

It is clear that these components need to be more fully embraced in the mainstream trade union structure and become an integral part of the achievement of policy goals. A simple example is that the impact of local media is constantly underestimated. Local activists working in a cohesive manner with the centre could become powerful advocates for trade union causes. Similarly they could become effective organisers and resources for labour market intelligence.

Options Emerging from Clane Discussion

The purposes of the Clane meeting was to carry forward the work endorsed at BDC2011. Set out hereunder is an exploration of what some of the possibilities might mean in practice.

(i) A Federal rather than a Confederal structure

Confederal and federal structures are distinguished by the fact that the central authority of a confederation is far weaker than that of a federation.

(ii) Rebalancing Sovereignty

This means that certain powers would go to the centre but a principle of subsidiarity would also apply. In this way decisions which affect members in one sector should be made as close as possible to that sector provided the decision did not affect other members. The most obvious case would be one where policy in regard to terms and conditions of employment in an area of the public sector would be made by an affiliated union but policy in relation to the scope and delivery of public services would be made centrally by Congress.

(iii) Shared Services

This, in practice, would be the area where a federal structure would be likely to have most impact. It would empower Congress to provide a range of services – legal, accounting, communications, organising, printing, pension services provision, investment, training and education etc. – centrally. In practice economic policy making is substantially centralised now via the establishment of the Nevin Economic Research Institute. A federal structure would do the same thing for a much broader range of activities except that the financing of this work would be mainstreamed and budgeted for centrally.

(iv) A Sectoral Organisation

This would mean moving to a more industrial type structure dividing the economy into different sectors and seeking to maximise trade union organisational and negotiating capacity in each. This anticipates a situation in which a return to centralised collective bargaining is remote and where Ireland has a multi-speed economy in which some sectors do better than others. This is where the federal structure and balanced sovereignty

can be made to work effectively. Strong sectoral unions should be able to achieve good bargaining results and a federation should be able to optimise the overall outcome through central coordination of bargaining having regard to macro-economic conditions, especially employment.

The economic sectors which could be used include:

- Manufacturing
- Distribution and Retail
- Infrastructure (Energy, Construction and Natural Resources)
- Commercial Services
- Public and Social Service
- Community

This classification is not aligned with the CSO (NACE Rev 2) classification but it is closer to the existing profile of trade union organisation. It could, of course, be designed to facilitate things like establishing (sub) industrial divisions for the Public and Social Service for Health (public and Private) as well as Education and Civil Service/Agencies/Local Government. Manufacturing could have industrial divisions for indigenous, high tech, Pharma/Chemicals and the food industry. Commercial Services could have industrial divisions for Finance, Passenger transport, Tourism/hospitality and media/communications. Construction could be included as a Division of an Infrastructure Sector. This is a matter for careful discussion because it does condition the type of sectoral union structure we might fix on. The main point is that it could be the means to facilitate transition from 50 independent affiliated unions to as few as six sectoral entities. This would facilitate future organising initiatives as new workforces emerge or are organised.

The idea would be to optimise industrial cohesion in a structured way by moving over time to a new kind of federal Congress with as few as 6 sectoral constituents with their own executives, staff, conferences, finances, internal industrial divisions etc.

The foregoing is focussed on the Republic. Congress is probably unique in Europe in being one trade union centre for two jurisdictions. The more usual case is to have two or three centres for one country. As such there is not much to draw on for emulation. However, the structure of the movement in Northern Ireland, and the governance arrangements which have applied historically, suggest taking a distinct approach in each jurisdiction, at least for the time being.

At present the profile of Congress affiliated unions is as follows:

- 4 based in Britain with members in NI and ROI
- 18 based in Britain with members in NI
- 3 based in NI with members in NI
- 3 based in ROI with members based in ROI & NI
- 22 based in ROI with members in ROI

Given that the NI economy has a public sector accounting for 31 per cent of employment, and the relatively higher degree of unionisation in the public sector, it might be efficacious to have a tighter sectoral division for NI e.g.:

- Public Services⁴⁹
- Private Services (including construction)
- Retail
- Manufacturing.

⁴⁹ Some public service unions are of a vocational character with uniform pay and conditions across the UK.

Strong sectoral unions should be able to achieve good bargaining results.

(v) Transition to the new structure

It seems only prudent to plan for a 5 year transition to a new model trade union movement. It might also be better to advance via a number of confidence building stages.

It is likely that best progress would be made through cooperating on tangible issues like organising and collective bargaining. There would be an element of 'learning by doing' about this. It would also probably make a lot of sense to members for unions to be seen working together.

A first stage – which could be in parallel and not necessarily sequential – could be to cooperate on joint organising projects. This could mean giving one union responsibility for organising a target employment or group of employments. It could also mean helping to resource the organising activity of another union (NB, the Clane conference accepted the idea of ramping up organising expenditure on an incremental basis to 10% of income by 2019).

A second stage could be to establish a formal single negotiating unit with powers delegated from individual unions that goes beyond the 'Group of Unions' model that could initially be serviced by a Congress official.

A third stage might be to try to agree with the employers on some kind of joint industrial council for a sector.

A fourth stage would be to have in place supporting structural arrangements such as the cohesion fund detailed below.

A fifth stage would be for all unions in the sector to merge into a sectoral constituent by agreement when it is considered appropriate to do so. The merged constituent would be designated to reflect the federal structure such as 'Congress Infrastructure' or 'Congress Manufacturing' similar say to the Dutch FNV Bondgenoten.

(vi) Enablers

There are a number of steps which are necessary enablers for the type of radical change in contemplation here viz:

A New Constitution – Because the objectives of the movement have to reflect the changing context in which we are operating and to allow unions to navigate their way to a new destination, a new Constitution is necessary. It would have to reflect the change from a confederal to a federal structure and underpin sectoral organising and bargaining as approved by BDC2011. It should, hopefully, reflect also the fact that inter-union disputes about membership should not arise with a sectoral configuration.

A Cohesion Fund – A transition of the magnitude envisaged could throw up unanticipated problems and difficulties affecting both people and operational matters. To deal with such exigencies it would be only prudent to establish a cohesion fund. This could be achieved by pooling assets on a proportionate basis.

Goodwill – To effect the type of structure envisaged involves regional entities of unions with headquarters in Britain having the freedom to accept and transfer engagements if they consider it appropriate. Something like this would only be possible with considerable goodwill from colleagues in the TUC and the wider British trade union movement. This is an aspect of the proposition that needs to be approached with great sensitivity not least because of the role Congress has always played in preserving harmony in the workplace and society in Northern Ireland. Nevertheless, the reality is that the current situation has its roots in history rather than the present day needs of workers.

An agreed vision for the future – the rationale for restructuring the trade union movement at all is to make it fit for the purpose of creating a political

economy model, economically sustainable and socially just. As indicated at the Clane symposium developing a blueprint for a new political economy model is a task which has been given to the Nevin Economic Research Institute. It is worth recalling that Sweden and the United States in the 1930s and Britain in the 1940s were capable of designing radical social innovations in the midst of great adversity. But it is not enough to have a vision for the future. We have to explain it to people too. We must equip ourselves with a communications strategy to do this.

Conclusion

It is not possible to be prescriptive about every stage of the journey to a new trade union movement. What was special about the Clane meeting was the willingness of everybody to set out on the journey and the recognition that it was necessary to do so. It is also important to realise that institutional redesign is not the complete solution. Active involvement by members must be encouraged and making Trades Councils and Congress Centres a key part of the new movement may be the instrument to achieve this. Our vision for society should encompass supports for childhood years, working and learning and proper supports for retirement. If there is broad support for this approach it will be then a matter of securing appropriate authorisation from BDC 2013.

Notes

Notes

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