SIPTU

Services Industrial Professional & Technical Union

Taking Charge of the Debate

How trade unionists can lead the economic debate

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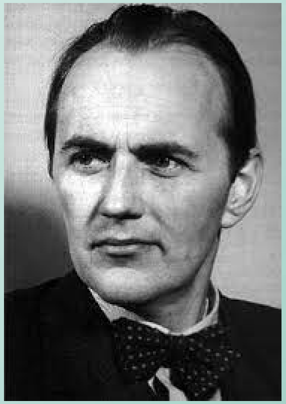
The Foundation of the Swedish Model

- Following the war the Swedish economy faced a number of challenges that threatened inflation, wage inequality and unemployment.
- Trade unionists asked: is it possible to combine full employment and low inflation; strong economic growth and relative wage equality.
- Debate informed by the work of two of the greatest economists of the 20th century most people never heard of: Gösta Rehn and Rudolph Meidner.
- They worked for the Swedish Trade Union Confederation (LO).
- It was this model – focused on the productive economy, not the high-spend, high-tax policies - that became the foundation of the Swedish model



Goals and Instruments

The Swedish model proposed four goals and a limited number of instruments to achieve those goals. The interaction of goals and instruments reflected a dynamic approach.

Goals

- Growth
- Full Employment
- Equality
- Price Stability

These remain valid today – though we should add *Just Transition* (climate change, the impact of AI / automation).

Instruments

- Solidaristic Wage Policy
- Labour Market Policy
- Restrictive Economic Policy
- Marginal Employment Subsidies
- Public Saving

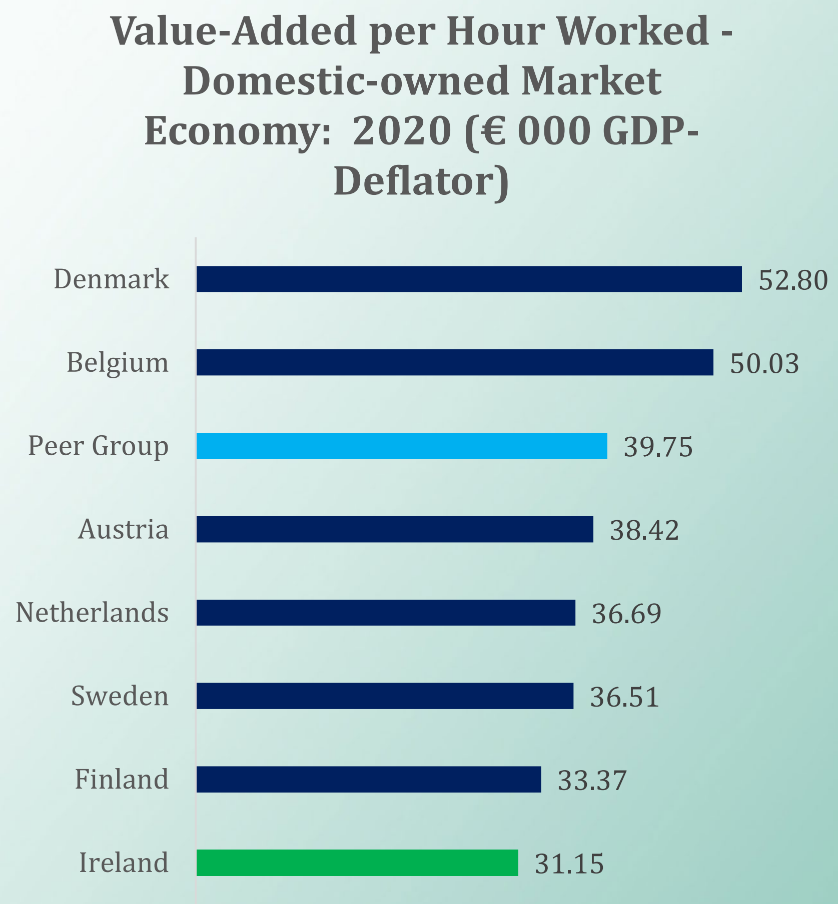
Instruments serve more than one goal and are used to address negative impacts of other instruments.

A Movement-Wide Engagement

- **Proposal**: trade unionists engage a movement-wide debate to develop the goals and instruments for a new economic model.
- This engagement to be sustained and reach into the membership in order to maximise contribution and participation.
- ➢ Not a compilation of policies – it is a *long-term framework* within which it is easier to address policy deficits.
- ➢ Not about replicating the Swedish model (not possible) – it is about using that ambition.
- This presentation focuses on the first goal – growth; in particular, in the *domestic-owned market economy*. Data should be treated as indicative, requiring further research. Comparisons are with other high-income, small open economies.

Growth: The Productivity Gap

- Labour productivity is a key growth metric – income per number of employees or hours worked.
- The Irish domestic market economy lags far behind our peer group – other high-income, small-open economies.
- Need productivity (value-added per hour worked) to increase by over 25 percent to reach average, and over two-thirds to reach the best-in-class.



Example: Road Freight Haulage Sector

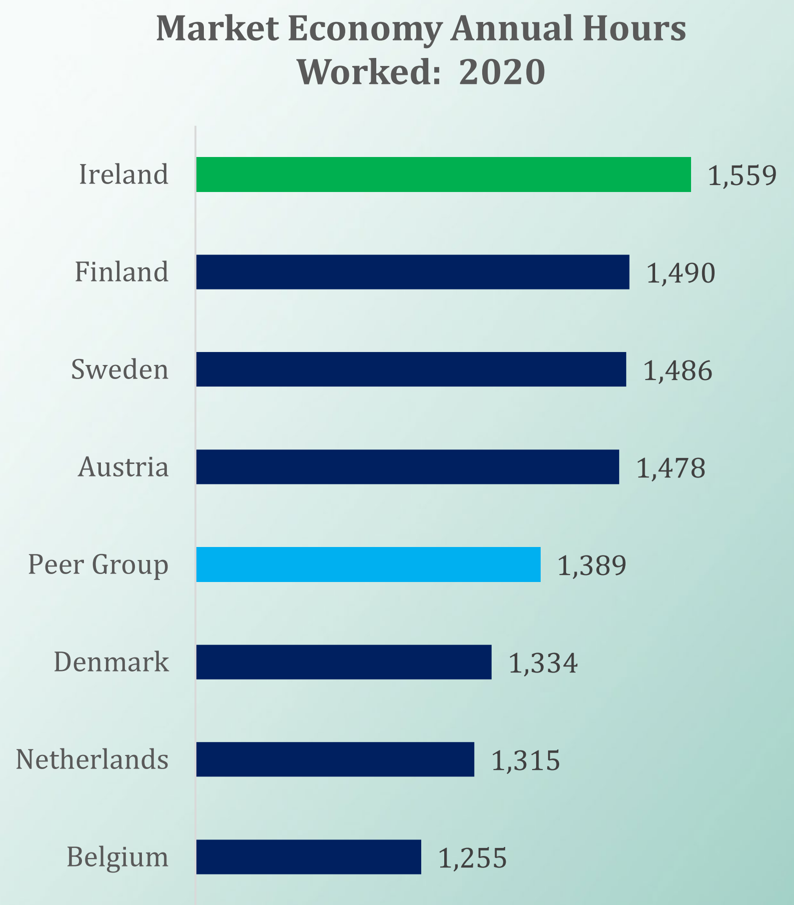
- This productivity gap has serious implications for wages. **Example**: road freight sector.
- Irish employee compensation is significantly below average.
- But Irish workers take a higher proportion of value-added.
- The problem is low productivity – 40% below. There is a very low productivity ceiling to wages levels
- Need an examination of the causes for this low-productivity performance.

	Pay (€ 000)	Labour Share	GVA per worker (€ 000)
Ireland	**28.1**	**77.6**	**36.2**
Peer Group Average	41.3	69.3	59.6

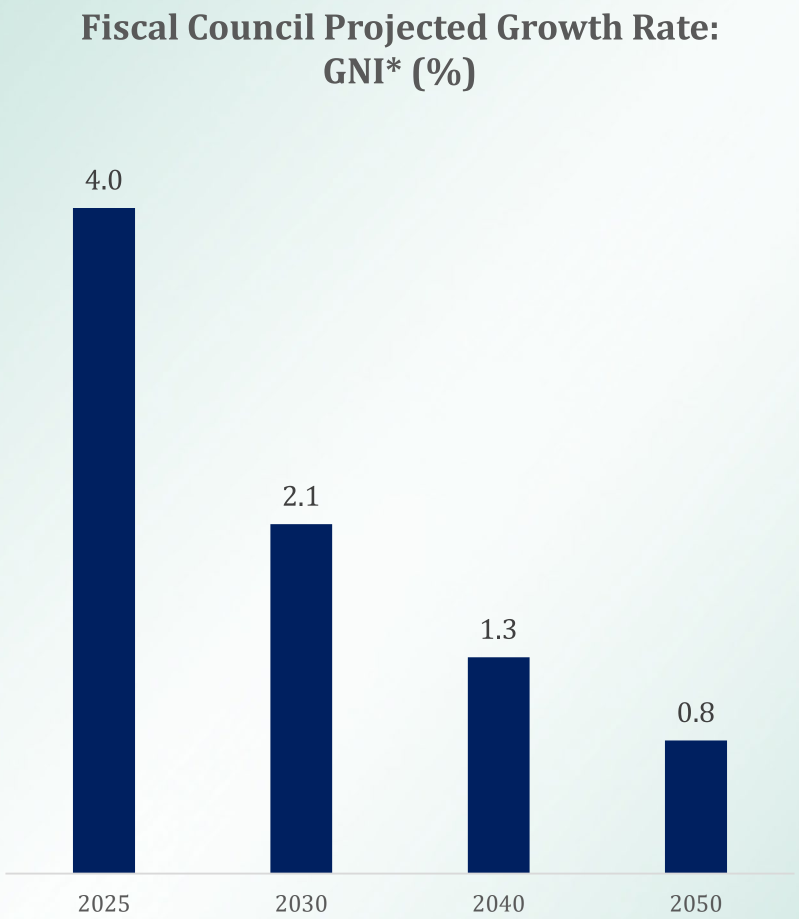
Even if Irish workers took 100% of value-added, wiping out profits, wages would still be 12% below our peer group. Wages are a product of *both* bargaining power and productivity.

Further Challenges

- NESC identified similar productivity deficits in the domestic sector. It also observed:
- *'Ireland has had a slowdown in its domestic sector's productivity growth in recent years, with slow or even negative productivity growth.'*
- To compensate for this Irish employees work long hours – 170 hours more per year on average. We make up for our low hourly productivity by working longer hours.



Growth: Long-Term Slowing Down



- Fiscal Council, Government, EU, World Bank all project a low-growth future: ageing demographics, tech pessimism, climate change, etc.
- In a few years we will be entering into a long-term, low-growth economy - an *economic drought* impacting on jobs, wages, public services, fiscal stability, etc.
- Is our low-productivity domestic sector capable of meeting this low-growth challenge?

Instruments to Promote Growth
Basic Principle

- **Swedish model - Basic Principle for firms and sectors**:

➢ Crowd-Out the unproductive

➢ Crowd-In the productive

- The *solidaristic wage strategy* instrument pursued similar rates of pay for comparable work regardless of company profitability. Firms that couldn't pay the wage increases were allowed to fall, and their resources directed to more dynamic firms and sectors.
- This could risk unemployment – so the model used another instrument to address this risk (labour market policies - see below)
- Given different international and institutional contexts, Ireland will have to rely on different strategies to increase its productivity.

Irish Growth Instruments
Instrument 1: Collective Labour Rights

- A strong collective bargaining regime – at firm and sectoral level. This is a productivity-enhancing and problem-solving instrument. Employers who obstruct collective bargaining are actually undermining economic growth.
- This is the first rung up the '*productivity ladder*'.: collectively agreed employee-participation measures with return rights, co-determination and co-management, worker-directors: All these have productivity-enhancing qualities.
- Workplace democracy, a robust transposition of the EU Directive, collective labour rights – these are instruments of productive growth.

Irish Growth Strategies
Instrument 2: Sectoral Socialisation

- Basis for this is the Programme for Government commitment to establish Sectoral Taskforces: all relevant 'stakeholders', supported by 'experts' and chaired by the line Minister come together to assess sectoral challenges (low productivity or investment, labour shortages, high input costs, weak infrastructure, etc.).
- **Example**: ICTU's Ireland's Meat Processing Sector – an analysis that exposed a low-value, low-waged, low-investment, low-road sector.
- Sectoral socialisation needed to boost sector-wide productivity, prepare for Just Transition, and deal with the restructuring of unproductive sectors (see below).
- A '*negotiated economy*' rather than a free-for-all – a permanent *social deepening*

Irish Strategies
Instrument 3: Good Company Seal

- Swedish model used *marginal employment subsidies* to reward and support productive firms and sectors. We could reform Ireland's business subsidy regime to incentivise productive companies and sectors.
- Prioritise access to grant-funding and public procurement contracts to companies that posses a '**Good Company Seal**'.
- Need to establish the components of a 'good company': collective labour rights, investment over value-extraction, financial transparency, environmental measure, in-work training & career development, gender pay equality, inclusive policies on digitalisation. There are a range of benchmarks for a good company.

The ‘Good Company’ and Negative Externality

- A valuable tool in the public debate over what constitutes a ‘good company’: *negative externality.* A company maximises its own profits by imposing or externalising costs on to other parties.
- **Example**: a company engaged in low-pay and exploitative conditions to boost its profits, increases costs on to other parties: (a) workers, through lower living standards; (b) the state, through lower tax revenue and higher social protection subsidies; and (c) other businesses, which are dependent on domestic spending power
- Companies that incur high negative externalities are not the basis for a ‘resilient’ economy. We can no longer afford to publicly subsidise unproductive or inefficient firms.
- The point of policy is to *privilege companies and economic activity with ‘positive externalities’.*

Irish Growth Strategies

Instrument 4: Restructuring

- Domestic economy heavily dependent on hospitality. Need to transfer (restructure) resources to more productive sectors.
- Domestic economy: €50,000 per hour worked. Hospitality sector: €18,000.
- Transferring resources away from hospitality can boost overall economic performance while giving an opportunity to focus on pay and working conditions in a rationalised hospitality sector.

Labour Market Policies
A Necessary Instrument

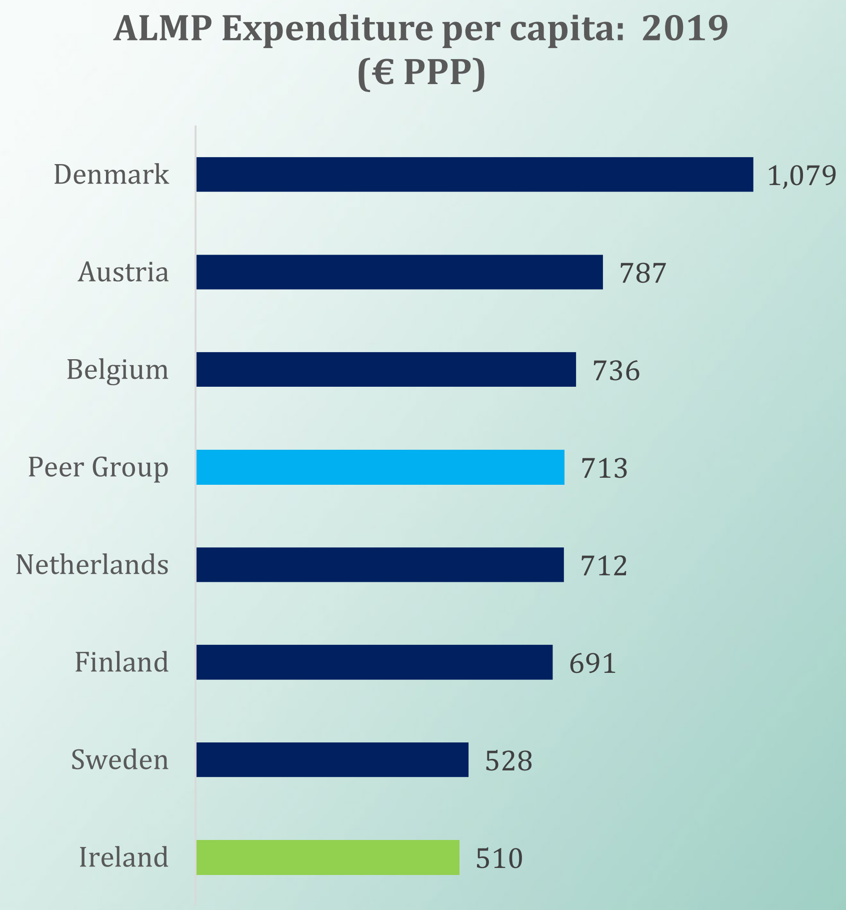
- Active labour market policies (ALMP) played a key role in the Swedish model since crowding out unproductive firms and sectors is likely to risk unemployment. ALMP incorporated

a) *Supply-side measures:* relocation/ retraining grants, occupational training programmes; and
b) *Public employment services:* adjust job applicants to vacancies.

- Strong unemployment benefits protected incomes while people seek new jobs or participate in training.
- Without strong ALMP, the crowding-out and crowding-in could have resulted in severe dislocations and falling living standards.

Irish ALMP Expenditure

- Irish expenditure on ALMP relatively poor.
- Sweden's commitment is under-stated as their **Job Security Councils** are voluntarily funded through collective agreement (not state financed).
- Considered one of the best in EU – nearly 90% of those made unemployed are placed in a job within 8 months – majority with same or higher pay.
- Such programmes are needed to meet restructuring sectors and Just Transition.



What if . . .

- What if, after all this, we cannot generate quality economic activity in our domestic economy
- Update the definition of '*market failure*' - the rationale for public enterprises: private capital couldn't or wouldn't finance critical activity (in this case, meeting our goals). Update ICTU's State Holding Company policy to promote more market enterprise activity.
- <u>Public sector-led </u>enterprise: equity financing new and expanding companies and co-equity partnerships. Promote other enterprise forms: civil-society led enterprise development, labour-led, non-profit, community-owned initiatives, etc.
- An opportunity for trade unionists to argue for enterprise pluralism and expansion.

Goal 2: Full Quality Employment

- The goal of **full employment** is about more than a low unemployment rate.
- Over 200,000 want to work but not counted as 'unemployed'. Reasons for not seeking employment: care of disabled adult or child; suffering from disability.

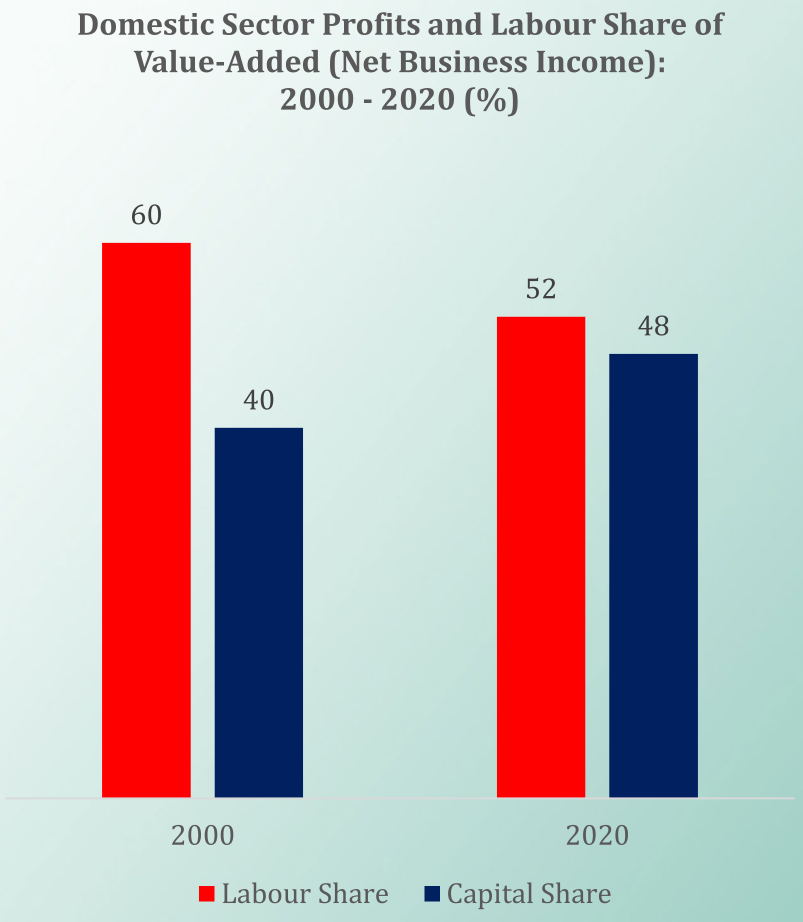
- **Employment quality:** EU Parliament criteria:
  - Low-pay & in-work poverty;
  - Collective labour rights;
  - access to social security;
  - Uncertain / limited contracts;
  - career development & training;
  - stress and health.
- NERI found in 2016 between 500,000 and 800,000 employees were '*in precarious employment*'.

Instruments for Full Quality Employment

- **Collective labour rights**: collective bargaining to combat precariousness and poor quality employment
- **Public Services**: expansion of childcare and eldercare can boost labour force participation, address labour shortages and enhance incomes
- **Sectoral Socialisation** & **Good Company Seal**: addressing quality employment at firm and sectoral level
- **Sectoral restructuring**: transferring re-skilled labour to more productive sectors with higher quality employment

Goal 3: Equality

- In the market economy equality starts in the workplace. Measurements: labour share, earnings differentials, gender pay gap, low-pay, in-work benefits and market Gini co-efficient. Ireland fares poorly in all these compared to our peer group.
- The wage share has fallen over the long-term in the domestic sector – with owners taking more of productivity gains in profits.

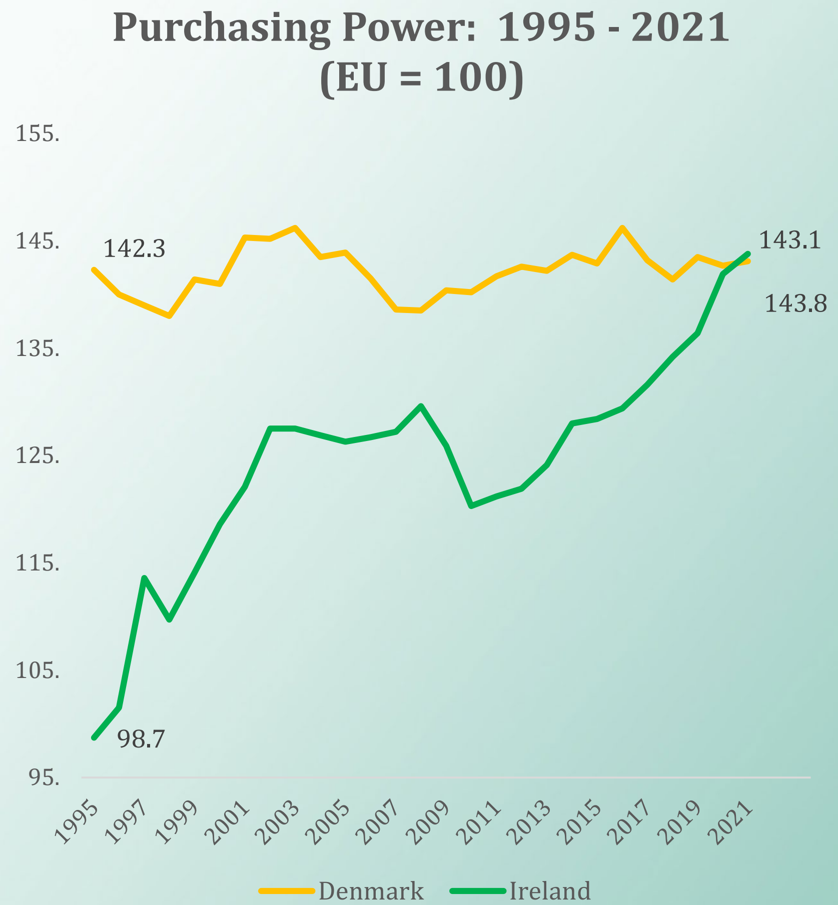


Instruments for Equality

- Collective labour rights, restructuring, quality jobs, ALMP all help reduce income inequality. But equality is about more than income.
- **Public services: P**rovides for free or affordable services that would otherwise have to be bought in the private market or be done without. They are also key to driving productive infrastructure:
- *Example*: human capital investment. Need to increase education spending by €2.5 billion and R&D spending by €1.5 billion to reach our peer group average.
- **Social Wage**: a significant number of workers in the domestic market do not have access to occupational pension, strong sick pay, maternity / paternity benefit top-ups or generous family leave. This can be addressed through social insurance which spreads (socialises) the 'cost' of strong in-work benefits across all sectors and enterprises.

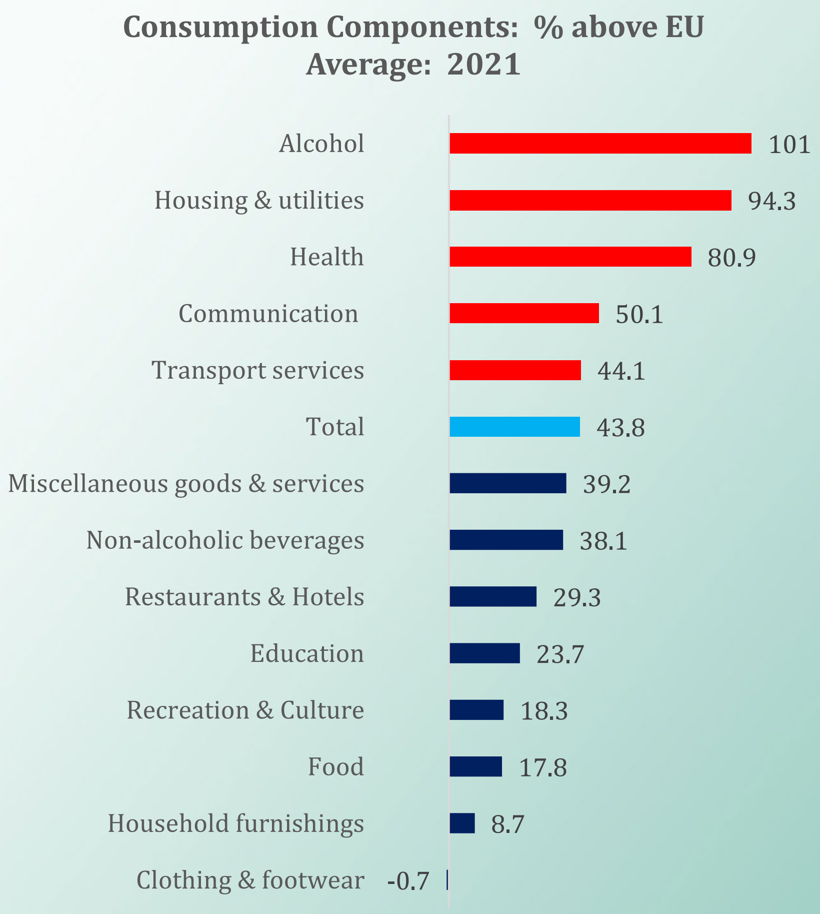
Goal 4: Price Stability

- Ireland has the highest living costs in EU. In 1995, one of the lowest.
- Addressing this will be difficult. Rising costs are embedded in the economy. No example of an EU country significantly reducing living costs over time.
- **Example**: In 2021, nominal spending on public services was €52.2 billion but *real* spending was €37.1 billion. Increasing spending while economic costs are rising means running to stand still.



Prices by Category

- Future research to focus on individual categories (including business inputs) to determine the reasons for excessive price levels: transport costs, small domestic market, lack of competition, oligopolistic pricing power, etc.
- One positive: while fuel and food prices increased by double-digits in the las year, bus fares and childcare fell by 35% and 22% respectively due to increased public services expenditure.

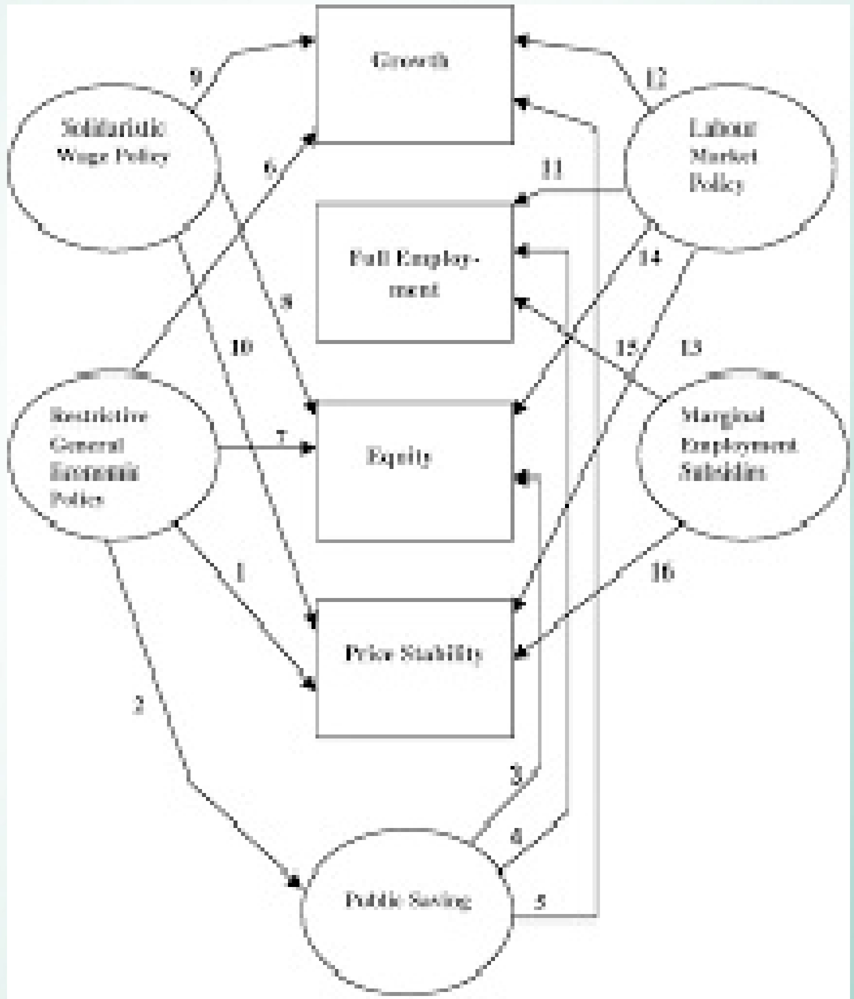


Instruments and Goals

Instruments	Impact on Goals
Collective Labour Rights	Growth (productivity) * Quality Employment * Equality
Sectoral Socialisation	Growth (facilitate restructuring & anticipate long-term challenges) * Quality Employment
Sectoral Restructuring	Growth * Employment Quality * Equality
ALMP	Growth * Quality Employment
Public Services	Growth * Equality * Price Stability
Good Company Seal	Growth (privileging productive companies) * Quality Employment
Social Wage	Equality * Employment Quality

A Pragmatic Approach

Scholars mapped the Swedish model but trade unionists didn't start out 'model-building'. It was a pragmatic, dynamic and evolving set of goals and instruments.



How We Can Take Charge of the Debate

Need to address the goal of Just Transition, fiscal policy, FDI and multi-nationals, and public sector employee-driven productivity

- **Describe the situation**: in order to lead the debate
- **Develop a small number** of goals and instruments
- **Embed discussion** among trade union activists / members: process is as important as product
- **Highlight good practice** – companies and sectors that can act as a model of what we want to achieve
- **Develop our resources and** expertise so that we can enter the debate with confidence
- **Politicise the issues**: these are not technocratic issues; we need to lead the debate - a cultural struggle over ideas: efficiency, productivity, competitiveness, resilience

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