SIPTU

Services Industrial Professional & Technical Union

Democratising Productivity

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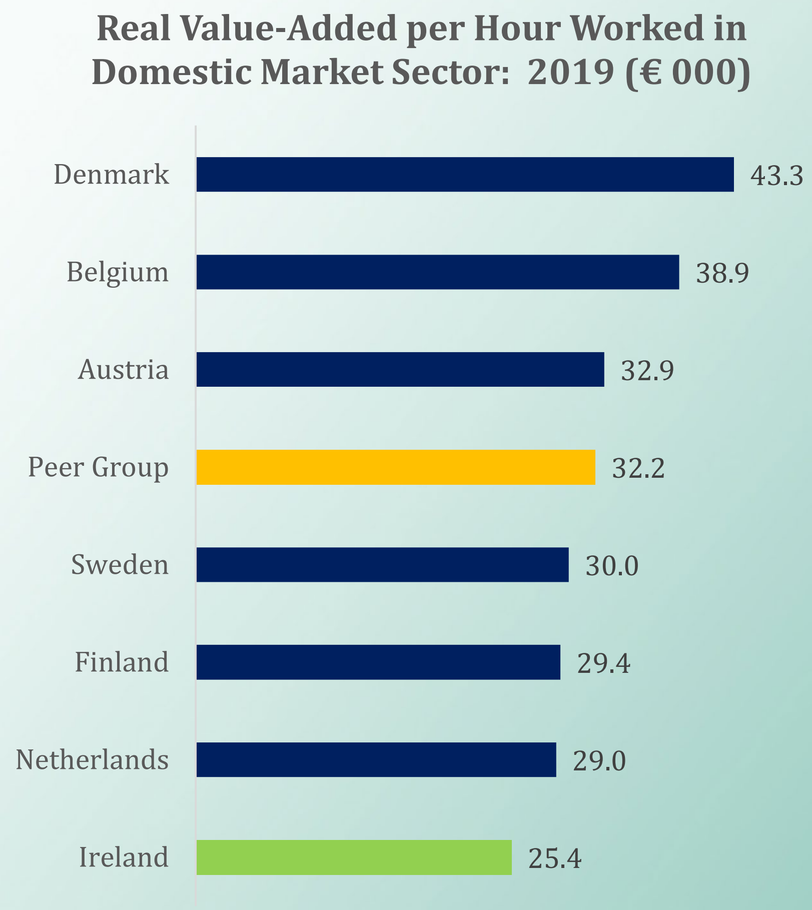
Enterprise White Paper

- In late 2022 the Government published a White Paper on Enterprise.
- There is no mention, reference or discussion of the role employees can play in the decision-making process of the firm; or their role in boosting productivity or innovation.
- There is no mention of trade unions or the role that collective bargaining can play in boosting enterprise performance.
- In short, workers were whitewashed out of the White Paper.

The Productivity Imperative

- The debate over productivity tends to exclude an active role for workers. This limits our ability to develop policies that can optimise productivity.
- Our domestic market sector – which makes up 70% of total employment – lags well behind our peer group (other high-income, small open economies).
- Productivity would need to increase by over 25% to reach our peer group average.



Backdrop

- **Declining productivity**: According to NESC '*Ireland has had a slowdown in its domestic sector's productivity growth in recent years, with slow or even negative productivity growth in domestic manufacturing, accommodation and food, financial and insurance services, and administrative and support services.*'
- **Future Challenges**: climate chaos, AI and automation, geo-political (new Cold War), de-globalisation.
- A particular challenge: the *low-growth, low-productivity future* projected by the Department of Finance, EU Commission, World Bank. IFAC projects an annual average growth rate of 1% between 2030 – 2050. This is an economic drought.

Foundational Policies

- There have been a number of policies put forward to promote productivity. We can term them '*foundational*' policies.
- Tom McDonnell's '*Cultivating Long-Run Economic Growth*' is a particularly influential contribution to such foundational policies.
- McDonnell develops five categories of policies: Labour quantity, Infrastructure, Human Capital, Innovation and Efficiencies. Policies include driving investment, removing barriers to labour market participation, investing in education and R&D, removing distortionary subsidies (direct and tax-based) such as business and home-ownership subsidies, and taxing capital and assets.
- While many of these policies have support across the political and social spectrum, they struggle to emerge.

Example: Education and R&D Investment

- Two examples of broad support but under-investment: education and R&D.
- In primary education, Ireland would need to increase spending by nearly 30 percent, or €1.2 billion, in 2019 to reach our peer-group average.
- In total R&D spending (state, business and higher education) Ireland would have to increase spending by nearly a third, or over €1.3 billion.
- We are short-changing our children and our future.

Primary Education Spending per Pupil: 2019 (PPP)		Total GERD Spending: 2019 (% of GDP)	
Sweden	9,181	Sweden	3.4
Austria	8,738	Belgium	3.2
Denmark	8,231	Austria	3.1
Belgium	7,896	Denmark	2.9
Finland	7,307	Finland	2.8
Peer Group	**7,709**	**Peer Group**	**2.8**
Netherlands	7,013	Netherlands	2.2
Ireland	**5,976**	**Ireland GNI***	**2.1**

A Democratic Policy Response

- Building on foundational policies, a democratic policy response to boost productivity would focus on what we produce, how we produce it, and to whom these processes are accountable. Start with two levels within the production process itself:
- **Enterprise level**: resilient and sustainable (productive) enterprises
- **Sectoral / national level**: appropriate frameworks through which productive companies and sectors can be privileged.
- A democratic policy response focusses on the issues of production in order to develop a *progressive supply-side economics.*

A Fundamental Principle

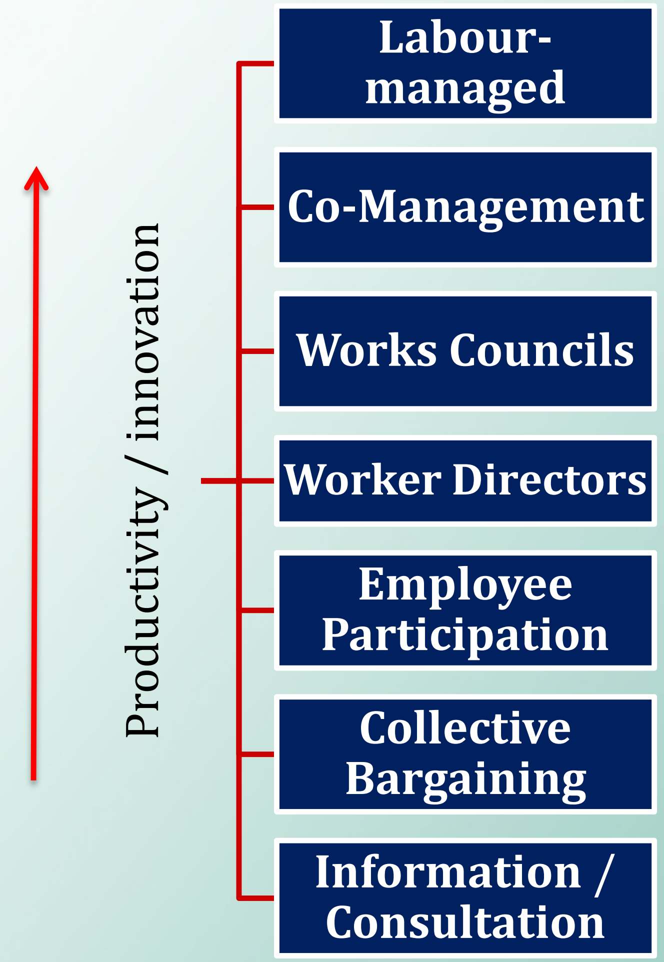
- *Crowd-out* the unproductive and *crowd-in* the productive – at firm and sectoral level.
- A strong collective bargaining regime – at local or sectoral level - is a productivity-enhancing and problem-solving instrument. There is considerable support in the literature for the proposition that collective bargaining leads to higher productivity and stronger wage floors (which leads to more sustainable consumption).
- Privileging companies that engage in collective bargaining is part of the '*crowding-in*'. And when we understand that employers who obstruct collective bargaining are actually undermining economic growth – public policy that seeks to '*crowd them out*' will be more acceptable.
- However, at the enterprise level, collective bargaining is only the start.

The Ladder of Democracy

There is a ladder of democracy in which each rung upwards improves productivity. Each of these steps need to be interrogated (e.g. the National Workers Directors' Group will be publishing a paper which focuses on the productivity gains from worker-directors).

Key point; if a little democracy improves firm performance a little bit, more democracy increases performance a little bit more.

This is the new debate: how greater democracy promotes higher productivity.



Sectoral Socialisation

- Complementing firm-level productivity initiatives through greater democracy, we need a process of *sectoral socialisation,* or *sectoral planning.*
- The Programme for Government commits to establishing *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.).
- Sectoral socialisation needed to boost sector-wide productivity, prepare for Just Transition (climate change and AI), and deal with the restructuring of unproductive sectors.
- A '*negotiated economy*' rather than a free-for-all – a permanent *social deepening.*

Sectoral Restructuring Example: Hospitality

- Domestic economy heavily dependent on hospitality – disproportionately so compared to our peer group. 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 improve pay and working conditions in a rationalised hospitality sector.

The Role of Wages in Driving Productivity

- In the Rehn Meidner model, solidaristic wages played a key role – similar rates of pay for comparable work across sectors, linked to productivity, regardless of company profitability. Firms that couldn't pay were allowed to fall, and their resources directed to more dynamic firms and sectors.
- Can't replicate this (highly centralised bargaining, near universal union density and collective coverage, hegemonic social democratic state).
- However, the Government's target of a minimum wage at 60% of the median wage within three years will increase the minimum wage by 30%. This is unprecedented. How will this impact on firms whose business model to date is based on low, exploitative pay.
- And what policies will the Government employ to deal with negative impacts (Rehn-Meidner used labour market policies and marginal employment subsidies).

Much More Needed

- Foundational policies, democratic initiatives in the workplace, and sectoral socialisation are necessary to drive productivity. This will need a variety of instruments. Examples:
- **Progressive procurement and grant-aiding** policies for companies with collective bargaining, investment over value-extraction, financial transparency, environmental measure, in-work training & career development, gender pay equality, inclusive policies on digitalisation.
- **Expansion of public services** to reduce costs for to the productive economy: health, education, care. This process of decommodification should be extended to housing and energy.
- **A strong Social Wage** delivered through social insurance so that all employees can access robust pensions, sick pay, family benefits, and other in-work benefits. The social protection system must become truly social and truly protecting.

What's Really Needed

- To advance a new democratic political economy that can raise productivity to optimal levels requires a *cultural struggle* – a struggle over ideas.
- In particular, to challenge the notion that shareholders 'own' the enterprise. Rather, the enterprise is a *social asset*, a *social space*, where all participants (stakeholders) come together to advance the best interest of the enterprise which is not necessarily the same as what benefits 'owners'.
- Treating the enterprise as a social space has the capacity to unlock our productivity potential.
- This is an old idea, embedded (even if in the background) in European social democratic and labour thinking – even in Irish corporatist thinking.

Business is a Social Asset

- *Nobody nowadays regards the operation of an important industrial undertaking as being **the exclusive private concern of its owners**. Rather, each such undertaking is looked upon as a national asset contributing to the country's economic and social advancement . . . . the social consequences of fluctuations in the level of business activity are **matters of public debate**. The industrial manager has **unavoidable responsibilities, wider than those placed on him by his employer**. He should be regarded and regard himself as a public servant in the finest meaning of that term.'*

- *Sean Lemass, 1957*

Or put another way . . .

#DemocratiseOurEconomy
#DemocratiseTheWorkplace
#DemocratiseEverything

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