

ADDRESS TO MANDATE CONFERENCE

KILLARNEY, 27TH APRIL, 2014

Easter is a good time to hold a conference. It is a time for renewal.....time for a new beginning.

Our country needs renewal in the aftermath of the Troika experience. Your General Secretary – in his capacity as President of Congress – and I met with the Troika on many occasions over the last few years. Mainly it was a dialogue of the deaf. To us they seemed like an uncaring technocracy of neo-liberal zealots. It is good that they are gone. May they never return.

But, metaphorically speaking, we still need to wear a clove of garlic just in case!

What I mean is that the recovery in the Irish economy is still very fragile. Recent forecasts by the ESRI for a return of economic growth and consumer demand are encouraging, but they are just forecasts.

As you know from your own daily work experience consumer demand has, up to recently, fallen steadily since the onset of the recession. This is affected by a number of factors including, earnings which fell by 0.9 per cent from €21.89' in the fourth quarter of 2012 to €21.69' in the fourth quarter of 2013.

Another factor inhibiting consumption is the exceptionally high level of household debt. In the third quarter of 2013 it stood at €168 billion, equivalent to 196 per cent of gross national income. This figure reflects a decline of €1.6 billion over the last quarter of 2013.

The problem is that when people are trying to pay off enormous burdens of personal debt they have no money to spend on goods and services. The truth of the matter is that while policy makers speak of an export led recovery – which is certainly important – the vast majority of jobs are influenced by domestic demand.

The 1990s was the most sustained period of economic expansion in the history of the country. Between 1994 and 2001 more than 450,000 new jobs were created. Yet only 18 per cent of them were connected to export manufacturing. The remaining 82 per cent were created in the domestic economy.

So what does that tell us? It tells us that we have to get the domestic economy moving again. It tells us that we need people spending money in shops. It tells us some way has to be found to ease the crippling burden of debt affecting so many families. It tells us that Ireland needs a pay increase.

That things are as they are comes as no surprise. It is almost six years now since Lehman Bros. Bank collapsed precipitating the worst financial crisis since the 1930s. Our own analysis of the situation led us to conclude that an orthodox neo-liberal response could potentially lead to a Japanese type ten year period of stagnation. We campaigned against austerity under the banner of 'The Better Fairer Way' campaign.

I remember encountering sceptical journalists at press conferences we held at the time and saying to them 'What if we are right?'

Six years later what have we got? George Soros is warning that Europe could be facing, not a 10 year slump, but 25 years of Japanese style stagnation.

A couple of weeks ago, Christine Lagarde, the Head of the IMF said that, 'Without a change in policy the world faces years of slow and subpar growth'.

Strangely the country bucking this trend is the United States, where Barack Obama has followed a Keynesian demand management strategy, including boosting minimum wages. As a result the US economy is growing at a rate of 2.8 per cent per annum and is providing what motive power there is to global growth.

I referred earlier to our bleak experience with the Troika. They were put in here to implement the same austerity policies that has the whole of Europe mired in stagnation. The French Socialist Industry Minister, Arnaud Montebourge called it accurately when he condemned the European Commission for its 'austerity and dogma' and for being 'totally useless on the question of growth.'

Almost worse than the absence of growth is the spectre of deflation. The annual rate of inflation in the Euro area was down to 0.5 per cent in March.

This is exactly what happened to Japan in the 1990s. When prices begin to fall people put off buying things in the expectation that they will be cheaper next week, and perhaps cheaper again in a month's time.

When deflationary expectations take hold they can be very hard to shift.

So not alone are jobs put at risk but the burden of sovereign and personal debt becomes higher. More tax revenue is needed to pay off sovereign debt and more household income goes to paying off household debt. The result is that there is less money to spend even if people wanted to spend it.

You can see how one thing reinforces another in a vicious circle.

It is imperative that the European Central Bank moves quickly to implement quantitative easing – printing money to stoke up inflation in other words.

My basic point is that while I sincerely hope that the positive forecasts of the ESRI for the Irish economy work out; the reality is that what happens in Ireland is highly contingent on EU policy.

You may well be wondering why, if economic growth is a necessary condition for debt sustainability, even right wing politicians wouldn't see that austerity is self-defeating.

But then you have to ask yourself who actually carries the can for austerity?

The truth I have come to realise is that, in the event of an economic shock such as we experienced in 2008, and absent the facility to devalue the currency, EMU is structured in such a way that the whole burden of adjustment falls on workers and welfare recipients.

And what about the fixation with low inflation which is the sole focus of the ECB? Would it really matter if inflation rose to a level that might help erode the burden of debt, say 3 or 4 per cent?

Of course people on fixed incomes, like pensioners, would understandably not want their cost of living to rise, but the principal beneficiaries of extremely low inflation are people who own substantial wealth. Normally they would have to put their wealth to work through investment in the real economy or see its value eroded. But with low inflation they can afford to hoard cash and avoid risk.

This explains why wealthy cash rich companies are today sitting on a pile of \$2.8 trillion while 26 million people are unemployed.

Investment is needed to create jobs. Moderate inflation of 3–4 per cent would be quite tolerable as a by-product of trying to reflate the European economy.

If it wanted to, the ECB could also create a disincentive to hoard money by introducing negative interest rates.

The recession post 2008 did not have to be as bad as it has been. That was the whole point of our 'Better Fairer Way' campaign. It was not that we didn't have to make a fiscal correction but we could have done it in a way that growth could have been used to do some of the heavy lifting.

The truth is that the terms were dictated from outside this country and implemented without regard for the consequences by the Troika.

What a mess they have made of our world – these austerity hawks, champions of small Government, believers in self-regulating markets, theorists of efficient market hypothesis and new classical macroeconomics.

They have made austerity a chronic condition and created a Europe in which trust is low, the economics are flawed and the politics is toxic.

I say the politics is toxic because all over Europe extreme right wing parties – from Golden Dawn in Greece to UKIP in Britain – are coming to the fore. The consequences will not doubt be seen in the May elections.

For ourselves we have to look to our primary mission of protecting the employment, pay and conditions of work of our members.

The opportunism of some employers to use the recession to undermine institutions like the Joint Labour Committees and Registered Employment Agreements, and to reduce working conditions generally has been a preoccupation of your own union as well as Congress. The most egregious example of this has probably been in relation to pensions.

While we have defended reasonably effectively we are pushing back against, not just recession and the opportunism of employers, but against long-term trends which are adverse.

Over the last twenty years, for example, one and a half billion new workers have joined the global labour market consequent upon the collapse of the Soviet Union and the decision of China to go capitalist by decree.

Advances in technology have further facilitated globalisation, financialisation and outsourcing. Capital is instantly mobile but labour is not. As a result investment is sought after and multinational corporations can demand deregulation of labour markets from Governments.

Labour markets are being 'hollowed out' with the loss of middle income level jobs in construction, banking, retail and administration. We are tending towards a labour market with well-paid high end jobs for graduates and, at the other end of the spectrum, low paid and precarious service jobs.

Between 2007 and 2012 employment of graduates increased by 110,000 (from 715,900 to 825,100) while employment for those without a third level qualification declined from 1,400,600 to 1,012,700.

It is sometimes put about that these precarious service jobs are filled by young people working for pocket money. That is not true, only 8.5 per cent of workers overall are under the age of 25.

These labour market trends are unsustainable for a number of reasons:

- The growing inequality that they imply will undermine social cohesion;
- An aging demographic will require a higher level of social investment. To be blunt the welfare state will only be sustainable into the future if it can be financed by a tax base predicated on high labour force participation rates with secure well-paying jobs.

Certainly we can see that the balance of power has shifted against labour and in favour of capital, not just because of the recession, but as part of a long run trend. The manifestation of this is a diminished labour share of national income.

As you know, this week we commemorated an event which portrayed the unacceptable face of global capitalism at its most extreme. I am referring to the first anniversary of the Rana Plaza tragedy in which 1,130 people lost their lives. They had been ordered back to work even though huge cracks were discovered in the walls of the factory building.

Mandate is to be congratulated for its international solidarity work through UNI Global Union which has embarrassed western retailers into forcing some improvements from their sub-suppliers and closing 8 factories. You may have saved many more lives.

Your willingness to act on behalf of our weaker brothers and sisters proves that 100 years after 1913 the notion that 'an injury to one is the concern of us all' is not bounded by time or national borders.

For this and other reasons I am not unduly pessimistic about the future.

The long sweep of history shows that people have always pushed back against the oppression of market forces.

From the Scottish Enclosures, through to the Poor Law era and the industrial revolution and 1913, people have acted to ensure that markets subsist in society, not the other way around. That is why trade unions were formed.

Sometimes it takes time for this 'double movement' as it is called to come into effect. A case in point is the 'New Deal' in the US which was initiated by FDR in 1935, six years after the Wall Street Crash, but which set the parameters of the Golden Age of social and economic progress which lasted for 30 years after the Second World War.

There are also less philosophical and more tangible reasons why the pendulum will swing back in our favour.

The advantage to capital of the 1.5 billion new workers to exploit will diminish over time. According to a recent PWC Report the wage differential between these and western workers will by 2020 shift to a level which will make it no longer attractive to outsource production.

It is encouraging to note, for example, that in the past week 40,000 people in Southern China have gone on strike.

The Yue Yuen industrial complex in Dongguan in Guangdong Province's Pearl River Delta supplies Nike and Adidas. The strike is over the failure of the employer to pay the proper rate of social insurance contribution on behalf of the workers.

The balance of power in China's labour market is gradually shifting from manufacturers to workers. In recent months, IBM and Walmart have also faced strikes over pay and conditions.

A second consideration is that the same demographic trends which will increase the dependency ratio will also reduce labour supply in Europe. Tightening labour markets will help to improve wages.

So there is no reason to be downhearted about the future. All these problems and trends I have described are remedial.

But they won't get fixed of their own accord in this country and no Government or Governments will attend to them unless we make them.

And we won't be able to make anyone do anything until we get our own house in order. Having 48 unions to represent 800,000 people is not compatible with the objective of changing the world.

The truth I have come to realise is that the way our movement is structured is sub optimal. It is too fragmented, too under-resourced, too prone to internal disputation, too reform resistant and too anchored in inertia to grapple effectively with the challenges confronting us.

That said, there are occasions when we put our minds to it that we can achieve things.

The advent of the Nevin Institute has provided us with a capacity for economic and social analysis which is empowering in and of itself. It has also given us a standing in public discourse that has increased our influence. Our commemoration of the 1913 Lockout has brought home to people the enduring reality of class conflict.

You made that possible. Your willingness to commit the resources made that possible. But we must do much more. We must implement the reform of the Trade Union Commission on Organisation as agreed at BDC in Belfast last year.

What if we could replicate the Nevin achievement in organising? What if we could do it in campaigning? What if we could streamline our structures to achieve coherence and the best possible impact for every Euro spent on behalf of the members? What if we could begin to reverse the trend in wages and make decent work an issue for the whole of society?

We could become positively dangerous!

The famous economist, John Maynard Keynes, who showed how it could be possible to finance the welfare state, even though Britain was bankrupted by war, said at the end of *The General Theory* that it is ideas that are dangerous.

The success of the political right has been its ability to convince the great mass of the people that there is no alternative to neo-liberalism (austerity). Trade unions are always and everywhere attacked because they are the repository of an alternative value system, one capable of convincing people that there is a better fairer way of organising the economy and society. At its most fundamental the problems of the present time are not actually economic; they are about the conflict of ideas. Our task is to organise people into unions, to interpret the world for them and to give them the means to change it. We have to use this time to develop the capability for this undertaking. It is only when we build that capability that we can really start imagining the future in its more promising terms.

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