

## **PSEU SOCIAL PROTECTION DIVISIONAL CONFERENCE**

**ATHLONE – 6<sup>TH</sup> FEBRUARY, 2015**

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IRISH CONGRESS OF TRADE UNIONS**

The proposition I invite you to reflect upon today is that, while the Irish trade union movement is strong in a relative sense, it is not fit for the purpose of dealing with all of the challenges coming at us. It needs a greater sense of cohesion and organising capability.

Because it is your area of expert knowledge I will argue this point in the context of social protection policy.

But let me start by acknowledging our strength as a movement. We are the largest civil society organisation covering both jurisdictions on the island and with ten times the membership of the IFA for example. We have thousands of lay activists, like yourselves, skilled in the ways of democratic governance. We have strong international networks. Ireland has the best union density levels in Europe outside of the Nordic countries and Belgium. We have survived the worst recession since the 1930s and are poised to return to the offensive on pay.

Economic conditions certainly have a major bearing on our work. Yet there are long-run secular trends, unrelated to recession, which we have to grapple with too.

The 1980s saw a major turning point in the conditions affecting trade union work. The neo-liberal counter revolution against the post-war social democratic consensus ushered in an era of globalisation, deregulation and liberalisation of capital markets particularly.

The 1990s brought the collapse of the Soviet Union and the decision of China to go capitalist by decree. Almost overnight one and a half billion people joined the existing industrial workforce of 900 million.

The effect of this was to shift the balance of power between capital and labour to labour's disadvantage. In time this weakened collective bargaining. To some extent the impact on people was camouflaged by the availability of cheap credit.

But that model fell apart in the financial crisis of 2008 and today we see the reality exposed in:

- A disproportionate share of national income going to capital;
- Rising inequality in society;
- A rise in precarious employment;
- Tax policies which shift the burden from corporate, capital and income to consumption and, accordingly, in a regressive direction;
- Low levels of domestic demand;
- Low growth; and
- Deflation.

If we accept that the modern day mission of trade unions is to intervene in market relationships in a way that influences the distribution of wealth in workers' interest then it can be easily seen that we have a major challenge.

Nevertheless, for the purpose of our discussion let's park that and focus on issues relating to social protection. Social protection, at €26.8 billion, is the biggest expenditure of Government so it is central to the political economy of the nation.

What trends are presenting which might challenge us in the future?

First is the constraint on policy choice represented by a debt burden over €200 billion. It costs nearly €8 billion a year just to service this debt, roughly equivalent to the entire education budget. The fiscal freedom available to Government to advance important public goods like childcare, for example, is limited.

Second, low economic growth over the medium term, or secular stagnation as it is called, means that the additional resources from a rapidly growing economy are not going to be available in the way they were in the past.

The principal reason for this, apart from cyclical economic conditions, is ageing. The French economist, Thomas Piketty, maintains that demography accounts for half the economic growth rate. Ageing, of course, also means higher health, caring and pension costs.

A fourth challenge is housing provision. Fewer people are likely to be able to afford their own homes. Five per cent of the social protection budget goes on housing now. This can only increase.

The final challenge is the biggest of all. The post-war welfare state model is based on the concept of a male breadwinner household and an extended family caring network. The aim is to provide transfers to fend off poverty arising from social risks. In general it has been an effective system.

But family structures are changing. The feminisation of the labour force means that family provided child care and elder care is much less available. Also active labour market programmes are increasingly essential to maintaining the employability of people.

As argued by Anton Hemerijck (2013) this calls for a shift towards a social investment welfare model. The concept of investment is important because it is predicated on equipping people with the skills and public goods (e.g. childcare) to allow high levels of labour force participation in well paid, high

productivity jobs. In that way a tax base capable of funding the social investment can be sustained. It is about creating a virtuous circle.

In recent months we have seen huge social tensions emerge over water charges. In the past it would have been unthinkable for our President – a man whose whole political life has been dedicated to social justice – to be abused on the streets. With the first sign of recovery there are cries for tax cuts. It is clear that a major casualty of the recession has been social solidarity.

It is clear to me too that there is a complete disconnect in peoples' minds between the tax they pay and the public services they use. But in a market economy, public services are an important form of social solidarity and social cohesion. We sometimes refer to this as the social wage.

So we can see that, even when we focus on one aspect of our national life, there are formidable difficulties to be overcome in pursuit of a distributional settlement that maximises the life opportunities for all our citizens. Nevertheless, without some kind of national understanding on distribution we are not going anywhere fast. As Ireland's leading civil society organisation we have 'skin in the game'. People join unions for collective security against employment and social risk. We are not living up to our responsibilities if we do not strive for the kind of organisational effectiveness that will best equip us to mitigate those risks.

Moreover, what is true for social protection can be replicated in greater or lesser degree for industrial policy, for health services, for education and for the transition to a low carbon economy.

Public policy making is often about hard choices. The quality of those choices will have a huge impact on working people and their families up and down the country. We have to influence those choices but we can only do

that if we pack sufficient punch to make people listen to us. That is what good trade union organisation is for.

In the 1950s two economists of the Swedish LO, Gosta Rehn and Rudolf Meidner, designed a new economic model which in subsequent years made the Nordic countries the most economically efficient and socially cohesive in the world.

The challenge for the Irish trade union movement is to do something similar, suitable to today's conditions.

We have the intellectual capacity in the Nevin Institute to design a political economy model capable of building a strong economy and a just society. Have we a sufficiently cohesive movement to force it on to the political and industrial agenda through advocacy and collective bargaining? I am not so sure. It is hard to understand, for instance, why we still need nine teaching unions on the island of Ireland and how a structure like that can maximise trade union influence on education policy.

It is the same across the rest of the economy. There is excessive duplication of effort. Given the success we achieved with the Nevin Institute there is so much more I know we could achieve if we really wanted to.

Of course, anyone who knows anything about labour history knows that for the first half of the last century the movement was disabled by divisions and splits, at least from the 1920s on. Congress did not come into existence until 1959 and it was only then that we could begin to reassert our influence in Irish life. Unity will always be the primary objective of Congress because, while the fault lines of 1920s, 1930s, 1940s and 1950s have receded, they have not entirely disappeared. Renewal is not simply a question of working off a blank sheet of paper. Renewal is more complex and cannot be subordinated to unity.

Nevertheless, renewal is our historic responsibility and sooner or later we will have to move outside our collective comfort zone and make it happen.

My experience as an evangelist for trade union renewal over the last five years had brought me to the realisation that waiting for the entire trade union movement to jump together is like waiting for Godot. Renewal will only be achieved by progressive leaders taking risks and moving ahead of the pack.

I hope you will be risk takers.

**David Begg, General Secretary, Irish Congress of Trade Unions**