

SIPTU Submission

Public Consultation on the preparation of the White Paper on Enterprise

July 2022



**Fairness
at Work and
Justice in
Society**

Introduction

Ireland's current business model is actively constraining economic growth, productivity increases and innovation through:

- Lack of strategic stakeholder planning
- Failure to leverage all the skills, experience, and expertise available to our enterprise base
- Maintaining a costly low-pay model which degrades business prosperity, and
- Failure to promote high-road enterprises and managerial strategies

Overcoming these barriers will require a significant step-change in enterprise policy; a thorough-going democratisation of our enterprise base which acknowledges the centrality of each and every worker in the production process. A crucial input has been ignored in the development of Irish enterprise policy: that of the producers - that is, workers. Redressing this imbalance would prove transformative.

This particular focus takes on an urgency given that, in the future, economic growth will rely increasingly on the knowledge and innovative capacities of the producers of goods and services. As Unger, et al put it:

‘... it (an alternative democratic strategy) aims to transform its institutions, so that many more people, places and firms can take part in, and shape, the future knowledge economy. . . an inclusive knowledge economy requires action to democratise the economy – widening access to capital and productive opportunity, transforming models of ownership, addressing new concentrations of power and democratising the direction of innovation; to establish a social inheritance by reforming education and social security; and to create a high-energy democracy, promoting experimental government, and an independent and empowered civil society.’¹

This democratisation will need to sweep throughout our economic and social institutions. However, given the constraints of space we will focus on one aspect: ‘employee voice’ in the decision-making process of the enterprise - in particular, indigenous enterprises.

1. Strategic Planning

Maximising innovation, productivity and resilience requires an inclusive framework to ensure that we are leveraging all our skills, experience, and knowledge - at both sectoral and enterprise level. Employees are primary stakeholders - ‘a group without whose participation the organisation would cease to exist’ - along with owners. Their inclusion in such frameworks is necessary and paramount.

Strategic planning at a sectoral level means anticipating future trends and new technologies, directing investment into the most productive streams, decarbonising business activity, responding quickly to outside events and promoting social prosperity.

This is recognised in the Programme for Government (2020) and its commitment to **establish sectoral taskforces** with employee and employer stakeholder representatives, independent experts, and Ministers.²

*** PROPOSAL:** As a matter of urgency, establish the sectoral taskforces provided for in the Programme for Government, using the Department of Enterprise’s ‘Focus on Sectors’³ as a guide for demarcating industrially based sectoral committees.

This can begin to mobilise the skills and resources needed to advance enterprise prosperity, while reducing the reliance on speculative markets and unaccountable decisions made by economic elites.

2. Collective Bargaining – the Foundation of Enterprise Democracy

To promote a democratic stakeholder model at enterprise level requires, in the first instance, the right to ‘employee voice’. This can only be realised through the unequivocal right of employees to bargain collectively with owners and management. The cynicism with which owners and management deny workers this right can be seen in the fact that owners, themselves, avail of the right to bargain

¹ Imagination Unleashed: Democratizing the Knowledge Economy: https://www.oecd.org/naec/projects/Imagination_unleashed-Democratising_the_knowledge_economy.pdf

² Government of Ireland, Programme for Government, Our Shared Future, p. 19

³ Focus on Sectors 2020, Department of Enterprise: <https://enterprise.gov.ie/en/Publications/Focus-on-Sectors-2020.html>

collectively with employees through their appointed agency of management which then bargains with individual employees. Owners take as a right what they deny to employees.

This cynicism cannot be explained on the grounds of economic or enterprise efficiency. Firms which provide for employee voice through employee collective bargaining are more efficient in terms of performance, output, productivity and innovation. This has been confirmed by the OECD (in its aptly named study, 'Negotiating Upwards'), literature reviews, the EU's draft directive on minimum wages and collective bargaining⁴, and Ireland's National Centre for Partnership and Performance.

★ **PROPOSAL:** The introduction of an unequivocal right to collective bargaining for employees at enterprise level, legally requiring owners and management to recognise and engage with employees' union(s) of choice.

Collective bargaining should be seen as the first rung on a ladder of democratic participation and the enterprise benefits that flow from this. This 'ladder' includes enterprise (works) councils, employee participation, worker directors, co-management, stakeholder incorporation, right up to labour-managed enterprises. While there is no one-size-fits-all for enterprises or sectors, this is the sustainable pathway to higher wages and enterprise prosperity by driving productivity and innovation.

3. The High Cost of a Low-Pay Business Model

One in five employees are officially categorised as low-paid - well above the EU average. We pay an extremely high cost to maintain low pay in the economy - a cost borne by households, public finances, enterprises reliant on domestic purchasing power, and the economy as a whole. All domestic businesses and all households pay for permitting low-road employers to impose these costs on the economy.

SIPTU welcomes the Government's ambition to raise the National Minimum Wage to a living wage. As per the recommendations of the Low Pay Commission, the minimum wage needs to be increased to 66 percent of the median wage - in effect, the low-pay threshold.

However, raising the hourly wage-floor does not guarantee a living wage. A living wage is an annual calculation. For instance, the Living Wage Technical Group estimated the hourly Living Wage last year to be €12.90 per hour. But this is based on a full-time 39-hour work week. Annually, the Living Wage is currently €26,000.

There are many obstacles to earning a living wage; including the inability to get extra hours at work, precarious work contracts which generate uncertain hours and bogus self-employment which drives down workers' incomes and social benefits.

Low pay, precarious work contracts and bogus self-employment undermine a prosperous enterprise base. Hundreds of thousands of employees are unable to fully participate in the consumer economy which, in turn, lowers turnover and net business income. Several steps are needed to end this degradation of enterprise activity and working conditions:

★ **PROPOSAL:** Move to a Living Wage (the low-pay threshold) in a reasonable timeframe

★ **PROPOSAL:** Tackle precariousness and address bogus self-employment through an automatic presumption of an employer-employee contract. The onus should be on the employer to prove otherwise.

★ **PROPOSAL:** Provide employees with the right to access more working hours in their employment as they become available, effectively transposing the EU Part-time Directive into domestic law.

⁴ Proposal for a Directive of the European Parliament and of the Council on adequate minimum wages in the European Union: <https://data.consilium.europa.eu/doc/document/ST-9142-2021-INIT/en/pdf>

★ **PROPOSAL:** Introduce a comprehensive and legally robust right to sectoral collective bargaining – multi-employer bargaining structures across economic sectors and occupations.

By enabling full participation in the consumer economy for all employees, businesses will benefit from the additional consumption which can help drive start-ups and investment in key domestic sectors.

4. Building a New Business Culture

There is a widespread pessimism over future productivity growth, captured by the Irish Fiscal Advisory Councils' prediction of a low-growth future. This can be overcome through continual innovation. Building on collective bargaining, employee-driven innovation and productivity must play an increasingly vital role and become the focus of state policy. This requires challenging hierarchical management structures with a more democratic, horizontal decision-making processes.

SIPTU has experience of this through the IDEAS Institute⁵ and its Workplace Innovation Programme which brings employee and employer representatives together to solve business problems. This voluntary process has reaped considerable benefits for participating enterprises. This is part of the general 'employee participation' process whereby employees design and implement proposals to boost productivity and innovation in the firm.

Unfortunately, in too many cases, owners and management reject the role that employees can play as full stakeholders, much in the same way that they reject employees' right to bargain collectively. While the State cannot impose a more progressive owner and management base (though it can legally require them to bargain collectively with their employees), it can put in place several measures that would privilege high-road enterprises and incentivise greater democratisation.

SIPTU, along with Connect and Unite trade unions and the Irish Congress of Trade Unions, protects high-road enterprises and quality jobs in Ireland by promoting quality brands and services manufactured and produced in Ireland through our Supporting Quality campaign.

★ **PROPOSAL:** Introduce social clauses in public procurement contracts that reward best-practice enterprises around issues of workers' rights (e.g. right to collective bargaining), gender equality, work-life balance and remote/hybrid working, elimination of low-pay and precarious contracts, decarbonising strategies, prioritising investment and R&D.

★ **PROPOSAL:** A special suite of enterprise supports (grant-aid, tax measures, in-kind benefits) for Companies of Excellence that, like public procurement conditionality, are awarded to those enterprises that prioritise labour rights, environmental protection and investment.

★ **PROPOSAL:** Bolster the role of Local Community Development Committees (LCDCs) in local enterprise development particularly in the indigenous SME sector.

★ **PROPOSAL:** Develop the role of public enterprise within the market economy at both national and, in particular, local level. Such enterprises could play a role as 'market leaders' in democratic organisation, investment and R&D. This can be done through new public enterprise start-ups, expansion of current public enterprise, equity partnerships with private capital, etc.

★ **PROPOSAL:** Promote alternative enterprise models such as private sector stakeholder firms, civil society-led enterprise (e.g. co-operatives and trusts) and labour-managed enterprises.

The State clearly has a role in incentivising and promoting a new enterprise strategy based on democratic participation of all stakeholders, in order to unleash our productivity potential.

⁵<https://ideasinstitute.ie/>

5. A European Leader

Ireland has the opportunity to become a First Mover in the development of a truly authentic stakeholder enterprise model which promotes 'employee voice' and participation and privileges enterprises which are capable and willing to embrace a new democratic dispensation. While there are other crucial components to building a modern enterprise base (infrastructural and economic investment, education and R&D, access to finance, etc.) we have focused here on the central role of employees in the production process. Space does not allow a more complete canvas of the wider issues affecting employees such as the social wage (i.e. pay-related in-work benefits), public services such as affordable childcare, work-life balance and the right to remote/hybrid working, etc. The expansion of the democratic ecology of work would not only add significantly to social prosperity but to enterprise success, as businesses thrive best in a more egalitarian, prosperous environment.

And, unlike other components contributing to a successful enterprise base, there is little, if any, transition cost to a democratic stakeholder-based business model. Changing the way we do business does not cost. But it does challenge old ideas and practices that are holding us back. Ireland can become a European leader in charting a new direction for market enterprises - with almost no upfront cost, but with considerable downstream benefits to the economy and society.





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