

A Public Sector Alternative Strategy

The PSI vision

April 1995

Preface

It was clear already by 1993 that there was deep concern, even among relatively conservative governments, about the standard formula which had been 'agreed' among governments in the industrialised countries and foisted onto governments in the developing world. It was a formula that had been pursued vigorously by some governments which still had major problems in attracting and retaining investment in productive capacity and in dealing with the 'problem' of unemployment. I use the word 'problem' in a qualified way. Some of these governments were still attracted to the notion that unemployment was not so much an unacceptable social phenomenon as a useful tool. With it, they could discipline the workforce into accepting wages and conditions which were in line with the 'realities' of the free market.

The new-found concern, explored in this paper, was that unemployment was continuing to rise. It was not performing its much vaunted role of acting as a mechanism to reduce wages to the labour market clearing price. Lowered wages were supposed to put everyone back to work at 'realistic' labour prices. They didn't. For the first time in 15 years, politicians who had strongly insisted that *there is no alternative* began to ask whether, indeed, there might be some. This paper argues very strongly that there certainly is an alternative, one which can reinvent growth, productivity and social cohesion.

It is easy to be cynical and to opt for point-scoring in debates about labour market policy and economic policy. As is also explored in this paper, these are self-defeating exercises. In many countries in the late 20th century, it was necessary to address real problems in macro-economic and micro-economic policies. The legitimate criticism from trade unions has been that the need for change is not the debatable issue but the direction and manner of that change. Much of what has been done in search of a 'cure' for economic ills was probably necessary. However, it is the way in which the cure has been foisted onto a patient who should have been part of the solution to a life-style problem that is contentious. Was there another way of dealing with the problem? Could it have been done in a different way, with different instruments, aiming at some other outcome?

The affiliates of Public Services International (PSI) believed that the answer to those questions was: Yes. At the PSI World Congress held in Helsinki in 1993, PSI affiliates unanimously passed a resolution calling on PSI to produce an alternative economic strategy which could address some of the questions raised above. The PSI Executive Committee gave this job to the PSI Public Sector Working Group. I want to thank its members for producing this paper which was endorsed as a PSI policy paper at the Executive Committee meeting in April 1995.

The Public Sector Working Group very quickly and correctly decided that to concentrate only on economic policy issues would be insufficient. PSI and its affiliates have a great deal more to say on the issues surrounding such economic policy than would be addressed in any narrow approach to these matters. They therefore approached the task from the general perspective of what PSI might have to say about a wider range of issues. These included economic issues, the role of the state in society, public sector reform, social policy concerns, trade union and worker rights and the organisation of work.

The result is a paper which trade unions can and should use for a number of different purposes. Some PSI affiliates and other bodies will be able to use this material as it exists. Others will find that it needs some 'translation' into everyday language or into campaign and educational work done by trade unions. For these reasons, PSI will be producing in the near future some more 'popular' versions of the paper. Other formats will allow trade unions to use it in an educational and organising way with their members. One reason for releasing the paper at this time is that PSI believes that its contents are an essential part of trade union and NGO

follow-up to the UN Summit for Social Development held in Copenhagen in March 1995. The concluding section of the paper is entitled *Onwards from the UN Summit for Social Development*. I would urge readers to consider active ways of putting the messages in that conclusion to work. The Social Summit Declaration and Programme of Action contain much which trade unions and NGOs can use to advance the interests of women, workers, migrants, the developing world, the excluded, those in the informal sector. None of those advances will happen unless politicians can be convinced that the alternatives described in this paper and similar principles agreed in Copenhagen have to be their first priority for the rest of this century and beyond.

Hans Engelberts
PSI General Secretary

April 1995

Summary

In their day-to-day work, millions of public sector workers around the world are contributing to the well being of their people. Their professional goal is to contribute to the world's social and economic development.

Public sector workers and their trade unions - in which they are organised not only to better their own pay and working conditions - promote equitable and effective public services which can help minimise poverty and inequality, expand productive employment, and enhance social integration.

Public services are needed for the implementation of a social infrastructure beneficial to everybody the same way as roads and water pipes, hospitals and fire-fighters.

Responsive, universally accessible, and effective public services can only be delivered in democratic societies that exercise democratic control. A strong economy can guarantee that basic needs are met: health and social services, education and so on.

In many countries, however, public services need to be redesigned in order to respond better to the needs of the people. Unfortunately, this restructuring will take time. This is because it has to be part of a democratic process and also, over the last decade, strong political forces have tried to dismantle even the basic structure of public services for the people. Public sector workers and their trade unions are or should be in the forefront of this restructuring, along with users and community groups, simply because they have the first hand knowledge of the services they provide.

Public sector workers who want to go on contributing to the well-being of their people prefer to restore, preserve and strengthen the idea of public services instead of having it destroyed, undermined or weakened.

Public sector workers have a vision of what society should be like. They also have a strategy for how to achieve it. Governments have to choose: either they want workers and their unions as part of the solution to current problems or they want them in united opposition.

The strategy described in this publication assumes that governments choose to work with trade unions.

This publication briefly describes the vision which public sector workers aim to realise; it identifies what is wrong with current neo-liberal policies; and it outlines what public sector trade unions propose as a positive alternative. This latter is summarised below.

Governments must co-operate

There are some areas where it is essential that governments co-operate as a counterweight to the globalisation of the economy, domestic action needs to be coupled with international co-ordination.

Democracy must permeate all levels of society from the workplace and community activities to the international institutions. People and their representative bodies must be included in the decision making process. Workers and their trade unions should be consulted on all matters that concern them.

Rules for international trade - in goods, services and money - must be changed to grant equity between North and South but also to reflect development and environmental needs.

Governments wishing to benefit from free trade must free their own workers so that they have trade union and collective bargaining rights. A social clause based on basic international labour standards should be incorporated in trade and aid agreements to guarantee not free but fair trade.

Funding the state and international institutions

The trade union notion of sound macro-economic policies should be incorporated into national and international policy-setting so that governments play a more active role in investing in society and its people.

Taxation policies should be revised to be fair, comprehensive and to act as an incentive to labour-intensive work rather than being resource-intensive.

Internationally, a tax on foreign currency transactions should be pursued in order to help finance international institutions and operations.

More jobs, better jobs

The creation of secure jobs is essential. Work must be fairly rewarded, meaningful and re-defined to also take into account unpaid housework and care for family members. The benefits of improved productivity must be shared amongst all in society.

Education, job training and transition programmes should be lifelong rights for people so that society benefits from the full productive capacity of all of its citizens.

Governments, employers and trade unions in co-operation must map out policies for industry and regional development consistent with sustainable development.

The public sector's role in a strong economy

The public sector should be modernised and adequately resourced so that it can play its full economic role in society.

The economic role of the public sector must be one of partnership with the private sector. Neither sector should dominate the values or goals in society - both are there to serve the people.

Many goods and services essential for the health, growth and dignity of human beings are best provided and delivered communally. These goods and services must be provided with equity - especially gender equity - as a goal.

Social policies should be set with high priority for empowering the excluded and the disadvantaged, particularly women, so that they can participate fully in social, economic and political life.

In many countries, the public sector must be redesigned to suit the needs of each nation and people. This should include the following principles:

- Consulting and involving the workforce
- Democracy and accountability
- Decentralisation
- Equal opportunities and choice
- Quality employment
- Performance management which competes with the best in the private sector
- The appropriate involvement of the private sector
- Paying for public services in appropriate circumstances

- The public sector role in the economy to be optimised
- The extent and limits of public responsibility to be communicated clearly.

Action

The PSI strategy is not just for reading. The publication outlines in its conclusion ways in which trade unions can use the strategy in their day-to-day work.

A Public Sector Alternative Strategy

The PSI vision

The PSI vision of the public service ethos and the objectives of public service are most authoritatively found in the Statement of Principles at the beginning of the *PSI Policy and Strategy on the Role of the Public Sector*, a policy paper adopted unanimously at the PSI World Congress in Helsinki in 1993. That policy paper outlined the key features as follows:

- collective and co-operative values
- a strong and comprehensive public sector
- a democratic society
- a responsive and effective public sector
- democratic public services
- a fair workplace
- a strong economy.

While developing PSI's work against ideologically based privatisation and related concerns, the paper also sketched the outline of an alternative approach to public sector reform. Building upon those foundations, it is possible to summarise the PSI view on public sector review as including the following:

- While there is a widespread need for progressive change in the way public services are run, change must not destroy, undermine or weaken the public service philosophy as outlined above. On the contrary, its purpose must be to restore, preserve or strengthen that ethos and realise it more effectively, efficiently and economically. Reforms should be designed accordingly.
- Change will be well designed and managed only if workers and users are properly involved in shaping it and are fully consulted. Front-line workers are the primary experts about how services can be improved and waste eliminated - but they can contribute their knowledge fully and confidently only if they are not the victims of change.
- Some structures and methods of service delivery or management associated with the privatisation and commercialisation agenda might in some circumstances be capable of adaptation to the public service ethos. The values, objectives and priorities of that agenda are not.

This material is presented in two parts:

- a background section which describes what might be called the 'standard conservative model' of how the world economy and the public sector should be run;
- an outline of a proposed trade union alternative strategy for achieving the kind of society, economy, employment and public sector which public sector trade unions desire. This is only an overview since it would be impossible to comment on the precise applicability of any one of these measures in a particular national economy. That is the kind of work that can be done only by people who understand the economy concerned and who are aware of the political realities which simply have to be accepted.

What should be stressed here, however, is that this does not imply that policy makers should simply pick a selection of the items covered: trade unions and their members have to convince themselves and the politicians that this is a package deal - 'package' in the sense both that it cannot be picked apart to suit ideological fads and fashions or electoral advantage and that it cannot be applied only in selected countries. The global dilemmas of the late twentieth century decree to some extent the end of national sovereignty in some of these matters.

Global solidarity and co-operation is essential if humane societies are to survive. The ability, or the belief in such an ability, of one or two powerful nations to resist change and block the implementation of alternative global strategies remains real, however. The temptation for many governments to try self-defeating partial 'remedies' will be strong.

The Conservative Ideology

In 1991, the Public Management Committee (PUMA) of the OECD published a paper called *Serving the Economy better*. This was a quite progressive publication which argued that there are limits to privatisation and that the public sector can do many things better than can the market. It also pointed to the real limits to some public sector operations. Given its OECD origins, it was a document which many public sector unions believed to be a relatively balanced contribution to the debates on the role of the state. However, one PSI criticism was the orientation of the title. Was it, in fact, the role of the public sector and the state to *serve the economy*? Was it not that these institutions *and* the economy should be serving the needs of society, the people? This is not simple semantic quibbling. It is an indication of how economics has successfully reshaped much thinking and action and even popular perceptions of reality. Monetary policy is always and everywhere political.

PSI and its affiliates, like other trade unions, believe that social goals such as equity, fairness, effectiveness, democracy and respect for human dignity have a higher call on political decision makers than does just the economy. This is not to deny that, where costs must be paid, then they must indeed be paid in full and that economic arrangements will need to be made accordingly. What is said in this paper should be seen as giving no support whatsoever to those who claim that: *It's only money and the government can just print or get more*. Such simple-minded approaches to how public or private services and goods can be produced, distributed and paid for are one reason why conservative policy makers who have come to dominate political agendas in the last twenty years are listened to by governments.

But conservatives have exploited their positions of influence in pursuing a much more dangerous programme. It is necessary to know a little about them. Many words are used, sometimes loosely, to describe them: the New Right, monetarists, Friedmanites, Thatcherites, Reaganites, free marketeers, economic liberals, neo-liberals/conservatives, libertarians, economic rationalists, etc. They are not all the same and they do not always share the same goals or philosophy.

They do, however, crystallise around some broadly similar political agendas. They tend to state a dislike for government (especially 'big' or 'intrusive' government). They think that the market deals with issues better than does the state - and even if they do not actually believe that, they want the state privatised so that the whole of society is organised and thinking along market lines. They claim to oppose monopoly arrangements. They promote individualism (not the same as individuality) over collectivism - some such as Margaret Thatcher even claiming that there is no such thing as society, only individuals. This latter means that they nearly all oppose trade unions - some out of a belief that they are dinosaurs from a collectivist past, others ideologically opposed to unions because they may be the only organised movement to stop the destruction of jobs, living standards and working conditions.

Most would also oppose many current social programmes - sometimes being consistent enough to call for an increase in wages or a reduction in taxation so that *workers get their money back to use for themselves*. Many would see the last hundred years as an aberration from the proper arrangements in society by which unfettered capital accumulation by freely competing individuals would result in the most efficient and desirable production and distribution of goods, services and wealth.

The conservative agenda includes a number of elements aimed at serving the values described above. These are outlined below. Some of these elements are 'real' in the sense that

they relate to facts which cannot be escaped. Others are much more embedded in an ideological view of the world. Most, of course, are a mixture of both.

In some cases, the elements described are hardly new to political debate. What is sometimes new is that the development of a global economy, especially in services, and of new technologies transforms the context in which that debate must now be held. It was possible twenty years ago to talk about a government taking unilateral action to regulate exchange transactions; for most countries that is no longer even a dream, even if it was desirable. Governments have restricted freedom to move, depending on how powerful they are, how they fit into regional and global trading relationships, whether they are seen currently as a safe and stable investment prospect. Even quite powerful governments have drawing rights from international banks or the need to borrow on the international markets where their perceived performance affects the loans they can get and the interests rates they pay. Even some strong economies trade in a competitive environment where their own wages or tax regimes make them less attractive to foreign buyers or investors.

It is, however, possible to take the global economy concept too far. The daily purchases which most people make often come from companies which are not going to switch production or purchasing between countries with varying competitive advantages - the Miami resident's cleaning lady is going to live somewhere in Florida, not get shipped in on a daily basis from Cuba or the Philippines. So there are employers and many government officials who still have the power and will to act locally in changing the way business is done.

The global forces should never be taken as 'given'. Fair or managed trade which mitigates these global forces would treat workers as more than just factors of production, another element in the competitive race. Fair trade would try to ensure that the benefits of global trade accrue to all sectors of society rather than just to the multinational companies. Just as countries co-operate in other areas of global concern - AIDS, drug trafficking, UN peace-keeping, etc. - so there must be co-ordinated intergovernmental action to counter the powers of the global actors in the trading and financial arenas. Specifically, it is the G-7 countries which must take the lead here but do not because they still believe in the power of the conservative ideology and believe that they are strong enough each to act in its own interests.

Even the 'real' elements can, however, have an ideological 'solution' with which trade unions would strongly disagree. The fact that a union agrees that something is a problem does not mean that it has to agree with the proposed conservative solution but it does imply that trade unions need a proposed solution.

It would be naive to say that all governments follow the conservative ideology to its extreme. Governments can tinker with the conservative model but a real challenge to western-style capitalism will not be internationally tolerated. Even if there is a relatively strong government involvement in the economy, the message is clear: the private sector is the model and state activities are to be run and evaluated commercially. There is a strong element of international co-operation in this effort - to help capital; international collectivism, especially of a governmental nature, is not part of the agenda.

It is difficult to avoid being ideological about this issue: as Susan George noted at the 25th PSI World Congress, trade unions, especially in the public sector, need to tackle these arguments head-on. They will otherwise find that the collectivist and co-operative policies of the last 100 years, especially social policy, have been commercialised and that priorities are set by the commercial sector using commercial values.

The public sector

It is a truism to say that, today, many governments call for a reduction in the size, resources and workforce of the public sector, partly to reduce 'the tax burden' but also out of a belief that the private sector can and should do many of the things now done by the state better than the state can.

The accusation is also made that the state is often bloated, corrupt and a mechanism for patronage. This has to be accepted as true in some cases. But these cases need analysis in view of the role that conservative or corrupt politicians played in creating the situation. Similarly, the role of interventionist aid and development policies must be analysed in this regard.

Those who point to the increasing size of the public purse also conveniently forget that it was often their policies which produced the large-scale unemployment which is one of the major factors in the increase. Unemployment benefits and the sharp rises in retirement pensions resulting from government-sponsored early retirement programmes designed to get pay bills down, in fact pushed state spending up. There are examples today of economies which appear to be undergoing an aggregate recovery precisely because what trade unions have called for is now happening: as unemployment rates start to drop a little, government fiscal positions improve since they pay less for unemployment benefits and receive increased taxation from the re-employed workers.

Deregulation

Reduce regulations on labour standards, the environment, health and safety, financial markets, etc. and the conservative theory says that you get rid of unnecessary and wasteful costs to employers. The argument is that governments do not understand markets and production and they inevitably mess things up. Take away regulations and then free competition and consumer choice will take care of all these matters. This view is not shared by those who worry about the gradual, insidious introduction of private choice in the health sector, for example, if it leads to a two-tier health service where the wealthy can purchase ahead of the poor.

Trade unions should not ignore this call for deregulation. There **is** a need to revise many of the existing standards and provisions in public service delivery to allow and encourage more individual choice and independence. There is claimed to be a broad public feeling that society is over-regulated or inappropriately regulated in cases where freedom of choice and the dignity of the individual are concerned. However, the corollary is **not** to do away with regulations, as implied by the conservatives. There is ample evidence that people support good regulatory regimes where they protect and sustain reasonable standards, particularly for those who depend heavily on public services.

Conversely, there are increasing calls for some international (as well as domestic) regulations to deal with currency exchange speculation and other recent de-stabilising practices on the global financial markets as well as controls on multinational companies - both discussed further below.

Labour market deregulation

In particular the conservatives say: *deregulate the labour market*. Do away with unions, collective bargaining, minimum wages, hiring and firing laws, laws on working hours, etc. These things stand in the way of efficient employers being able to act flexibly to adjust to rapidly changing conditions. They should be able to hire and fire at will, pay what the unemployed will take and treat labour as just another factor of production.

It has also been a criticism levelled at the OECD agenda on de-regulating the labour market that, in spite of little evidence that this is producing jobs, the failure to recognise the potential of regulation to make sure that the market plays a constructive role in job creation has crippled governments' ability in this area.

Konrad Seitz¹, the German Ambassador in Rome is quoted as saying that he has no doubt that restructuring will work in making Europe's industry more competitive but that:

The price is clear: big cuts in the labour force and a massive rise in unemployment are called for...(F)or German industry to reach top productivity levels it would have to consider superfluous something like 38% cent of the labour force.

The social wage

There is a strong emphasis, particularly ideological, on reducing social welfare and related benefits/pensions and services such as free or subsidised education, health services, parks and recreation facilities which amount to a non-cash component of wages - often referred to as 'the social wage'. This means cutting back on health, retirement, accident and unemployment entitlements as well as services. The idea is that grown-up people look after themselves and don't need bossy big brother to do it for them. It also, for unemployment benefits especially, means that the unemployed get fat and lazy on welfare, get to like it and stop looking for a job.

In a number of countries there is the argument, not to be lightly dismissed, that the future and present liabilities of social insurance and retirement policies are simply not sustainable when one considers the lower number of people in the productive age cohorts over the next several decades.

To some extent, of course, the validity of the conservatives' arguments is reduced if a full employment policy and universal superannuation policies allowed people to contribute to these funds at a healthier level and for all of their working lives.

Taxation

Apart from the general attack on the state's finances, specifically the conservative ideologues try to reduce taxes on business and the rich. If you give these people plenty of money and resources they will invest it in the high return sectors and will therefore create wealth and, eventually, jobs. Eventually...

And, of course, even if the investment does occur, there is no guarantee that it will occur in areas where the nation has a competitive advantage or even inside the country at all. It may go to tax havens, those countries which encourage the 'head office' of a company to locate there with a promise of low or nil taxation, the state benefiting from the taxed interests which the investments earn and/or the associated business which is attracted. Of course, tax havens only work financially because the money **is** eventually invested somewhere although probably not in the country that allowed the initial funds transfer.

Another factor about tax reduction is that the so-called 'tax revolt' of the middle classes was carefully orchestrated by the culture of capitalism and individualism encouraged by Thatcher and Reagan. They legitimated the rich expressing selfish expressions of resentment about 'paying for others'. A key feature of making sure that 'others' pay for themselves is a shift in the tax structure by moving from higher marginal income tax rates to indirect taxation through various forms of VAT or goods and services taxes. These are generally regressive.

Take the UK as an example. Government statistics from 1994 show that the poorest ten percent of Britons are 17% worse off in real terms than they were in 1979 while the richest ten

percent are 62% better off. The fact that the top marginal rate of taxation was reduced from 83% to 40% and that VAT was increased from 8% to 17.5% is of some significance.

Trade unions wanting to raise taxes on some or many people are, however, going to have to find politicians from political parties not currently trying to be (re-)elected to promote the idea!

Inflation and interest rates

A key element in the conservative programme has been an attempt to control inflation and the money supply, often by the twin use of interest rates and unemployment. High interest rates can depress investment by making it more expensive and less profitable than increasing savings, so reducing productive capacity and thence production. Raising interest rates also reduces consumer demands for goods and services, putting downward pressure on prices.

As such, high interest rates are often used by governments as the simplest means of reducing inflation. This in turn creates unemployment - depressing wages and conditions of work, imposing 'discipline' on the workforce. This is even more explicit in those countries where the IMF enforces credit restrictions to reduce inflationary pressures.

The traditional reliance on high interest rates and low inflation is supposed to force the 'inefficient' out of the market so that resources go to the 'best'. The subsequent restructuring of industry (and society) turns people all into mean, lean machines. This is not to mention, of course, those governments which simplistically pursue zero-to 2% inflation as a goal in its own right, no matter the consequences.

However, it is also true that many governments are handling tight monetary policies to limit inflation. The lack of money supply causes a rise in interest rates, having some of the effects mentioned above. Another effect is that consumers save instead of spending, lowering demand, tempering inflation and, in turn, reducing interest rates again. The effects of higher savings should not be under-estimated. In Europe, for example, according to Hutton and Kuttner², savings are some 5-6 per cent of GDP higher than investment, implying that eight or nine million people are unnecessarily jobless. Capitalists have been 'investing' in bank interest rather than in production.

These real and complex issues call for intensive education among union members and the public at large so that the conservatives cannot exploit the presumed ignorance of people on these matters. It is not an area for loose rhetoric.

One of the mechanisms which used to be available to governments directly was the official setting and manipulation of currency valuation - as Jeremy Brecher notes, an explicit role that was originally used by the IMF (yes, the IMF!) to allow member countries to achieve full employment³. Now that it is no longer considered acceptable to devalue or revalue your currency to impact on employment levels, trade and inflation, this tool has been privatised so that it is the currency traders/speculators who use this tool to manipulate interest rates set by central banks.

The neo-liberals would have us believe that that 'old-fashioned' IMF approach is now totally discredited and that there is only one economic model with any respect. That, of course, is untrue. The pure free-market approach has never been followed in the successful east Asian economies and there are many other governments which retain elements of (neo)-Keynesian economics. There are alternatives.

Free trade

Free trade and the need for each country to specialise in sectors where they have a market advantage has been encouraged by the industrial nations and the international institutions.

This sounds very wise - surely the best coconut growers in the world should be able to sell their produce against all competition. The problem is that some of the most restrictive traders in the world are the governments which force this idea on to the third world - Japan, Europe, the USA.

Further, the process is not starting from the much vaunted level playing field. The world trade arena is so skewed in favour of these latter nations that any so-called free trade will see them win hands down. Even in circumstances where there is not global over-production of their products, many Third World nations cannot set their prices the way those in the North can. Also, this policy often requires developing nations, sometimes as one of the IMF/World Bank conditionalities, to export resources and raw materials with no value-added content and then buy back the finished product at vastly inflated prices. It also allows those with the cash - big business from the North - to buy strategic industries and services in the South, often at low prices. Ekei Etim⁴, in commenting on trade liberalisation in Africa, states that:

Institutional reforms under SAPs have led to the use of the state as both an instrument for ensuring that the market works and for preparing domestic economies for their integration into the global economy. The adjustment policies force African/Third World countries to increase their commodity exports in the face of declining world prices and to allow in cheap imports and unregulated foreign companies. These policies undermine local industries; encourage luxury imports, while the poor cannot afford basics.

As an example, she notes that export drives divert resources from local production and processing, especially of food for domestic consumption, and encourages intensive land use which damages the environment. And the chief 'competitive advantages' which some nations exploit are low wages and anti-union practices.

PSI affiliates in North America were very active in the debates over the adoption of the North America Free Trade Agreement - described by one participant in these debates as *twenty thousand pages of things that governments are no longer allowed to do if the private sector wants to do them*. It will be necessary for trade unions to take positions on regional trade agreements in terms of their impact on workers, on national economies and on the public sector. The GATT, APEC, EFTA, MERCOSUR, CARICOM, ECOWAS - the list of regional and international trade agreements which undermine the bargaining position of workers and primary producers grows each year.

Technology

Technological developments are transforming work, trade and expectations. True: people can be replaced by machines and especially by information technologies in many cases. Some jobs are destroyed; some are transformed beyond recognition. It is now possible for many companies to get data processing and other computer-based services and work done in another country, sometimes such that it is done in the daylight hours in India, ready for the daylight arising of the head office in Switzerland.

Jeremy Rifkin⁵ predicts that in the USA 90 million jobs out of the total 124 million workforce are vulnerable to replacement by machines. It is not true, however, that *we are helpless in the face of technology*. It **is** true that the kinds of advances made possible by new technologies **can** be used to reduce hours of work, transfer wealth and skills to the developing world and to share out the benefits of productivity increases. It is also true, as with much of the rest of the conservative agenda, that these potential advances do not, will not and cannot happen in an unregulated free market or without intergovernmental co-operation.

There is debate within the union movement internationally (and domestically in some countries) as to whether technology is the real culprit in large scale unemployment or whether the latter is the result of cyclical factors which the current global situation allows business to exploit. As in much else in these matters, trade unions need research prior to entering these debates.

A renewed interest in unemployment?

It is important for PSI to get an indication from as many countries as is possible of the concrete results of the above policies on workers, the public sector and the economy. Such contributions could then be made available to others to build their case with good data.

Of course, the major impact from the point of view of many workers and their families and communities is that the conservative agenda relies on the creation and exploitation of unemployment. As noted above, it is a weapon to 'discipline' workers: *work harder or for less because there are people out there who will take your job for less.*

The assumption until now has been, however, that the unemployment weapon fires in only one direction: at workers. Suddenly, there has been a flurry of activity from the major industrial nations and international and intergovernmental organisations on unemployment. In the OECD, unemployment is going up to 35 million from 30 million. The ILO Director General, in his 1994 Annual Conference Report notes that there may be 120 million people world-wide unemployed and perhaps 700 million under-employed or no longer seeking work. Jeremy Brecher also refers to a UN estimate of 700 million people currently unemployed or under-employed in the developing world. The ILO estimates that there are about 47 million additional job seekers coming onto the already crowded labour market each year.

The 52 page communiqué from the London G7 summit in 1991 did not mention the word 'unemployment' even once! Why the sudden enthusiasm about the unemployed? After all, there is no real collective agreement to take decisive action, as the March 1994 G7 'jobs summit' in Detroit showed.

Two factors have recently come into play: there is now a perceived risk of a collapse of social cohesion - perhaps of civil society - in many countries; and many of the frightened governments seeking re-election know that there is disillusionment among those who have been told that capitalism will deliver the fruits that its recent 'victory' promised.

Part of the measure of the collapse in cohesion is the fall-off in voting figures in some countries and the tendency among many of those who do vote to head for the extremes. The increase in violence which many attribute to unemployment, poverty and the politics of exclusion is now beginning to lead to the risk that the legitimacy on which the power of governments rests is being undermined.

Yet, political parties pursuing conservative policies are re-elected - sometimes by trade union members. Some commentators refer to the phenomenon of the 'two-thirds versus one-third' society: enough of a majority in industrial countries is doing well enough and, so long as the victimised one-third does not revolt or make common cause with the developing world, then there is no problem. Trade unions are not without influence in these debates but not all unions enter such debates; not all discuss wealth redistribution...

Some of the institutions noted above (the OECD, the ILO, etc.) have recently published remedies for the nexus of issues of which unemployment is part. Many of these keep the fundamentals of the present system intact.

The accusation of defending the status quo would be somewhat unfair as a summary of the Delors white paper, *Growth, Competitiveness and Employment*, produced for the European

Union debates on medium-term strategies. This offers a public infrastructure investment policy, regional development, research and development projects, incentives for small and medium-sized enterprises, conversion of military production to civilian purposes, environmental programmes and a reduction in labour costs (especially non-wage labour costs) as a mechanism for stimulating employment. But it should be noted that Delors would make these new investments not from enlarged EU resources but from a redirection of current resources. It was not a paper produced to solve problems of unemployment specifically.

The OECD, however, **has** produced its *Jobs Study* which essentially argues that there is no need to alter the tried and failed policies of the last 15 years but that governments should all try a little harder on labour market flexibility (six of their eight 'solutions' focus on this). But note the real concern of the OECD. In its draft report on the study it states:

...the present situation in many countries is serious. It brings with it a certain unravelling of the social fabric, including a loss of authority of the democratic systems; and it risks also resulting in the disintegration of the international trading system.

Yet, it should be noted that the statement at the end of the Detroit G7 jobs summit does not mention either 'flexibility' or 'deregulation' once. There is some progress. As US Labour Secretary Robert Reich said to workers via *The Times* (16 March 1994) after the G7 meeting: *When you hear the word 'flexibility' watch your wallets!* Flexibility is a code word for reducing wages and conditions.

In fact, the debate on flexibility at the Detroit G7 meeting was illustrative of the UK-Germany conservatism. The same *Times* article noted that when people such as the UK Chancellor, Kenneth Clarke and other finance ministers talked of flexibility: *they were really talking about the freedom of employers to fire people and to reduce wages while employment ministers meant flexibility to mean upskilling the workforce and increasing its mobility...*

The ILO Director General, Michel Hansenne, has called for a concerted effort by everyone at the 1995 UN World Summit for Social Development where the ILO would 'ask' the IMF and World Bank to give it a voice in charting policies that deliver social justice.

In *Free Labour World* (No 3, March 1994) ICFTU General Secretary, Enzo Friso, is quoted as telling UN Secretary General Boutros Ghali that:

The themes of the summit are of central importance to the ILO, the UN's only agency with a tripartite structure. Social partners worldwide, including unions, must play a crucial role in whatever decisions are made in Copenhagen (the venue for the World Summit) if the event is to have any chance of success.

It should be noted, however, that the impetus for change has not come from just the conservatives. Take a German example. After the failure of attempts to reform the civil service regulations at the beginning of the seventies, the discussion about the need to overhaul the public service was taken up with renewed vigour in the middle of the eighties. The call for deregulation and privatisation propounded by the new German Federal and conservative-liberal state governments was starting to gain currency. Citizens were becoming increasingly exasperated with the quality and scope of public services. Like public employees, they too were still suffering from the remnants of an authoritarian state, with its antiquated officialese and total lack of concern for the customers. Furthermore, the existence of an overbearing hierarchy, little job satisfaction, a poor image, obsolete methods and a direct contact with dissatisfied users meant that public employees themselves were keen for the reform process to get under way.

The "Shaping the Future through Public Services" initiative of the German PSI affiliate ÖTV was also born from the idea of creating more workplace democracy and the need to treat workers as responsible human beings. It spells out ways of involving public sector workers in discussions about policy choices, the benefits of which have recently been recognised by industry and private service companies. The reason is that workers constitute the most important resource; it is they who will determine how things evolve, and it is upon them that quality and productivity improvements depend.

The Trade Union Alternative Strategy

The government's choice

From the outset, it should be stated very bluntly: no trade union strategy has a hope of success unless trade unions are determined to take themselves seriously and build strong, well-resourced, effective democratic organisations which give workers the power and ability to organise society in their interests. Any strategy which does not start from that premise is doomed to fail.

Those organised workers must then set several political objectives (sometimes with the assistance of others in stronger positions) on which they have to convince their fellow citizens, their employers and their governments: the state is to play an agreed role in ensuring funding for and provision of a number of goods and services (social and material) which are essential for the effective functioning of their society; the state must treat its citizens, and especially its own employees, fairly; the political economy of the country is to be based on consensus and political and economic participation by all.

Specifically, trade unions as workers' representatives must demand to be treated as genuine social partners in all major socio-economic planning and decision-making. Nothing less. If these principles are respected by the government, then trade unions can consider any proposition because they will be able to negotiate in an atmosphere of genuine social partnership.

It is on the demands raised in the three previous paragraphs that neo-liberalism fails: it cannot deliver both those principles and its economic programme (as with command economies). Governments have to choose: either they want workers and their unions as part of the deal or they want them in united opposition.

Also, to be fair, some of the elements discussed in the alternative strategy below will be seen as both impossible and suicidal by some trade unions because their government is hostile to the above principles. In that case, it must be made clear that the government has chosen to throw away a chance for a redesigned society and has asked for conflict. In those circumstances trade unions will have to adopt strategies based on entirely different principles from those discussed in this publication. Trade unions must make this matter of the government's choice a very public issue.

In preparation for the OECD *Jobs Study*, the Trade Union Advisory Committee (TUAC) to the OECD publicised a trade union employment strategy, the Global New Deal.

The ICFTU has been promoting the concept of a global solidarity pact (and a fund) which could link the South and the North into a harmonised recovery for all. The ICFTU programme, *Building International Solidarity*, is a very detailed programme of research and action which covers: environmental issues; human and trade union rights; a democracy programme; equality programmes focusing on women, youth and 'minority' rights; action to address the social dimensions of structural adjustment and regional integration programmes; a focus on the Bretton Woods institutions (the World Bank, the IMF and the GATT); trade union organisation; and education work. A consistent thread in the work is jobs, democracy and peace. The

issue of the social clause, discussed below, has been a central feature of ICFTU work and also that of many other international trade union bodies such as TUAC, PSI, the International Textile, Garment and Leather Workers Federation and the International Metalworkers Federation.

International co-operation among governments

The competitive nature of the global economy means that many policies which a progressive government might be inclined or persuaded to follow would be counter-productive in terms of its trading relations or its ability to get credit from the Bretton Woods institutions or other sources of finance. Much of what needs to be done if workers are to receive equity can only be done if there is international co-operation among governments.

So, although several of the items discussed below are obviously matters primarily for domestic action by governments, they often need to be co-ordinated with other governments and agreed at an inter-governmental level. Trade unions, while pressuring their governments to act on these matters may often have to work with trade unions in other countries to force **other** governments also to agree to the programme.

Industrial democracy

Worker participation and workplace reform are two areas where it is possible to show that, with trade union rights, workers can make real contributions to an efficient economy. Workers, through their trade union representatives, must be built into the decision-making processes at work and in industry sectors as well as in decision-making fora at the national level.

Industrial democracy includes investment decisions as well as work re-organisation and methods and service delivery decisions. It challenges so-called 'managerial prerogatives' - the right of management to manage. While trade unions will differ over the extent to which they wish to involve themselves in managerial decisions, one matter especially should be made clear: no matter what else managers think they have the right to do, trade unions absolutely reject their 'right' to be bad managers. Most of the problems that come back to haunt workers can be traced in some degree to bad management. In the public sector especially, public sector unions should be visible in their requirement that there be good management.

On the other hand, *crafty* managers will often try to corrupt or abuse the notion of democratic workplace reform. It is a process which can be used in a top-down manner, isolating and dividing workers, expropriating the gains to be made from workers' ideas but using the process to reduce jobs and wage levels. If new work methods or workplace reorganisation are to be introduced, they must be negotiated with workers collectively.

In the public sector in some countries industrial democracy will involve worker participation in programmes to involve the public and user groups and to weed out corruption, starting with its basic causes. In some countries, this strategy will require the formation of solid inter-union alliances and single-table bargaining⁶.

In fact, as noted by Etim above, real democracy is one of the essential elements of a successful package. People must be included in decisions, not excluded. This applies not just to workplace or national/domestic processes and institutions but also to international bodies - the UN, the Bretton Woods Institutions, the EU, GATT, etc. The democratic deficit in many of these bodies is greater than the fiscal deficit.

In particular, when structural adjustment packages are being proposed and negotiated it is essential that trade unions are party to the discussions since it is their members, especially in the public sector, who will bear the brunt of the effects.

Trade

Rules for international trade and finance, especially social and 'green' clauses are now getting on to the international agenda. In the view of many workers, occupational health and safety standards should also be included here since there is considerable evidence of some companies moving dirty or dangerous production to countries with low or no standards. Some of the new schemes to swap debt for nature programmes need to be subject to closer scrutiny to ensure that they are not a cover for foreign take-overs of national assets or dumping of Northern wastes.

Calling for a different regime for the Bretton Woods institutions is not a recent radical fad. At the time they were set up, the founding conference at Bretton Woods considered two proposals to establish an International Stabilisation Fund for currencies (Harry Dexter White, from the USA) and an International Clearings Union (John Maynard Keynes, UK). These were rejected in favour of rule by Wall Street. New versions of these old proposals may well be worth pursuing since they do not prevent the activities of exchange dealers and speculators: they merely subject their activities to regulations which cripple their ability to wreck national currencies and national fiscal and financial stability.

There are sound examples of international capital transactions proposals that stop brokers and dealers bankrupting whole national economies. The 'Tobin' tax which would tax international capital speculation and transfers and generate funds for global problems such as ocean pollution are gaining in international support. There is little need to get too worried about claims that public sector workers want to go back to old bureaucracies which will stifle investment: 95 per cent of foreign exchange transactions are purely speculative and add virtually nothing to production - in fact the reverse is the case.

Current international trade is very different from that on which most international rules are based. Historically, trade was of goods - an actual product was moved from one country to another. Now, the preponderance of trade is not in material goods at all but is in the form of electronic signals which instantaneously shift huge amounts of money and ownership, with the actual physical product only moving at a later date, if at all. In particular, the power to bring massive speculative pressure to bear on currencies has to be made subject to some kind of control if governments are to retain any form of control within their jurisdiction. New rules are needed.

It is also necessary to promote the Susan George concept of the debt boomerang: unless the North provides massive assistance to the South, including debt relief, markets will not develop and Northern jobs will not be created. This work is of high priority. Etim (*op. cit.*, p. 7) shows the huge loss of money from the Third World caused by debt repayments: in 1989, developing countries handed over US\$52 billion more in debt repayments than they received in new credits; from Africa it was US\$23 billion in 1990; between 1982 and 1989 the net outflow of debt service from developing countries, in excess of new loans, was US\$240 billion.

Etim recommends: abandoning structural adjustment programmes; a programme of work to establish political democracy and stability in Africa; a poverty elimination programme; a diversification of productive capacities to encourage agriculture and land reform; aiming for African food sufficiency; and the development and encouragement of African regional economic co-operation and integration. Not all would agree with all of Etim's prescription: structural adjustment **is** needed - the problem is the process and approach.

Comments have been made elsewhere in this publication about regional trade agreements. An additional point to be made here is that trade unions must insist on being party to any discussions about the implementation or monitoring of any such agreements. The agreement worked out between Costa Rica and Mexico very explicitly excluded trade unions.

Edwards⁷ shows that the debate in defence of trade liberalisation has been confused and made increasingly ideological, especially when taken up to justify wholesale deregulation and an open-ended implementation of a *laissez faire* economic policy in both developed and developing countries. As noted by Johnson⁸, this has meant that *governments are now even constrained from monetary management*.

Some account must be taken, for example, of countries which trade with each other but where there is a pronounced imbalance of comparative advantage. In these circumstances, economic theory would suggest that weaker economies should close down much of their production. This is more or less what has happened in East Germany following re-unification. Fortunately for East Germany (unlike some other former Soviet bloc countries) the former West Germany was one of the richest and most powerful economies in the world and had sufficient resources to recycle to the east to rebuild its economy.

This will not be repeated for many other countries and so the assumption that free trade is always beneficial has been increasingly questioned. Some have made a distinction between *open trade* and *conditional trade* to make the point that this debate is not just between the two polarised choices of free trade and protectionism. This distinction is somewhat similar to that mentioned earlier between free and fair/managed trade. The United Steelworkers of America⁹ identifies four essential elements to managed trade:

- it would be undertaken on a sector-by-sector basis as is the case with the Canada-US Auto Pact and as was the case with the formation of the European Economic Community which started with such a sectoral basis in iron, coal and steel;
- it would include the regulation of social and environmental conditions to prevent social dumping;
- it would be an integral part of an industrial strategy, discussed elsewhere in this publication; and
- it would anticipate and cushion adjustment costs so that, while uneconomic activities would be phased out, the costs would not fall solely and suddenly on powerless workers and their communities.

The GATT adopted at the Uruguay Round includes clauses on intellectual property rights and investment regimes which favour multinational companies (MNCs). The former creates the potential for multinationals to patent the essential chemical content of the biosphere in developing countries to the disadvantage of the latter. GATT rules on investment allow 100% profit repatriation with no obligation to hire local labour which gives MNCs unfair advantage over domestic employers and threatens jobs and even national sovereignty.

The fact that services are now a trade category means that public sector activities in both developed and developing countries are threatened by these negative aspects.

The social clause

For some years the international trade union movement has been trying to get a 'social clause' into international trade agreements and bilateral aid and assistance programmes. This would include requirements that trade union rights such as freedom of association and collective bargaining be respected before a government can take advantage of market access granted in trade agreements such as the GATT (under the World Trade Organisation, the WTO) and the Lomé Agreement.

TUAC, building on the ICFTU approaches, has suggested that the list should include: freedom of association; the right to organise and bargain collectively; prohibition of forced labour and child labour; minimum age standards; and non-discrimination in employment. More and more people are urging that restrictions on working time should be added here: perhaps unions

need a campaign around the claim that regular overtime is immoral in a world with so many unemployed? Certainly, there is increasing interest in looking at a reduction in working time as a means of dealing with unemployment - something discussed elsewhere in this paper. TUAC has specifically noted that the social clause is **not** about protectionism; it is **not** about the imposition of some specific global minimum wage; it is **not** about the writing of some specific wording in health and safety legislation or other ILO standards; it is **not** about the immediate imposition of penalties for infringing impossible standards. In fact, the ICFTU has published what it sees as a possible process and machinery for dealing with social clause complaints (available from PSI). Its key points are:

- there would be a joint ILO/WTO Advisory Body to oversee the social clause;
- complaints would be handled along much the same lines as are ILO complaints now;
- full investigations would be carried out and any recommendations from the joint Advisory Body would be primarily addressed to the alleged offending government which would be offered full technical and other resources to help them comply, if necessary;
- these first few steps would typically take one or two years and then a further two years would elapse before any assessment was made about progress on achieving the standard(s);
- where progress was clear, a further year or two would be allowed for this to 'settle';
- where progress was not being made, a 'warning' would be issued that the offending government would be formally reported to the WTO Council for application of trade measures - these trade measures themselves to be staged in their implementation over a number of years, depending on the response of the government.

This hardly amounts to a procedure to which a government seeking short-term protectionist advantages would resort. The actual wording of the clause proposed by the ICFTU is, to be inserted in the GATT and similar agreements:

The contracting parties agree to take steps to ensure the observance of the minimum labour standards specified by an advisory committee to be established by the GATT and the ILO, and including those on freedom of association and the right to collective bargaining, the minimum age for employment, discrimination, equal remuneration and forced labour.

A social clause is **not** a clause to exclude products produced at low wages, provided those wages are the result of genuinely negotiated agreements between trade unions and employers. It is important to stress that any trade union support for the social clause should stress total opposition to any use by governments or other interests of such a clause for protectionist purposes.

Leaders of some Asian nations oppose many of these rights. They are opposed to freedom for workers while they claim to support free markets. It is extremely important for trade unions to campaign and lobby their governments to put their money where their mouth is and to support freely negotiated economies. It is important to point out to these Asian leaders that **they also** stand to lose from social dumping.

A case in point is Malaysia where workers of the French state-owned electronics company, Thomson, managed to negotiate a wage increase. The immediate response of Thomson - in Malaysia which is hardly a hotbed of worker and trade union rights, especially in this industry - was to announce that it would relocate to China where there were fewer worker rights.

Those who wish to explore in detail a possible regime for dealing with the minimum wage (although it is not part of the social clause debate), are recommended to read a costed analysis of what this would mean in the case of the Bangladesh textile industry. Richard Roth-

stein¹⁰ takes this industry as an example of how one could justify insisting that the current average wage for Bangladeshi textile workers of US 25 cents an hour should be lifted over a five year period to 38 cents an hour, using a formula which takes account of the stage of economic development in Bangladesh.

Rothstein notes that, in contradiction of the claim made by some Asian leaders that standards of living, wages and trade union rights will **follow** economic growth:

IMF-inspired macro-economic policies and competition for footloose international capital make real wages more likely to fall than rise with productivity gains. Many developing nations have deliberately suppressed wages and relaxed child labour rules in recent years, so unit labour costs fall even faster than productivity rises. From 1980 to 1989 Mexico's real manufacturing wages fell by 24 percent while industrial activity...increased 28 percent. In Bangladesh, productivity grew by 20 percent, but wages did not rise.

Rothstein goes on to show, furthermore, that it is possible to isolate only those items which enter the international market so that there is not a concomitant effect on the purely domestic market. His example is the US Fair Standards Labour Act of 1938 which required that any state in the USA which had interstate trade in a particular product had to meet child labour and minimum wage standards **for those products only**.

With a social clause accepted into the initial programme of work for the new World Trade Organisation at the final GATT session at Marrakesh, it is also important to get a policy change (or even a code of practice) for IMF and World Bank staff and consultants to require active enforcement of such a social clause in Bank and Fund programmes.

Employment security

The creation of well-paying and secure jobs is essential both for workers and for healthy economies. Note that this is also what the governments **say** they support even while they set in place policies which deliver or encourage lower wages. Many governments and employers threaten their own workers with those 'low-paid workers over there'. Trade unions must stress the need for worker solidarity - nationally and globally.

TUAC has also begun to ask governments and employers to re-examine their approach to productivity. Workers have been told that improving productivity is a 'good thing' and, of course, it is in theory. But when workers see the benefits of increased productivity pocketed by the employers or governments and jobs reduced as a result they are no longer so sure. Listen to Fidel Ramos, President of the Philippines:

I don't want to hear talk of wages and productivity gains going hand in hand. What makes sense is that wage costs must be kept in check. Grasp this point well for it is the price of your survival (he was talking to industrialists) and the means for enhancing our international competitive capabilities¹¹.

Trade unions must demand that technology is used to enhance the quality of working life for their members through using human-centred programme applications and taking advantage of the flexibility of working arrangements made possible by advanced information technologies. Protection from/against employer exploitation of the segmentation at, isolation at and deregulation of the workplace must also be negotiated by unions. Increased productivity and flexibility of employment arrangements must not result in a diminished core workforce and an expanded marginal or part-time workforce but must be used by unions to:

- fund employment-sensitive and labour-intensive activities;

- equitably share the benefits around the community;
- expand the workforce as new paid services, products and training call for more work to be done, not less; and
- reclaim unpaid work devolved to the voluntary sector.

With respect to the last point, it should be noted that the increase in unpaid voluntary work by many women is a direct result of the market failure which follows the privatisation of many public services.

Industry and employment policy

Further to the previous point, there is a need to map out a strategic path for the development of each sector. In the public sector, for example, it is true, as noted above, that there are cases where there is over-staffing and poor use of resources especially in developing countries where authoritarian or corrupt regimes have used the public sector to shore up support and to reward cronies with top positions. Once it is accepted that much of the over-staffing, in spite of low salaries, is because of the perceived job security and retirement pensions, it is possible for the government to work towards the establishment of national provident/pension schemes so that workers can benefit from these in the private sector as well; or it may be that schemes to offer employment protection/training (see below) will mean that workers can be induced to become more mobile. Public sector workers do not hire themselves into unproductive services and most would prefer to feel that they are doing a useful job for the community - why else do so many of them stay on even over long periods of non-payment of salaries?

If, as has been acknowledged by ECOSOC and the World Bank, it is low wages which explains corruption, low productivity and moonlighting in many African public services, then an agreed timetable to achieving wage improvement should be commenced. Unions in the North need to work with those in the South in solidarity work to achieve such outcomes. The same could be done in the private sector - if governments and employers are serious about productivity matching pay.

There are two related measures which underpin a sensible industry/employment strategy: the need for the government to support financially and encourage industry also to fund research and development programmes; and the need for specific regional development policies and programmes.

An additional tactic that has been discussed by some trade unions is whether there would be an advantage in some *ad hoc* alliances from time to time with small-to-medium firms who are often victimised by governments and multinational companies and who may have a common interest with workers and their unions in their sector.

The role of the public sector in a strong economy

The matters raised below are aimed at showing both the *current* economic contribution which the public sector makes to the GNP and also the *potential* contribution if the ideas of Robert Reich, Secretary of State for Labour in the Clinton administration, about accounting procedures for different kinds of public expenditure were adopted. Also, much public expenditure **is** wasted in so far as bad (or deliberate) government policy creates costs from unemployment, sickness, inability of women to play a full role in the economy, etc.

The public sector and its economic role

It is a policy of PSI and its affiliates to enhance the role of the public sector in directing and promoting investment and economic growth. This is a matter on which public sector unions have plenty of material and arguments which addresses the needs of their own country.

Yet it is worth noting that a surprising number of governments have actually **not** been confronted by these trade union arguments - or so they claim. This is especially true where governments have had to obey World Bank or IMF instructions. Some such governments, now being exposed to a critical analysis of World Bank or IMF policies, claim that the social impact of privatisation and related 'cures' have never been relayed to them.

Public sector trade unions have to convey to these and other governments that they support and demand good investment strategies from governments: it should not just be the World Bank and the IMF which criticise bad investment by governments. Public sector workers want sound investment policies and sound public sector management and should roundly condemn anything less, publicly. And to get sound policies, public sector trade unions should be calling for full analyses of the performance of public and private bodies so that decisions, especially investment decisions, are based on fact rather than on ideology and so that public versus private sector comparisons are real ones, not comparisons of chalk and cheese.

For example, not all governments are aware that some of the economic arguments used by the IMF or World Bank to argue against the public sector can in fact be stood on their head to support that sector. Many of the public services which PSI believes to be essential in any democracy play a vital role in the creation, redistribution and circulation of wealth and labour power:

- an economic infrastructure of transport, energy, communications, water supply, sewerage and drainage, housing, and other such utilities;
- a full range of public health services;
- educational and vocational training services providing opportunities for all age groups including child care;
- adequate and comprehensive social security for all citizens at times of need;
- strong institutions for the protection of the natural environment consistent with the principles of sustainable development;
- provision of internal and external security, including police, road traffic, national defence, firefighting;
- a fair and independent legal, justice, and penal system;
- employment and labour market services;
- economic and social policy advisory services;
- cultural and recreational services, including broadcasting, public parks and national parks;
- institutions for international relations and foreign trade;
- banking, financial, and insurance services;
- structures for the regulation and support of business and commerce;
- agricultural advisory and support services;
- taxation systems and services.

It happens that the public sector scores better on what are called the transaction costs involved in some services than does the private sector. In the Justice system, if each person had to fight for her/his own rights in some market for justice, there would be huge costs for victims and very large uncertainties which would undermine business confidence. A publicly provided system is more resource efficient, even if it does subsidise much private activity.

Or, take the USA health care debate - it is well established that each having to pay privately for her/his own health insurance results in much higher administrative costs than in any other system and still leaves 40 million Americans uncovered.

As is also clear from this latter US case, it is essential for trade unions to encourage real debate over how the state is financed for the services and activities it provides. Many affiliates

have used the PSI-Brendan Martin book *In the Public Interest?* as a source of both criticism of current anti-statist policies and for suggestions on alternatives. PSI is currently pursuing the potential for a follow-up to this book which would concentrate specifically on what unions have found to be successful as public sector reforms which enhance the role of the public sector.

What should be noted is that in many countries public expenditure or the public sector accounts for 40-60 per cent of the GNP. Yet right-wing economists and governments act as if its functioning as a distinct market (labour market or otherwise) can be ignored or that it is some arcane 'black box' defying analysis or that it exists as a pimple on the back of the private sector. Public sector trade unions should be presenting analyses of how this huge sector functions, showing its dynamic relationship with the rest of the economy and pointing to the lessons the private sector can learn from it. In fact, in some countries, it is possible to identify very significant foreign earnings which come from public sector operations, including services.

Scattered throughout this publication are numerous examples of the role the public sector and public expenditure can play in investment. Rather than repeat them here, it is more important to note that such investment is not limited to infrastructure development - roads, bridges, schools, telecommunications, etc. - but is also represented by training, education, housing development, equal opportunities programmes, health care, etc.

Public sector unions must promote analyses of performance of both public and private sector organisations: examples of market failure, the absence of markets in many regional or local areas, the broader social goals of public sector operations compared with the profit-seeking goal of the private sector which can lead to cutting corners.

The mixed economy

Part of this analysis is the need to see the two sectors as wings of a bird: both are needed for flight. One reason that so many nations went into such sudden and catastrophic depression in the 1930s was that very conservative governments such as those in Canada, the USA and New Zealand had been conducting 'slash and burn' campaigns on the public sector and investment in infrastructure in the 1920s. When the real crisis hit the private sector there was simply no public 'wing' to glide to earth on - the bird plummeted.

The fault with this analogy is that it assumes that something is one 'wing' or the other - public **or** private. In reality, in most of the successful national economies, many enterprises are mixed, partly private, partly public. The question of private sector involvement in public enterprises will not be explored in this paper but it is essential to ensure that, where such mixed forms operate, there is no requirement that they all operate on a purely market philosophy. It is quite possible for arrangements to be made so that social goals are pursued by such an enterprise but with some specific state funding in recognition of the extra costs necessitated.

Part of this concept is that it is virtually impossible to operate as if the public and private sectors act in isolation from each other. The familiar story of 'oil-to-houses' is not less true because it is common-place: a private oil company uses a public pipeline to send its products to another private company which processes it and sends it by public rail to a private factory where it is combined with public electricity and private clay to make bricks which go by private trucks on public roads to a private building contractor building public housing on public land for private citizens borrowing from public housing agencies. The mix of public and private will differ from country to country and time to time but it is stupid to pretend that the public components of this flow are non-productive

A specific example of the kinds of demands to raise about the public sector is the European Public Services Committee of the ETUC which issued in 1993 the public service charter *Pub-*

lic Services for the People of Europe. Public services in this context are seen as a base for providing the education, research, infrastructure and administration which can make Europe a high productivity, high wage internationally competitive economy. It is important to develop similar proposals for other regions, especially inside regional trading blocs.

It should be noted that the need for infrastructure investment in much of the third world is enormous and will pay off - both in terms of its immediate job creation in both the South and the North but also in its creation of a base from which the South can then trade. For trade unions, it is a matter of calling for mechanisms of mobilising the capital for this activity to occur. Much the same could be said for Central and Eastern Europe.

The social wage

Strengthening health care, education, social services, housing, environmental and other public programmes and services is essential. In particular, this must include the development of more and better facilities and services for child-care and care of the elderly, to reflect demographic changes. In social wage debates and in debates on including the excluded (see below), trade unions would get much public support if they adopted a 'social solidarity' approach to this issue.

Work done by PSI, for example, in the publication *Europe: an Ageing Population* needs to be analysed for its implications for social policy both as it affects the elderly and their families and also for its implications for the training of the workforce which needs to attend to their needs. The speed of the demographic change is so fast in some countries, such as Japan, that the amount of infrastructure and training needed over the next decade to care for the mushrooming 'very old' group (those over 85 years old) will provide a great amount of employment.

Many trade union arguments here would also have the support of people such as Clinton and others who see the need for public and social investment. However, as in the Delors paper, these people sometimes see this not as **additional** money but as money culled from other programmes - or achieved by contracting services out and saving on public sector wages. Certainly, some of the 'progressive' policies being advocated by some governments need closer observation: they see a chance to cut or freeze public costs by contracting out and many more are actively pursuing policies of separating the funding of services from their provision by the public authorities.

The conservatives' view on benefits has been presented above. One point that trade unions can make with effect, because governments feel awkward about it, is that benefit and taxation systems should be designed in such a way that they do not become a poverty trap for workers: if you earn money while on a benefit you are taxed such that it is better not to work; but if you don't take the work you lose your benefit...

As for the claim made by the conservative ideologues that unemployment benefits make people 'fat and lazy' it is interesting to note that: *Contrary to popular belief, recent research shows that recipients of unemployment benefits conduct more extensive job-searches than non-recipients.*¹²

The excluded

Ensuring that the needs of the disadvantaged and the excluded, such as women, retired workers, youth, older unemployed workers, indigenous people, the handicapped, gay/lesbian workers, the poor and children are readily met is a top priority. There is need for caution here, however. Many conservatives would say the same thing but their focus would be those **targeted** social policies which effectively dismantle **universal** social policies. They also set

policies which encourage or rely on the voluntary, unpaid time of women and the retired to provide essential social programmes through the voluntary sector.

Those conservatives who favour targeting would also set the basic levels of provision very low. There is a need to get governments to look more closely at demographic factors. A failure to protect the poorest and most vulnerable - nations or social groups - leads to social insecurity, higher birth rates, increasing poverty and other symptoms of marginalisation and breakdown in social solidarity. Legislation against child labour and forced labour of all kinds (specifically prison labour) is important. Trade unions must make equality of opportunity and rejection of all forms of discrimination key demands.

Targeting also plays another useful role for conservatives: it makes it even clearer that 'we' are paying for 'them' and leaves the defence of those reduced programmes to an even smaller group of powerless people. If programmes are to be targeted, trade unions should try to establish alliances with the beneficiaries so that the interests of the latter can be safeguarded. These programmes can be effective means of empowering the excluded and it is in the interests of trade unions to support such empowerment.

Again, the 'problem' of funding programmes for the excluded is partially a false problem based on the assumption that never again will there be full employment. Trade unions have to tackle that assumption head-on. It must be a priority issue. In fact, some commentators have argued that the dropping of the birth rate in many countries will (in some countries much later than others) lead to a shrinkage of the proportion of the active labour force as currently defined and that there may be pressures to extend the retirement age simply because of labour shortages, not because of pension fund deficits.

Neither can it be assumed that the money used for these programmes is not directly good for the macro-economy. Work done by the Canadian government shows that during a recession unemployment insurance expenditure reduces the decline in GDP by 10-12% and reduces job losses by 10-14%. It is possible to fine-tune this kind of programme to reward those employers/industries which 'cause' less unemployment and charge those which cause more by setting rates to match the experienced effects.

Job training and education

The provision of training for workers as well as better education for all, so that they can adapt to ongoing changes, has been a feature of some of the more successful economies in East Asia especially. The OECD and the Clinton administration stress this. The line that TUAC takes is that training must be connected to job security so that workers will respond positively because of their felt *security in change* rather than retreating into the conservatism of *security against change*.

A point that has been raised by some commentators is that trade unions might be more interested in restructuring if governments and employers, unable or unwilling to guarantee **job** security, could at least institute policies to ensure **employment** security. This would include national and international policies which guaranteed that retirement and other pensions were portable from job to job and that there would be an active labour market policy attitude by governments.

It would mean beefing up public sector job placement agencies which could help workers, including by retraining, to find and move to other jobs without significant loss of income. Certainly a resolution on public employment services passed at the 25th PSI World Congress in 1993 lends weight to the notion that governments should not just be concerned with the technicalities of job placement. It disputes the claim that the private sector could 'therefore' replace public employment services. In fact, the ILO has published material on active labour

market policies¹³ which argues, among other things, that it is advisable to strengthen and improve the efficiency of such services:

Most often overworked, and confronted with entirely new situations because of the restructuring of the industrial base, these services must work more closely with their clients, both workers and employers, and must be more sensitive to local conditions...

But training should not be restricted to job training. The whole area of education has to be seen as an essential part of an alternative strategy. The UNDP¹⁴ refers to research which shows that 20-30 per cent of economic growth is due to improvements in nutrition and health while, for every one per cent improvement in literacy, economic growth over one per cent is recorded in developing countries.

Funding the state

It is not sufficient to talk about what the state can or should do - what it should spend. It is essential for public sector trade unions to have realistic proposals about how the state and its activities can be funded. This is not just a matter of raising the cash to pay for direct public services: it must also include the funding of industrial development, research and development funds and job training.

During the last decade and more in which neo-liberal ideology has been dominant in public sector change and other areas of economic and social policy, trade unions have been presented as the chief obstacle to better services and their members as the main reason for poor services and high public expenditure. As 'producers', they have been cast as the enemy of 'consumers'. PSI has consistently resisted these simplistic caricatures and argued that public service workers and the people they serve have interests in common.

However, to do this effectively it is continuously necessary to draw to public attention recurrent themes and the policy ideas informing, or suggested by, particular measures. Moreover, while concentrating on public services at the micro level, trade unions, in the debates and campaigns they run, must also be concerned with the role of the public sector and the state in economic and social development more widely.

The macro-economy

Macro-economic policies are needed. The ICFTU has been pressing for a return to government action on the macro-level: interest rates, looser inflation regimes, public sector investment, more state involvement in the economy. For the 1994 Naples G7 summit, TUAC's main policy proposals were: lower interest rates to spur growth; concerted and co-ordinated policies involving an industrial country growth initiative with emphasis on infrastructure investment and regional development programmes; the expansion of markets in developing and industrialised countries through the eradication of poverty globally and the reduction of income inequality; a reconstruction programme for Central and Eastern Europe; a social clause in all trade and investment agreements; a new agenda for managing structural change in labour markets and at the work place.

Some of these are a repetition of the material above. Put together, they are what TUAC calls the Global New Deal. It is important to stress that this work must not stop at the national level. There is a need for international and supra-national co-operation and even new institutions and rules to manage the global macro-economics also.

Over the 1994-96 period a number of '50 years anniversaries' related to the Bretton Woods institutions are being held. It is noteworthy that the 1994 G7 summit, President Clinton and other leaders called for a new Bretton Woods settlement to underpin the world economy. In some ways, macro-economics may be back on the agenda for trade unions to pursue.

Some attention has to be given to the problem of currency exchange speculation and its impact on economies: when even the USA cannot defend the US dollar without significant and costly assistance from the other most powerful economies then it may be that governments are prepared to listen to some alternative wisdom. In some of these high-stake games there is no winner - the global economy simply suffers a giant loss. Once governments are released from the pressure to grovel to the financial markets there can be real scope for renewed growth and full employment strategies.

While this has also been said under the discussion on the role of the public sector, it has to be noted here that the potential for job growth and economic expansion from public infrastructure investment is enormous. Genuine investment in society and the future can be both a recipe for recovery and an overdue repayment to future generations from whom the current generation has stolen or borrowed at very selfish rates.

Let us return to the question of interest rates and currencies. In the case of Africa, of course, it has been IMF and World Bank policy to require currency devaluation. Ekei Etim (*op. Cit. Page 4*) notes that a UN survey of 12 African structural adjustment programmes (SAPs) found little improvement in export earnings following such devaluation and that, since the demand for most of Africa's exports are inelastic - price fluctuations change demand very little - devaluation of African currencies has led to steep declines in export revenues. She also notes that restrictions on money supply and credit had little impact on inflation but, coupled with wage freezes, resulted, in Zambia, for example, in a reduction in per capita income between 1980 and 1986 from US\$600 to US\$170 while inflation went up by about 60 per cent and unemployment rose from 14 to 25 per cent.

In contrast, the European Union, for example, does not permit its agricultural sector to suffer competition on the world market. Agriculture is thoroughly protected and receives subsidies (higher prices and government interventions in purchasing). Its surpluses are dumped on the world market from time to time causing significant damage to third world farmers. If North-South differences are to be reduced, these issues must be addressed.

Local government is also a focus here. Trade unions should urge all politicians to oppose ideological privatisation and deregulation. It would be wrong if autonomous local authorities were destroyed from within. Government has a vital role to play as co-ordinator and general overseer because this is the only way to ensure that life in villages, towns and regions remains socially and environmentally acceptable in the future. Municipal services cannot be sub-divided into various profit centres. Local policies and local administration are a public affair and in a democracy must be subject to public control. Without close ties between the economy and politics, local self-government withers away. There must be areas which generate enough profits to cover the deficits that are justified on social or environmental grounds. Charges and levies must be set in such a way as to contain a social component; income, such as from energy supply, must continue to be used in the future to subsidise public transport for commuters.

As far as the temptation to finance public services by the private sector is concerned, it is often cheaper to finance investments from the public purse. The advocates of leasing arrangements and other private instruments make a lot of promises, but have yet to prove that their way saves money. Given the cost of private loans, and after adding in a profit margin, the suspicion must be that the opposite is true. It would be adding insult to injury if charges and levies had to be increased to finance private profits. Loss of tax revenue should also be included in calculations. If private capital just wants to inherit public monopolies, then access to local supply and waste removal services must be subordinated to very strict political conditions in order to defend the public interest.

In view of the enormous sums needed to pay for social and environmental damage, in East Germany, for example, it may be no bad thing to look at ways of involving the private sector in public sector activities. However, that does not mean any reduction in the public control function. New public-private partnerships could be tried out. What is important is that should a local government wish to come back on a decision, it should be free to do so, just as it should retain the right to ensure that public contracts be implemented for the common good.

Workers have a direct interest in both the income and expenditure side of government budgets because it is important for them that the burden is distributed equitably, and that social benefits and public services are maintained. In order to put local authorities on to a sounder financial basis, a system has to be devised that conforms to the principle of solidarity in terms of revenue generation and expenditure.

Given the worsening crisis in public finances and the need for a system to be devised to secure local government financing, trade unions must demand that:

- the financial autonomy of local government be maintained and strengthened;
- ways be found of securing sufficient funding to cover needs in the long term;
- taxes collected by the local authorities are shielded from the ups and downs of economic cycles and structural changes;
- the financing of local government becomes an integral part of the financial system of the State.

Taxation

Bringing about fairer taxation policies and greater revenue from those who have not been paying their fair share is a long-standing trade union demand. There is a lot to be gained for workers by trade unions calling for greater tax efficiency, a wider tax base and more progressive taxation policies. But trade unions should not fall into the trap of seeing this as a *soak the rich policy*. Along the same lines as the international Tobin tax referred to earlier, there is great potential for making taxation fairer, more efficient and less avoidable if domestic transaction taxes were instituted.

It is going to mean hard decisions for some union members since it could mean taxing energy, resources, environmentally unsustainable activities such as private transport and the like. It means debates over how to fund the state, which some affiliates may find difficult or unacceptable. It certainly means big social changes and big fights with industry. It possibly means changing the basis of funding many things such as social insurance.

Groups such as DEMOS in the UK have proposed some radical suggestions of developing taxation policies which really take the right wing politicians at their word and allow the people to have a much more active voice in identifying and determining precise levels and spending of taxation revenue. Some have proposed transaction taxes. PSI would not necessarily endorse these proposals but the point is that the current way of doing things is not the only one. If PSI is to promote or discuss such proposals there is a need for very detailed studies on their implications.

This is not as easy as it looks and to keep a solidarity focus in this work requires careful education and campaigning. It is legitimate for trade unions to express anger at the way in which national debt has been built up and to identify the people - the currency speculators, the off-shore investors who repatriate profits, the banks which manipulate interest rates, arms dealers and dictators - who are responsible for many countries having to tax themselves to pay off these debts and to pay exorbitant interest rates. Unfortunately, the costs now have to be borne but trade unions should make sure that the public knows who generated them.

PSI has published elsewhere (*FOCUS*, No. 3 1994) material which raises the issue of whether it is reasonable to claim that **some** governments have 'chosen' a fiscal mess. They lowered tax rates on those most able to pay - especially company tax rates; they gave away their ability to create money and credit by privatising what had usually been a central bank monopoly function; they loosened controls on currency speculation. There are limits to the validity of this argument since both the global economy and the Bretton Woods institutions as well as key powerful governments often left them with no real choice but in some countries there may be reason to analyse the history of key monetary policies.

At the international level, there has to be pressure to co-ordinate governments' taxation behaviour towards multinational companies. Their ability to engage in transfer pricing, to shift significant units of production or servicing to low-tax countries and to declare profits in a 'convenient' nation mean that increasing percentages of what should be legitimate government revenue are either paid to more 'co-operative' governments or to nobody at all. This is a good example of where **no** progress will be made unless there is committed international inter-government co-operation.

Yet it is not just in the area of taxation that trade unions need to focus on multinational companies. Many of these companies employ large workforces not well organised, if at all. Many influence governments to adopt (or not adopt) particular labour legislation. Some can be a force for positive change in a particular country because they want public infrastructure or social services or a skilled workforce or open information and communication systems so that they can operate with security and stability. These factors mean that workers have to develop their trade unions in such a way that strategies and structures to deal with these companies can be established if they are lacking. This applies to public sector workers as the spread of contracting out and privatisation continues.

Redesigning the public sector

How often have we been told there are no alternatives to the policies of privatisation and commercialisation, which have been imposed on public service throughout the world over the last decade, with generally disastrous results? Yet as former PSI president Monika Wulf-Mathies put it in her foreword to *In The Public Interest? Privatisation and Public Sector Reform*¹⁵:

Alternatives there are. Alternatives there must be. This book is an attempt to make policy makers and advisers realise that things can be done in another way.

The next step is to reveal how things are being done in another way, how alternative designs of public sector reform, suited to local conditions, are emerging from the thinking and practice of public service workers, their unions, the organisations which employ them, elected state bodies and other sources. That is the point of *Reinventing Public Service*, which is proposed as a follow-up and companion volume to *In The Public Interest?*.

It is hoped to bring together examples from a range of countries and service sectors of initiatives to improve the effectiveness, quality and efficiency of public services. Together, they would be intended to show the development of democratic and equitable alternatives to the privatisation and commercialisation policies which have been dominant in recent years, alternatives which look forward rather than seek to restore or retain outmoded structures and methods, and which seek to express the public service ethos more effectively. To some extent, this present publication is seen as a way of generating material for such a book - it is really, therefore, work in progress.

A redesigned public sector

In their campaign work, their lobbying, their education of members and information to the public, trade unions must emphasise a range of inter-related themes which will often amount to an extensive research programme if solid ground is to be staked out by unions. These themes and questions include:

- Consulting and involving the workforce: What results have there been when front-line workers have been properly consulted about how to improve the quality of public services, increase their responsiveness, make them effective and eliminate waste? What conditions distinguish full and genuine, as opposed to sham, consultation? What is the role and importance of trades unions as the independent voice for workers?
- Democracy and accountability: What do they involve in the context of public services, and through what mechanisms are they expressed? How can service users be consulted and involved, collectively and individually, in service planning, design and management?
- Decentralisation: How can it contribute to enhancing democracy, empowering communities, users and workers, suiting services more closely to needs and making better use of resources?. What challenges have decentralisation initiatives thrown up?
- Equal opportunities and choice: How to reconcile equitable provision of comprehensive universally available services with sufficient flexibility and choice to meet a wide range of individual needs? How do public services provide equal opportunities for women and minorities?
- Quality employment: Its role in producing quality services. Establishing the rights of employees and reconciling them with the rights of service users and wider society.
- Competition: Are there cases in which competition and other market mechanisms have played a useful role in improving efficiency and raising standards without unjust and unreasonable treatment of public sector workers such as refusing them the right to bid for their own jobs when these are put up for contract? If so, how have those outcomes been achieved?
- Private and 'third'/voluntary sectors: What are their roles? Is direct labour the only way, or in all circumstances the best way, to deliver public services? In what circumstances, through what mechanisms and with what safeguards have private sector companies or organisations of the 'third sector' done so, successfully and sustainably? In cases in which joint ventures, contracting-out or other forms of public-private collaboration have produced benefits, what factors have been responsible for those results? What is the record of employee and management buy-outs, and of employee share ownership programmes?
- Paying for public service: The respective roles of taxation and user fees. Eliminating and avoiding waste in both revenue collection and expenditure.
- The public sector and the economy: The contributions of public service and state investment and regulation to economies. A strong economy as a bedrock of well-resourced public sectors. Reclaiming the idea of structural adjustment and giving it a new and people-centred content.
- The extent and limits of public responsibility: What criteria inform political decisions about the range of essential services to be universally provided by the state, and accessible to all? What are the implications of the state providing only 'safety nets', as opposed to more comprehensive public services and welfare systems? What role in public service and welfare provision is there for organisations of civil society, such as charities and self-help organisations, independently of the state, or supported by the state? How are collective responsibility and security balanced and combined with individual responsibility and empowerment?
- The public service ethos: what criteria and transparency arrangements are needed to ensure that the public sector is maintaining and is seen to maintain ethical standards of behaviour? How much of this can be dealt with in collective bargaining processes?

Above all it is important to be pragmatic before being ideological.

For example, some are attracted by the notion of benchmarking: the technique of identifying a function or part of an operation which can be fairly compared with that of another organisation which is known to be a standard setter for that function. It does not matter whether the standard setter is in the private or public sector - just so long as the comparison is a fair one and so long as real study of how and why the high standards have been achieved is done. So, a government tax office may benchmark its counter enquiry operations with those of an insurance claims company or of the government welfare office. There is no need to consider contracting out or privatisation.

The problems connected with the reform of local government today are not just internal. In fact, the testing of new forms of administrative structures is being imposed as a result of a **change in society's values and attitudes**. Citizens are less and less willing to allow themselves to be bossed around - although it has to be remembered that citizens did in fact come together in the first place to set up these collective arrangements because of their experience of the dictates of the free market. For the public, however, 'government' is an abstract concept that is only experienced at the local level where it is personified by the civil 'servant', i.e. local government officers and municipal employees. It is at them that citizens direct their criticisms. When people go to a local government office, they do not expect to see the personification of an authoritarian state sitting behind the desk, but rather a specialist who actually listens to their problem and can provide them with the appropriate advice. Thus socio-cultural changes are increasingly forcing local authorities to change their ways.

It is precisely because government policy seems to be increasingly driven by the sole desire to cut costs that trade unions have drawn up a list of demands that call for:

- protection to be provided to the socially weak
- opportunities to be created for those who will benefit from modernisation, and
- public services, and hence quality of life, to be guaranteed for the benefit of all citizens.

We must also see to it that the activities of the state are not split between a plethora of different, independent institutions that are concerned only with their own economic success, because in the long term this will mean that charges can no longer be set on the basis of social objectives, equal opportunities cannot be guaranteed, and priority cannot be given to environmental concerns and industrial policy.

Take ÖTV, Germany as an example. Their 'preconditions' are:

There must be a guaranteed minimum set of conditions if ÖTV and staff councils are to take an active role in steering structural change. This includes:

- 1. Guaranteeing the right of ÖTV and the staff council to participate in the decision-making process.*
- 2. Accepting not to lay off staff for operational reasons.*
- 3. Respecting the provisions of the collective agreement and the co-determination rights of public sector employees which should be viewed as minimum standards.*
- 4. Safeguarding public services and ensuring public control of private companies by requiring that the state maintain a majority shareholding in such companies.*
- 5. Providing the possibility for public sector companies and administrations to compete with private service suppliers in the event of a partial or full privatisation programme.¹⁶*

As to the legal form, whether a public undertaking, a municipal undertaking, an institution incorporated under public law, a non-profit organisation, a limited liability company or a joint stock company, this is not a matter of dogma for trade unions, so long as the provision of

services for the public is guaranteed, that the state or local council loses none of its prerogatives, that the interests of citizens and employees are respected and that a majority shareholding remains in public hands. The aim of the trade unions is to find innovative ways of adapting the public services to social change, and not to replace the public sector by a private one.

At the supranational level also, there is a need to promote a clear vision of what the public sector can and should do for the people and of how it should treat its employees (international civil servants often being among the most exploited in terms of trade union rights). The German national trade union centre, the DGB has outlined its demands of what European public services should be like in a 1994 statement¹⁷. The statement describes the kinds of supranational public services which are needed at the European Union (EU) level if European citizens are to share the benefits of the Maastricht Treaty - and makes the point that trade unions have to be involved in the final definition of these services. It then goes on to call for:

- high quality and efficient public services in all the EU member states;
- the involvement of all citizens in the shaping of the EU public sector;
- the need to create satisfying public sector jobs in the EU;
- and the right of workers and their trade unions to participate in the shaping of EU public services.

Onwards from the UN Summit for Social Development

This publication was written for two related but different purposes.

The PSI World Congress in 1993 decided that PSI should produce an alternative economic strategy; an alternative, that is, to the model being pushed by many governments. This would be of use to PSI affiliates for internal campaign, organising and educational work, for public lobbying and to stimulate regional and national discussions on what public sector trade unions and their members propose as an alternative strategy. In fact, the number of people who have participated in this production has been wider than just the PSI Public Sector Working Group and the PSI secretariat: many others have commented on drafts and contributed material.

It quickly became clear that it would be a waste of resources and opportunities to restrict the material to an *economic* strategy alone since so much of what PSI and its affiliates might say on that subject is integrally related to a number of public sector issues: public sector reform, effectiveness and efficiency in the public sector, the modern role of the state, etc.

Second, it was known that the UN World Summit for Social Development to be held in March 1995 would be addressing many of the issues which are germane to the contents of this paper on which PSI affiliates needed to be lobbying their governments who were in the preparatory phases of the summit. The core issues for the World Summit were: poverty alleviation and reduction; expansion of productive employment; and enhancement of social integration, particularly of the more disadvantaged and marginalised groups.

A draft summarised version of the alternative strategy was therefore provided to affiliates to use before governments met in the final preparatory phase of the World Summit. As the full impact of the Summit's conclusions become clearer, it will be necessary for PSI and its affiliates to use this publication to promote the public sector trade union vision of the world. However, it should be noted that the number of forums in which this material should or could be used is large: the ILO, UNCTAD, the new World Trade Organisation, national social and economic policy discussions, internal trade union meetings, etc.

How and where trade unions use this kind of material might vary from venue to venue and country to country. It might be important to stress social clause and North-South issues as

well as social welfare programmes in the work coming out of the UN Social Summit. In some G7 or OECD debates it might be more important to defeat moves for more labour market flexibility. Before a national election or in preparation for a budget debate there might be more to be gained from promoting the need for a strong public sector.

What should be avoided is any suggestion that any one of the above items is **the** panacea. In fact trade unions should make it clear that, unlike the IMF, World Bank and some simplistic Western leaders, public sector workers do not believe in an easy or quick fix. A package of measures has to be adopted. The danger is of leaving the impression that governments should feel free to pick and choose among the recipe items. They must be pressured **collectively** to use all of the above measures even if the particular needs of a country mean a little less sugar here and some more salt there.

The 'choice' will be simply how much more any one government has to do than do others since they do not all start from the same place. Trade unions should also educate their members and the public to realise that the notion of untrammelled national sovereignty or independence on some of these matters is outdated. It has long been a call from the trade union movement that workers have more to gain from internationalism than from patriotism.

This is one area where the ILO Director General, Michel Hansenne, is quite correct in his 1994 report. In talking of unemployment trends and their solutions he notes: *These trends, which do not respect national borders, demonstrate why solutions must be found on a multi-level, international basis. No single country has the capacity to deal with these problems on its own.*

Barnet (*op. cit.*, p. 19) makes the same point but with a pessimistic note which underlines why campaigns **for** international solutions are necessary:

There are no national solutions to the job crisis. Co-ordinated strategies at the global level are needed to promote the sort of world economic growth that avoids flooding the planet with goods and services far in excess of what people want or the planet can afford. The government of every industrial power, however, faces such acute problems that co-operation of this sort seems improbable at this time.

A good example of this kind of thinking is a paper prepared for a meeting of the ministers of finance and economy of the EU and EFTA countries in December 1993¹⁸. There is no way that the trade union movement could possibly endorse all of this paper, but it does commit the EFTA governments to a complex, wide-ranging set of policies, many of which are noted in the alternative strategy mapped out above.

It includes macro-economic policies; it calls for public sector investments (some along the lines of the Delors approach); it calls for intensified co-operation at the European level; 'macro-economic and structural policies directed at supporting demand; etc. Some of the policies are in line with dry OECD policies and would be opposed by trade unions but it is worth noting that in many of the cases where the EFTA governments describe what they have been doing or are planning to do to address their problems, they talk of close involvement of the trade unions. And, lest the sceptics do not note it, it is the EFTA countries, as a block, which have handled the recession better than most and which have seen the most rapid indications of recovery, even if not painless.

Further, in spite of all the rhetoric about the need to reform the labour market, even the Swedish government at the time, not then the most progressive of the EFTA group, noted that:

'two-year wage agreements with very low increases in wages ... have been concluded for practically the whole labour market and without any intervention by the government'. (emphasis added.)

Workers know what is needed for their country's welfare and can be part of the solution if governments let them. If it does not happen and if things go wrong as a result, it is because **governments and employers chose to keep workers out.**

If there is individual choice **among** the ingredients in the alternative strategy then it is almost certain that governments and business will continue with the present policy path. In a global economy, no government will take a progressive step if its major trading partners do not also take it - as the EFTA governments note. The logic is that of the downward spiral until the dawning of the dreamworld of the monetarists and the OECD economists: a world where nobody has a job but robotic ships conduct very free trade in products made in robotic industries.

Before concluding, it should be remembered that at the beginning of this section on the Trade Union Alternative strategy, a number of 'pre-conditions' were spelled out: if governments choose to include trade unions as real partners in the exercise, then the options outlined above may all be possible. If governments choose to exclude trade unions and workers, then the future is conflict and the options outlined above are off the table.

In a paper given to the ÖTV National Executive meeting in June 1993, Leo Kissler¹⁹ noted the following:

The alliance of public employees and citizens is ... a necessary condition for the successful shaping of the future of the public services. Both public employees and citizens have an interest in securing services of a high standard, allowing people to develop their full potential and gain social recognition both professionally and privately. This is why the central theme of the "Planning the Future" project - namely that the quality of local government and the quality of work are both integral parts of the modernisation process - is correct.

It is only the uninspiring advocates of rationalisation concepts that would have us believe that public services are capable of producing higher quality products without improving the working conditions of those who actually deliver those services.

Trade unions must actively work on their governments with an agenda which workers and others in the community support. Trade unions also need to listen to their members and try to recapture their belief that workers and unions can see a way forward. Much of what is said above is not at all new. In some cases, it is accepted at a domestic level by many sympathetic but less powerful governments. What **is** new is a growing awareness that many of the mechanisms discussed above are almost entirely lacking in any co-ordinated way among governments and are totally absent from global and international institutions and instruments. There is a global problem which has local impacts. There must be a global solution which has local participation.

¹Quoted by Frederic Clairmont, in 'The G7 and the spectre of job destruction' in *Third World Resurgence*, No 44 1994.

²Will Hutton and Bob Kuttner, *Full employment in a free society*, a report of a conference at Magdalen College, Oxford, England from 13-15 April 1994

³Jeremy Brecher 'Global unemployment at 700 million: why global unemployment and what to do about it' in *Z magazine*, November 1993, pp 45-48

⁴Ekei U. Etim, *Structural Adjustment Programmes (SAPs): the effects on labour and the public sector in Africa*, a paper presented at a PSI African Regional seminar in Helsinki in August 1993, pp. 4-5

⁵Quoted in Martin Khor, 'Worldwide unemployment will reach crisis proportions, says social expert' in *Third World Resurgence*, No 44 1994, p. 23.

⁶Single table bargaining is understood in many countries to be a form of collective bargaining in which all of the trade unions who represent all of the organised workers in a particular unit, enterprise or sector negotiate together with the employer, rather than each union having separate negotiations.

⁷S. Edwards, 'Openness, trade liberalisation and growth in developing countries', in *Journal of Economic Literature*, Vol. 31, September 1993, p. 1365.

⁸Michael Johnson, *Structural Adjustment, Growth and Development: an Overview of the Issues*, a paper produced by the Public Sector Research Centre, University of New South Wales, Australia for a PSI South Asian privatisation seminar in Bangkok, 1994, refers in more detail to S. Edwards, *op. cit.*

⁹United Steelworkers of America, *Creating our future: a labour economic policy agenda for the 1990s*

¹⁰Richard Rothstein, 'The global hiring hall: why we need worldwide labour standards' in *The American Prospect*, Spring, 1994, No. 17, pp 54-61

¹¹Clairmont, *op. cit.*, p.21

¹²Michel Fromont, 'Employment: one controllable factor', in *The World of Work, the Magazine of the ILO*, No. 7, March 1994, pp 14-15.

¹³International Labour Organisation, *Active Labour Market Policies in a Wider Policy Context*, (Document GB.258/ESP/2/5) 1993

¹⁴United Nations Development Programme, *Human Development Report*, 1993

¹⁵*In the Public Interest? Privatisation and Public Sector Reform*, a book commissioned by PSI and written by Brendan Martin, published by Zed Books, London, 1993

¹⁶Statement by Monika Wulf-Mathies at a symposium on *The Productivity of Public Services* held in Germany on 13 April 1994

¹⁷A report from the DGB on local authority funding passed at the DGB National Congress in 1994

¹⁸*Reducing unemployment in Europe through increased growth and competitiveness*, a paper prepared by representatives of the EFTA Ministers of Finance and Economy in co-operation with the EFTA Secretariat, EFTA document no. 50/93, 8 December 1993

¹⁹Leo Kissler, *Planning the Future through Public Services: a Project under Financial Constraints*, 23 June 1993.