

Public Services in a Globalised Economy: The PSI Alternative Strategy Revisited

At the end of the twentieth century the world is witnessing a widening gap between rich and poor nations and between the rich and the poor in all nations. The standard formula – cutting government spending and a heavy focus on inflation control, privatisation and deregulation - which was ‘agreed’ among governments in the industrialised countries and foisted onto governments in the developing world, does not work. It has been pursued vigorously by some governments to attract investment and to deal with the problem of unemployment. Some governments are still attracted to the notion that unemployment is not so much an unacceptable social phenomenon as a useful tool. With it, they can discipline the workforce into accepting wages and conditions in line with the pressures of the free market.

In many countries unemployment has continued to rise. It is not 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 re-invent growth, productivity and social cohesion.

The unregulated and inter-linked nature of the world economy – including world financial markets – makes the spread of recession and misery much more likely. Along with a growing number of people and organisations, PSI believes that a focus on international co-operation and regulation to the benefit of people not markets is now well overdue.

In many countries in the late 20th century, it was necessary to address real problems in macro-economic and micro-economic policies. The central criticism from trade unions is that the need for change is not the issue but rather the direction and manner of that change. A lot of what has been done in search of a cure for economic ills was probably necessary. It is the way in which the cure has been imposed on people who should have been part of the solution that has resulted in chaos. There are other ways of dealing with the problem. Other outcomes are possible.

The affiliates of Public Services International (PSI) certainly believe so. At the 1993 World Congress in Helsinki, affiliates called on PSI to produce an alternative economic strategy which could produce better outcomes for working people, better social cohesion and less misery for those affected by economic change. The policy paper was endorsed in 1995 as ‘A Public Sector Alternative Strategy’. Since then the economic crisis has worsened in many parts of the world. This document takes account of these changes and incorporates later material from the International Confederation of Free Trade Unions (ICFTU) and the Trade Union Advisory Committee (TUAC) to the Organisation for Economic Cooperation and Development (OECD).

PSI and its affiliates have not taken a narrow approach to economic policy. This paper also discusses 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 use for campaign and educational work. Trade unions have to be part of the economic debate at all levels of society. None of the advances proposed in this document, or by international forums, will happen unless politicians and the public can be convinced that the alternatives described in this paper are their first priority.

Hans Engelberts
PSI General Secretary

Summary

The fundamentals

The world economic crisis which first manifested itself in Thailand in 1997, may be repeated and extended unless there is co-ordinated international action aimed at regulating trade and finances, enhancing stability and overcoming debt. Reform of international financial institutions is also needed. Getting the international framework right is, however, only part of how peoples' lives can be improved.

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, using PSI at the international level, promote equitable and effective public services of a high quality which can help minimise poverty and inequality, expand productive employment, and enhance social integration. Public services are part of a social infrastructure that benefits everybody in the same way as do roads, water pipes, hospitals and fire-fighting.

Responsive, universally accessible, and effective public services can only be delivered in democratic societies that exercise democratic control. A strong economy is also needed to ensure that basic health, social security and education needs are met.

Process of restructuring

In many countries public services need to be redesigned in order to respond better to the needs of the people and to optimise their quality. This restructuring will take time. This is because it has to be part of a democratic process. Over the last decade or so, strong political forces have tried to dismantle even the basic structure of public services for the people. Public sector workers and their trade unions 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 want to restore, preserve and strengthen the idea of public services instead of having it destroyed or weakened. 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 describes the vision which public sector workers aim to realise. It identifies what is wrong with current policies and it outlines what public sector trade unions propose as a positive alternative. At the same time, it does not advocate the maintenance of the *status quo* as an end in itself but, rather, prescribes positive changes.

Governments must co-operate

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 workers' rights clause based on core international labour standards should be incorporated in trade and aid agreements to guarantee not free but fair trade.

An effective international framework must be implemented to regulate the world financial market and orient it towards long-term productive investment.

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 employment rather than as an incentive to use non-sustainable resources. There is a need for co-ordination so that multinational corporations cannot force countries to bid against one another, play one country off against another or evade taxes by shifting revenues across borders.

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

The International Monetary Fund (IMF) and the World Bank should be reformed and refocused towards good government, greater consultation with civil society (including trade unions), employment, human rights, core labour standards and poverty reduction.

Unions should lobby their governments to use their voting strength on the governing bodies of these institutions to change their policies and programmes to reflect the values and concepts noted above.

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.

Neither the private nor the public sector should completely dominate the values or goals in society – both are essential to a healthy economy. There is a necessary interdependence, where neither can operate effectively without the other being effective as well.

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 and young people, so that they can participate fully in social, economic and political life.

Principles of redesign

In many countries, the public sector must be redesigned to suit the needs of the nation and its people. This should include the following principles: consulting and involving the workforce; democracy and accountability; decentralisation; equal opportunities; quality employment; performance management; the appropriate involvement of the private sector; paying for high quality 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.

Public Sector Alternative Strategy

The PSI vision

The PSI vision is based on these principles: a democratic society; a strong economy; collective and co-operative values; a comprehensive and responsive public sector; democratic public services; a fair workplace; effective international regulation.

The PSI view on public sector reform includes the following:

- While there is a widespread need for progressive change in the way public services are run, change must not destroy or weaken the public service philosophy as outlined above and as more fully elaborated in the Alternative Strategy of 1995. On the contrary, its purpose must be to restore and strengthen these principles and realise them 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 experts on 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 of the methods of service delivery and management skills found in the private sector might be useful to the public service ethos. The values, objectives and priorities of the private sector are different and should not be imported into the public sector.
- This raises the question of partnerships between the public sector and the private sector. The private sector can be a source of both money and expertise for public sector operations – although the former especially is often vastly overstated since very often the private sector does not really put its own money into the operation. Frequently, the ‘new’ money is either borrowed from the World Bank – which governments can often get more cheaply – or from the more expensive money markets. Either way, taxpayers or service users will pay more in the long run, unless the private sector ‘competition’ is based on lowering workers’ wages and conditions or eliminating their jobs altogether. On the other hand, there are many countries where, if the private sector ‘partnership’ is in the form of minority shares in a government-owned trading corporation, company law will require that those shareholders have rights that cannot be over-ridden by the majority state shareholder.
- Changes to public service delivery, no matter how they are instituted, must not result in services of lower quality for recipients. The point of public service reform is not to serve people only more cheaply but in a way which meets their needs.

- In some developed countries, an intermediary economic formula involving the public and private sectors is being introduced whereby merchant banks and public administrations – those that provide services for citizens and enterprises, and create jobs for groups of people who are socially excluded or at risk – may buy shares or make investments in commercial undertakings, in for-profit and not-for-profit social organisations (e.g. NGOs and foundations) and in co-operatives. By introducing a social component into economic activities that divert private finance towards disadvantaged groups, this economic initiative may have important social consequences. However, it will be important to acknowledge the growth of this Social Economy Sector, or Third Sector: it provides opportunities for trade unions and employees of these companies to participate in decision-making structures, enabling them to keep things as they are, and prevents it from becoming a smoke-screen for the private sector – or, given that this phenomenon encompasses the new “social clause” concept, justification for privatising more of the public sector.

The question of emphasising the social value of public services at least as highly as their economic value is well made in a draft section of a book on partnerships in redesigning public services which Brendan Martin is producing for PSI. He describes the kinds of social services of general economic interest which the European Union is promoting and argues that, contrary to much union thinking, these services have an economic value which is often underestimated and misunderstood. He notes:

To value social public services for their economic contribution as much as for their social contribution is not to value them a little but to value them a lot.

The inter-connection between the economic and social roles of public services of this kind is manifest not only in the provision they make at the individual level -- transport services which enable mothers and children in rural areas to get to the shops easily, for example, also enable small farmers to get their produce to those shops -- but also in their contribution to social cohesion. As the European Commission has put it, ‘services of a general economic interest’ have social significance in that ‘they reflect shared values and are the concern of all citizens’ and ‘help to achieve solidarity and equality of treatment’.

Whether it is a question of the purposes of the reforms, the process of reform or the partnership with the private sector, the seven principles listed at the beginning of this section are not negotiable. Several of those principles also imply very clearly that public sector unions and the public services themselves must involve community groups, users and non-governmental organisations (NGOs) in the planning and evaluation of these services. For public sector trade unions, these other bodies must be seen as equal partners in the process of reforming, promoting and defending high quality public services. The emphasis which public sector unions must put on public services is that they must be high quality services delivered by high quality staff who are motivated by high quality labour standards.

We are not alone in saying this. The United Nations Organisation is not noted for its promotion or internal practice of international labour standards – the UN and many of its agencies deny to international civil servants the very rights which, as employees of the UN, they are mandated to uphold. It was therefore surprising to hear Kofi Annan, the UN Secretary General, in speaking to the powerful World Economic Forum at Davos, Switzerland, in 1999, calling for the respect for labour standards – see below under ‘Trade and Finance’. But in making those comments, Annan had a purpose. He was trying to tell government leaders and the chief executive officers of TNCs that globalisation is fragile – because, in turn, too many societies are too fragile to make the necessary changes fast enough without social exclusion and dislocation which cannot be sustained. He goes on to say:

The industrialised countries learned that lesson in their bitter and costly encounter with the Great Depression. In order to restore social harmony and political stability, they adopted social safety nets and other measures, designed to limit economic volatility and compensate the victims of market failures. That consensus made possible suc-

cessive moves towards liberalisation, which brought about the long post-war period of expansion.

He challenges the world's business and political leaders to do this on a global scale. Of course, Annan's vision of public services outlined in his speech is limited to social safety nets but the logic of his argument is clear: if private business wants sustainable liberalisation, they have to honour the compact that says that workers will endorse this only on the condition that the social wage which public services provide is guaranteed (see "The social wage" below).

The global dilemmas at the turn of the millennium mean the end of national sovereignty in some of these matters. Global solidarity and co-operation is essential if humane societies are to survive. Accordingly, international co-operative strategies are increasingly important and urgent. The ability of a few 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.

Whilst a lot of this strategy paper is aimed at national action, this is only an overview of a strategy for achieving a good society, economy and public sector. It would be impossible to comment here on how it might apply 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.

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. It cannot be picked apart to suit ideological fads and fashions or electoral advantage and it cannot be applied only in selected countries.

While several matters discussed above clearly imply that improvements must not be achieved by sacrificing the legitimate concerns and interests of public sector workers, public sector reform must be more than just the avoidance of the negative. Quality services are more likely to result if partnerships between the public authorities and trade unions empower workers, give them incentives to improve services and give them a sense of ownership of the reforms. Governments and promoters of reform must research the question of what motivates workers to achieve the mission objectives of their service and that is often not just or even money.

The Conservative Ideology

Over the last 25 years there was a resurgence of conservative thinking and influence - partly as a reaction to the earlier dominance of socialist-oriented thinking, and partly in order to exploit the riches available from the new global economy. Conservatives have pursued a dangerous programme. It is necessary to know a little about them. They are described by many words: 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 have 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 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. They see unions as an impediment to the supposed efficiency of the free market. This means that they nearly all oppose trade unions. Some believe that they are dinosaurs from a collectivist past, others oppose unions because they are the only organised movement that can stop the destruction of jobs, living standards and working conditions.

Most would also oppose many current social programmes and want less taxation so that workers get their money back to use for themselves – with the wealthiest getting the most

benefit from this arrangement. Many would see the last hundred years as an aberration from the proper arrangements in society. In their view, wealth accumulation should be unrestricted.

These elements are hardly new to political debate. What is new is the development of a global economy, especially in services and finance, and of new technologies that transform the context in which that debate must now be held. The 1995 version of the PSI Alternative Strategy contains a lengthy section on the conservative ideology and some people may need to read that if they are not familiar with it. It covers: the public sector; deregulation; labour market deregulation; the social wage; taxation; inflation and interest rates; free trade; technology; and unemployment.

The events of late 1997 and 1998 have shaken the confidence of many governments and even the international financial institutions that the Washington consensus was as successful or all-powerful as they had anticipated. This loss of confidence has opened a window of opportunity for trade unions to convince governments and various intergovernmental organisations that our criticisms of that consensus have been valid and that we have policy proposals to which they should listen. The evidence is that some governments, even amongst the G7, are prepared to listen – for a while.

Amongst the instruments used by neo-liberals to achieve their objectives has been the pursuit of relatively high levels of unemployment as a 'solution' to economic problems. For those readers who find that a strange 'solution', it must be recalled that neo-liberals believe that, if unemployment rates fall to 'too low' a level, then inflation will start to rise again and all the 'gains' of reform will be lost. Virtually every prediction they have made about how low unemployment can be allowed to drop before inflation kicks in again has turned out to be wrong. So much so that, as can be seen in some of the ICFTU-TUAC positions detailed later in this paper, even some G8 governments have started to realise that unemployment is the problem, not the 'solution'. ICFTU and TUAC have called for a sustainable growth strategy which expands demand so that jobs, training and the economy all intermingle in a virtuous circle. In discussions at the PSI Public Sector Working Group, it has been noted that the Swedish union KOMMUNAL has produced data that shows the potential for a link between expanding services for the elderly, providing some of those services through the private sector in a way which also allows expansion of the public sector, based on a proven formula which shows that every three such jobs created in the private sector allow the creation of a further job in the public sector at not extra costs to the public purse. Data, not theory.

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 some 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 on which they have to convince their fellow citizens, their employers and their governments. The help of other organisations should be sought in this. These objectives centre on three key points:

- governments should have an agreed role in ensuring funding for and provision of a number of goods and services which are essential for the effective functioning of their society;
- governments must treat its citizens, and especially its own employees, fairly;
- the political economy of the country should be based on consensus and participation by all.

Trade unions as workers' representatives must demand to be treated as genuine social partners in all major social and economic planning and decision-making. Nothing less. If the government respects these principles, then trade unions can consider any proposition because they will be able to negotiate in an atmosphere of genuine social partnership. Social dialogue and social partnership do not consist of polite cups of coffee to satisfy the TV cameras that unions are being taken seriously: they mean real negotiations and collective bargaining over anything which affects the working lives of public sector workers.

Neo-liberalism fails to meet these demands. It cannot deliver both those principles and its economic programme. Nor can socialist 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.

Some of the elements discussed in the alternative strategy below are impossible for some trade unions because their government is hostile to these 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. 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.

International co-operation among governments

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

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, in the mid nine-ties. It promotes the concept of a global solidarity pact (and a fund) which could link the South and the North into a harmonised recovery for all. A consistent thread in the work is jobs, democracy and peace.

More recently at the end of 1998, the ICFTU and TUAC published a crisp statement on the global economic crisis. That statement made it very clear that the crisis was brought about by bad economic and social policies *and the blinkered pursuit of financial liberalisation without adequate national and international frameworks of regulation*. The statement advocates several ways of increasing world demand for goods and services while at the same time increasing employment. These include:

- further co-ordinated reductions in interest rates;
- reformation of Japanese banks;
- more investment in infrastructure development where it is needed, including eastern Europe;
- debt relief and more financial aid to poor countries;
- back payment of wages in Russia to end the vicious circle of no wages – no taxes - no finances - no wages.

On the question of debt relief, the ICFTU-TUAC statements of recent years have consistently called for support for the eradication of the debt for the highly indebted poorest countries (HIPC). Current World Bank/IMF/G8 policies neither provide this relief fast enough, nor do they cover enough countries and nor do they require respect for trade union and other human rights by the governments which receive this relief. The campaign organisation Jubilee 2000, which has promoted independent but linked national organisations around the world, has promoted such policies and the international union movement has urged all unions to support this initiative. The 1998 and subsequent statements also say that international aid should be

aimed at the most vulnerable people in the countries worst affected. They list mainly public sector priorities such as:

- education, health and social security safety nets;
- public works schemes;
- restraining prices on essential goods;
- development of a sound industrial relations system based on the ILO core labour standards and discussions between governments, employers and unions.

The 1999 World Economic Forum (held each year in Switzerland) included trade union representation, and it was clear that there is increasing support for many of these measures advocated by unions.

Other comments on some of these matters can be found below in the discussions about the international financial institutions.

Industrial democracy

Worker participation and workplace reform are two areas where workers can make real contributions to an efficient economy. Trade union rights are necessary for this to happen. 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 at the national level.

Industrial democracy includes decisions on investment as well as work re-organisation and methods of service delivery. It challenges the unfettered right of management to manage. Trade unions differ over the extent to which they wish to be involved in managerial decisions. But all trade unions absolutely reject the 'right' of people to be bad managers. Many of the problems that come back to haunt workers can be traced back to bad management. In the public sector especially, public sector unions should be visible in their requirement that there be good management.

Some managers will try to corrupt the notion of democratic workplace reform. It is done in a top-down manner by isolating and dividing workers. Gains are made from workers' ideas but the process is used 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 some countries, public sector industrial democracy will involve worker participation in programmes to involve the public and user groups and also to weed out corruption, starting with its basic causes. This strategy may require solid inter-union alliances and single-table bargaining, whereby all unions in an enterprise negotiate together with the employer, rather than separately.

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 processes but also to international bodies - the UN, the IMF, the World Bank, the World Trade Organisation, the EU and the OECD. **The democratic deficit in many of these bodies is greater than the fiscal deficit.**

When structural adjustment packages are being proposed and negotiated it is essential that trade unions take part in the discussions. It is their members, especially in the public sector, who will bear the brunt of the effects. It is their members who know how the public service actually works and how it should work and how improvements can be made to service delivery. None of this denies the essential and appropriate role of service users in bringing about change.

Trade unions also need to focus on multinational companies. Many of these companies employ large workforces that are not well organised. Many influence governments to adopt (or not adopt) particular labour legislation. Some can be a force for positive change in a particular country. For example they may want better infrastructure and social services, or a skilled

workforce or open information systems so that they can operate with security and stability. These factors mean that trade unions must develop strategies and structures to deal with these companies. Closer international co-operation and more effective international union organisations will be required to deal effectively with international companies. This applies to public sector workers as the spread of contracting out and privatisation continues.

Trade and finance

International trade is now different from earlier patterns on which most international rules are based. Historically, trade was of goods. An actual product was moved from one country to another. Now trade is in the form of electronic signals which instantaneously shift huge amounts of money and ownership. The physical product may move at a later date, if at all. In particular, the power to bring massive speculative pressure to bear on currencies has to be controlled if governments are to retain power within their own nation. New rules are needed.

Proposals aimed at controlling the vast amount of international financial speculation are certainly worth pursuing. **95% of foreign exchange transactions are purely speculative and add nothing to production.** There is increasing support for the Tobin tax. This is a tax on international fund transfers which would put a brake on the excessive speculation now possible through electronic means. It would also fund global asset protection such as the atmosphere and the oceans – the global commons. Regulations to control the activities of exchange dealers and speculators are also needed. Without such controls speculators have unconstrained power to wreck national currencies and national financial stability.

Rules for international trade and finance, especially social and 'green' clauses are now getting on to the international agenda. This reflects the calls from the international trade union community to prevent the wild volatility and instability which results from having transnational companies (TNCs) exploiting their global dominance: this dominance is seen in either their use of trade or their financial speculation. Financial speculators are also part of this problem. Kofi Annan, UN Secretary-General, speaking at the World Economic Forum in January 1999, said he wanted outcomes on 3 main issues: human rights; the environment; and labour standards.

The issue of core labour standards as part of trade agreements is critical. This is also mentioned several times in the ICFTU-TUAC statement on the global economic crisis. There is a lot of evidence of companies moving dirty or dangerous production to countries with poor safety standards, let alone to countries with low wages, child labour and active hostility towards trade unions. This is discussed further under 'trade and labour standards'.

In 1998, PSI published, as part of its series on *Briefing notes for current debates on public sector issues*, a paper called *Transnationals in public services*. It explains what TNCs are and how they operate across borders, exploiting the competitive advantage that any one country can offer (low wages, anti-union laws/practice, low/no taxes, subsidised infrastructure such as roads, harbours, airports built especially to attract them, and so on). In particular it explores the ways in which they strategise to infiltrate public services via innocent-looking service contracts, before taking over the whole services; it explores the way TNCs flout competition laws by teaming up with apparent competitors to force a new market open; especially, it shows how bodies such as the WTO and regional trade agreements are used to further the agenda of these companies. The implications for workers, especially public sector workers are laid out clearly, including the new skills, strategies and structures which unions will need to develop to deal with these companies. Unions need to learn more about international financing and investment operations, about regulatory regimes for keeping privatised public utilities monopolies publicly accountable, about networking with one another to exchange information and tactics with unions in other countries and about working with NGOs and community organisations in both tracking the operations of TNCs and, when appropriate, campaigning against them.

As political actors, TNCs often shape the legislative and regulatory environments, both of nations and of international institutions. They do so typically to suit their narrow purposes, essentially understood as generating income and maximising profits.

TNCs in production industries may have positive effects on services in countries where they operate, increasing the demand for the upgrading of infrastructure, of education, even of social services, as well as increasing employment opportunities. But they may have negative effects on countries which they leave or reject and they may seek to use their potential to move production as a threat to weaken the trade union organisation or legal rights of workers.

TNCs also actively advocate specific political agendas which favour their interests at the expense of public services and their workers. Such policies include:

- low taxation and low public expenditure regimes;
- the privatisation of public services and utilities;
- the consolidation of private property, and amendments to laws and rules that limit public participation.

Trade union strategies on political issues must therefore include the ability to assess and respond to the TNCs' political activities.

Where TNCs take control or ownership of a public service or utility, there are fewer economic gains and more potential problems to be faced:

- there is typically no gain of new economic activity;
- an existing workforce is displaced or transferred;
- industrial relations between the employer and trade unions may be subject to abrupt change, which may affect employees and customers as well.

Trade unions must therefore prepare to deal with employers who operate according to the rules of the private sector and internationally. This requires new union strategies and structures, with two important features:

- more international support for trade unions campaigning against the political activities of TNCs; and
- more global co-ordination among unions representing workers in the same TNC.

Regional trade agreements, such as the North American Free Trade Agreement (NAFTA) must also be part of the democratic process. 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.

The Multilateral Agreement on Investment (MAI) debate shows that there is strong public support for trade unions in this regard. The most powerful governments on the planet were forced to retreat in the face of popular anger at the MAI negotiators' rejection of democratic processes.

The assumption that free trade of goods and services is always beneficial has been increasingly questioned. Often it simply means that trading partners that are relatively weak and which lack comparative advantage have to close down production due to cheap imports. There is a distinction between *free trade* and *fair trade*. The United Steelworkers of America in its 'Creating Our Future' publication identifies four essential elements to fair trade:

- it should be undertaken on a sector-by-sector basis as it was in the European Economic Community which started with iron, coal and steel;
- it would include the regulation of social and environmental conditions to prevent dumping;
- it would be part of an overall industrial strategy;
- it would cushion adjustment costs so that uneconomic activities would be phased out and costs would not fall solely on workers and their communities.

Trade and labour standards

For some years the international trade union movement has been trying to get workers' rights into aid programmes as well as into international trade agreements. 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 the aid or of the market access granted in trade agreements.

There is now near unanimous agreement between many international organisations (ICFTU, TUAC, WCL, OECD, ILO, etc.) that the list should include:

- freedom of association (ILO Convention no. 87);
- the right to organise and bargain collectively (ILO Convention no. 98);
- prohibition of forced labour (nos. 29 and 105);
- minimum age standards (no.138); and
- non-discrimination in employment (nos. 100 and 111).

A workers' rights clause is **not** a clause to exclude products produced at wages which provide a living income, even if low by international standards, provided those wages are the result of genuinely negotiated agreements between trade unions and employers. Trade union support for linking trade and labour standards should stress total opposition to any use by governments or other interests of such a clause for protectionist purposes.

The ILO, at its 1998 Conference, adopted the *ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up*. This declares that all ILO member states are committed to the seven basic conventions listed above as a result of ILO membership, whether they have ratified the individual conventions or not. The ILO will use special procedures to monitor the observance of these conventions and urges more states to ratify them. It will also make the process of handling complaints under these conventions more uniform. The approach taken is not punitive. Rather, the emphasis is on helping member states match their performance to the expectations of the rest of the world.

In 1999, in November at Seattle in the USA, the World Trade Organisation (WTO) will be holding its third Ministerial Conference. The ICFTU and ITSs will be mounting a global campaign throughout 1999 to ensure that the link between trade and labour standards is firmly embedded in WTO language and procedures. The ILO Declaration mentioned above then becomes a tool for identifying WTO members which are not respecting labour standards and can be helped by the ILO to improve their behaviour. It will also be important to get a policy change for IMF and World Bank staff and consultants to require active enforcement of workers' rights in Bank and Fund programmes. This is an additional campaign linked to the WTO campaign.

Kofi Annan again. In his Davos speech, he uses some curious language which seems to imply that individual governments should not take unilateral action to limit trade and investment in order to achieve international labour standards. But he goes on to say that governments and business should use the international policy arena to do these things:

You can encourage states to give us, the multilateral institutions of which they are all members, the resources and the authority we need to do our job. (emphasis added)

He then urges TNCs to apply these standards in their own conduct without waiting for governments to enact labour standards legislation.

A further item of interest to public sector workers, which may be on the Seattle agenda is the re-opening of the General Agreement on Trade in services. At present, neither education nor health are seen as tradable services within the GATS regime. If they are brought within the GATS gambit, there will be additional pressures on governments to privatise large chunks of both of these services and to open them both to TNC incursions. At the stage that this alternative strategy publication was being finalised, EI was in the process of completing an analysis of these GATS implications for education and PSI was beginning a similar exercise for

health services. Whilst these implications will be damaging for the current public service ethos of both of these services, the additional fear is that a TNC entry into what have been two strongly organised sectors within PSI and EI will raise a number of trade union rights issues if the record of private sector employers in both of these sectors in the USA is any guide.

The international financial institutions

The ICFTU and ITSs have campaigned for many years for a social dimension to structural adjustment. Unions have been particularly active since mid-1997 in promoting dialogue between unions and the Bretton Woods institutions over the policy response to the financial crisis which first erupted in Asia. One of the issues most prominent in this dialogue has been the role of core labour standards in development, social policy and good governance discussed elsewhere in this paper. Many of these are central to the interests of public sector workers and their trade unions, one reason why PSI has been an active partner in these struggles.

The attempted dialogue with the World Bank and the International Monetary Fund, have however, always had two strands. The first is the need to address labour standards at the international level of trade, investment and finance. The second is the need to empower trade unions at the national level to be able to take an effective role in national strategies which involve either the Bank or the IMF in influencing the direction of government economic and social policy. The trade union movement in different countries has developed in different ways, reflecting their history, the structure of employment, the political environment and, fundamentally, the priorities decided by their members. However a common feature of their work is the goal of improving the conditions of work and life of working people. The means of achieving this goal include collective bargaining with employers at various levels and influencing government policies that impact on conditions of work and life.

The blockage on social dialogue is complex in origin. There is no doubt that, on matters falling outside purely collective bargaining (although in collective bargaining, as well, in many countries), many governments are opposed to trade unions have any voice. In the worst cases, the Bank and the IMF have been openly supportive of governments (including many dictatorships) which wished to pursue such a line. In some cases, and increasingly so in recent times, the IMF and the Bank have been more accepting of the 'usefulness' of trade unions being brought into national framework discussions. Few trade unions believe that this is because these bodies have been converted: there is some truth in the sceptical belief that it is useful to bring unions into the discussions now that tough, unpopular decisions can be shared with us.

Either way, Governments and the Bank/IMF have played 'hide and seek' over who is to blame if unions are not invited to the table. Campaigning by the international union movement has removed this ability to avoid being pinned down: it is now clear that both the Bank and the Fund are officially committed to having unions involved **if the government agrees**. That has shifted the debate in two ways. It means that, in many cases, the unions' fight is clearly with governments, who can be openly attacked as the excluding party in any national campaigns. But it has also allowed the focus on the Bank and the Fund to alter so that there are now two demands on them: we want to see them much more vigorously promoting the need for governments to involve unions; and we can have discussions over **what** should be on the agenda if dialogue occurs.

Let us look at these two latter issues, starting with the agenda as outlined in a discussion paper prepared for an ICFTU-ITS discussion with the leadership of the Bank in early 1999. [The text in the rest of this section is heavily based on a discussion paper prepared for a meeting between the ICFTU and ITSs with the Bank's senior governing body and staff people in early 1999.]

The ILO is playing a vital role in promoting its 1998 Declaration (referred to above) which should be actively supported by the World Bank and the IMF. Starting from respect for funda-

mental rights at work, a sound industrial relations system comprises the strengthening of trade unions and employer organisations, the promotion of collective bargaining, dispute settlement procedures, the establishment and development of tripartism, and the involvement of unions and employers in programmes to build up training, job placement and social security.

The ILO has also made a number of recent significant statements about both the rights of public sector workers to be involved in public sector reform discussions and on the importance of international bodies such as the World Bank to involve the ILO (and respect its labour standards) in their own promotion of public sector reform. Over 1998 and early 1999, the ILO conducted four sectoral meetings involving governments, workers and, in some cases, employers, on the impacts on working conditions of public sector reforms. These four meetings (in the health sector, telecommunications, the public utilities – mainly water, gas and electricity – and the general public services have all produced comprehensive conclusions adopted by the ILO Governing Body which affirm the right (and the necessity) of public sector workers and their unions to be involved from the outset of reform moves to be consulted and, in relevant areas, for collective bargaining to be conducted on the contents of the reform packages. These conclusions are all available from the ILO. The World Bank was a party to some of these discussions and should be pressured to respect these conclusions which its own member state governments have endorsed.

New World Bank guidelines on social policy should be based on the conclusions of the Copenhagen Summit. The current crisis has accentuated the need for support to national efforts to maintain and strengthen policies to ensure universal access to primary health-care, schooling for all up to the minimum school leaving age and improved social protection policies to guarantee basic needs such as food, shelter and clothing.

The goals of social development policy agreed at the 1995 Copenhagen Social Summit are eradication of poverty, creation of employment and building social solidarity. Bank programmes should therefore address both the **quality** of government programmes and the **resources**, both national and international, devoted to these priorities. Emergency assistance should contribute to the establishment of a medium-to-long-term strategy with clearly defined goals. One of the key questions is the design of social safety nets to prevent those unable to find productive employment from becoming trapped in a cycle of poverty.

A specific policy which the Bank needs to adopt to promote these concepts is the incorporation of international labour standards into the Bank's current public procurement guidelines. The Bank insists that governments and contractors must respect certain principles in any public procurement associated with major projects which the Bank funds. The change unions seek would mean that contractors must promise to implement these labour standards in any work which they perform for a Bank contract. Governments must promise to **enforce** these standards. Public sector workers have every reason to campaign for such a change in Bank policy.

A number of the countries worst affected by the crisis are in a position to establish broad-based social security systems to provide incomes to the unemployed, the sick and disabled, and the elderly. They also face the challenge of replacing traditional systems based on extended rural family networks which are breaking down as people have moved off the land to urban jobs. Such broad-based social security systems are usually based on contributions paid by workers and employers. They are often supplemented by state contributions from general tax revenues to ensure that those with a weak or no contribution record are guaranteed a minimum income. They often include a mix of a state and private provision. Emergency support should therefore take the form of "kick starting" schemes which can be expected to become self-financing as the worst affects of the current recession wear off. Furthermore, contributory schemes create investment resources which can strengthen capital markets, reducing dependency on volatile flows of international finance, including the holdings of national elites.

Experience shows that workers not only expect the right to have a say in how social protection systems are managed. They also demand a participative approach to the design and management of social security to ensure that resources are efficiently used. The World Bank

should draw on the experience of the ILO in the field of the tripartite management of social security systems. It should encourage governments to consult trade unions and employers on the design of its support programmes.

A number of very specific items need to be negotiated with governments:

- The provision of primary health care and basic education must be ensured;
- Employment-intensive public works schemes must be part of the social and economic development strategies funded by the Bank;
- Governments need to develop active labour market policies to promote training and re-training, and the mobility of labour within and between sectors and regions;
- Tackling child labour requires a three-pronged approach to improve the earning and employment opportunities of parents, access to school places and the implementation of minimum age for employment laws based on ILO Convention 138;
- Governments must allow trade unions more access to the process of negotiating the content of the Country Assistance Strategy which they negotiate with the Bank in determining the main social and economic policies to be pursued if the Bank is to assist a country.

The Bretton Woods Institutions have been called upon to rethink their policies and to work with member states and key parts of the international community including the unions and civil society, to define a new architecture for the global governance of the world economy. Trade unions affiliated to the ICFTU and ITSs such as PSI have made a concerted effort world-wide, and particularly in the front-line crisis countries, to engage governments, employers and the international institutions in a dialogue. The aim is to find a consensus on policies to alleviate the effects of the global financial crisis and build the foundations for early and swift recovery – not without effect:

We agree that more attention must be given in times of crisis to the effect of economic adjustment on the most vulnerable groups in society. We therefore call upon the World Bank to develop as a matter of urgency general principles of good practice in social policy, in consultation with other relevant institutions. These should be drawn upon in developing adjustment programmes in response to crises. (Declaration of G7 Finance Ministers and Central Bank Governors, 30 October 1998)

One of the most important steps forward in that dialogue is a growing understanding that financial and social stability are closely interlinked. Stabilisation policies that exacerbate social tensions are self defeating, as is a resort to the printing presses of central banks as a means of postponing tough choices about the budget. No markets work well without an appropriate degree of regulation by democratically accountable governments. But financial and labour markets are particularly prone to abusive and destructive behaviour. It is now more than evident that in a global market a failure to regulate adequately in one country can have profound effects on trading and investment partners. So, there is an urgent need to agree on strong universal standards to measure national policies.

Financial stability is an important prerequisite for development but too often has been pursued by the blunt tools of austerity. Social dialogue between governments, trade unions, employers and other representative bodies is also necessary to build consensus over national social and economic development goals and means of action. Strong social institutions, including free trade unions, are vital to the development of human resources and the mediation of disputes about the allocation of resources.

One crucial area to be addressed by union organisations such as PSI is that many of our affiliates do not have the skills and resources to handle negotiations with the Bank and their government if they were ever invited into negotiations. For this reason, PSI has published *The World Bank: a PSI guide for public worker unions* by Alec Dubro. This describes how the Bank operates and where the entry points are for unions which wish to influence their government and/or the Bank in their deliberations. Attempts are being made to fund an education programme in several countries to help unions to benefit from this resource.

Looking beyond the crisis, the ICFTU and ITSs strongly believe that comparative advantage will lie with those countries that have a stronger social cohesion built on investment in education and training, health-care and a sound industrial relations system, founded on core labour standards. The most successful countries will be those with institutions that are able to balance and rebalance the market pressures of flexibility and dynamism with the social pressures for security and dignity. The suppleness of a country's institutions will be the key.

The above comments about the role of the Bretton Woods Institutions are, in many instances, rather general in their application. The PSI Public Sector Working Group has already decided that it will extend the current series of *Briefing notes for current debates on public sector issues* to include the role of these bodies, as well as the regional multilateral development banks (such as the Asian Development Bank) in particular countries. The idea is to use the experiences of some public sector trade unions – good and bad – as a means of helping other unions to achieve more success in dealing with these bodies.

Affiliates in the industrialised countries especially, whose governments hold the majority of voting shares on the governing bodies of the World Bank and the IMF have a special role. They should lobby their governments to use their votes to force a change in the policies and programmes of these two bodies in line with the issues discussed above.

Minimum wages and productivity

Minimum wages are not part of the workers rights debate. But they are an issue for an alternative strategy. Richard Rothstein, quoted in *'The G7 and the Spectre of Job Destruction'*, contradicts 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.

TUAC has been challenging 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, former 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 capabilities.

Yet the evidence from many countries is that workers have not seen increased productivity reflected in their total real income over the last couple of decades. Even allowing for the need to transfer some increased productivity gains into programmes which could create new employment, the rewards to capital have been high and those to workers have been negative in several countries. Perhaps this is why, in many countries subject to neo-liberal policies, productivity increase have slowed down markedly over the last decade or so – such as in New Zealand: what is the point of working harder or more smartly if you see none of the benefits apart from the mythical claims that things will be even worse for you if you are not more productive.

Employment security

Well-paid and secure jobs are essential both for workers and for healthy economies. Many governments **say** they support this, even while they set in place policies which deliver 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.

Technology often brings with it threats of insecurity. Increased productivity and flexibility of employment arrangements must not result in a smaller core workforce and an expanded marginal or part-time workforce. Technology must be used to enhance the quality of working life through using human-centred applications and taking advantage of the flexibility of working arrangements it makes possible. Protection from employer exploitation of the segmentation and deregulation of the workplace must also be negotiated by unions. Unions should also press for productivity gains to: fund 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; increase the number of ongoing (i.e., permanent) jobs which provide employment security; and reclaim unpaid work devolved to the voluntary sector.

With respect to the last point, 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.

The information society

The 1995 version of this paper analysed the way in which neo-liberals use the issue of new technology against workers. However, the speed of change in the information society means that this is no longer just a debate between employers and workers. As the Internet continues to grow exponentially, the potentials which it unlocks, while obviously offering opportunities to employers to exploit the technology, are also offering opportunities to service users, citizens and trade unions. More and more governments are using the Internet to post on their websites far more information which the public has never had access to before. Many are using the Internet to allow citizens to carry out some of their business with the government (such as tax payments or registering for benefit entitlements, etc.). This all raises the expectations which citizens have of their public services and offers the chance to meet many of these expectations.

These developments are changing the nature of the public sector working place – sometimes even its location. It is now possible for some public services to offer the equivalent of call centres for public service information, registration and requests for service. Some services, such as accounting, data entry and 'bookings' can be done offshore. Staff can now sit side-by-side with a client as they jointly process a claim on a computer screen. While this can make the service seem more user-friendly, some unions report that it can also expose some public sector workers – such as those in contentious areas of benefit entitlement, job placements and unemployment registration – to the anger, sometimes extremely violent, of upset users.

As with many other workers who use information technology in their everyday work, many public sector workers also find that work-flows no longer follow a peak-and-trough pattern. Messages simply pile up in electronic in-boxes and swamp a worker returning from holiday or work-related travel – not what happens in a car assembly plant.

In turn, unions are finding that these new possibilities can both assist unions in their work and present them with new challenges. It is now possible to communicate with some members (and potential members) directly at their desk-top monitor. Members can both see and respond to union messages more rapidly. Some union projects can be carried out far more rapidly and with greater membership involvement via e-mail and/or on-line discussion groups.

These internal union developments can also present a threat to old-fashioned union communication patterns. Now that members can take part in on-line intra/inter-union campaigns and discussions, it is more difficult for the union leadership to have an overview of everything in which the union is involved. In some cases the leadership will not even know that the union is 'involved' until something an unaccountable union member has said on-line comes to notice.

There is also the issue of whether these developments are increasing the gap between the information-rich unions in the developed world and the information-poor in the developing world.

This is one area where the union movement does not so much yet **have** an alternative strategy vis-à-vis the employer or the members but is rather in need of having to develop one. Organising public sector workers to help choose an alternative strategy for dealing with changes brought about by the globalised world is an important task for trade unions.

Industry and employment policy

There is a need to map out a strategic path for the development of each sector. In the public sector there are cases where there is over-staffing and poor use of resources. This is common in developing countries where corrupt regimes have used the public sector to shore up support and to reward cronies with top positions. Much of the over-staffing, in spite of low salaries, is because of the perceived job security and retirement pensions. If this is recognised, it is possible for the government to set up national provident schemes so that workers can benefit from these in the private sector as well. Schemes that offer employment protection and training to induce workers to become more mobile are even better. Public sector workers do not hire themselves into unproductive services. 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?

The World Bank acknowledges that low wages explain corruption, low productivity and moonlighting in many African public services. If this is so, then an agreed timetable to get better wages should be started. 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 and employment strategy. These are the need for the government to financially encourage industry and 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 to make alliances from time to time with small-to-medium firms. Such firms are often victimised by governments and multinational companies. They may have a common interest with workers and their unions in their sector.

The role of the public sector in a strong economy

Much public expenditure is wasted in so far as bad government policy creates costs through unemployment, sickness and barriers to women playing a full role in the economy.

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 address the needs of their own country.

Yet 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 which have been 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 governments that they support and demand good investment strategies. 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. They should roundly condemn anything less - publicly. Public sector trade unions should be calling for full analyses of the performance of public and private bodies. Decisions, especially investment decisions, must be based on fact rather than on ideology. Public versus private sector comparisons must be real, not comparisons of chalk and cheese.

Many of the public services that PSI believes to be essential in any democracy play a vital role in the creation, redistribution and circulation of wealth. They are:

- an economic infrastructure of transport, energy, communications, water supply, sewerage and drainage, housing, and other such utilities;
- public health, education, child care, services for the elderly and disabled and job training services;
- social security for all citizens at times of need;
- institutions to protect the natural environment, consistent with sustainable development;
- security services, including police, road traffic, national defence, firefighting;
- a fair and independent legal, justice, and penal system;
- employment and labour market services;
- economic, social policy and agricultural 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;
- taxation systems and services;
- a well-organised, central public administration equipped with new technology which can respond effectively, efficiently and speedily to the needs of taxpayers and customers.

If people had to fight for their own rights in a free market for justice, for example, there would be huge costs for victims as well as uncertainties which would undermine business confidence. The result is, as they say in the Philippines, the best justice system that money can buy! A publicly provided system is more resource efficient, even if it does subsidise much private activity. Take health care in the USA. People paying privately for all health insurance results in much higher administrative costs than in any other system. And it still leaves 40 million Americans not covered.

Trade unions should start public debates 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 criticism and for suggestions on alternatives. The follow-up to this book, *Redesigning Public Services: a partnership approach*, outlines many examples of recent successful campaigns to improve the public sector. It will be available from July 2000.

In many countries, the public sector accounts for 40-60 per cent of the Gross National Product (GNP). Yet conservative economists act as if it can be ignored or that it is some arcane 'black box' defying analysis. They imply that it is a giant lump on the back of the private sector. Public sector trade unions should demonstrate how this huge sector functions, show its dynamic relationship with the rest of the economy and point to the lessons the private sector can learn from it. In some countries, it is possible to identify very significant foreign earnings that come from public sector operations, including services.

The public sector can play a huge role in investment. Such investment is not limited to infrastructure development (roads, bridges, schools, telecommunications, etc.) but also includes training, education, housing development, equal opportunities programmes, health care, etc.

Public sector unions must promote performance analysis of both public and private sector organisations. This includes examples of market failure, the absence of markets in many regional areas, and the broader social goals of public sector operations compared with the profit-seeking goal of the private sector.

The mixed economy

One reason that so many nations went into such sudden depression in the 1930s was that 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 sector alternative to cushion its effects.

In most of the successful national economies, many enterprises are mixed, partly private, partly public. Where such mixed forms exist, it is not necessary 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 these enterprises but with some specific state funding in recognition of the extra costs needed.

It is virtually impossible for the public and private sectors to act in isolation from each other. The familiar story of 'oil-to-houses' illustrates this: 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.

One useful model exists for some of this work. The European Federation of Public Service Trade Unions (EPSU) and the European Trade Union Confederation (ETUC) developed in 1998 a charter on public services: *In the Public Interest – public services for people in Europe*. The EPSU consists of all of PSI's European affiliates and carries out PSI's European work at the ETUC level. On the basis of resolutions adopted by successive ETUC Congresses defending the rights of Europeans to have high quality public services, the ETUC had sought to have the value of public services explicitly recognised as an intrinsic part of Europe's model of development.

Indeed, the Amsterdam Intergovernmental Conference in June 1997 added a new Article 16 to the European Treaty as follows:

Given the place occupied by services of general economic interest in the shared values of the Union as well as their role in promoting social and territorial cohesion, the Community and Member States, each within their respective powers and within the scope of the application of this Treaty, shall take care that such services operate on the basis of principles and conditions which enable them to fulfil their missions.

The decision to prepare the Charter was taken in March 1998 at the initiative of EPSU in order to follow up the Treaty amendments made by the Amsterdam Intergovernmental Conference. An ETUC Conference in October 1998 brought together some 100 participants from various ETUC affiliates to discuss the contents of the Charter.

The Charter is conceived as a mobilising document to influence public debate (for example, in the up-coming elections to the European Parliament) and to campaign on the role of public services in:

- guaranteeing citizens' rights;
- promoting jobs for all;
- sustaining competitiveness;
- shaping a social market economy;
- promoting cohesion;
- modernising through social dialogue;
- building European public services.

The campaign is geared towards convincing the European Commission to develop and issue a White Book on public services, which could provide a definition of European quality standards for public service delivery. A European regulatory framework is needed to counterbal-

ance the deregulation of public services through public procurement rules and through the opening up of markets.

The Charter will also be used to lobby national governments through high level discussion. An EPSU delegation led by Herbert Mai, PSI Vice-President from ÖTV, Germany, met the Austrian Chancellor Klima in early November when these issues were raised. Similar discussions will be continued under the German and Finnish Presidencies of the European Union in 1999.

The need for infrastructure investment in much of the third world is enormous. It will pay off - both in terms of its immediate job creation in both the South and the North, and also in its creation of a base from which the South can then trade. Trade unions should call for ways of mobilising the capital for this to occur, including the eradication of much current third world debt. The same could be said for Central and Eastern Europe.

The social wage

This means strengthening public programmes such as health care, education, social services, housing, environmental services. It especially includes the development of better facilities for child care and care of the elderly and disabled because of demographic changes. Trade unions get much more public support in social wage debates when they adopt a 'social solidarity' approach to this issue, including networking with organisations which represent users of public services. See below under 'The excluded' for some related comments on income security.

Demographic change is very fast in some countries. In Japan for example, 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 create a lot of jobs.

On the issue of social security payments, trade unions can point out that benefit and taxation systems should be designed in such a way that they do not become a poverty trap. Often people who earn money while on a benefit are taxed such that it is better not to work, but if they don't take the work they lose their benefit.

As for the claim made by the conservatives that unemployment benefits make people 'fat and lazy' the ILO reported in 1994 that: *contrary to popular belief, recent research shows that recipients of unemployment benefits conduct more extensive job-searches than (unemployed) non-recipients.*

The excluded

A priority is to make sure that the needs of the disadvantaged and the excluded are met. These people include women, retired workers, youth, older unemployed workers, indigenous people, people with disabilities, lesbian and gay workers, the poor and children.

There is need for caution here, however. Many conservatives would say the same thing but want **targeted** rather than **universal** social policies. They also set policies that rely on the unpaid time of women and the retired to provide social programmes through the voluntary sector.

Those conservatives who favour targeting would also set the level of service 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 breakdowns in social solidarity. Key demands here include laws against child labour and forced labour of all kinds and against all forms of discrimination.

Targeting also plays another useful role for conservatives - it makes it even clearer that 'we' are paying for 'them'. It leaves the defence of those 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 their interests are protected.

Governments must enact policies to guarantee income security in times of change. Whilst it is unreasonable for trade unions to oppose changes in public services or other sectors on the basis that no-one should lose her/his **job** in the interests of bringing about modernised, high quality, effective public services, it is also unreasonable for governments and neo-liberal policy think-tanks to expect individual workers and/or groups to lose **employment continuity** or income security in the collective interest.

Part of the cost-benefit analysis of proposed changes must be an examination of who will lose jobs or income and what employment, relocation and/or retraining policies to put those people into alternative employment or income maintenance programmes will cost. Not all of those costs need to be borne by the state, especially if some of the benefits from proposed changes will disproportionately accrue to particular industries, companies or identifiable groups in the community. Neither do such programmes have to be tied to specific reform programmes: a higher commitment by governments and industry to the kind of life-long learning policies advocated by the international trade union movement would make the average worker more employable and adaptable, reducing the costs and dislocations resulting from constant changes in the labour market.

The need to fund programmes for the excluded is partly based on the false assumption that there will never again be full employment. Trade unions have to tackle that assumption head-on. The dropping of the birth rate in many countries will lead to relatively few people of working age. There are already pressures to extend the retirement age because of labour shortages as well as because of potential pension fund deficits.

Also these programmes are good for the national economy in that they cushion the effects of slumps. The Canadian government has done work which shows that during a recession unemployment insurance expenditure reduces the decline in GDP by 10-12%. It also reduces job losses by 10-14%.

Job training and education

The public sector should be more involved in providing better education and job training for people so that they can adapt to change. This sort of human investment was important to some of the more successful East Asian economies and was not a factor in their recent financial crises. The OECD and the Clinton administration agree with us. TUAC's attitude is that training must be connected to job security so that workers will respond positively to change because they feel secure. Often trade unions might be more interested in restructuring, despite **job** losses, if there were policies to ensure **employment** continuity and security. This includes policies which guarantee that retirement and other pensions are portable from job to job, and that there are active labour market policies aimed at retraining as well as client-based job search help.

The ILO has published material on active labour market policies which argues for stronger and more efficient public employment 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...

The whole area of education has to be seen as an essential part of an alternative strategy. The UN Development Programme refers to research which shows that 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 enough to talk about what governments should do. It is essential for public sector trade unions to have realistic proposals about how public 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, and job training.

Trade unions are often presented as obstacles to better services. Their members are presented as the main reason for poor services and high public expenditure. They have been cast as the enemy of users of services. However public service workers and the people they serve have interests in common. To show this it is necessary to draw public attention to ideas at the micro level and to the wider role of the public sector in economic and social development and in guaranteeing citizens' rights.

The macro-economy

Better national and international economic policies are needed. The ICFTU and TUAC have been pressing for a return to government action on the macro-level, such as lower interest rates, looser inflation regimes, public sector investment and more state involvement in the economy. Part of this is:

- infrastructure investment and regional development programmes;
- the eradication of poverty and the reduction of world income inequality;
- a reconstruction programme for Central and Eastern Europe;
- workers' rights in all trade and investment agreements;
- new ways of managing structural change in labour markets and at the work place.

This work must not stop at the national level. There is a need for international co-operation and even new institutions and rules to manage the global macro-economics. As a result of the world financial crisis at the end of the nineties, macro-economics is back on the agenda for trade unions to pursue.

The trade union movement has long advocated a comprehensive but sustainable growth strategy as a means of addressing unemployment problems and of preventing future downturns. That does not equate with growth at any cost; it places a high priority on environmental, intergenerational externalities in the evaluation of growth proposals. It includes the kind of training, employment policy and regional development policies already mentioned. Whilst such growth policies do not imply a return to 1970s 'big project' thinking or government employment projects, they will entail a more interventionist approach by governments in terms of planning, funding, accountability and outcome evaluations.

Further, these programmes are affordable at the end of the 1990s as more and more governments, in the OECD bloc at least, are 'suffering' from the problem of fiscal surpluses. Surpluses do not justify a return to big spending programmes; however, they are evidence that there is room for more public spending which can generate sustainable growth.

Currency exchange speculation and its impact on economies is a critical problem. Governments seem now 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. According to an economist from the Massachusetts Institute of Technology speaking at the World Economic Forum in 1999:

[Michel Camdessus, the Managing Director of the IMF] is a monument to the failure of the world-wide economic stabilisation effort. Every emerging market has become a casino and he is the chief croupier.

In Africa, IMF and World Bank policy has required currency devaluation. However a UN survey has found that such policies fail. Since the demand for most of Africa's exports is inelastic (changes in price don't affect demand), devaluation has led to steep declines in export revenues. Worse, restrictions on money supply, credit and wages have resulted in huge drops in income.

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.

Once governments are released from the pressure to grovel to the financial markets there can be real scope for growth and full employment strategies. The potential for job growth and economic expansion from public infrastructure investment is enormous. Genuine investment in society can be both a means to recovery and a way of providing future generations with a secure economic base.

Local government is also a focus here. It would be wrong if autonomous local authorities were destroyed from within as a result of privatisation. 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. Charges for services and utilities must be set to include a social component. For example energy charges must continue to be used in the future to subsidise public transport for commuters.

It is often cheaper to finance investments from the public purse, rather than from the private sector. It is doubtful that money is really saved through private sector leasing arrangements, for example. The need for profit plus loan costs suggests that the opposite is true. Loss of tax revenue should also be included in calculations. Private firms that take over local public monopolies such as water supply and waste removal services must be subject to strict conditions in order to defend the public interest. The public control function should always be retained. And if a local government decides to change a privatisation decision, then it should be free to do so.

Due to 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 is maintained and strengthened; ways are found of securing enough money 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; and the financing of local government is an integral part of the financial system of the whole country.

Taxation

Bringing about fairer taxation is a long-standing trade union demand. But trade unions should not fall into the trap of seeing this as a *soak the rich policy*. 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. National transaction taxes are a way to do this, in a way similar to the international Tobin tax referred to earlier. It is going to mean hard decisions for some unions since it could mean taxing energy, resources, and 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.

Over the course of 1998, PSI developed a statement on fiscal policies as a guide to affiliates on a number of taxation debates – VAT, tax harmonisation, preventing tax fraud/evasion, energy taxes, etc...The fiscal paper has been published as part of the PSI series *Briefing notes for debates on public sector issues*. Whilst PSI does not endorse any particular proposals for particular countries, the issues are fully discussed so that affiliates can make their own judgements.

Especially are EI and PSI concerned at two aspects of taxation policies in many countries: fairness and the fact that taxation is largely levied on the formal sector. The fairness issue is extensively covered in the PSI fiscal policy material mentioned already. Such fiscal fairness is not just related to income taxes: recent union criticism of proposed across-the-board proportional tax cuts in the USA have focused correctly on the fact that these are only cuts in income taxes. They do not apply to all forms of taxation, including value-added taxes and so the final result of such cuts would be that the wealthy get a larger proportional cut than would

lower paid people at a time when they already pay a lower proportional level of their total wealth and income than do others.

For public sector workers in many countries, an additional feature of the tax picture is that it is often only those in the formal sector, especially the public sector, who are subject to income taxes. As IMF and Bank policies convert more and more people into informal workers, this becomes a vicious circle. Governments should be exploring more actively reversing the trend, to increase the size of the formal sector, both to build a wider tax base and to improve the lot of informal workers who often are exploited because they are invisible.

It is legitimate for trade unions to express anger at the way in which national debt has been built up. The public should be told who are the people who caused it, such as currency speculators, the off-shore investors who repatriate profits, the banks which manipulate interest rates, arms dealers and dictators. Many countries have to tax themselves to pay off these debts and make interest payments. Unfortunately the costs now have to be borne, but trade unions should make sure that the public knows who generated them and campaign to remove their hands from the tiller.

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 production to low-tax countries and to declare profits in a 'convenient' nation mean that legitimate government revenue is lost. **No** progress will be made unless there is committed international inter-government co-operation.

Redesigning the public sector

We are often told there are no alternatives to the policies of privatisation and commercialisation for public sectors throughout the world. Yet over the last two decades these policies have had generally disastrous results.

Alternatives must be found where they do not already exist. 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. In *Redesigning Public Services – a partnership approach*, examples from a range of countries are given on initiatives to improve the effectiveness, quality and efficiency of the public sector. They show the development of democratic and equitable alternatives to privatisation and commercialisation. They are alternatives which look forward rather than to outmoded structures and methods and which seek to express the public service ethos more effectively.

Themes to underpin a modern public sector

There are several inter-related themes which unions must think through and use in their campaign work, their lobbying and their education of members and the public. These themes are:

- 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 unions as the independent voice for workers?
- Democracy and accountability: What do these mean in the context of public services of high quality, and how are they expressed? How can service users be consulted and involved, collectively and individually, in service planning, design and management?
- Decentralisation: How can it improve democracy, empower communities, users and workers? How can it make services better suited to needs and make better use of resources? What challenges have decentralisation initiatives thrown up?

- Equal opportunities and choice: How to make comprehensive universal services more flexible and to provide choice to meet a range of individual needs? How should public services provide equal opportunities for women, minorities and the disabled?
- Quality employment: Its role in producing quality services. How to reconcile the rights of employees 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? Can this be done without unjust 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 voluntary sectors: What are their roles? Is direct labour the best way to deliver public services? In what circumstances have private sector companies or voluntary organisations successfully done so? Where 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 services: What are the best roles of taxation and user fees? How to avoid waste in both revenue collection and expenditure?
- The public sector and the economy: How public service, public investment and regulation benefit the economy. 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 of public responsibility: What are the criteria for 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 is the role of charities in welfare? How are collective responsibility and security balanced and combined with individual responsibility and empowerment?
- Public service ethics: How 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.

New forms of administrative structures are being tried 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. For the public, 'government' is an abstract concept that is only experienced directly at the local level. Local government officers are the government to many people, and it is at them that citizens direct their criticisms. When people go to a local government office, they don't want to see an authoritarian bureaucrat sitting behind a desk. People want to see a specialist who actually listens to their problem and can give them good advice. Thus cultural changes are driving administrative change as well as economic ones.

But it is 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 for the socially weak and guaranteed public services for the benefit of all citizens. We should see to it that public activities are not split between a large number of different, independent institutions that are concerned only with their own economic success. If this happens it will mean that charges cannot be set on the basis of social objectives, equal opportunities cannot be guaranteed, and priority cannot be given to environmental concerns and industrial policy.

Where decisions are contemplated for major structural change in the public sector, unions might consider the approach of ÖTV, the German public sector union. They set preconditions for their co-operation in structural change. The preconditions include:

1. *Guarantees to the union to participate in the decision-making process.*
2. *No staff lay-offs for operational reasons.*
3. *Respect for the provisions of their collective agreement including co-determination rights of public sector employees.*
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 for the public sector to compete with private service suppliers in the event of a privatisation programme.*

[Note: item 2 would be interpreted by many unions as meaning that there is a right to **employment**, not to a **specific job**. Retraining and redeployment would cover those affected by organisational changes.]

Trade unions must find innovative ways of adapting public services to social change in a way which improves and sustains high quality standards, to avoid calls to replace public sector delivery by private sector operators. The legal form of the organisation does not matter so long as the provision of services for the public is guaranteed, government loses none of its powers and responsibilities, the interests of citizens and employees are respected and accountability remains in public hands.

For international organisations 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 are 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 statement. It 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 closer union. It makes the point that trade unions have to be involved in the final definition of these services. It then goes on to call for the involvement of all citizens in the shaping of the public sector, for modernisation and for satisfying public sector jobs.

Implications for Trade Unions

An earlier version of this paper has been used in a number of forums. At the international level, these include the ILO, UNCTAD, the WTO, and meetings with the World Bank and the IMF.

How and where trade unions further use this material might vary from venue to venue and country to country. It might be important to stress trade and labour standards links and North-South issues as well as social welfare programmes in the follow-up to the 1995 Copenhagen UN Social Summit. In some G7 or OECD debates it might be more important to counter 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. Governments should not feel free to pick and choose among items in the package. They must be pressured **collectively** to use all of the above measures in the degrees suitable for each country. The choice is 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 national sovereignty or independence on some of these matters is outdated. 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.

Workers know what is needed for their country's welfare and can be part of the solution if governments let them be involved as social partners. Scandinavian countries are still good examples of societies like this. Without any conservative labour market 'reform' in the early nineties in Sweden, the government reported 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.)

If things go wrong with the economy and/or the labour market, it is generally because **governments and employers chose to keep workers out.**

If there is individual choice among the ingredients in the alternative strategy then 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.

At the beginning of this section 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.

The most basic implication for unions is that the sort of democracy, consultation, co-operation and good management they advocate for governments and the public sector can only be as good as their own practice with their members, with allied organisations and with the public. For it to be otherwise is not only hypocritical, it is also reduces the value and impact of what unions have to say.

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. That growing awareness is found amongst governments which are beginning to listen to trade unions as they realise that we may have been right after all in our criticisms of neo-liberal policies.

There is a global crisis which has local impacts. There must be a global solution which has local participation.