

1990

Back to Business, the Real Crisis is Unemployment : Pamphlet

The Workers Party

Follow this and additional works at: <https://arrow.tudublin.ie/workerpmat>



Part of the [Political History Commons](#)

Recommended Citation

The Workers Party, "Back to Business, the Real Crisis is Unemployment : Pamphlet" (1990). *Materials*. 137.

<https://arrow.tudublin.ie/workerpmat/137>

This Other is brought to you for free and open access by the Workers' Party of Ireland at ARROW@TU Dublin. It has been accepted for inclusion in Materials by an authorized administrator of ARROW@TU Dublin. For more information, please contact arrow.admin@tudublin.ie, aisling.coyne@tudublin.ie, vera.kilshaw@tudublin.ie.

BACK TO BUSINESS

The real crisis
is unemployment

***THE
WORKERS
PARTY***



for so long that it almost seems for granted. Part of the national furniture. Boring to even mention it. A total turn-off, a real conversation-killer. Anyway, what's left to be said?

CRISIS? WHAT CRISIS

believe that it's possible to reduce unemployment and emigration quite dramatically, if these proposals are followed up.

The real crisis at present is to do with jobs - lack of, wrong sort, distractions from, despair about.

Other crises may come and go. One day it's a leadership crisis; the next, a crisis of confidence. Recently, there was a crisis in business ethics, which unfortunately didn't last very long.

But the jobs crisis remains. And remains. It has now remained with us for so long that it's almost taken for granted. Part of the national furniture. Boring to even mention it. A total turn-off, a real conversation-killer. Anyway, what's left to be said?

At the risk of raising cynical eyebrows, the Workers' Party says there's a lot more to be said. And a lot more to be done. We don't claim to have all the answers, but we do have important proposals to make. We believe that it's possible to reduce unemployment and emigration quite dramatically, if these proposals are followed up.

Fatalism Is Fatal economic life and are doomed to failure. So what? First we need to dispose of the ideal that unemployment is inevitable and that really nothing can be done.

Why are people so fatalistic about unemployment?

There are several reasons. One: the problem actually is a big one - every year, the numbers seeking to enter the labour market far exceed the numbers leaving it plus the number of net new jobs. Two: the 'experts' never seem to have solutions that work. Three: ordinary people, who often have practical and workable solutions, usually get pushed aside by the lack of democracy in local, industrial and political institutions.

Certain ideologies also breed apathy and fatalism. People have been led to believe that 'the market' must be left to its own devices; that 'interference' is wrong - 'look at Eastern Europe' - and that attempts at social control and economic planning are doomed to failure. So what can individuals possibly do?

The development of a single European market, and Ireland's marginal position and size within that market, also make people feel that national

policies - even if they could influence them - are increasingly insignificant. The idea of influencing EC policies, to Ireland's advantage, hasn't really caught on yet.

Finally, of course, public apathy and fatalism suit governments which cannot or will not tackle the jobs crisis effectively. So they haven't always been discouraged. Sometimes they are even encouraged. Nothing too obvious of course - everyone must pay lip-service to the twin tragedies of emigration and unemployment. But look behind the lips and what do you see?

Size and Cost

We are told the problem is too big to cope with and would cost too much to solve. And yes, the size of the jobs crisis is huge - and the cost of unemployment horrendous.

According to official statistics, over 20% of the workforce is now unemployed. That's bad enough (worst in the EC), but it's not even the whole truth. If you count in all the people who are on training schemes, or have been transferred off the Live Register and on the Pre-Retirement Allowance (because they are unemployed and over 60), or are studying or working at home because they cannot get jobs, the true figure would be closer to 30%.

The true cost of unemployment is even harder to quantify. The direct cost, in terms of social welfare and lost taxes, is around £2,000m., or 10% of GNP. The output which is lost, as a result of 20-30% of the labour force being jobless, could be up to 20% of GDP. Irish society can ill afford such a loss.

But unemployed people suffer much more than a loss of income and society suffers much more than a loss of output or taxes. Unemployment is the main source of poverty. It breeds lack of confidence and self-esteem. It can cause poor health - mental as well as physical. It can be linked to crime. These can all lead on to further problems, both for the unemployed person and for society as a whole. Everyone's confidence and security are undermined. Even the people with jobs are affected: unemployment keeps wages down, taxes up; it reduced your chances of every changing jobs voluntarily and increases your risk of becoming stale and dissatisfied, hanging onto a job you dislike simply because it's a job.

We would need 35,000 extra jobs every year, for the next ten years, even to reduce official unemployment to its 1980 level of 100,000.

Yet even in the 'boom' years of 1987-1990, only a few thousand jobs were created each year. Present forecasts are for NO extra jobs in 1991 and 1992. Unemployment and emigration will rise again, because of this and because the number of school-leavers and others who are looking for jobs will exceed the numbers retiring by above 29,000 each year.

In about 2010, when the fall in the birth rate starts to show up in the jobs market, this dismal picture might change. Do we have to wait till then, as some people are suggesting? What about the children who are already born and at school - do we really want them all to emigrate? Encouraged by cuts in welfare and obvious government inaction on jobs?

The Workers' Party rejects this callous agenda. We also reject all the usual arguments about how nothing can be done because of the various 'obstacles to employment' which exist in this country.

What are the real obstacles?

The usual 'obstacles' that are trotted out as 'reasons why nothing can be done' are the size of the population, the size of the country, our location and infrastructure, high wages, low productivity, high taxes and the high debt/GNP ratio. The Workers' Party recognises, of course, that there are problems in relation to each of these factors. But we don't accept that they add up to a huge, insurmountable barrier that can never be overcome.

The 'too many children' theory, which is rather fashionable at present, is the first and worst recipe for despair. Of course it might be easier to solve the unemployment problem if people had started to ignore the Catholic Church's teachings before the 1980s, and had reproduced less! But they didn't. Our young people are already here. They will need jobs and we must meet this challenge. Other countries have done so; why not Ireland? Our people must be seen as an asset, not a burden.

As for the 'small size of the Irish market': this is no longer a real barrier to progress. We now have the huge EC market at our fingertips - if only we can grasp the nettle. The costs of transport and communications are falling, so there are no longer such major disadvantages. Our physical infrastructure (barring the potholes) and our very modern financial services sector are not serious obstacles either.

Ireland's wage costs are amongst the lowest in the EC. Productivity growth, during the 1980s, was the highest. Personal taxes are indeed high, but this is because there are too few people paying them and the burden is not fairly distributed. There is little or no tax on wealth, companies and property; there is still underpayment of sections of the self-employed; and avoidance and evasion are still widespread. As recent business scandals have clearly shown, the scope for avoidance runs into millions of pounds for those who are already wealthy enough to set up offshore companies, engage in various tax scams and squeeze through whatever tax loopholes are visible to their accountants.

Genuine tax reform - as opposed to tax cuts for the wealthy - would be of great benefit to job creation. For us, this means reforming both the tax and social welfare systems; and harmonising them in such a way as to ensure that every individual has an adequate, 'living income' (i.e. enough to live on), while everyone with an income in excess of this amount - whatever its source - pays tax on that income.

Radical tax and social welfare reform of this kind would, in our view, provide a truly favourable 'climate for enterprise' in Ireland - a climate in which every individual, released from the insecurity of inadequate income support, could make a more active and creative economic contribution than is possible at present.

We do not claim that a minimum income - or 'living income' - system would be a magic solution to all our economic ills. (Indeed, there are important technical and administrative issues to be untangled before it can become a reality and we have been to the forefront in identifying these and advocating possible solutions.) However, this relatively new (and certainly untried) concept has a lot more merit than the tired old cries from what we have dubbed the 'Climatology School', whose pupils seem unable to get beyond clichés about 'getting the climate right' - as if the jobs will then automatically start to mushroom.

We don't dispute the need for an environment which is conducive to enterprise and job creation. What we dispute are the claims of the 'Climatologists' that this means more for the bosses - more grants and subsidies, lower corporate taxes, lower wages for the majority of workers and higher executive salaries. These have all been tried; by these standards, we already have a wonderful climate for enterprise. But where are the new jobs? They haven't sprung from that supposedly fertile ground. And they won't. Because some of the vital ingredients for change are missing.

What are these vital ingredients? Basically: radical tax and social welfare reform, a more relevant and active industrial policy and thoroughgoing democratisation of all economic, political and industrial institutions and organisations. People must be empowered, and decision-making shared, at every level - if the challenge of unemployment is to be met successfully.

These three vital ingredients are elaborated below - not comprehensively (which could take up a book) and not in any order of importance.

First: - INDUSTRIAL POLICY

One important lesson from economic history is that no country can afford a static industrial policy. It has to keep changing and adapting to new conditions - and these days, the latter are themselves changing more rapidly than ever before.

Irish industrial policy has a habit of changing too slowly. We clung too long to protectionism; then to a policy of reliance on attracting foreign investment; and now to a policy of over-generous subsidisation of both native and overseas business. We were advised by Telesis in 1982 to focus more directly on the development of indigenous firms and industries, but the advice was resented and resisted at the time. Now, nearly a decade on, people are looking in that direction again.

Indigenous industry is certainly one key to job creation. But at this stage, it won't be the only one. A successful industrial policy, which will carry us into the next century, will comprise of several distinct strands.

We need much more productive enterprise in Ireland. Contrary to the claims of our political opponents, the Workers' Party is not anti-business, or anti-enterprise: what we oppose is corrupt business and parasitic enterprise. So do most people in Ireland. Indeed, so does most of the business community itself.

Also, contrary to many claims, we are not too bothered whether enterprise is public or private, native or foreign - as long as the firms create secure, well-paid jobs, from an activity that is socially, economically and environmentally desirable. To sustain this, they need to be not only enterprising, but efficient and democratic as well; and therein lies the difficulty. Where are such firms to be found? How are they created?

We favour commercial public enterprise; and regard privatisation as a distraction from job creation - and, as Greencore showed, what a distraction! But the question of ownership, while important, is no longer the main issue (if, indeed, it ever was). The issue is how and why an organisation succeeds in motivating its workforce and fulfilling its objectives - be they social, economic or whatever - and who benefits from this success.

Nor is the issue of size as crucial as it once appeared. Very often, the successful firms are the ones which are large and can afford the R & D, marketing, etc. to compete and expand further; and Ireland has traditionally been at a disadvantage here. Only one Irish firm features in the European 'Top 1000' (near the bottom of the list!) and three-quarters of all Irish manufacturing firms employ only one-quarter of all manufacturing workers. The other 75% are employed by the remaining 25% of firms, of which many are subsidiaries of multi-nationals, with their R & D marketing based abroad.

We need more large, successful, indigenous firms; or rather, a strategy to raise them, since they are not inclined to grow up by themselves. But it is also clear that not everyone will be employed by such firms in future - or will even want to be. So a strategy for small, successful enterprise is also important, particularly if the problem of rural poverty is to be addressed. To date, this has been seriously neglected.

There are obvious difficulties about developing large, indigenous enterprises. Only about 150 firms currently have the potential to 'grow employment', as the IDA put it. Of these, one-third are actively trying to do so, one-third are thinking about it and one-third are not interested. This latter group of large Irish companies prefers to make steady profits, without major investment or risk-taking; but experience elsewhere shows that firms which fail to change, generally fail.

Economic historians have noticed and commented upon this tendency of Irish business people to 'rest on their laurels'; to sit back, once the fortune is made - and let the firm slide. Control is kept in the family, frustrating efficient 'outside' managers; and of course good management is a vital ingredient of successful enterprise.

Another, more recent phenomenon has been the tendency for exceptionally successful entrepreneurs to become intoxicated with success, and indulged by society, to the point of believing they could do anything and get away with it. The accolades showered upon them

had been such that they began to feel that the Irish people owed them anything they wanted and they'd take it any which way they could.

The recent scandals have exposed Irish business ethics as being rock-bottom in the upper echelons of industrial and political life. Low standards in high places were evident as never before. A new culture of ethical business practice and renewed public service commitment must be developed as a matter of urgency. Disclosure, transparency and business morality must be the new buzz-words. And they must reflect reality - not piety or hypocrisy.

An industrial policy is required which will direct the development of large, successful indigenous industry, allow small enterprise to flourish and provide guidelines as standards for business of all kinds. The Workers' Party has been developing such a policy: it is not our intention to reproduce it here but merely to indicate its broad thrust. We believe that in future, state intervention and assistance must be more selective than in the past; more highly targetted, less wasteful and better geared to supporting enterprise that will compete successfully and expand employment levels.

We also recognise that the role of the nation-state is declining, both in the global economy and in the single European market. To be effective, Irish industrial policy must have a strong EC dimension. It must, in fact, be part of an EC industrial policy. This appears difficult, at present, because the EC is preoccupied with agricultural policy and is avoiding the issue of a common industrial policy. However, as resources are re-directed from CAP, an EC funded industrial policy could be developed, given the political will to do so.

We strongly favour an interventionist EC industrial policy, with convergence of the regions as a major target. Jobs must be brought to the people - not the other way round. Most Germans would welcome less industrial congestion, just as we would delight in new jobs in Ireland. Socially and environmentally, it makes no sense for the present centralisation of employment to continue. But it will take a lot to reverse, counter or even slow down, the strong economic forces which favour centralisation and which are currently seen as sacrosanct. Intervention, and interference with market forces, are dirty words these days!

Is it utopian, then, to imagine that firms could be encouraged, through a common EC industrial policy, to locate divisions in the poorer regions? We think not. Others in Europe, even in the richer states,

are starting to favour this, to see an active interventionist policy as necessary and desirable to achieve convergence and equity. And significantly, the EC has the largest stock of foreign direct investment in the world - well ahead of the US and Japan - so there is a great deal at stake.

EC intervention is also needed to encourage European multi-nationals to co-operate with each other, to merge, and to invest in other EC countries, especially on the periphery. Only the EC itself, centrally, has the potential power to direct these companies and be heeded. While we favour the development of multi-nationals, we want it to occur under the eagle eye of a truly democratic body which represents the interests of workers and consumers, as well as shareholders. In other words, a mere democratic EC than exists at present.

Two: DEMOCRATISATION

The second vital ingredient of our jobs strategy is the democratisation of all our institutions, be they local, industrial or political. A good industrial policy is useless without the active involvement and commitment of people. But at present, most people feel excluded from the places where important decisions are made. And they are excluded. At work, in politics, even in the home.

Greater flexibility and democracy in the workplace is essential if people are to operate, to their mutual advantage and that of society, in the production of modern goods and services. These days, no-one wants shoddy products, of whatever sort; and those who produce them will not survive the market-place for long.

Increasingly, successful enterprises are the ones in which a team of workers, operating more or less as equals, pull together to provide a really good product. Hierarchical structures - pyramid-shaped firms - are seen to be not only distasteful, but also given to waste and inefficiency.

In a small country such as Ireland, with a highly-educated workforce and degree of social interaction between classes which is not often present in larger societies, industrial hierarchies are particularly inappropriate. Elsewhere they are breaking down for mainly industrial reasons - the end of the Fordist assembly line, for example, is happening because dehumanisation and dissatisfaction was leading to inefficiency - but in Ireland the impetus is more likely to be political, in the sense of people simply ceasing to tolerate the lack of industrial democracy where they work.

environmentally-acceptable industry, the discouragement and penalisation of parasitic, non-productive or environmentally-damaging enterprise; the provision of adequate income support for every individual, irrespective of sex, marital or occupational status; and the redistribution of work, income and resources from the most-favoured and privileged section of society to those who are least so.

This means re-orienting many current incentives and pointing certain carrots and sticks in different directions. It means taxing some of the profits which are galloping out of the country, ending the use of offshore tax havens, introducing a fair tax on all forms of wealth, stopping certain business exemptions which are being abused and concentrating taxpayers' support on the sort of companies and industries we really want and need.

It also means major changes in personal taxes to ensure that people who most need support get it: the present system gives far more support to those who already have most. The tax reliefs are all most valuable to the people on highest incomes - we would much prefer a system of tax credits, or 'flat-rate reliefs', which are more valuable to the people on lowest incomes. In particular, we would like to see mortgage interest relief replaced by a flat-rate 'housing benefit', which would be available to everyone with certain housing costs, whether the people concerned are taxpayers or social welfare recipients, live in private or local authority housing, or pay mortgages or rent.

CONCLUSIONS

What's needed is a clear and new direction for Irish industrial policy. A lot of old myths and cliches have got to be abandoned. People must be convinced that it's possible to overcome whatever disadvantages we have by making better use of our advantages.

Our people are not the problem - quite the contrary, they are skilled and highly-educated, a tremendous asset. Ireland's size and location are not big problems either, with modern transport and telecommunications and the single European market; indeed, the fact that we are the closest part of the market to the US is now seen as quite an advantage. Our 'green' image (in the environmental sense!) is also a major advantage in an increasingly polluted Europe.

The Workers' Party believes that the selective development of large, indigenous industry is essential and must be encouraged - not just by new fiscal policies but through insistence on democratisation and the highest environmental and business standards. Nowadays, these are

not merely desirable - they are absolutely necessary. And what matters is not so much the framework within which this happens, or who owns that framework, but the fact that it happens and that the beneficiaries are the workers, consumers and taxpayers concerned, as well as the financiers, shareholders and traditional beneficiaries. The concept of 'multiple stakeholder' in every enterprise must be recognised and extended.

But even if this strategy succeeds, it will not be enough. The large firms and industries will never employ everyone. They must be accompanied, complemented and in some cases supplied, by a thriving mass of small firms. And some of these should be deliberately clustered together to give them the known advantages which such proximity can bring (and does, in a few other countries and regions, which should be studied further).

Our people, our size, our location, our environment and our somewhat mixed reputation for 'unique products' - be they goods or services - can all be turned to major advantage if we so decide. But this requires political, attitudinal and institutional change, none of which is easy. It requires new political will and direction; new economic thinking; openness, flexibility and democracy at all levels of every enterprise.

Before you say it can't be done, consider what other countries of comparable size and resources have done. How did they do it? Not through apathy, fatalism, or even EC handouts. They did it by developing their strengths, by good organisation and effective marketing. We can do likewise, if we want.

Democratising the workplace means involving people fully in all decision-making - important and not-so-important. Indeed, the latter can often seem more significant than the former; and board-room decisions may be a lot less relevant to people's everyday existence than the way a canteen is run.

Democratisation of the workplace also means much greater flexibility - in working hours, patterns of work, and even types of work. Some of this is already happening, with shorter hours, more part-time working, more paid and unpaid leave for various reasons, and a bit more worker participation in pension fund and company board-level decision-making. But it is not always happening in a democratic way, or for democratic reasons: job-sharing, career breaks and part-time working, for example, are not always voluntary options, freely chosen by the workers concerned.

In particular, democratisation of the workplace must mean major changes for women - including, of course, the majority of women, who work in the home. And that also means revolutionising the way in which both work and income are distributed in our society - which brings us back to the question of tax and social welfare reform.

Three: A LIVING INCOME

We have already referred, briefly, to the third strand of our policy to end unemployment. That is, the need for radical reform of the tax and social welfare system with a view to their eventual integration. If the income of every individual could be raised to an acceptable level, over which becomes subject to a fair taxation system, this would soon have some dramatic effects.

It would remove the various 'poverty traps' which currently result from the irrational interaction of several systems working at cross-purposes with each other (not just tax and social welfare, but also the way PRSI is charged, and entitlement to medical cards is assessed). It would be a start to ending the 'dependent' status of women - especially when they work in the home, or in a voluntary, caring capacity - because every individual would have a minimum income in his or her own right. And it would remove all barriers to people taking up paid employment, since every pound earned would add to the minimum income, whatever the rate of tax.

In our view, the tax system should reflect new social and economic priorities: the encouragement of efficient, job-generating and