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Europe, Migration, Globalisation and What about the Workers?

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Europe, Migration, Globalisation and What about the Workers?

Chairman, ladies and gentleman, few words can cause so much alarm in the hearts and minds of many trade unionists as Globalisation.

It conveys a range of meanings, mostly negative.

The first meaning is of jobs emigrating to cheap locations.

The opening up and economic rise of Asian countries able to produce goods and services cheaply on a vast scale is the main threat. The number of workers participating in the world economy has trebled since 1990. We have seen and are seeing the impact on a range of industries starting in textiles, clothing and footwear. But the range of industries – and increasingly services – affected is widening rapidly, as technology makes them tradable across large distances and so-called ‘emerging economies’ move up the value chain.

The second meaning of globalisation is large-scale immigration of workers willing and able to work more cheaply than the locals. There is evidence in the UK, as Adair Turner has pointed out, that levels of migration are undoubtedly influencing and depressing real pay (or reducing pay increases) at the level of unskilled work, in particular, and in some skilled trades too.

A third meaning of globalisation is the rising power of financial capitalism as opposed to industrial capitalism. Investment funds and banks – and their provisional wings, private equity and hedge funds, are hunting through the world for high returns. There is virtually nowhere they cannot go. Since the collapse of communism, they have the world at their feet and no competing ideology to worry about. They are the new titans of the world and they are, to express it mildly, unsentimental about the kind of practices that industrial capitalism came to appreciate - often reluctantly by the way – in the face of union and governmental power; practices like making long term commitments and building mutual obligations to workers. Financial capitalism by contrast is often promiscuous capitalism characterised by short term, exploitative relationships. And as we have seen in recent months, it can also be highly unstable.

So add all these together and what do you get?

First you get a sense of disillusion with politics. Politics has become subservient to the market. It is widely held that it cannot influence much in the economic sphere. The orthodoxy especially in this country is that the market must be free, and that entrepreneurs must be given full licence. Otherwise they might emigrate. (By the way in any case, venerable British companies in venerable institutions like Lloyds of London emigrate their tax base to Bermuda). UK taxes on large businesses and the super rich seem ever more to be a matter of voluntary donation rather than obligation, and the tax base is eroding across Europe. Politics does not seem to be able to do much about that, or rising inequality, or to the increasing sell off of British business to foreign ownership.

On this last point, 50% of British people who work for public limited companies now work for foreign owned companies, a big increase in the past 20 years. This sell off of UK assets, and, in some cases like Airbus, a sell out of British interests, is watched helplessly by the Government who can only say, rather lamely, that it is a matter for the shareholders.

A second consequence of globalisation is a rising tide of protectionism. We saw this in the French referendum on the EU constitutional treaty. And it is evident in many countries with debates about national champions and trade protection. To be honest, this is not especially evident in the UK. Our nationalists worry furiously about marginal changes in the UK relations with the EU as expressed in the Reform Treaty agreed last week in Lisbon, but when it comes to foreign takeovers of key companies, they are absolutely indifferent. Do they not care that the family silver is being sold? Do they not worry about the "commanding heights" being owned in France, Germany, the USA, the Netherlands, or in the Middle East, or in Russia and China? Why do they take no interest in Sovereign Wealth Funds? They are indifferent to this real challenge to national sovereignty, preferring instead to tilt at the windmills of Brussels.

In other countries, it is a different story. Germany has recently put down some tight limits as to which foreign takeovers would be permitted. In France, it would be unthinkable for some French companies to be allowed to fall outside French hands. Italy and Spain, and of course the USA, have their systems, formal and informal, to protect their key industries. Even a relatively benign Sovereign Wealth Fund like that of Dubai had trouble in the USA with its purchase of P&O and its American ports.

A German senior businessman was asked for his view about British openness to foreign ownership. He said "I'll tell you in 20 years if this unique experiment has worked. It is a hell of a risk."

A third consequence of globalisation is that there are some signs of rising concern about migrant workers, and there are some new restrictions to come on workers from outside the EU. But I am proud to say that the toleration of migration has generally been admirable and the TUC and its unions maintain a generous policy (although this may partly reflect the still favourable overall labour market situation).

A further consequence of globalisation is a wide sense of unease. Despite a growth in prosperity, despite unparalleled, though unevenly distributed, affluence, all the polls tend to show that there are high levels of insecurity and dissatisfaction. The reasons for some of this lie well outside my scope tonight but the economic and labour market context is clearly one factor. There has certainly been a rise in inequality within our countries (and also the US and elsewhere). Moreover, workers and citizens are increasingly concerned that they face increased risks and that neither employers, with their increasingly short-term orientation, nor national governments, increasingly focussed on 'national competitiveness' will provide the needed security.

This is the background to the current debate in the EU on "flexicurity", a concept used to describe the successful Danish story of changing the basis of their economy from agriculture and marine engineering. Workers in other countries worry that it is a device to abolish regular work and unfair dismissal protection. It need not to be but the the European Commission has made some alarming statements about the job for life being a thing of the past (not in the European Commission, it's not); and about regular workers being insiders keeping the young, the migrant and women out of the good jobs and in precarious work. We have agreed a joint analysis on this with Europe's employers which corrects the balance but the sense of insecurity has been encouraged in some countries and damage has been done

So far, my lecture sounds like a sequel to "Les Misérables", that globalisation is all gloom and doom and perhaps can only be survived by Job-like stoicism.

In fact, I have spent a significant part of my life telling trade unionists that globalisation is <u>not</u> 'Les Misérables' Part II and although it has many worrying features, there are undoubted positives too.

Firstly Europeans need to be aware that globalisation was invented by Europe for Europe. I have mentioned to Richard before that I found an old school atlas of my father's dated 1907. Looking at a map of the world, I found six countries only that were not European or European colonies or former European colonies. Come on, let's see if you name the six. (Japan, Korea, Persia, Siam, Abbysinia, Tibet)

You see the point. Only 100 years ago, the world was clearly dominated by Europe. For us to complain because others are now doing better will be seen as gross hypocrisy in other parts of the world.

And it is not that Europe is doing badly. On the contrary, Germany has become the world's number one exporter and has a huge trade surplus unlike the US or UK). The euro area countries have a balanced trade position and are holding their own on world markets in the face of rising competition from emerging markets. Living standards have continued to rise in most countries, not least in central and eastern Europe. Here in the UK real earnings have risen by 24% in the past 10 years. With all its problems, the EU is an economic superpower as President Hu Jintao mentioned recently in his speech to the Congress of the Chinese Communist Party. It is simply untrue to claim that all globalisation is bad news.

There are currently more winners than losers from the openings up of markets in the past 17 years or so, and many of the winners are in Europe.

Indeed the greatest achievement of the European Union to date is the way it has spread prosperity in Europe. Poor countries have caught up with their richer neighbours. Italy was perhaps the first in the 1960s and Ireland was a spectacular example in the 1990s. Spain too is a strong performer. Now the new member states are showing high growth rates and rapidly rising living standards, creating attractive markets for the traditionally stronger economies. While no-one is sure exactly how it has been done, obviously the single market is one factor and structural funds are another: in any case it is clear the effect of EU membership is hugely beneficial for new and old member states. The new member states are not just growing economically but also democratically. They contrast with the countries to the east of the EU like the Ukraine, where the influence of Russia remains powerful and Russia does not promote the creation of strong, independent, democratic neighbours.

Imagine for a moment if there was no EU, what the pressures would be in the Baltic states or even in Poland in the face of resurgent Russian power. It is one trend towards greater equality between countries in a world which in most other respects is becoming more unequal.

But just as the negative trends and concerns I began with don't mean that globalisation is a disaster, what I have just said does not lead me to the conclusion that globalisation is an unalloyed good thing. There is a dark side as well which is especially felt in the developing world, a bleak picture of child and sometimes slave labour, appalling health and safety practices, grinding toil, exploitation and poverty pay.

And there are losers too in the West – the poorly educated and unskilled, the workers in manufacturing and some services which are emigrating, and older workers who find it hard to learn new tricks.
And we need to see both faces of globalisation and we need to draw the right conclusions: Europe and the West need to shape the direction of globalisation much more purposively and fairly while we still can.

Currently in the world and European trade union movement, the new International TUC (a fusion of the old ICFTU and World Confederation of Labour) is leading the argument for a social dimension to globalisation. At present this is weak. True we have the International Labour Organisation which has its 90th anniversary in 2009 and which has done much good work in promoting social and labour standards. The reconstruction of Western Europe after the Second World War based on welfare states, public services and strong unions owes much to the philosophy and practices of the ILO, and, in turn, the ILO owned much to the ideas of leading British trade unionists like Bevin and Citrine.

But, today, the ILO finds it hard to insert its work into the agendas of other bodies concerned with global governance like the IMF, World Bank and World Trade Organisation. It is not part of the so-called Washington consensus to include social and labour standards. And developing countries too see such standards as yet another example of duplicitous protectionism with traditionally strong, advanced economies trying to use labour standards for example to reduce one of their few competitive advantages – that is, cheap and exploitable labour. For many of them – India is a prime example – ILO standards linked to trade amount to European and North American protectionism.

I do not know how we are going to get around this problem unless there is a concerted effort between the United States and the European Union to do so. And at the moment, the will to do so is lacking, not just in the Bush administration but in many EU capitals too. Yet the EU can play a leading role on this issue.

At our recent Congress last May, the ETUC signalled the intention to mobilise to make the case for the EU which promotes trade unionism, not just in Europe but in the world. Strong trade unions have the effect of sharing productivity gains and acting as a brake on inequality. In many parts of the world, they need encouragement and support.

This task needs to start in the EU, the most "social" part of the world.

Yet social progress in the EU has not kept pace with the developing single market. The objective of social upward harmonisation, enshrined in the Treaty of Rome, has not been accomplished. As the EU has pushed forward the single market striving to remove barriers to competition, pressing to promote the free movement of goods, services, capital and labour – so it risks becoming seen as more of a threat than a force for progress. The result of the failure to ensure that social progress keeps up is a discernible loss of support for the European project in some countries and a rise in protectionism, nationalism and xenophobia.

European social, political and economic integration has never been a straightforward process. This is not the first difficult period, nor will it be the last. But there is growing doubt about the desire and ability of Member States and the Commission to take the needed next step in pursuing European integration. Enlargement is a great success but moves to deepen European integration are not making the same progress as the moves to widen the EU – as the reaction in the UK to the EU Reform Treaty is demonstrating.

Yet Europe retains many strengths from a trade union viewpoint. Europe remains the region of the world with the highest proportion of the workforce in trade unions, with strongest welfare states and public services, with universal democracy and with the social well-being and fundamental rights of its people at the centre of its political, social and economic life. The EU is also an integrated area made up of 27 countries and 493 million inhabitants with a single market. This gives Europe huge economic and trade potential.

Unemployment remains far too high; many of the new jobs created are precarious, without any security; economic growth is too low on average and in many, though not all, countries, the average age of populations is rising as a result of (welcome) improved longevity, combined with low birth rates; there is lack of equality between men and women, and the lack of work-life balance, social exclusion, and inequalities in distribution of income and wealth are increasing. Many Europeans are bewildered by globalisation and are concerned that jobs are emigrating to countries where costs are lower.

At the same time, European trade unions themselves have to address some tough issues. Membership is down in some countries, often following declines in employment in manufacturing, an area of traditional strength. The working population is now more diverse and the plurality of situations and needs represents another challenge for the European trade union organisations. We must incorporate their demands into our trade union action and organise the private services sectors, small and medium-sized businesses, women and younger workers, as well as subcontractors, temporary agency workers, independent economically dependent workers, well educated intellectual workers, migrants, students and the precariously employed, the self-employed, and workers from ethnic minorities.

And the challenges go wider. Many in the worlds of business and politics are questioning whether Europe has a distinctive social model of its own or whether it is just a collection of separate models. This is despite the 2002 Barcelona Council defining the concept of social Europe as including social dialogue, access to public services, social cohesion and poverty reduction.

The view that there is no social model in Europe is used to try to contain social policy in Member States and to justify the claim that there is far less appetite in the EU for Europe-wide social and employment regulation than there was 10 years ago. The current emphasis, instead, is on deregulation, cutting red-tape, and removing barriers to the single market.

These carry the risk that employment standards could be threatened by measures designed to promote the free movement of labour; and there are at least five current cases in the European Court of Justice where this principle is at stake. Some employers are questioning the social dialogue, rejecting collective agreements and seeking to bypass and sometimes combat trade unions; although last week we did agree with BusinessEurope an important joint analysis and recommendations on labour markets and flexicurity. The total application of basic labour rights in the world is a necessary condition to consolidate the European Social Model.

I must mention too the challenge posed by global warming and the need to make economic growth sustainable. The scale of this challenge and its potential social consequences are now much more widely appreciated. Our aim is to go on the offensive for "smart" growth, by raising investment in education and training, research and innovation, and for Europe to become a major science centre of the world, at the leading edge of creative work, combining full employment and strong welfare, and sustainable production and lifestyles. Europe must do all it can to build a world that is protected and improved for future generations.

These are objectives threatened by the ever more short-term pressures being applied by financial investors, of which hedge funds and private equity operators are the most visibly rapacious. They are using traditional companies as vehicles for speculation rather than promoting growth through investment in new technologies. This new "casino" or "locust" capitalism is a threat to secure employment, to sustainable development, to innovation and to the trade union's ability to negotiate. Casino capitalists have no interest in social dialogue and social partnership, or in tackling the adverse consequences which arise from the excessive remuneration levels of top managers. The European Union must ensure that it sets genuine regulation of the financial markets as a priority.

More globally, whatever the nature and origin of the capital financing economic activity, there is an urgent need for regulation based on European and international regulations on the one hand, and on the other hand on the capacity for trade union involvement in companies. The point of these regulations is to redress the balance between the interests of the employees, the companies and the investors. Companies' sense of social responsibility and the necessity to take sustainable development on board on their strategy must lead to a new corporate governance at European level.

All this underlines the importance of a strong social dimension in Europe and beyond Europe.

I have mentioned that there has been a debate about whether Europe really has a social dimension or model. The UK Government has been among those who have questioned whether in 27 differing countries, the concept of one model makes much sense; that given the differences between Sweden and Bulgaria, Italy and Ireland for example, how can one Social Europe be built?

Often this seems to us in the ETUC to be an argument to shut down further social regulation in Europe. It is used to justify the unjustifiable like the UK having an opt-out from the EU's Charter of Fundamental Rights in order to protect the anti trade union laws of Mrs Thatcher and Mr Tebbit, and to deny UK workers the same opportunities to reach the best European standards.

Yet there is a European Social Model in some areas and we need its extension.

It exists in health and safety where EU law, by the way often reflecting UK law and standards, has the aim to prevent competition in the single market on the basis of poor health and safety standards.

It exists in equality law where the principles of equal pay, maternity and paternity rights and non discrimination are enshrined in EU law.

It exists in information and consultation rights and in European Works Councils where now over 800 companies have established such Councils.

It exists in law to protect what used to be known as atypical workers but who are now very typical – part timers, fixed term workers. There is a hard battle to extend protection to temporary agency workers.

It exists in migrant work. The Posted Workers Directive at least gives some protection to migrant workers.

All these rights and more are well set out in a recent pamphlet by David Lea and Stephen Hughes.

Most of all, there is a single market including a single labour market. There must be traffic rules for migration and basic standards which entrepreneurs must observe.

We need to go further with social regulation. I have mentioned temporary agency workers. Also on our agenda are rights to training, extending consultation rights for workers affected by change, stronger European Works Councils rights for agency workers, and effective control of working time.

Some encouragement can be taken from current EU debates. Apart from agreeing the reform treaty last week, EU heads of government also looked at a paper entitled “Succeeding in the age of globalisation” and recognised that Europe’s social realities are changing and that more effective means are needed of ensuring citizens’ existing rights of access to employment, education, social services, health care and other forms of social protection across Europe, and indeed outside Europe.

So, in conclusion, am I an optimist or pessimist? Candide or Jeremiah? The rather lame answer is “neither”. But I am aware that the trade union job is to aim to make the best of any situation and that the key to making globalisation work properly is a strengthening of the role and membership of unions and to effective governmental action at world, European and national levels.

If it is all left to the forces of enterprise and capital, the results will, I prophesy, be rising protectionism, disenchantment with democracy, and an opportunity for the re-emergence of strong anti democratic forces. Globalisation must not be left to the entrepreneurs alone.