

**Submission to the
Public Consultation on
the Action Plan on
Competitiveness and
Productivity**

June 2025



**Fairness
at Work and
Justice in
Society**

Introduction

SIPTU (the Services Industrial Professional and Technical Union) is Ireland's largest trade union with members employed in the public, private and community sectors across a wide range of industries including services, manufacturing, transport, energy, aviation, construction, public administration, community and health.

SIPTU welcomes the opportunity to make this submission to the Department of Enterprise, Trade and Employment's public consultation on the Action Plan on Competitiveness and Productivity.

Our submission focuses on three areas: workplace democracy, supporting progressive companies and employment quality. However, all debate over how we promote competitiveness and productivity must start with the fact that our domestically-owned sectors are ill-equipped to meet the oncoming economic and social challenges.

The Under-Performance of Domestic Sectors

The economy is facing into a potentially long-term period of instability and uncertainty. Climate change, artificial intelligence, ageing demographics, geo-political instability, deglobalisation and trade disruptions, and a low-growth future: all these are converging into a policy-crisis that will test the economy's resilience.

Our domestically-owned sector – where most people work¹ – is ill-prepared to meet these challenges. On a range of indicators, the Irish domestic economy compares poorly to our EU peer group; that is, other small advanced open economies. We rank bottom on a number of measures:

- Business productivity²
- Business investment
- Goods exports³
- R&D expenditure in the industrial sector⁴

The challenge of competing at the same level as our EU peer group will not be met by increasing corporate welfare (public subsidises to enterprises), deregulation or suppression of wages and working conditions. We need a new, evidence-based approach based on democratising the marketplace and socialising market relations.



Mobilising Human Capital through Workplace Democracy

One of the strengths of the Irish economy is the high quality of our human capital – of the men and women who produce the goods and services that people need or want to buy.⁵ We need to build on this strength.

Mobilising our human capital to boost productivity, competitiveness and enterprise outcomes requires a profound democratic intervention in the workplace. The foundation of this intervention is the vindication of employees' right to collective bargaining.

Whether at enterprise or sectoral level, it has long been established that collective bargaining results in higher productivity, increased innovation and improved enterprise performance. The OECD found that collective bargaining delivers higher productivity, improving,

*'... the quality of the employment relationship between workers and firms. It can be a useful tool for self-regulation between workers and employers and bring more stable labour relations and industrial peace, leading to a more efficient allocation of resources, greater motivation and ultimately productivity.'*⁶

The EU Commission came to similar conclusions:

*'... collective bargaining leads to better wage conditions, which may induce employees to work more productively and companies to adapt faster and more smoothly to changed market conditions, thus fostering productivity growth.'*⁷

A number of studies have found that collective bargaining leads to product innovation⁸ and the smooth adoption of technology⁹. McDonnell summarises¹⁰ a number of studies and their positive impact on firm-level productivity:

¹ 73% of the employed in market sectors work in domestically-owned enterprises. Eurostat: https://doi.org/10.2908/FATS_ACTIV

² Eurostat Globalisation in Business Statistics: https://doi.org/10.2908/FATS_ACTIV

³ Eurostat International Trade in Goods: https://doi.org/10.2908/EXT_TEC07

⁴ Eurostat Research and Development Variables: https://doi.org/10.2908/FATS_ACTIV_RD

⁵ Nearly 50% of the Irish labour force has tertiary-level educational achievement while our peer group average is less than 40%:

Eurostat Population by Educational Achievement: https://doi.org/10.2908/LFSA_PGAED

⁶ OECD, 'Negotiating Our Way Up: Collective Bargaining in a Changing World of Work', 18th November 2019

⁷ EU Commission Staff Working Document Impact Assessment, Proposal for a Directive of the European Parliament and of the Council on adequate minimum wages in the European Union, October 2020

⁸ A. Bryson and H. Dale-Olsen, 'Union Effects on Product and Technological Innovation', Workplace Productivity and Management Practices, 7th December 2021

⁹ Julimar da Silva Bichara, et al., 'Collective bargaining and technological innovation in the EU15: An analysis at establishment level', The World Economy, 2023

¹⁰ T. McDonnell, 'Collective Bargaining - Trade unions, economic performance & inequality', Long Read, Nevin Economic Research Institute, 29th April 2021

- Workplaces with a trade union are more likely to demonstrate higher productivity work practices¹¹
- Countries with stronger participation rights, such as collective bargaining, tend to perform better on a number of productivity related measures¹²
- A positive relationship between collective bargaining and productivity¹³
- Increases in union density lead to increases in firm productivity¹⁴

Finally, the National Centre for Partnership and Performance found substantial productivity increases in firms with union representation and high-performance work practices.¹⁵

Business owners and Government Ministers who deny employees the right to bargain collectively are undermining enterprise efficiency and national competitiveness. They are a barrier to an innovative, dynamic economy.

Though vindicating employees right to collective bargaining is the foundation for mobilising human capital and democratisation, there are other initiatives to enhance productivity, innovation and competitiveness:

- Board level employee representation through the election of worker-directors
- Collectively agreed employee participation schemes
- Enterprise councils (based on the continental experience with Works Councils) to co-manage the firm
- Labour-managed enterprises and special designations for stakeholder firms

Recommendations:

- **Introduce a comprehensive statutory right to collective bargaining for employees, including the demands of the Respect at Work campaign¹⁶**
- **Conduct pilot projects covering other democratisation measures; including employee representation on the Board of Directors of large companies, collectively agreed employee participation schemes, enterprise councils and labour-managed enterprises.**

¹¹ High-Performance Work Practices and Sustainable Economic Growth Eileen Appelbaum, Rutgers University Jody Hoffer Gittel, Brandeis University Carrie Leana, University of Pittsburgh March 20, 2011

¹² Building productivity in the UK - policy paper, Acas, 2015

¹³ Power to the People: How stronger unions can deliver economic justice, Joe Dromey, IPPR, 2018

¹⁴ Union Density, Productivity and Wages, Erling Barth, Alex Bryson & Harald Dale-Olsen, IZA Institute for Labor Economics, 2017

¹⁵ National Centre for Partnership and Performance, Achieving High Performance: Partnership Works - The International Evidence, Forum on the Workplace of the Future, Research Series | Number 1, 2003

¹⁶ Respect at Work: About - Respect at Work

Supporting Progressive Companies

There are company owners and management who get it. They:

- Integrate stakeholders into firm level decision-making, starting with collective bargaining
- Pursue efficiency wages and working conditions; in particular, work-life balance and reduced working hours
- Privilege re-investment – in new technologies and expansion, especially export markets – over value-extraction (dividends, share buy-backs)
- Invest in skills, training and career progression
- Pursue decarbonisation

These are the progressive companies (good companies, sustainable companies) that we need to promote. These are the companies that will drive productivity, innovation and competitiveness. A special suite of supports should be introduced to support these companies. These could include:

- Preferences in public procurement contracts
- Special grant-aiding for start-up and incumbent firms; including in-kind supports such as foreign market research
- De-risking investment through equity funding from the state

There would be further special supports for research and development, for retrofitting and installation of renewable technology, for digitalisation.

Verifiable criteria as to what constitutes a progressive company could be agreed by relevant stakeholders and the Government, with provisions for monitoring and compliance.

The goal would be to gradually help instil high-road practices in our enterprise base and crowd-out low-road enterprises which constitute a drag on the productive economy.

This contrasts with past government policies that provide generalised subsidies to enterprises, regardless of whether they need support. This leads to considerable deadweight

costs. In particular, any move to reduce the 13.5% VAT rate would put a considerable drain on public finances; it would carry significant deadweight, and would subsidise low-road employers.

It should be obvious: an economy carrying the burden of low pay, wage inequality, in-work deprivation, extended gender-pay gaps, precariousness and weak employment protection will be unable to maximise its productivity and competitiveness potential. These are real costs.

Employment Quality

Too often in the public debate employment quality is considered a cost. This, of course, is an argument to maintain and increase profit margins. For instance, in the last five years, profits in the domestically-owned economy rose by 55%; wage grew by only 38%. If employment quality were to improve, it would not add to an enterprise costs; it would merely mean that some of the excess profit growth would be redirected into wages.

Contrary to this 'employees are a cost' framing, improving employment quality – whether through eliminating low-pay or providing in-work benefits – raises productivity and, so, our competitiveness. Sadly, employment quality is poor.

- More than one-in-five employees are officially categorised as low-paid (i.e. earn less than two-thirds of the median wage).
- We have one of the highest levels of wage inequality in the EU.



- Over 12% of in-work households are officially categorised as living in enforced deprivation, rising to nearly 22% among households with one person working.
- The gender pay gap is nearly 18% in the private sector - this compares to a public sector pay gap of less than 4% percent.¹⁷ While there are many contributing factors to this gap, collective bargaining is chief among them. It raises wage floors, protects working conditions, helps ensure equality in career development, and promotes progressive policies; in particular, family-related policies. In the public sector collective agreements are near universal whereas in the private sector, such agreements make up only a small percentage of workplaces.
- Bogus self-employment, temporary contracts, under-employment - these all contribute to high levels of precariousness. The proportion of temporary agency workers working in the Irish economy being one of the highest in the EU.¹⁸
- Employment Protection: The Republic of Ireland has a low level of protection against exploitation in the workplace (easy and cheap to unfairly dismiss an employee, poor protection for those on temporary contracts).

It should be obvious that an economy carrying the burden of low pay, wage inequality, in-work deprivation, extended gender-pay gaps, precariousness and weak employment

protection will be unable to maximise its productivity and competitiveness potential. These are the real costs.

If we remove these costs, the potential for growth will be greatly enhanced. As one recent study (among many) put it:

*'Wage growth exerts persistent and direct positive impact on labor productivity. The effect is confirmed for large changes . . . Promoting wage growth boosts productivity . . . higher wages prove to stimulate innovation...'*¹⁹

The OECD states:

*'Job quality plays a vital role in our overall quality of life. Fair wages, benefits, and good working conditions enhance worker well-being, while also **improving productivity and innovation**. Countries must therefore prioritise job quality as well as increasing overall employment.'*²⁰

The National Economic and Social Council make a similar argument regarding improvements in employment quality.²¹

*'Potential impacts include improved productivity; enhanced financial performance; improved service and product quality; increased innovation; greater employee engagement. . . **increasing the pay of low-skilled workers can generate a range of productivity and organisational performance benefits.** . . '*

We should take note of the comments of Connor Murphy, Minister for the Economy, when launching the Good Jobs Employment Bill in the Northern Ireland Assembly:

*'Ensuring that workers and their families can rely on a decent and secure income is important in its own right. **Good Jobs also help to attract and retain people in the workforce, thereby reducing our high level of 'economic inactivity'. And there is compelling evidence that 'Good Jobs' boost workers' productivity and health.***

From this perspective, we can see how damaging the Government's postponement of the Living Wage and

¹⁷Eurostat Gender pay gap in unadjusted form by type of ownership of the economic activity: https://doi.org/10.2908/EARN_GR_GPGR2CT

¹⁸Eurostat Temporary employment agency workers: https://doi.org/10.2908/LFSA_Q0E_4A6R2

¹⁹'The role of wages in triggering innovation and productivity: A dynamic exploration for European economies', Claudia Fontanari, Economic Modelling, Volume 130, January 2024

²⁰<https://www.oecd.org/en/topics/job-quality.html>

²¹Towards a National Better Work Strategy, National Economic and Social Council, Number 165, 2024: https://www.nesc.ie/app/uploads/2024/07/165_towards_a_national_better_work_strategy.pdf

statutory sick pay improvements is to the economy. Postponing employment quality effectively postpones productivity improvements.

Mobilising human capital through collective bargaining and other workplace democratic initiatives, alongside supporting progressive companies, will do much to improve employment quality but there are further steps.

- **Raise the minimum wage in Republic to the low-pay threshold over a period of years.** This would mean going beyond the 60% percent of median wage target set by the Government for 2026 and increasing the minimum wage to 66% percent of the median wage. This is the policy recommendation of the Low Pay Commission:²²
- **Precariousness:** Precariousness takes different contractual forms, so there is no single policy initiative that can address the range of precarious activities. One reform, which is the basis of an EU Directive on platform work, would be to introduce a presumption of an employer-employee relationship in all contracts. The burden of proof that any particular contract does not entail such a relationship would lie with the employer.
- **Strengthen Social Insurance:** Strengthening social insurance and in-work benefits can reduce the stress many workers face. We welcome the previous government's introduction of a pay-related component to unemployment and sick pay benefits - though they are still weak by the standards of our peer group. We need to increase the replacement ratios, the thresholds and duration of such benefits. We also need to extend these pay-related benefits to provide security in other exigencies; namely family benefits, occupational injuries and long-term illness. For more detailed policy proposals please see the SIPTU Submission to the Commission and Social Welfare.

Conclusion

Mobilising human capital through workplace democracy, supporting progressive companies, and promoting employment quality - these are the pathways to increased productivity which can lead to a more competitive economy and more prosperous living standards.

In the Action Plan, it is imperative that the Government pursue evidence-based policy. The term 'competitiveness' has been described as woolly and wobbly; it can be used to justify policies which are contradictory and, perversely, undermine productivity.

Enterprise policy shouldn't rely on the unsubstantiated assertions of one stakeholder or interest group.

²²The LPC also recommends that after the 60% of the median wage target has been reached ... the LPC should assess the economic practicality of gradually increasing the targeted threshold rate towards 66% of the median wage and make recommendations accordingly.

²³SIPTU Submission to the Commission on Taxation and Social Welfare: <https://assets.gov.ie/static/documents/siptu-b760a68e-409b-45b5-b6da-812c0377b064.pdf>

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