Social Partnership and Economic Crisis in Ireland

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Abstract

This paper seeks to interpret the Irish experience of social partnership. From 1987 to 2008, a series of tripartite agreements were signed. Following the economic crisis in 2008, there has been a breakdown of the system of social partnership. Concurrently, it seemed that in Ireland, the response to the crisis was muted in terms of protest by trade unions in particular to the austerity measures introduced by government. Developments in recent years in Ireland are examined in a framework of institutionalization, or de-institutionalization of social partnership following Avdagic, Rhodes and Viser (2011). It is suggested that institutionalization may be stronger than it appeared, and this helps explain the form of response to austerity measures.
**Introduction: Social Pacts**

Social pacts involve negotiations between the three social partners, that is, the state or government, the trade unions and the employers. Pacts are distinguished from collective bargaining in that a pact is a tripartite bargain, or ‘publicly announced formal policy contracts between the government and social partners over income, labour market or welfare policies that identify policy issues and targets, and means to achieve them, and the tasks and responsibilities of the signatories’ (Avdagic 2011, p. 26). A social pact then must either have the government as a signatory, or the government publicly supports a union-employer agreement. These bargains may take differing forms, with different content or duration. It is often useful to distinguish wage and non-wage pacts, or single-issue and broad pacts. The formation of a social pact creates responsibilities and public exposure for the participants, and sets some expectations of what they can and cannot do.

Visser and Rhodes (2011) review the incidence of social pacts in 26 OECD countries from 1970. They find two peaks in activity, firstly in the period 1972 to 1979, and then from 1990 to 2007. They show that a large number of pacts were attempted in the sense of negotiations begun. Approximately two-thirds of the negotiations bore fruit in the actual signing of a social pact, with this success rate unchanged over the two periods. The earlier ‘wave’ of social pacts was usually a response to the oil crisis, along with currency crises. The pacts of the 1970s typically arose from an incomes policy, and developed to be tax-based incomes policies. Wage concessions were conceded by the trade unions in exchange for tax concessions and perhaps publicly-funded employment schemes and social security programmes.
In the 1990s, wage moderation and policies to control inflation still feature, but public-sector expansion is much less prominent. There is an increase in emphasis on active labour market policies on the supply side, in preference to the demand-side policies of public job creation which had been seen in the 1970s. Social security and pension reform, along with training have gained prominence. Broad pacts, in the sense of addressing a number of the issues, are more common than single-issue pacts, and there is also a tendency for pacts to become broader over time. In the more recent phase, Visser and Rhodes (2011) find the maximum ‘incidence’ of pacts to be in 1996.

Social pacts were thus very popular at certain times in the member countries of OECD, as in the 1970s and the 1990s. However, a pattern of repeated pacts is observed in very few of the countries. This pattern of repeated pacts, seven in all in Ireland, is the exception rather than the rule. The persistence suggests evidence of institutionalization. The term institutionalization suggests both a process and an outcome such that the activities become regular or routine, and become a source of legitimate and sanctionable expectations by the participants.

The first of the recent era of social partnership in Ireland began in 1987 (see Hogan 2007). It is clear that, on that occasion, the initiative came from the government. The trade union movement agreed to participate. The employers were initially reluctant.

Recently, efforts have been made to interpret the European experience of social pacts by analysing how pacts emerge, and then how they may become institutionalized. A considerable literature is devoted to the formation of pacts, to the conditions under which a pact is more likely to be signed. An empirical approach is undertaken by Colombo, Tirelli and Visser (2013). These authors adopt a political economy approach to investigate the empirical determinants of social pacts in the time from 1970 to 2004. The key rationale for a pact, in this view, is that governments see benefits in terms of implicitly favourable public opinion, and to this end, and may exploit preventive agreement with trade unions in order to counter political difficulties.
**Hypotheses on institutionalization of social pacts**

Another approach is provided by Avdagic, Rhodes and Visser. They distinguish single issue pacts dealing with wage setting, and broad pacts covering several issues or policy domains. Their study is divided into two major sections. The first section addresses the *emergence* of pacts through a bargaining process and the second section then addresses the *evolution* of pacts, by investigating their institutionalization, or de-institutionalization. Institutionalization is ‘defined as both a process and an outcome of a process whereby social activities become regularized and routinized’. The activities become stable reference points for the actors or social partners, and they build legitimate and sanctionable expectations around them. De-institutionalization would refer to the opposite process – activities which were routine either shrink or fall into disuse. (Visser and Rhodes 2011, p62).

They arrive at four different hypotheses on social pacts, which were designed to lead to a common framework for studying pacts in several countries, including Ireland.

The objective here is to see how they may help our understanding of the collapse of social pacts, for example in Ireland from 2009.

The first of the four hypotheses is based on a functionalist approach. Institutions continue and are reproduced insofar as they successfully perform functions for the system. For example, such a function could have included meeting the Maastricht criteria for participation in monetary union, solving an unemployment crisis, or addressing the problem of an aging population.

The hypothesis is stated as follows:

> Social pacts are likely to become institutionalized if their institutionalization serves system needs….

> the likelihood of institutionalization of social pacts is higher when a large problem load coincides with the absence of solid micro-foundations for problem resolution (e.g. with regard to wage setting and skill formation). Conversely, de-institutionalization is more likely the smaller the problem load or the stronger the micro-foundations for problem resolution.

Visser and Rhodes (2011, p 77)

The functionalist hypotheses suggests therefore that repetition and institutionalization of social pacts would only occur in a minority of circumstances.
The study by Colombo et al (2013), in their analysis of pacts in 21 OECD countries, considers the possible influence of an objective such as the Maastricht treaty convergence requirements. But, contrary to other writers, they report that the coefficient representing this is not significant, that is, the Maastricht Treaty did not provide governments with additional incentives to sign pacts.

O’Donnell, Adshead and Thomas (2011) point out that, in Ireland, pacts were signed both in periods of heavy problem load (in terms of crisis on the public finances, and high unemployment) as in 1987, and also in times of strong economic performance, as in the time from 1994 to 2000. It does not seem obvious that the functionalist idea, in this format, is capable of adding to our interpretation of the persistence of pacts in Ireland from 1987 to 2008: the needs of the system in the early phase in the late 1980s, with high unemployment and low economic growth, would appear to be fundamentally different from those of a booming economy with labour shortages and high rates of economic growth in the early years of the 21st century. Similarly, the system needs from 2008 seem more comparable with those of 1987, but here we observe a breakdown of the long series of social pacts in Ireland.

A second perspective put forward by Avdagic, Rhodes and Visser comes from a ‘Utilitarian’ approach, suggesting that institutions persist when rational actors find them beneficial. The actors weigh the potential costs and benefits of the institution, or of its abandonment or radical transformation. For example, a social structure such as a pact may be an acceptable method of reaching an acceptable compromise on an economic problem relating to wages or employment.

The utilitarian perspective supposes that actors are rational, and that they engage in behaviour where benefits outweigh costs. Perceptions of benefits and costs may lead institutions to persist because the costs of changing are uncertain. A first version of this hypothesis is:

Social pacts are likely to be institutionalized if they are associated with satisfactory performance and/or satisfactory outcomes for the actors. Conversely, the likelihood of their institutionalization is expected to be lower (and de-institutionalization higher) if actors do not perceive pacts to be satisfactory.

It then may become easier to apply the same procedure to variations of this problem or new ones which appear. A routine based on previous experience is applied. In Ireland, O’Donnell
and Reardon (cited in Avdagic et al. 2005), show that initial agreements from 1987 became associated with success in job creation and investment, and then became a reference point in later negotiations.

The same method will continue to be applied unless either a major change in the environment occurs. It is possible that actors would stick to a known solution as being in their interests, while being aware that it is not necessarily the most efficient possible solution. In addition to cost-benefit analysis, the actors may be affected by expectations, co-ordination and learning effects, and the creation of dense networks, structures and practices that support the institutional arrangements.

The institutionalization of social pacts is linked to the strength of supporting arrangements and the intra-organizational ties and networks between the negotiating organizations. Strong inter- and intra-organizational ties and networks encourage the institutionalization of social pacts, and a lesser investment in the supporting arrangements would make the institutionalization of pacts less probable.

A number of studies have examined the persistence of social partnership in Ireland from 1987 to 2008. Teague and Donaghey (2009) suggest that trade union commitment to social partnership was bolstered by the scale of employment generation over 15 years.

Significant increases in real wages along with the growth in employment meant that social partnership could be seen as benefitting Irish workers. In addition, they suggest that institutional complementarities connected social partnership with economic openness and a lean welfare state, and propelled economic growth and prosperity.

Another aspect of the networks and the institutional complementarities comes from the expansion of the pacts from 1996 to include social non-governmental organizations. (Hardiman 2006) . The hypotheses (in two variants) arising from the utilitarian perspective are examined in relation to Ireland by O’Donnell, Adshead & Thomas (in Avdagic 2011) . They recall that all of the instances of social pacts were put to a vote of the general body of trade union members. A number of trade unions have typically voted against the Irish partnership agreements. These include some British-based unions and some Irish craft unions have a long-standing hostility to centralized pay determination. In addition, some unions representing public service workers in Ireland have voted against some of the pacts. However, in each instance, the Irish Congress of Trade Unions secured a majority vote in
favour of each pact. It seems fair to conclude that these actors did therefore perceive the outcome of the pacts as, in the main, satisfactory.

A number of studies critical of the whole process of social partnership exist. For example, McDonough and Dundon (2010, p 553) contend that ‘in trading wage moderation for personal tax reductions, the social partnership negotiations contributed to emergence of Ireland’s low tax regime and the scramble for foreign direct investment with an attendant union avoidance approach to industrial relations’. D’Art and Turner (2011) suggest that Irish trade unions under social partnership have been part of a ‘Faustian’ bargain. Positive outcome from social partnership suggested by studies of corporatism, such as an increase in union density, ease of recognition, and increased employer support have not materialized for unions in Ireland. A critical perspective on social partnership is given by Allen (1999, 2000) who states that he wishes to challenge this ideology of social partnership. It is the contention of his paper that ‘the institutions and networks which have developed over the ten-year period of social partnership have masked a process whereby resources are being transferred back to the wealthier sections of society’. Allen suggests that an increase in inequality and a marginalization of some groups in society have resulted from social partnership.

But these criticisms come from outside the process of social partnership itself. It would also seem necessary to consider the views of those actually involved in the process.

For employers, it is suggested that the pacts delivered industrial peace, in the form of fewer days lost in industrial disputes than in the early 1980s. It is also put forward that the most important result for employers was wage moderation: real wages did increase, but the rate of increase was far less than that of productivity (Teague an Donaghey 2009, p. 63).

Wage moderation in this way leads to falling per unit labour costs. In a small open economy, this affected the performance of existing foreign-owned exporting companies, and also new foreign direct investment. Although the national wage agreement contained in each pact is the ‘glue’ that held the pact together (Sheehan 2010), a number of other labour market institutions were developed over the course of the partnership agreements. These include the Labour Court and Labour Relations Commission, and a National Employment Rights Authority.

At the conclusion of a Pact covering the period 2003-2006 (named Sustaining Progress), negotiations commenced on a new pact. These talks prove problematic for a number of
reasons. Firstly, the trade unions were concerned that the opening of the EU market following enlargement in 2004 was facilitating an erosion of employment rights and standards, via the use of immigrant workers. The Irish Congress of Trade Unions therefore refused to enter negotiations on the formation of a new social pact. A public campaign on the issue was undertaken, and high-level government intervention, in conjunction with efforts by the Labour Relations Commission were required to reassure the trade unions sufficiently to begin the negotiations. But this would seem to be the first noticeable indication by one of the social partners themselves of an unhappiness with the outcome of previously negotiated pacts, or that a change in an external influence required a new approach. When talks did begin, the pay issue was more difficult than on other occasions, due to divergence in earnings growth across the sectors of the economy, and other problems with long-term implications related to pensions. The government proposed a ten year framework - much longer than for previous social partnership agreements - with an initial pay deal to last twenty-seven months.

A Transitional Agreement was negotiated in 2008, which provided for a 6% pay increase in all economic sectors. In general and unusually in European terms, Irish national wage agreements prescribed one schedule of pay increases that applied across the public and private sectors, with one schedule of payment dates applying across the entire private sector.

In November 2008, when (as it turned out) the final agreement, came to be considered at a conference of the Irish Congress of Trade Unions, the delegates ‘voted by a record majority in favour of the new agreement’ (Sheehan 2009). Some unions which had previously voted against the national agreements voted in favour on this occasion.

Initially, the main employer organization, the Irish Business and Employers’ Confederation (IBEC) also voted in favour of this agreement. The employers did, up until then, prefer the certainty that the agreements provided, to any other immediate prospect. But it quickly became clear that many employers would not be able to pay the terms as agreed, and others would formally plead an ‘inability to pay’ provided within the terms of the agreement.

At the negotiations of 2009, the employers federation IBEC, said

More fundamentally, we believe that Ireland’s lost competitiveness during this decade amounts to close to 15% relative to our main trading partners. Ireland’s wage and cost levels are seriously out of line with trading partners. This must be corrected rapidly if Ireland is to restore its competitive position. Failure to do so will result in sub-optimal growth and will undo much of the progress of the last 15 years, with a return to permanently high levels of unemployment. Government is already seeking to
reduce the cost of service providers to the public sector; it should also ensure that it reduces its own service costs and prices by a similar quantum.

(IBEC 2009)

On this occasion the Irish Business and Employer’s Confederation announced that it would formally withdraw from the terms of the national social partnership agreement on pay for the private sector. This decision was announced in December 2009, with the employers’ body insisting that the pay terms were ‘wholly unsuited’ to the country’s economic circumstances. This overt withdrawal by the employers meant that no national wage agreement was now in place, for the first time since 1987. Here, we have one of the social partners expressing dissatisfaction with previously signed pacts, suggesting that they contributed to the decline in competitiveness, and also the necessity to react to new circumstances.

A third approach (Avdagic, Rhodes & Visser 2011) to institutionalization in relation to social pacts is based on changes in behaviour, values and norms, and how these become embedded in the institutional framework. The social pact is an institution based on the idea of concertation or the conviction that policy decisions should be based on prior consultation and negotiation with all parties involved. If these ideas gain validity among the actors involved, and come to be considered obligatory, the resulting practice is said to be institutionalized. One suggestion is that this requires that the actors accept that there is not one negotiation, or one contract, but that there will be several, stretching over time into the future. The process becomes capable of resolving conflicts and disagreements, and this will continue unless something goes drastically wrong with the balance. According to Visser and Rhodes (2011) it is essential for this institutionalization that previous pacts have led to outcomes which are fair and just, rather than satisfactory. The hypothesis thus states that

The likelihood of a social pact’s institutionalization is higher when beliefs that the previous pact has generated just outcomes are stronger…. Conversely, the stronger are beliefs that the outcomes are unjust, and the weaker are co-operation norms, the more likely is de-institutionalization.

(Visser and Rhodes 2011, p80)

Another possibility is that de-institutionalization occurs or institutional change happens when an external change in economic conditions challenges the cooperation norm, or change in the perceptions of the actors as to the fairness of outcomes.
Visser and Rhodes (2011) query how strong the co-operation norms are, even in countries with an established series of pacts. An awareness of a common fate in the face of international economic forces, or a suggestion that the possible other options would be inferior in outcomes to the continuation of pacts may serve to continue the pacts for some time. But would such a process survive a major external disturbance?

The Irish story would appear to confirm the beginning of this hypothesis.

A fourth hypothesis on the subject of institutionalization, or de-institutionalization, of social pacts is put forward by Visser and Rhodes (2011). This approach has particular emphasis on the power of the actors, their relative positions and the distribution of power.

This fourth hypothesis is formally stated as follows:

Social pacts are likely to become institutionalized when powerful actors - especially the state or employers, whichever is dominant in particular case - support their reproduction, and/or when union-employer co-operations is secured by the state. Conversely, de-institutionalization is likely to occur when powerful (and dominant) actors lose interest in pact reproduction, when power shifts towards those who do not support pacts and/or when the state is unable to secure co-operative behaviour.

(Visser and Rhodes 2011, p. 82)

This hypothesis differs from the earlier ones in its emphasis on the distribution of power amongst the actors. In this view, institutions are the result of political games, where differently endowed actors strive to establish institutions which favour their own interests. It differs therefore from the functionalist ideas in the consideration of relative power. It also differs from the utilitarian approach which included the concept of costs and benefits for the participating actors. In this power-distributional approach, it is recognized that the costs and benefits may be unevenly distributed so that there are conflicting interests in the reproduction of the institutions. The suggestion here is that institutions are reproduced when those supporting them have a sufficient interest in their continuation and are also strong enough to bring this about.

The continuation of pacts may not fully reflect the voluntary choices of all participants but credible threats, constraints, and inducements, from the other actors, make the alternatives to pacts less attractive. The most important source of such threats and inducements is likely to be the state. Concerning the institutionalization of social pacts, the actor most likely to have a key influence is the state as either participant actor or external enforcer.
The power-distributional hypothesis is examined in relation to Ireland by O’Donnell et al. (in Avdagic et al. 2011), and they find the Irish case consistent with this hypothesis. The authors consider the different actors in social partnership in Ireland and suggest a ranking of these actors in terms of how strongly they desired the continuation of social pacts. ‘Taking all the evidence into account, we would consider that the organizations that most desired the repetition of social pacts were government and unions representing public-sector workers.’ (O’Donnell et al. 2011 p. 114) The central union organization, the Irish Congress of Trade Unions, increased its power due to partnership. The main employers’ organization was generally supportive of partnership, as long as their members could be persuaded to accept the pay agreements. The least enthusiastic supporters of the partnership process were those who as noted earlier voted against some of the agreements - British-based unions, some Irish craft unions and unions representing low-paid workers. Overall, according to O’Donnell et al (2011, p.114) ‘the government is identified as the actor that most consistently wanted a continuation of social pacts.’

Until 2009, it seemed that the concept of institutionalization of social pacts was the most relevant to Ireland, and the four hypotheses above have been used in analysing the persistence of social partnership.

**Ireland since 2008**
The most recently concluded agreement (*Towards 2016*) had an unusually-long ten-year time horizon. This agreement had as a priority that macroeconomic policy would be supportive of efforts to enhance competitiveness and productive capacity of the Irish economy, and would aim to mitigate the international risks. It also mentioned, as a principle, the need to ‘restore and improve Ireland’s competitiveness in all its dimensions and to maintain low inflation’.

At the beginning of this recession, the government and the social partners had just completed the agreement known as *Towards 2016* on the eve of the collapse of Lehmann Brothers and the beginning of this crisis and recession.

A review of *Towards 2016* agreement was issued in 2008. It noted that Ireland faced fiscal challenges and an international environment quite different from when the agreement had been prepared. The commitment to maintain Ireland’s competitiveness in a globalized world is re-iterated. This is followed almost immediately by a statement on pay moderation, and the...
need for it has been accepted by the social partners. This document states that it has been agreed that employers will respect the terms of the pay agreement. The Government, for its part, undertook to seek to minimize the effects on public service pay agreement on inflation by actively pursuing the agreed modernization programme.

Following the drastic change in the economic conditions in Ireland and externally, a draft pact for an agreement, in response to the new conditions, was put forward in January 2009. This document aimed to be a framework for Stabilisation, Social Solidarity and Economic Renewal (Department of the Taoiseach, 2009), as its title says. Ireland is suffering the effects of a global economic crisis and an international banking and financial crisis, and a worldwide recession. Ireland is also suffering from a significant loss of cost competitiveness following a period of sustained growth. The draft document suggested the Government and the social partners agree that urgent and radical action was required to restore stability to the public finances, to maximize short term activity and employment, and to improve competitiveness. The document suggested that the Government and the social partners were committed to working intensively to develop measures and implement them based on this pact.

In terms of the functionalist hypothesis, it does not seem that we may interpret events in Ireland in 2009 in this light. The functionalist suggestion is that pacts are more likely to become de-institutionalized if the problem load is smaller, or if the micro-foundations for resolving problems are strong. In 2009, the problem in terms of the national and international economic environment was significantly greater than before. If by micro foundations we mean arrangements at a micro level for the resolution of wage disputes, there is no evidence that they were especially strengthened in the course of partnership. Most commentators (Baccaro and Simoni 2007) agree that Ireland does not have the features that the corporatist literature would suggest. It does not have the structures of industrial relations - encompassing, concentrated, centralized and internally hierarchical interest organizations – which the corporatist arrangements imply. Ireland does have the characteristics of a more liberal market economy.

The employers’ organization reached a point where it withdrew publicly from the partnership process, in December 2009. In this we have one of the powerful actors ceasing to support social pacts, as the power distribution idea suggests. But the action by the government in seeking a review of the substantive agreement Towards 2016, was initiated in 2008.
A senior representative of the employers’ federation in an interview reported in March 2010 suggested that the employers had wished to negotiate the terms of a suspension of the Transitional Agreement of 2008, and only when it became clear that this was not possible, did they unilaterally withdraw from the process (in December 2009).

He pointed out that, of the days lost due to industrial action by workers, the great majority were in the public sector. Many private sector companies were implementing pay freezes. The withdrawal from the Transitional Agreement was due to the exceptional circumstances. But he stated “we still see ourselves as part of social dialogue. Business cannot operate in an economy without engaging with the Government and trade unions. It is hugely important that we have a means to articulate our interests with the other parts of the economy”. (see Hastings 2010). He recognized that the country was in for a period of localized bargaining, for which many managers, and also trade unions, had no experience. He continued to suggest that it behoved the employers’ organization to engage in an analysis about social dialogue and social partnership to see what lessons there might be from recent experience. From a business perspective, the ‘edifice’ of social partnership should contribute to improving the competitive environment for Irish business.

According to the employers’ organization, the Government had previously agreed wage increases based on proposed reform and productivity increases, but the verification process was not satisfactory. If negotiations between Government and trade unions, which were now (2010) taking place, reached an agreement, it would then be for the private sector to consider whether it was happy to continue with local bargaining as the main way of doing business. It was difficult to see that IBEC would get involved with the Government or the unions on a national pay agreement in the next year or two, he said. But IBEC would have to consider ‘whether and in what circumstances the private sector would be willing to re-engage with pay as part of the national agenda’.

Following the collapse of the formal agreement, IBEC sought and did conclude a protocol with the Irish Congress of Trade Unions, to try to ensure that disputes could be dealt with in an orderly manner, without recourse to industrial unrest. The protocol remained in force until the end of 2013. The stated aim was to maintain industrial peace while protecting the maximum number of jobs. But in addition, there was an understanding that IBEC and the

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1 Mr Brendan McGinty director of Industrial Relations and Human Resource services with the Irish Business and Employers’ Confederation IBEC.
ICTU would work together to persuade the Government to take action on matters of common concern, such as job creation, support for manufacturing, and encouragement of innovation.

The IBEC representative suggested, in 2012, that the earlier version of social partnership had a simple tripartite structure. ‘For many employers, national pay agreements gave certainty to one element of their cost base and brought industrial peace’ (McGinty 2012). But over time, it was criticized for its undemocratic nature and became unwieldy. ‘With a change in Government, in the absence of a shared analysis of the competitiveness problem, the extent of the crisis in the public finances and in the banking sector fuelled new political priorities which did not see the value in coordinated response to labour market issues through social partnership’.

IBEC was recommending a simplification of the process, if a relevant process of social dialogue was to emerge between the key stakeholders in the Irish economy.
**Trade Union perspective**

An interview with a senior representative in the Irish Congress of Trade Unions was undertaken. Reviewing the history of social partnership, in response to a question of which actor most wanted it in 1987, the answer was unequivocal: it was the Government. Over time, the Office of the Taoiseach (Prime Minister) had a central role as mediator. This Office had also a major coordination role, when agreements covered a range of issues. An enquiry as to progress or lack of progress on any issue could be directed to that Office, and an explanation would usually be given.

Now, according to the interviewee, the relationship is quite different. The trade unions do not have a formal direct channel of communication with Government, there is not a formal structure to present problems. The relationship is mediated through individual ministers or their advisors, and a lot depends on who the Minister is.

In response to a question as to whether collective bargaining is a problem or a solution, the response is related to the political composition of governments. The post-war European settlement had collective bargaining, and some redistribution featured in that. A view from the right is that collective bargaining is an impediment to free trade.

There is no doubt that what is involved is a power relationship and that in a recession, the relationship changes. There are cycles. Without speaking for them, foreign investors want an orderly industrial relations framework: there may be conflict, but they want it managed.

The agreements signed by the government with the ICTU named the Croke Park agreement and the Haddington Road agreements are public sector agreements. A protocol for accord with the private sector, through IBEC also exists. There are now in operation two methods for setting pay – two silos – rather than one.

When a recovery begins to appear, there will be a demand for pay increases in the private sector, or demands to recoup the losses which have been suffered. Similarly, there will be requests from the public sector workers, and indeed the government has given some undertakings that what was agreed under the latest round will be the last set of cuts for public sector workers. It is likely that the government will seek to manage that framework, it will not want spiralling inflation. This cycle has been seen before. The question then is whether
the trade union movement will agree to participate in what will be a dampening exercise. It should not be taken for granted that unions will participate.

The four hypotheses considered earlier put forward conditions as to when social pacts would become institutionalized, or, on the contrary, de-institutionalized.

On serving system needs, it seems clear that social pacts in Ireland did serve needs from the trade union perspective for many years. If de-institutionalization is more likely, in this view, when the problem load is smaller, then it is difficult to see how this would apply from 2009.

Likewise, the second hypothesis, focussing on satisfactory outcomes for the actors, would suggest that institutionalization, rather than de-institutionalization would be more likely from the trade union point of view. Although as mentioned, some trade unions habitually voted against the national agreements, a majority voted in favour emerged in all cases. The latest signed agreement, Towards 2016, had the largest vote in favour. Dissatisfaction with the outcome does not appear in the most recent exercise of negotiating and signing a pact.

In the third hypothesis, ideas of trust, reciprocity and fairness are central, leading to perceptions that outcomes are just, or unjust. 'Experience, a longer time perspective, reputation building and opportunities for learning may be key ingredients of repeated social pacts.' (Visser and Rhodes 2011, p80). It is striking how strongly the interview with the representative of the ICTU emphasizes these features in the interview. Experience and the time perspective are shown in sentences such as 'we have been here before', 'there are cycles'. What developed over the years was a process, mechanisms that are able to handle disagreements without, in most cases the necessity of conflict (Hastings et al 2007)

The fourth hypothesis concentrated on power distribution. Social pacts are more likely to continue when powerful actors support their continuation, and conversely, the de-institutionalization of pacts is more likely if powerful actors lose support. The trade union movement did not overtly oppose pacts. According to O'Donnell (2011, p.103) in 1987 the unions were acutely aware of their limited relative power, given the economic and political situation.

In 2009, the ICTU put forward proposals for a 'social solidarity pact' which would involve a series of recovery measures for the economy affecting all sections of society. Talks on these
proposals continued with slow progress. Through 2010, the 'prospect of a deal shifted towards concessions around unpaid leave and public service transformation' (Roche 2011, p.31). In participating in negotiations of this kind, there was an acceptance by the trade unions that some cuts in public expenditure would be implemented, and that a part of that implementation would include cuts to the public pay bill. But these proposals came to be presented in the media as time off work for public servants, with consequent delays for service users. No comparison with arrangements, common in the private-sector in many countries, for temporary lay-off or short-time working, came across in the public discourse. These proposals received an extremely hostile reception, perhaps also intensified by the presentation of reports on the existence of a public service pay premium (see Kelly et. Al 2012). According to Regan (2012) this report on public sector pay served 'played a significant role in shifting the politics of labour relations to unit labour costs in the public sector.' That is the debate came to focus on pay as a critical part of unit labour costs, and not on the low-tax regime that was equally important in the policies of the boom era.

The crisis since 2008 has resulted in a major review of the work of trade unions. The ICTU decided in summer 2009 to instigate a major reassessment of its strategies and procedures. To achieve this, it first set up a Commission, chaired by independent external persons, to review trade union organization in Ireland including structures and procedures. This Commission was asked to report relatively quickly, which it did and presented its findings to a delegate conference in 2011. The terms of reference included optimizing the structure of the trade union movement in Ireland, optimizing trade union power optimizing the potential for co-operation with political parties, all within a declaration of social democratic principles and values. The report (ICTU 2011) notes that a similar exercise was undertaken in 1974. The economic context was quite different then, it notes, with the one possible analogy for Ireland relating to the high unemployment rate.

Bringing unions together is an important part of the recommendations, as in 1974 when actions following that report resulted in a reduction in the number of unions from its starting level of 90. It notes that the ICTU is a confederation of unions, operating in the Republic of Ireland and Northern Ireland. It is more usual in several European countries to have more than one union congress, while Ireland has one congress working in two jurisdictions. A notable feature of this report on restructuring the trade union movement in Ireland is a concern at all times to recognize work done, and progress made, in Northern Ireland as well
as in the Republic of Ireland, with the potential for new synergies between them. It is also noted that, despite a long history of centralized collective bargaining, there is no legal requirement to compel employers to engage in collective bargaining in the Republic of Ireland.

The *Call to Action* recalls that the Congress of Trade unions has a very large membership, the largest civil society organization in the country, and that it straddles social, religious and community differences. In addition to mediating in industrial disputes, it mediates the relationship between workers and employer’s organizations and Government. The report notes the great variety of unions, and the limited possibilities for expanding membership in some sectors, such as the public service, where membership levels are already very high. The report recommends a consolidation to reduce the overall number of unions from its current level of 49. ‘There are too many unions.’

The report clearly recommends that co-operation and rationalization of activities is necessary in certain sectors. In particular, it identifies the following sectors

- teaching unions,
- the public service,
- construction
- communications, banking, retail, security and cleaning sectors,
- manufacturing,
- the Community sector
- Health

as areas where such consolidation should take place.

The consolidation is required because individual unions cannot achieve the general raising of the level of trade union organization across the whole of the economy. There is a lack of resources, which may be aggravated in some cases by duplication. In particular, the report suggests that the current structures of unions representing the public service, where there are a number of small unions, may have been suitable in the past where the different sections of the public service were distinct. Increasingly, government policy
insists on greater flexibility, including redeployment of workers across the public service, so a different union organization is required.

It is noteworthy that there is no direct mention of social partnership in the Call to Action. There is mention of collective bargaining – the ICTU has always had a major involvement in it, but it has not managed to secure a legal framework for its recognition. This report alludes to the international development of attacks on public services, and attempts in many countries to take away collective bargaining rights from public servants.

The next stage of action by the trade union movement, put forward in a document *Future Positive* (2013) is also noteworthy, in the first instance, for the absence of a mention of social partnership. This document shows an outward-looking, international view of the Irish trade union movement in an international context. The influence of John Maynard Keynes on macro-economic policy is noted. As Visser (2013) recalls, Keynes stated that he supported the growth of wage bargaining, in addition to minimum wages and regulation of working hours. It is suggested in the *Future Positive* document that trade unions contribute to the common good, in the sense of seeking to ameliorate the unjust effects of capitalism, and to mitigate ‘the dehumanising and commodifying effect of markets on wider society’ (ICTU 2013). Achievements in the goals of labour market regulation in the interests of workers, and the development of the welfare state, were ‘generally located in a context where trade unions helped to institutionalize a compromise with capital, trading moderate wage increases and a rare use of the strike weapon, for stable rates of productivity growth and predictability in the labour market’. (ICTU 2013) This statement may be interpreted as a viewpoint from Irish trade unions of the experience of social partnership. Looking to the future, the ICTU says that Ireland should be a coordinated market economy in order to achieve the objectives of full employment and social cohesion.

The congress of trade unions ICTU (2012) is now engaged in a public campaign on the theme that ‘austerity is not working’. They suggest that the recent unemployment figures and decline in retail sales show that domestic demand has collapsed and that ‘if we want to boost job creation we will have to boost domestic demand’.

It would seem, therefore, that there is a level of accord between the employers and the trade unions on a major aspect of economic policy, that is, a need to stimulate domestic demand.
A study of wage bargaining institutions in the current economic crisis is given by Visser (2013). He states that in the great recession 2008 to 2012 collective bargaining is often seen by policy makers and their economic advisors as part of the problem rather than the solution. The system of multi-employer wage bargaining that have been a key feature of wage-setting and of labour market regulation in post-war Western Europe is a 'target of critique, even outright attack, by national and international public authorities and financial centres of power' (Visser, 2011, p. 2).

Culpepper and Regan (2014) show that, in the current crisis, trade unions have frequently been absent from major economic reform initiatives. In the past five years, many governments, regardless of political partisanship, have actively rejected a process of adjustment that involves trade unions. They analyse more specifically the Irish and Italian cases. They suggest that governments have acted in this way primarily because of the situation of the trade unions. In a number of countries (including Ireland and Italy), trade unions are weakened. Culpepper and Regan (2014) point to a decline, not or not only of power of trade unions, but in their legitimacy. It is suggested that trade unions once offered governments and employers a capacity to speak collectively for those who work. They also offered possible solutions to complex economic problems, or assistance to government in developing such solutions. From a government’s point of view they may no longer pose a major threat. In addition, there was a role useful to governments which the collective trade union movement used to play, and this role is also weakened. This role consisted of aiding governments explain and defend new policies, especially austerity policies, and succeeding in either enlisting support or securing acceptance of these measures. Culpepper and Regan (2014) show the decline in trade union density in these two countries. They also show a specific drop in trust in trade unions, especially in Ireland.

In Ireland, as noted by Roche (2011), during the era of social partnership from 1987 to 2007, all major political parties had expressed support for it and worked to sustain the model. He notes changing views within government and from 2009, reports of a division within Cabinet as to whether to proceed with the negotiations. Culpepper and Regan (2014) show statements

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2 Trade union density has increased a little in recent years in Ireland and Italy. See Appendix 1.
from the Minister of Finance in Ireland that it had been concluded that 'the dominance of the social partnership process did enormous damage to our financial system'. Regan (2012) states that (in Ireland) 'social partnership is considered part of the problem, an institution that was part of the public policy regime that contributed to the crisis'. He suggests that 'it is the political shift in the underlying social coalition that is the ‘causal’ factor behind the demise of social partnership as a process.' When the crisis happened, social partnership could not manage to cope with the necessary adjustment, because the government did not see it within its interest to do so. The underlying political coalition between large employers, public sector unions and the Prime Ministers department had frayed.

**Outlook**

From very soon after the collapse of partnership in 2009, efforts to salvage some parts of it were undertaken. The employers’ group IBEC restated its commitment to social dialogue at a national level. It sought to establish a protocol with the trade unions on procedures for pay claims. In 2010, the Director of IBEC said that the key element in the breakdown of social partnership was what had happened to Irish competitiveness over the past decade. But he also alluded the prospects of deflation in the short term, and inflation later, saying that the length of time without social partnership would be determined by how long deflation would last. Once inflation returned, he said, it would 'grease the wheels' of a new national deal along the lines of the early deals after 1987.

In 2012, an IBEC spokesperson (McGinty 2012) stated that 'the wider social partnership process was clearly in need of change'. He suggested that a simplification of the process was needed if a relevant process of social dialogue was to emerge between the key stakeholders in the Irish economy. But he felt that social dialogue could play the biggest role in focusing the energy of Government, unions and employers on building the right environment for job creation. In February 2014, the Director of IBEC (McCoy 2014) called publicly for Government, unions and employers to come together in some forum, to discuss issues such as pay, industrial disputes and pensions. He called for a return to some form of social partnership agreement.
Shay Cody, general secretary of the trade union IMPACT, was quoted as saying that there had been, in late 2009, a consensus on the level of fiscal adjustment needed – a consensus that had not existed in many other countries. The Government had initially said that this target reduction of €4 billion would be met partly through increased taxation. But this later changed to that amount in expenditure cuts. The Government implemented the cuts through forced reductions in public-sector salaries, using special legislation, and concurrently sought to bring about major reform within the public-sector. There had been a suggestion that, previously, reforms and productivity increases in the public service which had been negotiated in the social partnership agreements had not been fully implemented.

Visser and Rhodes (2011) considered that the social pacts that emerged in Europe in the 1990s were fragile constructions, and they sought to examine how pacts evolved. They put forward four hypotheses to address the question of when or how pacts became institutionalized, with the fourth – the power distributional approach – being relevant to the Irish case. Does the experience since 2008 point to an institutionalization, or a de-institutionalization? It would first seem that a de-institutionalization is present – social pacting did not appear to survive the economic crisis. But the examination of the behaviour of the social partners since then requires investigation.

The trade union side, as represented by the ICTU, suggests that what has happened is part of a kind of cycle witnessed on other earlier occasions. The power relationship changes in a recession, it is accepted. But it is expected that, when the cycle turns, when there is an upturn in economic activity and wage pressures begin to emerge, some form of social dialogue will re-emerge. It was also accepted that a measure of reform in the public service was necessary. From the view of one trade union, there was a statement that the need for a major adjustment was accepted: the form of adjustment the Government sought to implement was not. The trade union movement has engaged in considerable soul-searching and review within itself. The ICTU is involved in a campaign on the theme of austerity not working – that is, the form of austerity measures is inimical to recovery and growth. The dampening of domestic demand is excessive, they contend.
On the employers' side, we see that, soon after withdrawing from participation in the national agreement, IBEC sought to negotiate a protocol with the trade union movement. Expressions of hostility against the trade unions were not in any sense led by the employers. IBEC has, prior to recent budgets, suggested that the Government limit its cuts, and/or take other measures to raise domestic demand. Recently, there was an overt call from IBEC for a restoration of some form of social partnership.

Taken together, these developments suggest a measure of institutionalization of social pacts in Ireland, if institutionalization is a process *whereby social activities are regularized, and around which actors build legitimate and sanctionable expectations* (Visser and Rhodes 2011).

A greater degree of consensus on Ireland's economic problems existed in 2008, 2009 than the Government recognized. A framework for resolution of those problems did exist, but the Government in Ireland, as in a number of other European countries, chose not to use it.
Appendix 1: Trade Union density Ireland and Italy.

Trade union density in OECD countries, 1960-2011
Percentage of employees

Source: OECD
http://www.oecd.org/general/searchresults/?q=trade%20union%20density
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