Understanding the changes to Irish social partnership policy (2008-11) using a discursive institutionalist approach

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ABSTRACT

Employing the critical juncture theory (CJT), a discursive institutionalist approach, this paper examines the nature of the changes to Irish social partnership policy at the end of the decade of the 2000s. Did these policy changes constitute a transformation in social partnership policy, or were they simply a continuation of a previously established policy pathway? The CJT consists of three elements – economic crisis, ideational change, and the nature of the policy change – that must be identified for us to be able to declare with some certainty if the changes to social partnership policy constituted a critical juncture. Our findings will help explain why Irish social partnership policy underwent a radical transformation at this time.

Keywords: Crisis; critical juncture; ideas; social partnership; policy.

INTRODUCTION

This paper examines how the Irish government altered its social partnership policy at a time of great economic difficulty that began in 2008 and is still having an impact upon the country today. The Irish economy, after years of economic stagnation during the 1980s, performed exceptionally well in the following decades, particularly during the period 1997-2007, what Timoney (2010) refers to as the peak of the Celtic Tiger. However, this period of unprecedented economic expansion came to a jarring halt in 2008, leading to questioning of many of the policies in place during the Celtic Tiger, including the extant approach to social partnership.

Sudden policy discontinuities are often attributed to, in a straightforward cause and effect manner, economic crises (see punctuated equilibrium (Jones, 2001). Yet, crises are often followed by policy continuity, not disjuncture. Thus, it is important to acknowledge that policy change is a very complex process and to understand it we need to take account of political circumstances, and recognise that economic crises are a necessary, but insufficient, condition for policy change. The CJT has been used in the past to examine the nature of macroeconomic policy change in democracies and dictatorships (Hogan and Doyle, 2007; Hogan and Cavatorta, 2013) as well as examining a range of other policy changes, such a privatization policy in Brazil and Argentina at the turn of the century (Hogan and Doyle 2009).
According to Hogan’s (2006) CJT, a critical juncture is a multi stage event that sets a process of policy change in motion. A crisis can create a situation where extant policies and associated ideas are called into question. Subsequent displacement of the extant paradigm, by a new set of ideas on how policy should operate, can lead to radical policy change. But, without ideational change, policy change will likely be minor – the hierarchy of goals underpinning a policy will remain unaltered and extant policy will soldier on. Here we use the CJT to investigate the nature of the changes of Irish social partnership policy after 2009.

**CASE STUDY CONTEXT: SOCIAL PARTNERSHIP IN IRELAND**

From the 1950s, as the government sought to open the economy and attract foreign investment, a number of consultative bodies were created to which the trade unions appointed representatives. ‘The institutional setting soon became largely tripartite, with the representatives of business, of labour and of government discussing employment, output, prices and trade’ (Pratschke, 1979, p. 43). Thus, ‘a new pattern of participation by Congress in government institutions emerged between 1959 and 1965’ (Girvin, 1994, p. 127). ‘From the countless tripartite meetings of these bodies, trade unionism was drawn inexorably into the framing of social and economic policies’ (Lynch, 1994, p. 169).

The national agreements of the 1970s precipitated the dismantling of the boundary separating politics and industrial relations (Roche, 1989, p. 121). With active state involvement in industrial relations came trade union involvement in policy making. Fiscal instability in the late 1970s, brought about by major policy mistakes led to an unstable macroeconomic situation that resulted in a sustained phase of economic stagnation (Lane, 2011). This led the Fine Gael and Labour Party coalition government, elected in 1981, to prioritize the public finances and curbs in public spending, permitting national pay bargaining end in 1981 (Coakley, 1982, p. 91; Cox, 1983). The social partnership of the 1970s was a weak form of neo-corporatism (Hogan, 2005).

The 1980s saw the economy stagnate. The abandonment of centralised agreements between 1981 and 1987 limited the influence of the trade union movement (NESC, 1990). By 1987 there was need for an alternative economic approach, as continuation with extant policies was no longer an option (NESC, 1986, p. 303). The new Fianna Fáil government, pursuing the advantages of industrial peace and trade union acquiescence to severe spending cuts, initiated negotiations on a new centralised pay agreement with the social partners. The new social partnership approach provided a strong consensus behind a cooperative effort to rebuild the economy on a pro-business platform (Lane 2000). ‘Beyond the issues of pay and tax, the partnership programmes contained agreement on an ever-increasing range of economic and social policies’ (O’Donnell, and O’Reardon, 2000, p. 237). Unlike the 1970s, the agreements of the 1980s, 1990s and 2000s were based on a shared understanding of the problems facing the economy and society, and the policies required to address them (NESC, 1996, p. 20). The making and implementing of these agreements shows how closely the trade unions became involved in policy making and its administration.

From 2008 onwards, Ireland again experienced severe economic difficulties. Once more Irish society, policy makers and the social partners all experience great uncertainty. Was social partnership to continue to be relied upon to revive the economy? Or was there to be a radical change in social partnership policy, as in the early 1980s? It is these questions that the paper investigates.

**APPLYING CJT**

**Testing for a Crisis**

A crisis implies extant policies are failing to address a problem (Boin, Hart, Stern, & Sundelius 2005) and as a result can unleash powerful forces for change (Haggard 2003).
Economic crises are more common in modern democracies than wars or revolutions. Hogan and Cavatorta’s (2013) CJT, recognising that identifying a macro-economic crisis is difficult, involving subjective and objective deliberations, uses 12 encompassing observable implications that draw upon recession, currency crisis, and policy reform work of Garuba (2006), Kaminsky, Reinhart, and Végh (2003), Pei & Adesnik (2000, 139) and Yu, Lai, & Wang (2006, 439). These observables identify changes in nominal economic performance and perceptions of economic health (See Appendix A).

Testing for Ideational Change

Ideational change can result in a transformed policy environment, but understanding how ideas influence policy is challenging. The failure of extant policies to resolve a crisis provides a window of opportunity for change agents to contest the viability of the underlying paradigm (Kingdon 1995). These agents can gain power for their ideas, by setting the agenda for reform in the policy sphere (Schmidt 2010).

To understand how ideas underlying failing policies are sometimes replaced, resulting in radical policy change, whereas at other times they are merely altered, resulting in minor policy change, Donnelly and Hogan (2012), drawing on Legro (2000), Kingdon (1995), Dahl (1963) and Hogan and Feeney (2012), argue that significant policy change depends upon a range of change agents (outside influencers and policy entrepreneurs) perceiving the extant paradigm as inadequate (collapse) and coalescing (consolidation) around a set of new ideas, championed by a political entrepreneur. Political entrepreneurs act as a bridge between coalitions advocating new policy ideas and the institutions implementing them. Thus, once the new policy idea becomes accepted amongst policy entrepreneurs and the political elite a new policy monopoly, and stasis, is instituted (Meijernik 2005). As Blyth (2002, 37) argues, ‘ideas facilitate the reduction of … barriers by acting as coalition-building resources among agents who attempt to resolve the crisis.’ Ideational change constitutes the intermediating factor between a crisis and policy change. Based on Donnelly and Hogan’s (2012) CJT framework, we set out nine observable implications for identifying extant ideational collapse and new ideational consolidation (See Appendix B).

However, ‘even when ideational collapse occurs, failure to reach consensus on a replacement could still produce continuity, as society reflexively re-embraces the old orthodoxy’ (Legro 2000, 424). Even in the wake of a crisis, policy failure and ideational collapse, there is no guarantee new ideas will become policy. This is because, in addition to policy viability, policy ideas must have administrative and political viability (Hall 1989).

Testing for Policy Change

The CJT leads us to expect significant policy change after political entrepreneur-led consolidation around a new idea (ideational change) in the wake of a crisis. Thus, the CJT’s final stage employs Hall’s (1993) concepts of first, second and third order change to develop observables implications to enable us identify and differentiate, normal and fundamental shifts in policy (See Appendix C). The observables incorporate Hogan’s (2006) notions of swift and enduring change. This addresses the problem in policy dynamics of defining and operationalizing the scope and timing of policy change (Howlett 2009). As Capano and Howlett (2009) argue, when a policy is regarded as fundamental it is usually based on a multi-year perspective. These observables enabled the differentiation of policy changes, from minor adjustments, to the setting of policy instruments, to paradigm changes in policy goals (Hall 1993).

Evaluation of the Findings
To evaluate the evidence, the findings for each observable implication are evaluated independently by each author and assigned a score to indicate strong (3), medium (2), weak (1) or no support (0). The stronger the inter-coder agreement between the researchers’ findings, the more confidence we have in those results. This approach allows for a more nuanced understanding of what constitutes a critical juncture and what does not. As interpretation plays a part in divining meaning from codes, the reporting of findings involves thick description of categories and contexts (Polgar & Thomas 2008, 248). We found inter-coder agreement to be above 91 per cent; and Krippendorff’s alphas above 0.8, which Krippendorff (2004, 241) deems reliable beyond chance (see Appendix D).

IDENTIFICATION OF MACROECONOMIC CRISIS

The Irish economy in the late 2000s

During the late 1990s, and first half of the 2000s (see Table 1) and unemployment, which had historically dogged the country, reached 3.9 percent by 2001 (Honohan and Walsh, 2002). The creation of almost one million new jobs doubled the workforce (ILO 2010). ‘On the fiscal front, all seemed well. Both the 2006 and 2007 budgets registered surpluses of 2.9 and 0.1 per cent of GDP, the debt to GDP ratio had fallen below 25 per cent, and the Irish authorities continued to receive congratulations for their commitment to sound fiscal policies’ (Donovan and Murphy, 2013: 171).

Table 1 - Main Economic Indicators, 1999–2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rates in Real GDP %</th>
<th>Unemployment %</th>
<th>Inflation %</th>
<th>Budget Deficit % GDP</th>
<th>Government Debt to GNP ratio</th>
<th>Economic Openness ¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>11.0</td>
<td>5.5</td>
<td>1.6</td>
<td>2.6</td>
<td>53.1</td>
<td>163.13</td>
</tr>
<tr>
<td>2000</td>
<td>10.6</td>
<td>4.3</td>
<td>5.6</td>
<td>4.9</td>
<td>40.5</td>
<td>181.27</td>
</tr>
<tr>
<td>2001</td>
<td>5.0</td>
<td>3.9</td>
<td>4.9</td>
<td>0.9</td>
<td>36.7</td>
<td>181.63</td>
</tr>
<tr>
<td>2002</td>
<td>5.4</td>
<td>4.4</td>
<td>4.6</td>
<td>-0.4</td>
<td>34.0</td>
<td>167.19</td>
</tr>
<tr>
<td>2003</td>
<td>3.7</td>
<td>4.6</td>
<td>3.5</td>
<td>0.4</td>
<td>31.6</td>
<td>147.90</td>
</tr>
<tr>
<td>2004</td>
<td>4.2</td>
<td>4.5</td>
<td>2.2</td>
<td>1.4</td>
<td>29.7</td>
<td>149.25</td>
</tr>
<tr>
<td>2005</td>
<td>6.1</td>
<td>4.4</td>
<td>2.5</td>
<td>1.6</td>
<td>27.6</td>
<td>149.18</td>
</tr>
<tr>
<td>2006</td>
<td>5.5</td>
<td>4.5</td>
<td>4.0</td>
<td>2.9</td>
<td>23.3</td>
<td>148.20</td>
</tr>
<tr>
<td>2007</td>
<td>5.0</td>
<td>4.7</td>
<td>4.9</td>
<td>0.2</td>
<td>23</td>
<td>152.26</td>
</tr>
<tr>
<td>2008</td>
<td>-2.2</td>
<td>6.4</td>
<td>4.1</td>
<td>-7.4</td>
<td>32.5</td>
<td>157.14</td>
</tr>
<tr>
<td>2009</td>
<td>-6.4</td>
<td>12</td>
<td>-4.5</td>
<td>-13.7</td>
<td>56.2</td>
<td>165.17</td>
</tr>
<tr>
<td>2010</td>
<td>-1.1</td>
<td>13.8</td>
<td>-1.0</td>
<td>-30.6</td>
<td>70.9</td>
<td>183.29</td>
</tr>
<tr>
<td>2011</td>
<td>2.2</td>
<td>14.6</td>
<td>2.6</td>
<td>-13.1</td>
<td>91.2</td>
<td>184.12</td>
</tr>
<tr>
<td>2012</td>
<td>0.2</td>
<td>14.7</td>
<td>1.7</td>
<td>-8.2</td>
<td>103.7</td>
<td>191.37</td>
</tr>
<tr>
<td>2013</td>
<td>-0.3*</td>
<td>13.1</td>
<td>0.5</td>
<td>-7.2</td>
<td>126.1</td>
<td>N/A</td>
</tr>
</tbody>
</table>


¹ Measured by the trade to GDP ratio. This is acquired by adding the value of imports and exports and dividing by GDP.
However, ‘during the latter part of the boom, the acceleration of wages eroded international cost-competitiveness’ (OECD, 2011: 8). From 2000 onwards, economic activity became increasingly dependent upon the construction industry, with residential investment amounting to 13 per cent of GDP in 2006, double its historical level (Ahearne, 2010). In 2004, 80,000 new homes were built, half as many as in the UK, which has 15 times Ireland’s population (Kitromilides, 2012). The declining level of economic openness from 2001 onwards (see Table 1) indicates both the falling international competitiveness of the economy and its artificially bloated size – impelled by a property bubble.

For years, economists (see Barrett et al. 2005; Duffy 2002; FitzPatrick and McQuinn 2004; Kelly 2007) had warned of a property bubble, an oversized construction industry, and the real danger of a hard landing. However, the government’s finances (and to an extent its popularity) were closely tied to the property market and construction industry (O’Rourke and Hogan, 2014). The stunning economic growth and buoyant property-related revenues (stamp duties, VAT, and capital-related taxes), which masked the growing structural deficit, prompted tax reductions and the expansion of public expenditures, despite warnings from the IMF (2009) and the Department of Finance “on the risks of pro-cyclical fiscal action” (Wright 2010: 21). Irish property taxes were largely transaction charges and soared with an active property market, but correspondingly declined when property prices and transactions dropped (Callan et al., 2011). Thus, “well before the crisis hit, public finances had developed serious structural weaknesses. However, the warnings went unheeded until the crisis struck (Barry, 2010).

From 2007, as the seriousness of the subprime crisis in the United States (US) became clearer, international credit became tighter (Bajaj 2007). By 2008, it was obvious that the crisis was not confined to subprime mortgages, but had permeated the entire financial system (Chari and Bernhagen 2011). As the global crisis took hold, international trade volumes contracted and the large economies of Europe slipped into recession (O’Rourke and Hogan, 2014). The Irish house price bubble burst (ESRI, 2014). The associated decline in residential investment is “estimated to have directly reduced the level of real GDP by 8 percent” (Ahearne 2010: 4). Stamp duty and capital gains tax collapsed from 2007 as house prices fell, leaving a gaping hole in the state’s finances (Barrett et al. 2009: 19). But, this was only the beginning of the government’s problems.

The banks were located at the heart of the Celtic Tiger (O’Rourke and Hogan 2014). From 2003, they began offering 100 per cent mortgages, large loan to value ratios, together with a more relaxed approach to assessing credit worthiness (Honohan 2010: 25). ‘The share of bank assets in property-related lending grew from less than 40 per cent before 2002 to over 60 per cent by 2006’ (Honohan 2010: 26). ‘At end-2003, net indebtedness of Irish banks to the rest of the world was just 10 percent of GDP; by early 2008 … [it] … had jumped to over 60 per cent of GDP’ (Honohan 2010: 26). As bank shares began to fall in value it was evident the markets knew something was fundamentally amiss in the Irish economy (Donovan and Murphy, 2013).

‘After more than a decade of very strong growth, domestic economic activity turned down sharply over the course of 2008’ (Central Bank of Ireland, 2009: 9). According to the ESRI (2014), in 2008 the economy entered a deep recession. In late September 2008, as the banks’ share value collapsed, they found themselves dependent on short-term international loans and facing a liquidity crisis. Once the property bubble burst, the banking system, over-extended, would have been insolvent without state support (OECD, 2011: 8). In response, the government provided a guarantee for all monies lent to the six main banks: Allied Irish
Banks, Bank of Ireland, Anglo-Irish Bank, Irish Life and Permanent, Irish Nationwide Building Society and the Educational Building Society (Schweiger, 2013). The cost of the guarantee came to 225.2 percent of GDP (European Commission, 2009: 62). Suddenly, a country with one of the lowest national debts in Europe was potentially on the hook for enormous private debts. And unlike in previous crises, Ireland had less control of either its currency or interest rates, whilst being constrained by Maastricht and Lisbon targets for public finances. As the Central Bank of Ireland (2009: 7) points out, ‘the year 2008 will be remembered as one during which the disruption to international financial markets developed into a crisis of historic proportions’.

The IMF (2009: 1) predicted that Ireland, due to its overextension in construction and financial intermediation, along with falling competitiveness, would see a cumulative contraction of GDP by 13 ½ percent by the end of 2010 “the largest among advanced economies.” According to the OECD (2009) the Irish economy had slowed sharply and was experiencing a severe contraction. The National Asset Management Agency (NAMA), established in late 2009, effectively transferred public resources to the banks while socializing the risks associated with their private assets (O’Toole 2010). The state eventually nationalized the notorious Anglo-Irish Bank and effectively nationalized Allied Irish Banks. Since 2008, the cost to the state of rescuing the banks is estimated at between €64 to €70 billion (Carswell 2011:20; Brennan, 2014). That is a cost of nearly €16,000 for every resident in the state.

The budget deficits in Table 1 reflect the problems in the banks and wider economy. According to the ESRI, the general government balance stood at -31.2 percent of GDP in 2010, due to the government support for the banks (Duffy et al., 2012: 12). But, the budget deficit also reflected the widening gap between government revenues (as all tax incomes waned) and ongoing spending commitments, with the added burden of supporting a rapidly rising level of unemployment, which peaked at 14.7 percent in 2012 (see Table 1). The compounded costs of economic stagnation and the bank bailouts are reflected in the debt to GDP ratio in Table 1, where the national debt increased from 23 percent of GDP in 2008 to 126 percent by 2013. Thus, the banking crisis became a sovereign-debt crisis (The Economist, 2011). In response, eight consecutive austerity budgets followed as the government scrambled to correct the massive budget deficit (The Economist, 2013). As a consequence, Callan et al., (2011) describe the economic crisis in Ireland as exceptionally severe.

In the Central Bank’s 2007 annual report, the word “crisis” appears only twice and in relation to procedures to deal with a crisis, not an actual event (Central Bank of Ireland, 2008). In the three subsequent annual reports the word “crisis” appears on average 30 times and refers to the Irish economy (Central Bank of Ireland, 2009; 2010; 2011a). As Conefrey and FitzGerald (2010: 91) point out, while the international financial crisis inflicted substantial damage on many economies, in Ireland the impact was particularly severe. By late 2010, the state guaranteed banks faced massive bond repayments, the knock on effect on Irish bond yields was to drive them above 7 percent (The Irish Times, 2010). The international media pointed out that Ireland faced an insolvency crisis as speculation about an EU backed bailout pushed borrowing costs to unprecedented levels (Sharrock, 2010). Despite the Fianna Fáil led government’s initial denials, in November 2010 it sought a €67.5 billion "bailout" from the European Union (EU), other European countries and the IMF. When, in December 2010, the IMF (2010) announced approval for a 3 years, €22.5 billion, lending arrangement, it referred to the Irish economy as being in crisis. Between 2008 and 2010 Ireland found itself having to contend with an interlocking banking/sovereign/real economy crisis (IMF, 2012: 4).
Early in the crisis the opposition claimed the government was incapable of dealing with the situation (O’Regan, 2008). Finance Minister Brian Lenihan admitted in May 2009 that the government "did overheat the economy, I have always accepted that and I made that clear in my last budget speech" (Regan, 2009). By mid 2009 the Taoiseach was forced to admit that unemployment could exceed 500,000 (Collins and Slattery, 2009). By mid November 2010, despite denials to the contrary (Minihan and O’Regan, 2010: 7), the government requested assistance from the EU’s European Financial Stability Facility (EFSF).

The government’s denials, in the face of the mounting evidence of economic collapse, led people to disbelieve what they were being told (Hourihane, 2010: 12). Fine Gael TD Kieran O’Donnell’s remarked in the Dáil Debate on the EU-IMF bailout in December 2010, that “our economy is fundamentally sound but the banking crisis is dragging it down”, captured a sense of the mood in the country - that the economic reversal had seemed to come out of nowhere. Speaking in Washington, DC, in 2012, former Taoiseach Cowen admitted that his government should accept “some blame” for the crisis (Cowen, 2012).

Thus, the banking crisis, in becoming a sovereign debt crisis, posed a threat to the liquidity of the state. There was a genuine perception that the crisis, in bringing about the bailout has resulted in the loss of economic sovereignty (real or imagined) and a national humiliation (Ferriter, 2013). The public’s anger was manifested in large street protest, such as on 21 February 2009 when 120,000 demonstrators marched through Dublin (The Irish Times, 2009). Opinion polls in early 2009 showed only 10 percent of voters had confidence in the government (Coll, 2009). Eurobarometer (2010) discovered that 95 percent of those polled felt the situation in the economy was bad, with two thirds saying that their main personal concern was employment. The OECD (2011: 8) described the economy as being “hit by a severe crisis.”

Table 2 – Identification of Macroeconomic Crisis in Ireland during 2008-2010

<table>
<thead>
<tr>
<th>Identification of Macroeconomic Crisis</th>
<th>Coder 1</th>
<th>Coder 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>O1. Stagnant or negative GDP growth</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>O2. Unemployment above 10 percent</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>O3. Inflation rates above 10 percent</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>O4. National debt, as a percentage of GDP, increasing at more than 10 percent, annually</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>O5. The level of economic openness declining</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>O6. Public perceives economic crisis</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>O7. Media perceive economic crisis</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>O8. Economic/political commentators perceive economic crisis</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>O9. Central bank perceives economic crisis</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>O10. OECD &amp; IMF perceive economic crisis</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>O11. Elected representatives perceive economic crisis</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>O12. Government pronouncements consistent with crisis management approach</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

(3) strong support | (2) medium support | (1) weak support | (0) no support | (N/A) not available
From Table 2, we see that both authors felt the majority of observable implications support the argument that Ireland, in the period 2008-2010, experienced an economic crisis. The following sections test for ideational change in social partnership policy during this crisis and the nature of the policy change.

**IDENTIFICATION OF IDEATIONAL AND POLICY CHANGE**

**The Ideas Underlying Social Partnership Policy**

**Indication of Extant Ideational Collapse**

The Programme for National Recovery (PNR), agreed in 1987 as part of a strategy to right the economy, was the first in a series of three-year agreements. The social partnership deriving from these agreements was one of the constituent reforms that produced a transformation in Ireland’s public finances at the end of the 1980s and beginning of the 1990s. It became the cornerstone of a sustained period of economic growth (Hogan, 2005). Subsequent years saw more neo-corporatist agreements concluded. Ireland had embarked on a tripartite approach to incomes policy (von Prondzynski, 1992, p. 82). These agreements encompassed a wide range of economic and social policies. In particular, the emphasis of these tripartite deals was on macroeconomic stability, greater equity in the tax system, and enhanced social justice.

Ireland developed a neocorporatist social concertation model as a method for overcoming its economic crisis in the late 1980s (Hyeong-ki, 2012). While the Irish trade unions had access to government through a centralized wage bargaining process encompassing broader social policies/welfare, this situation was different from the codetermination pacts in other European countries, as this partnership was rooted in continuation of strong voluntarism, with minimal employment rights (McDonough and Dundon, 2010). This situation endured as long as the economy was doing well and workers were better off (Roche and Gunnigle, 1995; Gunnigle, 1998; Roche, 2007).

Economic stagnation left social partnership open to questioning from civil society groups, the media and politicians. When economic crisis hit in 2008 social partnership came under increasing criticism and questioning. At the beginning of 2009, the Taoiseach said the social partnership process was to be used as a means of recovery (Collins, 2009a, p. 7). However, opposition party Fine Gael argued that public service increments should be withheld and the pay pause under social partnership extended (Hennessy and Hayes, 2009, p. 8). By March 2009 FG deputy leader Richard Bruton argued that the crisis should be used as an opportunity to reinvent social partnership. The following year saw Fine Gael (2010: 23) arguing social partnership should be scrapped in its current form as it “has become a tool to protect vested interests” (Fine Gael, 2010: 23; McGee, 2010: 1).

Towards the end of 2009 The Irish Times was reporting that the future of the social partnership seemed uncertain (Wall, 2009, p. 4). In early October 2009 the minister for finance Brian Lenihan revealed that the government had unilaterally decided not to honour pay agreements under the social partnership deal (Beesely, 2009, p. 1). By December 2009, The Irish Times (2009b: 15) argued that it might be too much to ask public service unions to agree to €1.3 billion in cuts involving pay, pensions, leave days etc, and as such the social partnership model may not work at a time of crisis. By late 2010, Lenihan, assuming the role of a political entrepreneur (Hogan and Feeney, 2012), was blaming social partnership for damaging the economy (Phelan and Sheahan, 2010). He argued that “a self-serving social partnership system eroded our competitiveness, beggared our State coffers and busted our banks” (Coleman, 2010). Lenihan further remarked that “social partnership caused
“enormous damage” to the Irish financial system” (Wade 2010). Writing in the Irish Independent, Phelan and Sheahan (2010) felt that social partnership constituted the biggest treat to economic recovery.

Economist O’Brien (2009) argued that the partnership process had become outmoded and was a force for inertia, as opposed to dynamism, in the economy. According to Ó’Riain (2014: 64) the “bubble even reached into the socio-political domain as social partnership agreements were ‘hollowed out’, focusing increasingly on the cash nexus”. Teague and Donaghey (2009) point out that the pacts relied heavily on economic growth. For Regan (2012a) the constraints of the crisis, EMU and the imposed austerity based on neoliberalism ruled out an egalitarian approach and made it impossible to continue with social partnership.

Regan (2012b) felt that the state had been willing to engage with organised interests to ensure political stability. This approach conformed with the demands of the market in a neoliberal polity, but eventually exhausted itself. Hogan (2005; 2010) found that something similar happened in Ireland during the economic crisis of the early 1980s, when the Fine Gael led coalition ended centralised agreements as it considered them incompatible with reduced spending. When the crisis struck, the government and social partners behaved as if they had learned nothing from the crisis and mistakes of the 1980s (Collins, 2010: 15). Contestation of the orthodoxy underlying social partnership, by agents agreed on its inadequacy, resulted in its collapse.

The Irish Business and Employers Confederation (IBEC) formally withdrew from the terms of the national pay agreement on 25 November 2009 and warned that it would withdraw from social partnership entirely unless an agreement with the trade unions could be reached (Collins, 2009b: 9). IBEC reiterated that there should be no pay rises before 2011 and said it would take unilateral action if no agreement was reached with the ICTU. It was IBEC’s view that circumstances were radically different from when the pay agreement was reached. Willie Slattery, former Chair of IBEC’s financial services group and a senior central bank regulator, called for the scrapping of public service reform and 30,000 public sector jobs to be cut (Flynn, 2010).

The OECD (2009) recognised that union coverage was unbalanced between the private and public sectors. This created the danger of extending public sector deals to the whole economy, where productivity is difficult to assess. Consequently, the OECD (2009) questioned whether the social partnership remained useful for wage setting. Calmfors (1993) found that when it comes to wage setting either centralised or decentralised bargaining can be effective: centralised encourages social partners to recognise the impact of wage agreements on employment levels, while localised bargaining is close to the market outcome (Calmfors, 1993). The OECD (2010) noted that social partnership was slow to adopt to societal developments. By the end of 2011 the Central Bank of Ireland (2011b) noted that €10.5bn had been saved through the postponement of social partnership increases.

Lenihan, acting as a political entrepreneur, championed the ending of social partnership. He was not a political actor untainted by old failures, in fact he had been at the heart of government when some of those failures were commissioned, but he came to advocate a new approach to social partnership to rectify the problems created by those failures – namely ending the process. There followed a reappraisal of the social partnership approach perused since the 1980s. This move by Lenihan, the Fianna Fáil party and the coalition government it led, was mirrored by the main opposition party Fine Gael. It was also clear in 2009/2010 that economists and elements in the traditional, as well as online media, were rowing in behind the idea of ending social partnership.

What we see here is ideational collapse (see Table 3), as change agents critiqued social partnership and its underlying ideas in the context of an economic crisis. The Department of Finance, IBEC, economists and media commentators together constituted
policy entrepreneurs. Lenihan was the political entrepreneur they rallied around as he, and his government, championed their reform plans and ideas for ending social partnership. In earlier years likeminded politicians darned not dismantle social partnership for fear of electoral suicide. However, context is everything, and the economic crisis provided the opportunity, and what these policy entrepreneurs saw as the necessity, to end social partnership. That Lenihan was a senior politician fits with argument that change is more likely if the political entrepreneur commands significant resources (Campbell, 2004). The success of change agents in clustering around a new perspective on how the state should interact with interest groups meant the adoption of a new orthodoxy that ended social partnership (Legro, 2000).

Table 3 – Indication of Ideational Collapse

<table>
<thead>
<tr>
<th>Indication of Extant Ideational Collapse</th>
<th>Coder 1</th>
<th>Coder 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>O13. Media questioning efficacy of current model</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>O14. Opposition critiques current model and propose alternative ideas</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>O15. Policy entrepreneurs critique current model and propose alternatives</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>O16. Civil society organizations critique current model</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>O17. Widespread public dissatisfaction with current paradigm</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>O18. External/international organizations critique current model and actively disseminate alternatives</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Extant Ideational Collapse

| Strong | Strong |

Changes in Social Partnership Policy

Indication of New Ideational Consolidation and third order change

For Casey (2010: 94) “social partnership, combined with populist governments resulted in excessive wage growth and increases in government spending, funded by unsustainable property-related taxes.” “The change of Taoiseach (Prime Minister) in May 2008 and the onset of the global credit crisis later that year were seen as two precipitating factors in the expiration of social partnership” (Carney et al. 2012: 500). Compounding matters was the lack of economic experience at the top echelons of government and the public sector, “combined with lack of patriotism and political cronyism at all levels, has contributed to the present crisis” (Casey, 2010: 94).

The source of the problem lay in efforts at securing a social partnership-led national response to the financial crisis. Trade unions were eager for the creation of a ‘social solidarity pact’ that would involve them agreeing to a combination of wages and public expenditure cuts alongside tax increases in return for a concerted government program on employment creation”. (Roche et al., 2013, p. 11)
However, the government, its policies driven by Lenihan as minister for finance, instead opted for its own recovery plan involving large-scale cutbacks in public-sector pay and expenditure. The failure to agree was a hammer blow to the social partnership process.

Of course the unions opposed this move, but as IBEC also wished to end the partnership process this meant two of the three parties to the agreement wanted out. The result was that firms were free of institutional constraints when they started to devise strategies to deal with the onset of the recession. “The government opted to simply impose many fiscal measures, while the wide variation in conditions in the private sector meant that employers withdrew from a common approach to wage determination in favour of firm-by-firm settlements” (Lane, 2014, p. 73). Thus, social partnership, born out of the economic crisis of the 1980s (Hogan, 2006), ended when, following the collapse of talks between the public service trade unions and the government, the Minister for Finance, Brian Lenihan, proceeded to announce cuts in public service pay and social welfare benefits. The government’s unilateral introduction of austerity measures sought to reduce the public deficit and support a failing banking system (McDonough and Dundon, 2010; Sheehan, 2010).

On 23 December 2010 the director of IBEC wrote to members to announce their withdrawal from participation in the country’s private sector pay agreement, and as a result, ‘we are entering a period of enterprise-level bargaining in unionised employments’. He went on to state that, “given the unprecedented scale of job losses in 2009, and the prospect of further losses in 2010, it is clear that we need to restore competitiveness for economic recovery.” The wider context for the breakdown was the collapse of talks between the government and the public sector trade unions over how to reduce the public service pay bill.

Many commentators from the right supported the end of social partnership and the removal of the unions from the corridors of power. Donovan and Murphy (2013: 133) argued that social partnership placed an excessively high price on avoiding outbreaks of industrial strife, resulting in the loss of competitiveness, and the expansion in the public sector payroll bill contributed to the fiscal collapse. This was because the social partnership agreements set public sector salaries soaring above the private sector and counterparts abroad. For Byrne (2009: 14), social partnership and embedded vested interests undermined considerations of the general interest. Yates (2014) argues that “social partnership had become almost entirely discredited as a byword for powerful vested interests screwing the system for their own selfish gains.”

During the Celtic Tiger, social partnership “became an indisputable part of the narrative of success of the Irish model of development” (Mullally, 2012, p. 158). As Baccoro and Simoni (2004) point out, in the Celtic Tiger period social partnership provide very resilient, surviving many changes of government. However, it was not resilient enough to survive the first serious economic crisis it encountered. The withdrawal of political support, and the creation of a social climate that viewed it as part of the problem and not part of the solution, prompted the reframing of social partnership as a model for better times (Mullally, 2012). Key partnership institutions – such as the National Economic and Social Forum (NESF) and the National Centre for Partnership and Performance (NCPP) fell victim to retrenchment and were dissolved in April 2010.

Up to 17 years ago Allen (2000) and O’Hearn (1998) warned that Irish social partnership was nothing but disguised neoliberalism – with business dominant and the unions merely co-opted. More recently, Roche (2010: ??) commented that political maneuverings within government ranks diminished the legitimacy of social partnership:

Social partnership was obviously less central to Cowen’s political identity and record than to those of his predecessor … having told the unions in private that social partnership was ‘no longer fashionable’… a powerful axis developed in
government around Finance Minister, Brian Lenihan, which was much less well disposed towards the kind of compromises associated with social partnership and more inclined towards direct measures to cut public expenditure.

Compounding matters, Culpepper and Regan (2014) believe that governments have changed strategy, because employers no longer have anything to gain from negotiating centralized pacts with trade unions. In this sense, social partnership was facilitated by the government, but the main interests driving the process were the export employers. Thus, Irish social partnership has collapsed not only because of global economic crisis but also because, in the prescient words of David Begg, General Secretary of ICTU, its ‘foundations rest on sand’ (Begg, 2008: 55). Culpepper and Regan (2014) point out that the unions have neither the carrots with which to attract governments to incorporate them into policymaking, nor the sticks with which to compel their inclusion. The unions are incapable of striking fear into the heart of government or employers through industrial action; and they cannot develop and sell broad reforms to their members. Union density in Ireland has fallen from 46 percent in 1994 to just 31 percent in 2012, while distrust of the trade union movement reached 53 percent (Culpepper and Regan, 2014). Thus, social partnership is not as stable, or impressive, a cooperative regime as was often believed. The unions could do little to help the government, such as restraining wages, or passing pension reforms.

It must also be recognised that robust institutions failed to emerge to support social partnership. While social partnership contributed to the Celtic Tiger it was dependent for its longevity on the resources generated by the rapid expansion of the Celtic Tiger period (Rittau and Dundon, 2010). Ultimately, it lacked many of the institutional underpinnings of regulated arrangements in other European/Nordic countries, most of which have suffered less as result of the global-local interplay of the crisis (Donaghey and Teague, 2005). In the face of economic crisis, social partnership, successful in part in distributing the spoils of growth, proved unable to negotiate retrenchment. The abandonment of social partnership has, arguably, been central to the government’s strategy of dealing with the crisis.

It is an irony that one of the first consequences of the crisis was the disintegration of precisely that element of the Irish social structure which served to distinguish Ireland from the overall pattern of global neo-liberalism (McDonough and Dundon, 2010). Additionally, social partnership was conceived during the difficult times of the late 1980s as a rallying call to engender a more cooperative national culture (Dobbins and Dundon, 2011). Thus, ironically, the cost of financial mismanagement was the ending of the social concertation model (Hyeong-ki, 2012). The collective mindset had disengaged from corporatist agreements – constituting a third order policy change.

Table 4 – Indication of: (i) Ideational Collapse; (ii) New Ideational Consolidation; (iii) Level of Policy Change

<table>
<thead>
<tr>
<th>(i) Indication of New Ideational Consolidation</th>
<th>Coder 1</th>
<th>Coder 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>O19. Clear set of alternative ideas</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>O20. Political entrepreneur injecting new ideas into policy arena</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>O21. Political entrepreneur combines interests to produce consensus around a replacement paradigm</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>New Ideational Consolidation</td>
<td>Strong</td>
<td>Medium</td>
</tr>
</tbody>
</table>

(ii) Indication of Level of Policy Change
From 2008, change agents from academia, business and the media put forward alternative ideas to neo-corporatism with greater force. From Table 4 we see that Lenihan, acting as a political entrepreneur, championed these ideas in the policy making environment, around which change agent consensus developed, leading to their consolidation. These ideas involved a return to pluralism and ending the neo-corporatist approach to economic policy making. The observable implications support the belief that the ideas underpinning social partnership policy weakened, collapsed and were replaced; they also support the argument that the new approach to dealing with interest groups, implement by Lenihan and his Taoiseach Cowen, altered the settings, instruments and hierarchy of goals behind industrial policy – a third order policy change (Hall, 1993). This radical change in social partnership policy, preceded by a macroeconomic crisis, extant ideational collapse and new ideational consolidation, constituted a critical juncture.

Of course this might not be the end of social partnership. As in the past, it may come back again – depending upon circumstances. “As the economy recovers and momentum builds for pay increases across the economy, the potential value of a new wave of social partnership agreements may be recognized in addressing the risk that decentralized wage bargaining may lead to excessive loss in international competitiveness (Lane, 2014).

Conclusion
According to theory, a critical juncture consists of crisis, ideational change and radical policy change, with ideational change linking the crisis and policy change. Following a crisis, policy failure and extant ideational collapse, significant policy change depends upon actors (policy entrepreneurs), led by a political entrepreneur, reaching consensus upon, and consolidating around, new ideas. It is in the discursive interaction between the various actors that ideas are generated, along with the potential for radical policy change.

Employing a range of observable implications, we found a critical juncture in social partnership policy. The economy was in crisis, and undermining confidence in the prevailing approach towards social partnership. Both of the main political parties, Fianna Fáil in government, and Fine Gael in opposition, were willing to challenge the status quo. Following ideational collapse, in the wake of economic crisis, alternative perspectives on social partnership policy were put forward by policy entrepreneurs from the right, and a political entrepreneur, willing to champion a new set of ideas on social partnership policy, emerged. The result was that extant policy orthodoxy was supplanted - ending the social partnership that had existed since 1987.

In Ireland, since the 1950s, various governments either adopted, or abandoned, a neocorporatist approach to policy making - depending largely on how they perceived it would impact the economy. Invariably, the moves from corporatism to pluralism, and back again, occurred in the context of some form of economic crisis (the late 1950s, most of the 1980s, (see Hogan, 2005 for details)) and with the short term objective of regaining economic competitiveness and absent any deeper commitment to social partnership. The economic crisis that began in 2008 provoked a radical rethink of social partnership policy. Policy entrepreneurs from the right questioned the value of social partnership and the long term
benefits for the economy from a reliance on pay deals that, while perceived as benefitting the non-competitive public sector, rendered the exposed private sector moribund. As a result, the neo-corporatist approach to governing the economy was brought to an end in 2010 as the government imposed severe pay cuts across on public sector, and in social welfare benefits, to reduce the public sector deficit and prop up the banking system. This sidelined the trade unions from the policy making process, while IBEC also withdrew from the social partnership.

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Appendix A

O1. Stagnant or negative GDP growth (Pei & Adesnik, 2000).
O2. Unemployment above 10 percent (Pei & Adesnik, 2000).
O3. Inflation rates above 10 percent (Pei & Adesnik, 2000).
O4. National debt, as a percentage of GNP, increasing at more than 10 percent, annually.
O5. The level of economic openness declining.
O10. Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund perceive an economic crisis.

Appendix B

Indication of Extant Ideational Collapse

O13. Media question efficacy of the current model and/or specific policy areas.
O14. Opposition parties critique the current model and propose alternative ideas – at election time their platform will be built around these alternatives.
O15. Civil servants, technocrats, academics, economists (policy entrepreneurs) critique the current model and propose alternatives.
O16. Civil society organizations, e.g., labor unions, employer organizations, consumer groups (policy entrepreneurs), critique the current model, reflecting Hall’s (1993) coalition-centered approach.
O17. Widespread public dissatisfaction with the current paradigm, observable through opinion polls, protests, etc.
O18. External/international organizations (policy entrepreneurs) critique the current model and/or actively disseminate alternative ideas.

Indication of New Ideational Consolidation

O19. A clear set of alternative ideas, developed by policy entrepreneurs.
O20. The political entrepreneur combines interests, including policy entrepreneurs, to produce consensus around a replacement paradigm.
O21. A political entrepreneur injecting new ideas into the policy arena.
Appendix C

**Indication of Level of Policy Change**

**O22.** Policy instrument settings changed (swiftly and for longer than one government’s term of office)

**O23.** The instruments of policy changed (swiftly and for longer than one government’s term of office)

**O24.** The goals behind policy changed (swiftly and for longer than one government’s term of office)

Appendix D

Inter-coder agreement scores

<table>
<thead>
<tr>
<th></th>
<th>Krippendorff’s α</th>
<th>% Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisis</td>
<td>0.603</td>
<td>83%</td>
</tr>
<tr>
<td>Ideational</td>
<td>0.057</td>
<td>50%</td>
</tr>
<tr>
<td>Collapse</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ideational</td>
<td>-0.67</td>
<td>0%</td>
</tr>
<tr>
<td>Consolidation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy Change</td>
<td>-0.25</td>
<td>33%</td>
</tr>
</tbody>
</table>

1 http://www.worker-participation.eu/National-Industrial-Relations/Countries/Ireland/Trade-Unions:  
http://www.cso.ie/en/media/csoie/releasespublications/documents/labourmarket/2012/TableS11b2012.xlsx