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# GEARY DISCUSSION PAPER SERIES

## Partnership and Politics: How Embedded is Social Partnership ?

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*This paper is produced as part of the Governance Research Programme at Geary; however the views expressed here do not necessarily reflect those of the Geary Institute. All errors and omissions remain those of the author.*

## ***Partnership and Partisanship: How Embedded is Social Partnership?***

### **Introduction**

Social partnership has become well established in Irish political life, and has required some revision of our understanding of the main features of government and policy-making. Since the negotiation of the Programme for National Recovery (PNR) in 1987, social partnership has acquired the status of something taken for granted, a background set of assumptions about the framework of decision-making and policy choice. But the implications for the policy process are not well documented, and the significance of the changes it has wrought is open to different normative interpretations.

The broadening of the range of issues that social partnership deals with can be seen as a positive development, as it brings a broader range of expertise into policy deliberations. In line with similar developments in other European countries, this may facilitate a rapid process of ‘policy learning’ (Hemerijck and Schludi 2000; Visser and Hemerijck 2000). It has even been suggested that the engagement of unions, employers, and other civil society actors in wide-ranging policy deliberations encourages these actors not only to understand others’ perspectives more fully but also to rethink their own interests and identities (O'Donnell and Thomas 2002). Social partnership can be depicted in this view less as a set of actors and institutionalized relationships than as a fluid set of interactions whose boundaries are constantly renegotiated.

The implications for the political process, however, are contested. Séamus Ó Cinnéide, for example, has expressed concern about the degree to which significant decision-making may have moved outside the control of elected politicians and into a domain in which accountability is difficult to track and enforce (O Cinneide 1999). On the other hand, authors such as Kieran Allen and Dennis O’Hearn have argued that the conflictual stance proper to the role of trade unions has been undermined by their incorporation into a process which, in this view, subordinates their concerns to those of employers, which the state then endorses (Allen 2000; O’Hearn 2003).

These interpretations come from different analytical premises and different normative political priorities. What they share, however, is an assumption that social partnership has made very significant inroads into the process of policy making and implementation across a range of public policy activities.

However, it seems likely that the picture is rather more mixed than any of these positions might suggest. The contention of this paper is that the range of issues covered by social partnership has certainly broadened and that this has led to new kinds of linkages between social partnership and the wider political process. Social partnership does contribute to shaping priorities. However, this role is both more limited and more contingent than some might believe, or indeed fear. Firstly, actual responsibility for developing and implementing policy has not been fundamentally changed by the growth of partnership institutions; politics retains its primacy. Social partnership has not displaced or replaced government authority in areas which governments define as central to their electoral priorities. Secondly, the core element of social partnership continues to be the regulation of rates of pay increase. Yet the

governance of pay deals is weaker than in a number of other countries practicing wage coordination of this sort. The viability of this model of social partnership continues to depend on there being sufficient scope for both union and employer interests to arrive at compromise solutions, based on wage regulation, which can accommodate the interests that each sides defines as central to their interests.

### **New modes of governance through social partnership?**

We may begin by examining the range of policy competences the institutions of social partnership have acquired. The central element of each agreement has been based, since 1987, on an increase in basic pay rates in both public and private sectors, combined with changes to the tax system to raise disposable income, and embedded in commitments about industrial peace and the resolution of disputes. Complementary to the pay terms, each agreement has entailed a range of commitments on other aspects of industrial relations and economic and social policy. Six agreements in all have been concluded: *Programme for National Recovery* (PNR, 1987-1990), *Programme for Economic and Social Progress* (PESP, 1990-1993), *Programme for Competitiveness and Work* (PCW, 1993-96), *Partnership 2000 for Inclusion, Employment, and Competitiveness* (P2000, 1997-2000), *Programme for Prosperity and Fairness* (PPF, 2000-2003), and *Sustaining Progress* (2003-2006).

The focus of the agreements shifted from one to the next, resulting in some institutional innovations which in turn contributed to changing the emphases within subsequent agreements. This has been most apparent in the core partnership bodies themselves, especially in the creation of NESF, the evolving composition of NESC, and the establishment of the National Centre for Partnership and Performance (NCPP).

The National Economic and Social Council (NESC) was originally a tripartite body whose Secretariat continues to produce the policy documents that shape each of the agreements. The early agreements, it is widely acknowledged, contributed to improving competitiveness and growth – but it was ‘jobless growth’ in which high and persistent unemployment seemed stubbornly intractable. The PESP agreement in 1991 therefore established locally-based partnership initiatives, initially 12 in number but subsequently expanding to 26, to provide a forum for activities including active labour market training, micro-enterprise support, and consultation with community representatives about social services delivery.<sup>1</sup>

The National Economic and Social Forum (NESF), set up in 1993, developed out of these experiences. The NESF was given the task of analysing, monitoring and evaluating programmes and policies in the areas of unemployment and social exclusion that had been identified in the context of social partnership negotiations, and coordinating consultation with wider societal interests affected by these policies. The NESF was in effect a parallel forum to NESC, playing a coordinating role for a variety of community and voluntary interests including activists for the unemployed, disability rights, poverty issues, the elderly, and others.

Community and voluntary sector interests gained direct representation in the social partnership agreements starting with Partnership 2000, negotiated in 1997. Where all the preceding social partnership agreements had been negotiated by governments in which Fianna Fáil was the sole or the largest party, Partnership 2000 was concluded by the Rainbow Coalition of Fine Gael, Labour, and Democratic Left. That

government ‘signalled its desire, in common with the Social Partners, to deepen partnership, taking it from the national level to sectoral, community and enterprise level’ (Partnership 2000, p.4). The community and voluntary sector interests were included in the membership of NESC itself for the talks that led to Sustaining Progress. Thus the first social partnership agreement (PNR) was negotiated with six organizations representing employer, union, and farming interests.<sup>2</sup> Partnership 2000 increased representation to include ten other groups, and an umbrella ‘Community Platform’ representing 14 voluntary sector groups. By the time Sustaining Progress was concluded in 2003 (by the same Fianna Fáil-Progressive Democrat government that had presided over PPF), the social partners included the principal trade union, employer, industry, and farming interests; 7 voluntary and statutory social interest organizations; and the Community Platform which represented 26 voluntary sector groups.<sup>3</sup>

The recurrent union concern about establishing and strengthening partnership at sectoral and workplace levels resulted in the establishment of the National Centre for Partnership in 1997, under the terms of Partnership 2000. Its remit was reviewed under the PPF, and in 2001 its role expanded beyond the advisory into a strategic planning role, as the National Centre for Partnership and Performance (NCPP). It was charged with encouraging employee involvement, both consultative and financial, and promoting best work practice models on a voluntary, non-statutory basis. In 2003, the offices of NESC, NESF, and NCPP were integrated under the umbrella body of the National Economic and Social Development Organization (NESDO).

Over time, social partnership developed a dense network of working parties, committees, and task forces, in addition to the more formalized procedures of monitoring and overseeing the implementation of the basic terms of the agreements on pay and working conditions. As Roche notes, these developed piecemeal in response to the changing focus of successive agreements (Roche 2003b). Issues of social equity, poverty, and distributive issues featured in the early agreements; but gradually the agreements came to include statements on virtually aspect of economic and social policy.

The expanded policy scope of social partnership reached a high point with the *Programme for Prosperity and Fairness* (PPF, 2000-2003). This agreement included five 'Frameworks' within which a whole set of policy objectives were detailed – on living standards and workplace environment (including tax, pensions, modernizing the public sector); prosperity and economic inclusion (including industrial policy, regional development, housing, environmental policy); social inclusion and equality (including poverty, healthcare, the social economy); adaptation to continuing change (including childcare, information society issues); and renewing partnership (deepening the process at all levels).

*Sustaining Progress*, negotiated in 2003, was somewhat more modest in its aspirations. It still set the pay deal in the wider context of macroeconomic policy, social equity, adaptation to the information society, and other themes.<sup>4</sup> But the non-pay policy commitments were somewhat more focused this time. This agreement accorded priority to developing policy on ten 'Special Initiatives' which included housing and accommodation; the availability of insurance; migration and



interculturalism; long-term unemployed; educational disadvantage; waste management; childcare; alcohol and drug misuse; the information society; and child poverty (*Sustaining Progress*, p.23). A Steering Group was set up to coordinate and develop the work of these groups. Sustaining Progress also set up other working groups including a Forum for the Construction Industry, and a Public Transport Partnership Forum.

What, then, is the significance of the proliferation of new networks? Membership of the working groups and task forces set up under partnership agreements is not purely internal to social partnership itself. Because government is party to these agreements, membership of the working groups includes civil servants from the various Departments involved in each relevant area. This raises questions about whether, to what degree, and in what ways social partnership activities might influence the process of policy making and implementation on a national scale.

A conventional model of the policy process might depict organized interests making representations through pre-Budget submissions or through direct lobbying relationships with individual Ministers and departments. The clusters of interests, in this view, would be subsumed under a hierarchical exercise of authority. The political process would take the lead in responding to inputs, setting the agenda for policy development, and assuring ultimate accountability in policy implementation. In this liberal-pluralist model, organized interests are conceptualized as outside the decision-making system, lobbying and making representations, but without any rights of access.

This model does not seem to capture some of the important features of participation that are involved in social partnership. Alternative models could be sketched out which would envisage a more structured and ongoing pattern of relations between policy-makers and organized interests. A 'policy community' would imply a regular and structured set of consultations, while a 'policy network' might be said to exist if the relationships were more sporadic, less structured, more diffuse (Rhodes 1992; Rhodes 1997; van Waarden 1992).

In contrast, in a more fully developed 'corporatist' consultative process, organized interests would gain privileged access to the processes of both making and implementing policy. While this is a familiar enough concept in the domain of pay policy, it could also obtain in other policy domains, and often does in continental European countries, although the involvement of organized societal interests tends to vary across policy areas. In the Netherlands, for example, union and employer inputs have been greatest in pay policy, less so in welfare reform, and least in labour market policy (Visser and Hemerijck 1997). In health policy, health professionals' direct involvement in and control over policy-making varies significantly across system types: they have least independent impact where consultants are most fully integrated into public sector employment, for example in Sweden (Immergut 1992). In tax policy making, union and employer interests exercise widely varying degrees of influence, depending in part on how much control governing parties have over setting macroeconomic priorities (Steinmo 1993). Thus a range of models are available to help us conceptualize the new patterns of interaction between policy-makers and organized interests that have developed under social partnership.

The growing European trend toward policy coordination has given an extra impetus to linking organized interests into the policy process at national level. In particular, the EU's Open Method of Coordination (OMC) has produced a gradual change in the way policy priorities are discussed and analysed. The OMC originated in the meeting of the EU governments and heads of states in Lisbon in March 2000 at which, arising from provisions within the Amsterdam Treaty, it was agreed to develop a coordinated policy approach to making the EU 'the most competitive and dynamic knowledge-driven economy by 2010'.

The OMC was conceived of as an alternative to regulatory policy in areas in which the EU has no formal competence, as a means of facilitating critical policy analysis within member states. It involves agreeing on common objectives and developing common indicators, as a means of identifying and extending best-practice policies on a voluntary basis. It requires the development of National Action Plans, based on commonly agreed objectives. The implementation of these, together with the outcomes achieved, are regularly assessed, a process which included the use of common indicators. The process is intended to facilitate accountability for implementing the Plans, and the exchange of good practices between member states, which is also assisted by the EU-level Community Action Plan to 'promote policy cooperation and transnational exchange of learning and good practice'.<sup>5</sup>

OMC consultative processes are well-established in the areas of labour market policy and social inclusion policy, though there have also been initiatives to extend it into areas such as pensions policy, immigration policy, among others (Borras and

Jacobsson 2004; Caviedes 2004; de la Porte and Nanz 2004). The OMC is intended to engage all the social partners in a debate about enhancing competitiveness and improving social inclusion. The means whereby EU member states translate these commitments into national policy varies, depending on their own institutional structures and policy styles, and employer and union organizations are involved to significantly different degrees across countries (de la Porte and Nanz 2004 pg.276-280).

All of these developments pose new questions about the relationship in Ireland between social partnership and the wider set of institutions and political processes through which policy is made and implemented.

### **The significance of new patterns of policy engagement**

It would appear that the broader policy issues of social partnership – that is, in effect, the non-pay elements – have become more closely linked into the development and implementation of policy in a range of areas over time. And there is a considerable overlap between the working groups set up under social partnership initiatives; the national planning mechanisms that have been set up to manage development and infrastructural initiatives, many of which attract EU funding; and the consultative processes set in motion by the wider network of international commitments into which Irish government has entered.

For example, the EU Employment Strategy, and the Action Plan to which member states are committed as part of this, mainly ran through existing social partnership networks: ‘Developments in labour market policy were seen to occur primarily within the context of the PPF and the NDP’ (Murphy 2002 pg.115).<sup>6</sup>

The policy networks relating to social inclusion similarly often involve the same actors in different capacities. The Irish government is committed to developing a National Anti-Poverty Strategy (NAPS) as a consequence of undertakings given at the UN World Summit for Social Development in Copenhagen in 1995. The NAPS, set up in 1997, was developed by an Inter-Departmental Policy Committee made up of high level officials from a number of government Departments, in consultation and participation with a broad range of interests, mainly through social partnership channels. The NAPS Unit, subsequently the Office for Social Inclusion, was set up in the Department of Social, Community and Family Affairs. This coordinates the work of a number of other high-level official groupings cutting across departments.<sup>7</sup> The Irish government's Action Plans on social exclusion and on employment are closely related and cross-reference each other. Each of them refers to the 'wide and detailed consultation' undertaken with the social partners in relation to the NAPS and the social partnership agreement.

However, we may well ask whether all this activity is actually making any discernible difference to the decisions taken about the content of policy. Do these extensive rounds of committees, meetings, and reports change what actually happens in any significant way?

Some commentators tend to agree that participants suffer from 'participation fatigue'. One senior actor estimated that the PPF (2000-2003) had involved over 60 committees and working groups; another put that estimate at over 100.<sup>8</sup> A relatively

small pool of professional staff among the main organized interests had to service all these bodies, prepare documents, process material, and attend meetings. Some participants report a degree of disillusionment about the apparent mismatch between the broad spectrum of inputs and the slow response of the legislative process in turning these into decisions. As one person deeply involved in policy committees commented, ‘There were layers and layers of committees and working groups. PPF hit a brick wall in this regard’.

The sheer volume of the workload is given as the main reason why Sustaining Progress was set up on more modest lines. The work of the Special Initiatives and task forces was, in the view of many participants, more focused and targeted, and they could hope to see more result for their efforts. Referring to the progress report on the Special Initiatives, published as part of the mid-term review of Sustaining Progress, the Office for Social Inclusion commented that ‘the experience from the first phase of work on the initiatives has underlined their complexity and multidimensional nature.’ The process brought ‘greater clarity and focus... to complex issues and it has highlighted the need for differing or more collaborative ways of working’.<sup>9</sup>

The Impact Evaluation of the European Employment Strategy produced for the European Commission in 2002 reported that the reporting requirements did not significantly alter the institutional arrangements that were there anyway (Murphy 2002 pg.114-5). However, in an analysis of the involvement of social partners in all the National Action Plans in 2002/3, undertaken by the European Foundation for Living and Working Conditions, Ireland scored well (joint 3<sup>rd</sup> out of the EU 15) in the involvement of a broad range of social partners in both the policy definition and

policy implementation stages (European Foundation for Living and Working Conditions 2004).<sup>10</sup>

Involvement in the OMC, in the view of some key actors, has indeed helped to nudge toward improving the quality of public policy making in Ireland. The OMC sets up ‘loose learning networks’ at EU level, with the possibility at least of ‘real ownership at the level of implementation’ (Arrowsmith, Sisson, and Marginson 2004 pg.324). The overlapping consultative and reporting mechanisms that link OMC with social partnership committees help, as several participants note, to keep a focus on ‘joined-up government’, to maintain a ‘whole-of-government’ perspective on multi-agency problems, and to build consensus on problems, targets, and methods. The social partners’ need for hard data on economic and social performance has also sharpened data collection and reporting: for example, a specific request to the Central Statistics Office under Sustaining Progress led to the publication of a new data series (Central Statistics Office 2004).

However, neither the Special Initiatives nor the Action Plans (whether on labour market or social inclusion issues) are linked into the budgetary process. This was ‘seen to place serious limitations on the extent to which the (plans) could be seen as a vehicle for pursuing policy changes or for introducing new initiatives’ (Murphy 2002 pg.113).

Indeed, the difficulty in seeing tangible changes in the conduct of policy is a recurring theme in assessments of how OMC works across the EU (Arrowsmith, Sisson, and Marginson 2004). The limitations of policy change through the EU’s Open Method of

Coordination are not unique to Ireland. Where policy performance depends on voluntary compliance with benchmarked targets, cross-national peer-group pressure might not be enough. There is a well-known problem with target-setting, which is that countries can focus on symptoms and on the auditing process rather than on the underlying problems. This can accord priority to simple quantitative targets rather than on qualitative issues of process (Arrowsmith, Sisson, and Marginson 2004 pg.322).

This is to some degree built into the reporting mechanisms of the OMC itself: it is a form of ‘soft law’ and there is no sanctioning mechanism for failure to meet targets. There is also reported to be a less critical process of evaluation at EU-level meetings to consider and compare performance than, for example, applies to compliance with UN Conventions. In the latter case, according to a senior policy-maker, ‘countries are really held to account about their compliance, through tough questioning and adverse publicity. They consult with the NGOs concerned. There is a big media presence. You have to be very well prepared. Very different from friendly EU chats. A gentle couple of hours’ exchange is all that happens. No-one is too hard on anyone else’. And in the words of another, ‘We are now into an era of Central Bank school of discipline – a reprimand from the European Central Bank has more teeth than OMC’.

The committees and working groups set up under social partnership and linked into the OMC, the NAPS and the National Development Plan have no direct impact on the Budget. To what degree, then, can these processes affect government priorities and set the agenda for policy making and implementation?



The answer to this is probably very little. Many of the policy commitments under social partnership are set out in quite general terms, and the targets tend to be cast in a long time-frame and with a broad margin for implementation. The details of income maintenance, or housing market management, and so on, are then left to the political process. For example, the tax-cutting commitments required by the partnership agreements were relatively easy to keep during the 1990s; indeed, the tax cuts actually implemented considerably exceeded those required to comply with the pay deals (Hardiman 2002). Similarly, poverty-reduction targets developed under NAPS and incorporated into partnership agreements proved none too difficult to achieve, especially in the context of high growth. But issues such as the cost and supply of housing, or affordable childcare, proved more difficult to influence. Even NESC's role in policy analysis in these areas seems to have 'run out of steam', in the words of one participant: there is no substitute for coordinated policy development with high-level political leadership.

Social partnership in Ireland has often been likened to corporatist policy processes in continental European and Scandinavian countries, in which a consensus on economic and social policy is forged and agreement is worked out about how to advance a programme of policy priorities. In common with centralized processes of pay bargaining that have developed elsewhere in Europe since 1980, this has been understood as a form of 'competitive corporatism', combining a 'search for elaborate equity-based compromises and trade-offs' with 'new market-conforming policy mixes' (Rhodes 2001 pg.165-6; Traxler 2004). But participants in social partnership negotiations point out a crucial feature of the Irish deals that makes them distinctive: the core deal for both employers and unions is the one governing disposable income,

and even more specifically, the pay increases involved. Although some trade union leaders have striven to raise the profile of the 'social wage', any prospect of a real trade-off between disposable income and improvements in social services is, for the most part, marginal to the negotiations. Nor did the pay deals have to be justified in terms of job creation during the phase of rapid employment growth. Between 1987 and the early 2000s, the focus was very much on the increase in disposable income provided by the combination of pay increases and tax cuts. This strategy reached a limit when the Fianna Fáil-Progressive Democrat coalition which was returned to power in 2002 made no further commitments about cutting tax rates, and indirect taxes began to creep up.

Ireland's welfare provisions, whether we look at income maintenance, or health and social service provision, have not kept pace with rising living standards, population increase, and growing expectations. Long a 'welfare laggard', Ireland has a welfare state that emphasises targeting and means-testing (Carey 2004; Esping-Andersen 1999; McCashin 2004). As one senior civil servant commented, 'In Ireland, the middle classes are expected to look after themselves. For a long time they were excluded from Social Insurance schemes; they are encouraged to take out private health insurance, pensions and so on'. This gave rise to what has been termed a 'pay-related welfare state' in which state-subsidized private purchase can ensure better-quality health care, education, pensions, and other benefits (O'Connell and Rottman 1992). The principal negotiators in pay agreements tend to agree that, as one participant put it, 'The Irish median voter clearly favours a low-tax regime'.

The practical political difficulties involved in trading pay moderation for clear policy commitments would be daunting, even before we consider the problem of holding the pay agreements in place. Trade union leaders acknowledge that there is a great diversity of preferences and priorities among their own members about collective welfare provision. They recognize too that there would be serious measurement and credibility problems associated with any government undertaking to improve, say, the quality of health services, in exchange for wage moderation. As one prominent individual in the trade union movement commented, ‘It is easier to construct a grand coalition around the single issue of higher pay levels, or more disposable income through tax cuts, than around less tangible and more uncertain future benefits.’

If the notion of a trade-off between pay rates and social benefits is unrealistic, it would in any case be widely considered inappropriate in the Irish context for the policy agenda to be set by non-governmental actors. The civil service is deeply imbued with the ethos established by the Ministers and Secretaries Act, 1924, whereby policy initiatives come from the Minister. Developing policy alternatives is a core element of their job, but the direction is set by the Minister in charge of each Department. A senior civil servant comments that ‘There needs to be a strong policy focus. A Minister with a clear agenda can make a big difference. A Minister can unlock the process.’ Ministers, like other politicians, ‘have an ear to the ground’, understand electoral preferences, and above all, are accountable to the electorate on the doorsteps and through the ballot box.

Many of those involved in the networks of policy discussion through social partnership channels – from the official side too – agree that the administrative system

could be a lot more effective. The Strategic Management Initiative (SMI), initiated in 1995, is designed to improve the capacity of the civil service to work effectively and efficiently. But political direction is indispensable. One senior civil servant commented that ‘It is best if there is a clear policy agenda to work to... This would need to be bedded down, so that the civil service could be held to account for it. It would need to be set out with an accountability process.... There is a lot of institutional inertia otherwise.’

Ministers vary considerably in their engagement with policy development. All government decisions are the collective responsibility of the Cabinet, though the Minister for Finance as the ‘holder of the purse-strings’ often plays a pivotal decision-making role. The individual who held this position for the longest spell in recent times was Charlie McCreevy (Fianna Fáil, 1997-2004). He exercised ministerial discretion in decision-making to a greater degree than most, and exposed the limits of the capacity of social partnership processes to set the agenda if this conflicts with the minister’s preferences and priorities.

On some occasions, the preferences of the social partners ran counter to the party political priorities or manifesto commitments of government. In such instances, government easily ‘trumped’ social partnership, and incurred relatively little penalty in the way of protest or non-compliance by the social partners, or indeed any serious danger to continued participation in the process. For example, in the closing phase of Partnership 2000, NESC published a statement of the agreed views of the social partners about the changes in personal taxation that would be most helpful to the successful negotiation of a new agreement: this would target tax cuts at the low-paid.

In the next Budget, however, Finance Minister Charlie McCreevy, concentrated resources on cutting the top rate, which he justified in terms of fulfilling electoral promises. Notwithstanding this setback, a new pay deal was concluded; though subsequent Budgets returned to an emphasis on reliefs for lower-paid. Similarly, the decision to introduce tax credits, and especially the move away from joint household tax assessment and toward individualization of tax allowances, were not put through the conventional consensus-building discussions in advance of the Budget.

The community and voluntary sector have frequently felt particularly weak in attempting to assert their priorities, if government was not already sympathetic to their position. They have frequently criticized the marginal role to which they feel relegated in the social partnership process, since pay and tax form the core of the agreements, and they perceive the transfer payments and social policy items to be treated as something of an afterthought. They are not even physically present at the pay element of the talks; indeed the detailed negotiations tend to be conducted not around a table at all, but indirectly through communications between adjoining rooms. Organizations wishing to stress the priority of poverty-reduction have at times threatened to withdraw from the talks. Indeed, in April 2002, the Community Platform, representing 26 organizations, walked out of the final meeting of the partnership talks:

‘This protest was because the Government had rolled back the equality and rights agenda by bringing in legislation, which had NOT been agreed in partnership. The Government did NOT consult with us on legislation relating to: Disability; Travellers; and Asylum Seekers.’ (Community Platform 2002)

But no agreement was halted or even significantly delayed by such protests.

Government's responsiveness to the community and voluntary sector, and especially to representatives of the 'poverty lobby', has been perceived as waxing and waning less in response to the merits of the issues and more as a function of government's need to cultivate one or other section of the electorate. For example, Fr. Seán Healy, the spokesman for the Conference of Religious in Ireland (CORI) and a prominent voice on distributive justice issues in social partnership, was widely believed to have been politically sidelined by government in the run-up to Sustaining Progress. But he was warmly welcomed to a Fianna Fáil policy review in the autumn of 2004, when the government sought to restore its public standing in the wake of poor local and European election results.

It would be misleading to suggest that government can easily dispense with the consultative processes centred on social partnership. If it is a mistake on one side to overstate the impact of social partnership on government priorities, we should equally avoid the mistake of underestimating it. The social partnership institutions provide a framework on which Ireland's international commitments can be met, for example to the EU's Open Method of Coordination with its Action Plans and reporting requirements (including the action plan on combating poverty and social exclusion under the NAPS), and the National Development Plan and accountability mechanisms required by its EU funding inputs. A senior civil servant comments that 'the whole-of-government perspective is strengthened by social partnership'. Government's perspective is inevitably coloured by the points of view channelled through these overlapping networks of consultation. As a senior civil servant commented, 'The trick for social partnership is not to "capture" issues or label everything, rather to help clarify, to exercise influence'.

The Department of the Taoiseach is pivotal to the coordination of the social partnership agreements. Secretaries General of that Department have combined the role of Secretary to the Government with that of Chair of NESC, throughout successive changes of government. Social partnership is, in this sense, embedded in the core of the governmental process.

Moreover, there have been a number of occasions on which governments have made exceptional efforts to rescue social partnership agreements when they seemed to be in trouble, or indeed to get them off the ground when the negotiation of a new agreement has stalled. The encouraging appearance of the Taoiseach at a timely moment has more than once proved helpful in overcoming difficulties. In late 2000, at a time of particularly high inflation, the role of government in consenting to the exceptional renegotiation of the terms of the PPF, and encouraging private sector employers to do likewise, was widely seen as decisive for the viability of the deal. Government support for the public sector pay benchmarking exercise under PPF was similarly important in defusing discontent that might otherwise have endangered the stability and duration of the agreements. Indeed, the departure of Charlie McCreevy as Minister for Finance in 2004 prompted warm tributes from trade union as well as business interests for his commitment to supporting social partnership. A commentator in the trade union movement noted that ‘McCreevy seems to have mellowed toward the unions during his time in office. He was very important in the review of the pay agreement (early in the term of PPF). He really engaged on macroeconomic issues; he became an advocate of the social partnership model’.

Social partnership has facilitated the exchange of views between all those involved in it, and has contributed to a process of ‘policy learning’ in which the deliberative process shapes policy priorities and affects their effective implementation (Hemerijck and Schludi 2000). Nevertheless, there is a broad acknowledgement that ‘pay is the glue that keeps the process together’, as a senior public servant has commented. Employer interests acknowledge that in the absence of a pay deal, there would be relatively little incentive for them to engage constructively in consensus-building talks about all the other policy issues involved in social partnership. This leads us to consider how well institutionalized social partnership is as a means of pay determination and industrial relations management.

### **The governance of the pay deal**

The core element of Ireland’s social partnership agreements is the deal on the rate of pay increases and the offsetting provisions for disposable income delivered through the tax system. Closely allied in importance to employer and union interests are industrial relations issues including workplace conflict, union recognition, and workplace participation.

How stably institutionalized is the pay determination process? The core question to consider is how consistent wage trends have been with the provisions of the partnership agreements. There appears to have been relatively little wage drift in most sectors during most of the 1990s, though in some sectors such as computer software and construction, labour shortages were already resulting in above the norm settlements from mid-decade (Baccaro and Simoni 2002; Boyle, McElligott, and O’Leary 2004; Ruane 2002). This suggests that compliance was more extensive than



in the earlier phase of centralized bargaining in the 1970s. Social partnership has been credited with making it possible for the rapid growth from 1994 onward to result in more employment and less inflationary pressure than might otherwise have been expected.

However, the governance mechanisms in pay policy are a good deal weaker in Ireland than in countries such as the Netherlands, Denmark, Finland, and other countries that adopted a coordinated and centralized approach to integrating pay determination into macroeconomic priorities since 1980. As Traxler notes, both horizontal coordination and vertical coordination are required if pay deals are to be stable (Traxler 2004). Horizontal coordination refers to the capacity of the major economic actors to arrive at a common position on pay and other issues, whether at national or at sectoral level. Vertical coordination refers to the capacity to make deals stick, particularly with reference to the legal enforceability of the terms of pay agreements and prohibition on industrial disputes. Traxler concludes that peak level coordination can produce the best macroeconomic outcomes, provided it is capable of being implemented and that appropriate mechanisms for vertical coordination are present. However if peak-level coordination is not enforceable, then national bargaining risks producing the worst economic outcomes, as local over-the-norm deals proliferate in addition to the peak bargain.

The Irish industrial relations system does not have strong mechanisms for ensuring either horizontal or vertical coordination in Traxler's terms. Trade union density in Ireland is not particularly low, at something over 40 per cent overall. But that figure masks a lot of variation: union membership run at over 80 per cent in the public sector

but closer to 20 per cent in the private sector. Moreover, many of the multinational companies (MNCs), particularly high-tech US companies in the computer software sector, do not recognize or bargain with trade unions. A study of firms established at greenfield sites in Ireland between 1987 and 1997 found that 65 per cent of firms were non-union (Gunnigle, O'Sullivan, and Kinsella 2002). The same study found that only 14 per cent of US MNCs recognised trade unions compared with 80 per cent of the European-owned MNCs. And some US firms that had previously recognized unions were now engaging in 'double-breasting', that is, adopting non-union policies in new plants opened during the 1990s (Gunnigle, Collings, and Morley 2005 pg.249).

Notwithstanding the dominant role played by the largest union SIPTU, with over 40 per cent of total membership spread between public and private sectors, the Irish trade union movement, with 43 affiliates in the Republic of Ireland in 2005, is more highly fragmented than is usual among countries committed to wage coordination policies. There is no means of legally extending pay deals into all sectors, pay policy is conducted within norms of voluntarism, and compliance with pay deals or industrial peace clauses is not legally binding (Ebbinghaus 2004).

Moreover, the mechanisms for bedding down pay deals through workplace bargaining activities are weaker than in most continental European countries (Streeck 1995).<sup>11</sup> Roche reports that workplace mechanisms for employee involvement and consultation have not evolved in tandem with the growth of national structures (Roche and Geary 2000).<sup>12</sup> Only 12 per cent of unionized workplaces had significant elements of employee representation and consultation. Non-unionized workplaces did not seem to have compensated for the absence of union representation with any complementary

systems of employee voice, with only 8 per cent of workplaces reporting the presence of specific structures (Roche 2003a). Full compliance in Ireland with the EU Information and Consultation Directive, which requires regular means of workplace participation, is postponed until 2008.

However, there are some mechanisms for ensuring that the governance of pay is somewhat more solidly grounded than Traxler's typology would suggest. On both the union and the employer side, extensive consultation of members' preferences, and in the case of the unions, legitimation of pay deals by subjecting them to democratic ballot, underpins voluntary compliance. Baccaro and Simoni have pointed to the role of economic crisis in both Italy and Ireland in generating a change in strategic priorities within the trade union movement (Baccaro 2002; Baccaro 2003; Baccaro and Simoni 2002). During the 1990s, catch-up and comparability claims did not contribute to wage drift as they had during the earlier phase of coordinated pay policy in the 1970s. 'External' constraints such as the Maastricht conditions for EMU membership were internalized into the partnership agreements through NESC. Throughout the 1990s therefore a tightening of monetary and fiscal policy was supported by unions and employers, and this also influenced the terms of the pay deals.

Some economists point to the buoyant supply of labour which would tend to depress wage inflation and pay drift anyway, without any need for social partnership agreements (FitzGerald 1999; Walsh 1999a; Walsh 1999b). Non-unionized multinationals also faced tighter profit margins than in earlier phases, and were unlikely to be as willing as previously to concede above-the-norm pay settlements

(Gunnigle, Collings, and Morley 2005 pg.251-2). But econometric studies have failed to produce any definitive support for the contention that labour market conditions alone explain pay trends, so institutional and political factors must feature in our explanation (Honohan and Walsh 2002; O Grada 2002).

The institutional framework governing the pay deals and problems arising from them is well developed and matured further during the 1990s. The agreements are subject to mid-terms reviews of their performance. They were monitored continuously by a Central Review Committee until the mid-1990s. This was replaced by a National Implementation Body (NIB), which comprises representatives of all the social partners and has a wider remit. The NIB is credited by all sides as playing a key role in managing conflict. It acts as a 'sweeper, keeping an eye on what's coming down the track', as one employers' representative phrased it. It worked to defuse conflicts or to channel them into mediation, that is, into the Labour Relations Commission or full Labour Court hearings. A trade union officer commented that 'ICTU works with the NIB to keep the lines open. If a group threatens a breach (of the pay deal), ICTU works hard to keep them committed to the terms. If anyone wants to go for a deal in excess of these, it has to be justified very seriously'.

But the problem of course is that in a voluntarist industrial relations system, it is difficult to keep a 'one size fits all' pay policy in place, and particularly so in the context of differential productivity and an increasingly segmented workforce. There is evidence that non-union firms have regularly engaged in forms of variable remuneration such as bonus payments that gave them flexibility in cases of either skill shortages on the one hand or production downturns on the other (Roche and Gunnigle

1997). By the late 1990s, labour shortages in many sectors put the terms of Partnership 2000 under severe strain, and above-the-norm settlements became much more widespread. One senior person on the trade union side commented that ‘ICTU seeks a mandate before going into any agreement, and endorsement before coming out, and holds member unions to that. ICTU held the unions to it during the EMS crisis (1992-3), when many employers pleaded inability to pay. At that time, ICTU could persuade them. But six years later, they couldn’t persuade their members to hold to a deal, when the phase of very rapid growth was at its peak’. The PPF was negotiated in 2000 against that backdrop – and renegotiated within six months to make adjustments for unexpectedly high inflation. An international economic downturn over the next two years hit many sectors hard, but trade union expectations were still running high while many employers were facing much sharper competitiveness conditions.

Many employers came to the view that while social partnership was mostly successful, ‘the conspicuous exception was PPF (2000-2003)’. Not only had the business environment changed, but many believed that unions were engaging in increasingly aggressive claims which they were pressing hard through the Labour Court. As one employers’ representative commented, ‘Where conventionally Labour Court recommendations carried a lot of weight and respect, now they started to be used in order to further local negotiations – and the recommendations would not be accepted, but used as a basis for further claims. This added to the already marked pay drift and added to competitiveness problems, at a time when cost increases were running at three times the European average.’

In addition to conflicts over pay rates, the issue of trade union recognition came to the fore under the PPF. Union concerns about non-union firms were not primarily directed toward the US high-tech companies – as one individual commented, ‘they tend to have very good in-house HRM... Intel is not a problem for the wage rates of North Kildare. But under-cutting and downward competitive pressures on wages, these are the problems’. Union recognition had been a source of confrontation in the mid-1990s, and had been referred to a high-level working group under Partnership 2000. Some in the trade union movement had been pressing for a statutory right to collective representation; this was opposed by the employers’ federation. The social partnership working group produced an agreed recommendation about the process of consultation and mediation which should be followed and which might eventually result in a legally binding recommendation from the Labour Court.

The PPF did however take one major issue out of contention, that of public sector pay. Grievances in the public sector had threatened to undermine Partnership 2000 in the late 1990s, as nurses, police, then teachers, sought pay increases significantly in excess of the terms of the agreement. Special increases awarded to nurses and police created further difficulties because public sector pay was strongly driven by well-established relativities and differentials, making it difficult to control knock-on effects elsewhere. The Public Sector Benchmarking Body, established in 2000, reported in June 2002, awarding an average of 8.9% pay increases to public sector employees.<sup>13</sup> The report of this body was subject to some criticism because the relevant benchmarks for these increases were not made public, and because of the ongoing cost-increasing implications for the public payroll. However, the expectation was that this would finally break relativities-based pay claims in the public sector, and would

help speed up the pace of ongoing change in service delivery and productivity in the public service.

On two issues, therefore – compliance with the terms of the pay deal, and union recognition – the PPF proved more problematic than its predecessors. It was unclear whether it would be possible to negotiate another. When eventually Sustaining Progress was agreed, it had some distinctive features. Firstly, the pay agreement was only for 18 months' duration in the first instance. The second phase, for a similarly short period, was negotiated separately, as both employers and unions were wary about locking in to a longer cost-stabilizing agreement. This revealed the weaknesses of the pay governance mechanisms in a 'multi-speed' economy. But it also indicated the continued preference on both union and employer sides for a negotiated deal over a free-for-all. Secondly, the conditions governing compliance were made stricter and the Labour Court acquired stronger powers to issue binding recommendations in conflicts over pay (*Sustaining Progress*, 2003, pp. 67-8). Thirdly, inflation control was made a priority: indeed, the National Competitiveness Council commented in May 2003 that almost half of recent price increases were attributable to the cost of government services.<sup>14</sup> Fourthly, some legislative strengthening of the process leading to union recognition was provided for.

An employer spokesman commented that, in the wake of PPF, 'compliance on pay, and union recognition, either individually or together, would have collapsed the national agreement altogether'. The successful negotiation of the two parts of Sustaining Progress indicates that the formal weaknesses in the governance of pay need not be fatal. A working solution was found through hard bargaining in which

each side's grievances were aired and some form of accommodation reached. As one senior civil servant noted, 'If employers really thought they would get significantly better cost-effectiveness, they would get out of social partnership. But this would probably only follow from an experience with massive levels of unemployment. So the challenge is to continue to police the system'.

The governance of pay is not as well supported institutionally as in a number of other European countries; but neither is it as weak as such a comparison might suggest either. It is flexible because difficult issues can be revisited and reviewed in successive agreements. This means too that it is always contested, depending on where each side sees its advantage lying. For example, one prominent trade union leader candidly acknowledged about the issue of union recognition, that 'In other continental European countries – France, say – they have legislation that is more beneficial to unions, but they have highly regulated industrial relations systems that are also very constraining. Irish unions want voluntarism where they are strong and mandatory arbitration where they are weak.' The architecture of Irish industrial relations is subject to periodic review and modification by engagements over these issues.

The continued commitment to social partnership as the framework of pay trends can not be taken for granted. However, as an employer representative commented, 'social partnership is a mature structure now. Each side has a sense of how far they can travel to maintain support for national partnership. There have been huge benefits; there have also been difficulties, especially in the recent downturn; which is where the new architecture has become very important.'

## **Conclusion**

Social partnership has gone through many changes since 1987. The content of agreements, the institutions supporting the pay deals, and the policy networks with



which it is connected, have all evolved over time. The significance of social partnership in Ireland's governance system cannot easily be summarized. This paper has argued that some of the strongest claims, whether positive or negative, and whether criticizing social partnership for being too influential or too weak in its policy impact, have tended to be misplaced. Social partnership has become intricately involved with processes of consultation, target-setting, and reporting, prompted in part by obligations incurred at EU level. But the core deal on pay and disposable income continues to be pivot of social partnership. Without this, the consultative and representative processes would undoubtedly be weaker and less significant.

Rather than seeing social partnership as displacing the proper role of government, we have seen that the policy process still depends centrally on ministerial initiative and is ultimately subordinate to the electoral priorities of government. The implication must also be that while social partnership can contribute to mending some of the well-known deficiencies of the system of public administration – particularly in tackling issues that cut across departments' jurisdictions – it is no substitute for public service reform.

In comparative perspective, legal and institutional methods of enforcing implementation of pay agreements in Ireland are quite weak. But the institutional mechanisms to support and ensure voluntary compliance are more robust than this might suggest, and have evolved continuously in response to new challenges. Nevertheless, behind the voluntarist structures, successive governments have actively supported social partnership agreements. This is not quite tantamount to the 'shadow of hierarchy' (Scharpf 1997; Visser and Hemerijck 1997): pay deals are not concluded

under the threat, even implicitly, of a statutory alternative. But it does place government in a central position from which to exercise some leverage on actors in order to achieve agreement. The weak cleavage structure of Irish party politics contributes to the broad agreement across all the major parties since 1987 that a consensus-seeking process yields the best outcomes. An ‘open electoral market’ means that party competition is, in European terms, unusually pragmatic and centrist (Mair, Muller, and Plasser 2004). Moreover, all the major parties have had a share in power over that period.

The net effect is that social partnership has provided a means of adjustment to new macroeconomic challenges in a small open economy; but its contribution to addressing welfare gaps is much more limited, and its impact on the broader policy environment has been more diffuse. However, social partnership as a process is now deeply imbricated in the political system, and its contribution to shaping the policy agenda, while less visible, is widely acknowledged. As one senior civil servant commented, referring to the reporting requirements of the OMC, ‘if social partnership did not exist, it would have to be invented’. But without the core deal on incomes and industrial relations, there would, in effect, be no social partnership.

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<sup>1</sup>Local partnership schemes then acquired their own governance system. This included a holding company, Area Development Management (ADM) Ltd., overseen by a government department (initially the Dept. of the Tánaiste, eventually the Department of Community, Gaeltacht and Rural Affairs, which managed application for and disbursement of finances from various sources including the EU Structural Funds, the National Development Plan, and others. Local partnership schemes also developed organizational links with other local development schemes, and with the Community Fora set up by local authorities' City/County Development Boards in 2000.

<sup>2</sup> Irish Congress of Trade Unions (ICTU), Federated Union of Employers (FUE), Confederation of Irish Industries (CII), Construction Industry Federation (CIF), Irish Farmers' Association (IFA), Macra na Feirme, Irish Cooperative Organization Society (ICOS).

<sup>3</sup> Irish Business and Employers' Confederation (IBEC), ICTU, CIF, IFA, Irish Creamery Milk Suppliers' Association (ICMSA), ICOS, Macra na Feirme, Small Firms' Association (SFA), Irish Exporters' Association (IEA), Irish Tourism Industry Confederation (ITIC), Chambers of Commerce of Ireland (CCI); Irish National Organization of the Unemployed (INOUE), Congress Centres for the Unemployed, Conference of Religious of Ireland (CORI), National Women's Council of Ireland (NWCI), National Youth Council of Ireland (NYCI), Society of St. Vincent de Paul, Protestant Aid; also Community Platform, comprising 26 organizations – Age Action Ireland, Community Action Network, Irish Assn of Older People, Irish Commission for Prisoners Overseas, INOU, Irish Penal Reform Trust, Irish Refugee Council, Irish Rural Link, Irish Traveller Movement, National Adult Literacy Agency, National Network of Women's Refuges and Support Services, National Traveller Women's Forum, NWCI, One Parent Exchange and Network, Pavee Point Traveller Centre, Rape Crisis Network Ireland, Simon Communities of Ireland, Society of St. Vincent de Paul, Threshold, Voluntary Drug Treatment Network, Vincentian Partnership for Justice, Women's Aid.

<sup>4</sup> With three Chapters – macroeconomic policy, sharing prosperity, and delivering an inclusive society; and 11 'thematic areas' that ranged from public spending and taxation, through infrastructure and environment, to poverty and social inclusion and accessing quality public services.

<sup>5</sup> [http://europa.eu.int/comm/employment\\_social/social\\_inclusion/index\\_en.htm](http://europa.eu.int/comm/employment_social/social_inclusion/index_en.htm)

<sup>6</sup> [http://europa.eu.int/comm/employment\\_social/news/2002/may/eval\\_irl.pdf](http://europa.eu.int/comm/employment_social/news/2002/may/eval_irl.pdf)

<sup>7</sup> The Cabinet Committee on Social Inclusion, Drugs and Rural Development is chaired by the Taoiseach. The Senior Officials Group on Social Inclusion is chaired by the Department of the Taoiseach and includes senior officials from relevant Government Departments, including the Office for Social Inclusion. The Office for Social Inclusion was established in December 2002 and is based in the Department of Social and Family Affairs, with overall responsibility for developing and implementing the NAPS. The Management Group of Assistant Secretaries comprises senior officials from the relevant Government Departments and oversees the work of the Office for Social Inclusion. The Social Inclusion Consultative Group is co-chaired by the Department of the Taoiseach and the Department of Social and Family Affairs, and comprises representatives of the relevant Government Departments, the social partners, and certain statutory agencies such as the Combat Poverty Agency, the Equality Authority, also the Economic and Social Research Institute. Source: *National Action Plan Against Poverty and Social Exclusion 2003-2005*, [www.welfare.ie/publications/naps/nactplan/napind\\_plan0305.pdf](http://www.welfare.ie/publications/naps/nactplan/napind_plan0305.pdf)

<sup>8</sup> This paper is informed by a series of interviews in autumn 2004 and spring 2005 with key actors among the social partners and in various government departments. I am most grateful to these individuals for their generosity with their time and insights. I have kept all quotes anonymous.

<sup>9</sup> Office for Social Inclusion, *National Action Plan Against Poverty and Social Exclusion, First Annual Report: Implementation of Plan 2003-4*, p.10. [www.welfare.ie/publications/naps/nactplan/napannrep0304.pdf](http://www.welfare.ie/publications/naps/nactplan/napannrep0304.pdf)

<sup>10</sup> European Foundation for Living and Working Conditions, Social Partner Involvement in the 2002/3 Employment Action Plans [http://www.eurofound.eu.int/other\\_reports/ef04144en.pdf](http://www.eurofound.eu.int/other_reports/ef04144en.pdf)

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<sup>11</sup> See also European Industrial Relations Observatory Online (EIRO), ‘Thematic Feature: Works Councils and Other Workplace Employee Representation and Participation Structures’, September 2003.

<http://www.eiro.eurofound.ie/2003/09/tfeature/ie0309203t.html>

<sup>12</sup> Of the workplaces surveyed claiming to have some form of employee participation, 12.7% had joint consultative committees or works councils (compared with 71.1% for total quality management, 59% for teamwork, 15% for quality circles and 45.5% for ad hoc task forces) Roche, W.K, and J.F Geary. 2000. "Collaborative Production" and the Irish Boom: Work Organisation, Partnership and Direct Involvement in Irish Workplaces. *The Economic and Social Review* Vol. 31 (1):1- 36..

<sup>13</sup> *Report of the Public Service Benchmarking Body*, 30 June 2002.

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