Labor Market Adjustment in Europe:

Farewell to Social Concertation?

Lucio Baccaro

Université de Genève

Département de sociologie

lucio.baccaro@unige.ch

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Introduction

This paper argues that social concertation – a mode of policy formation in which labor and social policies are negotiated between the state, employer organizations, and trade unions – is in crisis in Continental Europe. The decline of social concertation is most evident in the unilateral response of some Eurozone member countries – particularly Ireland, Italy, and Spain – to the sovereign debt crisis. Faced with the need to regain cost competitiveness by reducing labor costs, and to boost confidence by cutting public expenditures and liberalizing the labor market, European governments have passed reforms unilaterally, unceremoniously bypassing social partnership structures and procedures.

The paper argues that the crisis of social concertation is the result of the shrinking of space for 'political exchange' between the government and trade unions. Briefly stated, with the sovereign debt crisis governments have had to act swiftly and decisively, having little time and patience for social mediation. They did not ask for union support and in any case the 'sacrifices' required of trade unions had probably become too extensive for unions to accept them. The resolve of governments was strengthened by the climate of national emergencies prevailing in the countries most affected by the sovereign debt crisis, and by the legitimation crisis of trade unions, whose demands were often perceived by the European national public spheres as a self-interested defense of 'insider' interests at the expense of 'outsiders' and of the national interest as a whole.

The paper is organized as follows: first, I provide an historical reconstruction of the role played by social concertation in political economic adjustment in European countries, focusing in particular on the response to the two oil crisis in the 1970s and early 1980s and the

experience of 'social pacts' in the 1990s. Then I discuss the changes in the 'political exchange' between governments and social partners over time. I then provide a brief illustration of the decline of social concertation in Ireland, Spain, and Italy in the early 2010s.

The Trajectory of Social Concertation in European Countries

Social concertation used to be a defining trait of the 'European social model' as different, for example, from the American model. It was premised on a highly institutionalized industrial relations system with encompassing and highly representative interest associations (both on capital and labor side), sectoral or national-level collective bargaining, and strongly institutionalized workplace representation structures. Social partnership had two kinds of advantages for governments: first, it helped mobilize consensus for the implementation of potentially unpopular policy measures such as wage moderation, welfare state reform, and labor market liberalization. Second, it mobilized information about efficient solutions to regulatory problems by directly involving the actors most affected by them (Baccaro 2006 , Culpepper 2008).

Social Concertation in Response to the Oil Crisis

In the late 1970s-early 1980s advanced countries were hit by two shocks simultaneously: a dramatic increase in worker militancy and a spectacular rise in oil crisis. Both events caused costs to rise and provoked a profit squeeze, reducing investments. To assuage distributional tensions, prices began to rise. This period saw the simultaneous increase of both inflation and unemployment ('stagflation') – a phenomenon which was considered incompatible with the

prevailing economic doctrine of the time: Keynesianism. The key problem for governments was how to lower inflation while minimizing the increase in unemployment necessary to bring down wages and prices. A large literature on corporatism argued theoretically and illustrated empirically that countries with centralized bargaining institutions (such as Austria and Sweden) had a better trade-off between inflation and unemployment than countries with more decentralized bargaining structures (such as France, Italy, and the UK), i.e. had a lower unemployment rate for each given rate of inflation (Flanagan, Soskice and Ulman 1983 , Tarantelli 1986). Centralized bargaining allowed trade unions to internalize the externalities associated with wage militancy. Wage moderation was achieved both through explicit incomes policies or national tripartite agreements between governments, unions, and employer association, and through coordinated wage bargaining at the industry or even company level (as in the cases of Germany, Switzerland, and Japan). In other words, coordinated bargaining acted as a functional substitute for explicit national-level concertation assuring similar results (Soskice 1990).

The Social Pact Era

When inflation ceased to be a pressing problem for European countries from the mid-1980s on, there was an expectation in the scholarly community that social concertation and corporatism would decline as well (see Streeck and Schmitter 1991). Yet there was no decline (Baccaro and Simoni 2008). In fact, governments continued to rely heavily on social concertation to address the main problem of the day: boosting competitiveness (Rhodes 1998). Wage moderation was still regarded as a policy priority, but no longer in order to bring inflation under control; rather,

to boost the cost competitiveness of domestic goods (and tradable services) relative to international competitors. Stated differently, wage moderation meant not so much nominal wage restraint, but real wage restraint, i.e. real wages growing more slowly than labor productivity increases (Baccaro and Simoni 2010). In addition, boosting competitiveness also implied the 'rightsizing' of welfare states (for example, by tightening criteria for access to pensions and lowering replacement rates) and the flexibilization of labor market regulation (reducing employment protection for particular categories of workers). Some of these reforms were required to qualify for the second phase of the European Monetary Union (EMU), which implied bringing down the inflation rate and reducing public deficit and debt. These were potentially very unpopular reforms. Fragmented or minority governments found it difficult to mobilize the parliamentary support needed to pass them.

Even when governments had solid parliamentary majorities, political parties feared the electoral repercussions of these policies. Thus, they often found it expedient to negotiate the necessary changes with trade unions and employer associations. A study of the process leading to the emergence and institutionalization of social pacts in Ireland, Italy, and South Korea argued that three conditions were key: the first impetus came from a perceived national emergency, which pushed actors to contemplate extraordinary measures; second, for a social pact to be seriously entertained as a solution, the government would have to find it difficult or undesirable to pursue a unilateral strategy, due for example to weak parliamentary majorities or high electoral costs of unilateral action; third, 'moderate' union factions would have to prevail over more 'militant' union factions in the internal battle inside trade unions; fourth, for the social pact to become an institutionalized way to process public policy decisions as opposed to a

one-off event, organized employers would have to actively back the cooperative solution (Baccaro and Lim 2007).

The emergence of social pacts in various European countries (but also in non-European countries such as South Africa and South Korea) surprised the scholarly community. Interestingly, social pacts emerged in countries that seemingly lacked the corporatist preconditions (centralized and hierarchical interest associations) which once were deemed necessary for this type of agreements to emerge. One of the first countries in which social pacts materialized was Ireland, followed by Italy, Spain, and Portugal. Less surprising was the emergence of social pacts in countries like Finland, Netherlands, and Norway. Social pacts were attempted but failed in Belgium and Germany. In Denmark there were several examples of negotiated labor market reform, but they were bipartite as opposed to tripartite. Social pacts were not even considered in Sweden, a country which had previously been regarded as a beacon of corporatist policy-making (Avdagic, Rhodes and Visser 2011).

The Changing Terms of 'Political Exchange'

The previous section has dealt with government's motivation to engage in social concertation and has linked it to political resources and incentives. But why would employers and unions collaborate with governments and with one another? With regard to employers, the recent experience of social pacts suggests that their active participation is less crucial than the participation of trade unions, at least to get a social pact experience started. Given the particular content of social pacts – in almost all circumstances what is at stake is some form of union concession in exchange for long-term benefits or benefits of a collective nature –

employers can in many cases afford to wait by the sidelines and possibly ask for more. However employer supports becomes decisive to institutionalize social pacting.

With regard to trade unions, academic research has emphasized the importance of small country size to nurture a culture of trust among negotiators, as well as the importance of being able to rely on a common analysis of problems and their solution. For example, the literature on the Irish social partnership has underscored the importance of institutions such as the National Economic and Social Council – a tripartite-plus research institutions – in forging a background consensus among negotiating partners (O'Donnell and Thomas 2002).

However, there is little doubt that for unions to be willing to participate in social concertation some form of *quid pro quo* has to be available to them. In this respect the corporatist literature used to make a distinction between the preferences of leaders and the preferences of worker members. It was argued that leaders would have greater incentives to participate in consensual regulation for two reasons: they would have a clearer view of the long-term interests of the organization than members; also, they would have more to gain (in terms of visibility and career enhancement) from participating. According to this logic, institutional systems in which interest groups were highly centralized, i.e., in which the decision-making power was concentrated in the hands of a limited number of national leaders, were more likely to provide hospitable environments for social concertation (Schmitter 1981).

Independently from organizational characteristics, the ability of organizational leaders to hold to their side of the bargaining is certainly enhanced by the availability of exchange resources. It is easier to persuade union members to go along with potentially unfavorable outcomes if the leaders can show that they have gained something from the negotiation in

some other domain. Thus 'political exchange' is at the center of social concertation (Pizzorno 1978). In the 1970s and 1980s, at least in some countries, trade unions entered social concertation rarely and reluctantly, and asked for a hefty price in return (such as working-time reductions or welfare state expansion). In the social pact era of the 1990s, social concertation became increasingly concessionary and the availability of exchange resources shrank. Welfare state expansion was no longer in the cards, due to the need to keep public expenditures in check, while working-time reduction was no longer prominent on the agenda of trade unions and governments (with the exception of the French government in the early 2000s).

The absence of material resources was not a universal feature of the social pacts era of the 1990s. For example, in the case of the Irish and Finnish social pacts unions had clear material incentives to support the partnership approach: although they accepted moderate nominal wage claims, the government increased the workers' take-home pay through income tax reductions. This was only viable to the extent that economic growth increased the size of fiscal inflows even though tax rates were reduced as a percentage of GDP, but it certainly contributed to strengthen the unions' support for a negotiated approach.

In other cases, however, the 'prize' for trade union cooperation consisted in institutional recognition by government and in the resources (organizational and symbolic) associated with such recognition, as well as in the ability to shape the content of public policies. Participation enabled trade unions to blunt the sharper edges of reforms and 'limit the damage' for their constituency, i.e. ensured that policy reforms spared the most vulnerable categories and, perhaps more importantly, protected the acquired rights of some core union members, such as mature industrial and public sector workers with indeterminate duration contracts, as opposed

to precarious employment contracts. In Italy and Spain, for example, pension reforms were negotiated with trade unions in the 1990s. These reforms were characterized by generous grandfathering rules for mature workers. These workers were effectively spared, while the burden of reform fell entirely and heavily on the shoulders of the younger generations of workers. By the same token, in both countries labor market liberalization reforms reduced employment protection for fixed-term and atypical workers, but spared workers with regular contracts.

With time, however, even this type of limited political exchange petered out. This phenomenon was clearly visible in the 'sovereign debt crisis' which exploded in the Eurozone from 2010 on (Armingeon and Baccaro 2012). Some European countries, those characterized by high current account deficits (or in the Italian case, high public debt), experienced a form of 'sudden stop,' i.e. international financial markets became unwilling to finance their deficits except at very high interest rates (Merler and Pisani-Ferry 2012). The governments of these countries (in the order of involvement in the crisis: Greece, Ireland, Portugal, Spain, Italy, and Cyprus) were forced to introduce harsh austerity packages in a short period of time, including wage cuts (i.e. in public sector wages), tax increases, cuts in public expenditures, and collective bargaining decentralization. The resolve of governments was strengthened by the climate of national emergency in many of the countries, and governments were able to pass policy reforms that had been out of reach only a few months before. The amount of 'sacrifices' the unions would have had to stomach had social pacts been negotiated was probably greater than their ability to absorb them. However, in many cases the governments did not even ask for union collaboration. Unions were perceived as 'special interest organizations' whose

involvement in crisis response not just would reduce the efficiency of policy adjustment, but also would compromise the equitable distribution of the costs of adjustment, unduly favoring 'insiders' (represented by trade unions) over outsiders (devoid of union representation).

The next section provides an illustration of these dynamics in Ireland and Spain, as well as more briefly in Italy.

Country Illustrations: Ireland, Spain, and Italy[1]

The Irish crisis was very deep in comparative perspective: GDP declined by 17 percent in nominal terms and 11 percent in real terms in 2008-2010. Unemployment increased threefold from 4.5 in 2007 to 13.5 percent in 2010 (European Commission 2011: 10). Ireland's fiscal adjustment – 20.8 billion Euros, the equivalent of 13 percent of 2010's GDP – was estimated to be the largest ever recorded (Whelan 2011: 7). By January 2011, the Irish state had spent 46 billion Euros (29 percent of GDP) on a failed attempt to redress the banks' crisis (European Commission 2011: 13). Not surprisingly, public deficit and debt skyrocketed (Kelly 2010 , Whelan 2011).

In early 2009, after making bank creditors whole, the government sought to improve its fiscal situation by reducing public-sector wages and cutting public expenditures. In order to mobilize consensus for its austerity solutions, initially it sought to rely on the well-consolidated social concertation channels. Policy-making had been negotiated in tripartite fashion in Ireland since the late 1980s.

[1] This section draws on Armingeon and Baccaro (2012)

However, private employers appealed to the ‘inability to pay’ clause of the national agreement to either freeze wage increases or even implement nominal pay cuts. For the public sector, instead, no such clause was available and the only choice for the government – a coalition between the centrist Fianna Fail and the Green Party – was to persuade the unions to agree to a 7.5 percent special pension levy, amounting to a unilateral pay cut of equivalent amount (Sheehan 2010). The unions dragged their feet and, rather than negotiating as per social partnership tradition, the government decided to implement the cuts unilaterally.

Despite this decision, the unions called for a ‘social solidarity’ agreement in which they proposed that rather than taking straight nominal wage cuts, public sector workers would take an unpaid leave of 12 days (McDonough and Dundon 2010: 555). At some point in the process it seemed that an agreement could be reached on this basis (Regan 2011). However, the government negotiators changed their mind unexpectedly at the last moment and, rather than signing the agreement with the unions, preferred to go for unilateral wage cuts of 15 percent on average. The cuts were included in the November 2009 budget.

The union proposal to exchange wage cuts for more holidays had angered many in the Irish public sphere: it was interpreted as an irresponsible demand by pampered public sector workers to enjoy even more leisure at a time the country desperately needed public services. The unpopularity of such a proposal might explain the government’s last-minute about-turn. In fact, the unions’ attempt to organize worker mobilization in protest was largely unsuccessful.

Due to the failure of centralized negotiations, it looked as though 2010 would be the first year since 1987 in which collective bargaining would be decentralized at the enterprise level. However, the unions, which really did not have any serious strategic alternative to engaging

with government and employers at the national level, negotiated two peak-level agreements in the first half of the year. One applied to the private sector: the parties agreed to jointly issue centralized recommendation for decentralized collective bargaining, and in this way restored some form of wage coordination. The second pertained to the public sector. With what came to be known as the “Croke Park” agreement, the government committed to not recur to public sector wage cuts in the future and to reduce payroll through attrition only, and the unions guaranteed industrial peace for the next four years. Productivity would be increased by a workplace transformation agenda that the unions agreed to actively support and promote. Of the two sectoral agreements, the public sector one was by far the most important: as a result of decades of erosion, the union density rate was only about 20 percent in the private sector, while the density rate was around 80 percent in the public sector (D'Art and Turner 2011).

However, the Croke Park agreement did little to assuage Ireland’s fiscal problems. The situation worsened considerably in late 2010 when the two-year government guarantee of banks’ loans was approaching expiration, and the Irish banks found themselves unable to access inter-bank markets. The government was forced to knock at the doors of the EU, ECB, and IMF for financial assistance. A bailout package was put together in November for a total amount of 85 billion Euros. This included measures to recapitalize and downsize the financial sector; a fiscal consolidation effort of 15 billion Euros in four years (to be achieved through expenditure cuts and higher taxes); and broader structural measures concerning the labor market and the pension system. The retirement age would be progressively increased to 68 years. The minimum wage would be cut by 12 percent (1 Euro); the institutional mechanisms for minimum wage determination in low-wage sectors would be relaxed; unemployment insurance benefits would

be lowered and activation provision strengthened; finally, condition of access to some liberal professions would be liberalized (European Commission 2011).

Spain, too, was severely hit by the global economic crisis which followed the collapse of the shadow banking sector in the US. GDP declined by 3.9 percent in 2009 and 0.4 percent in 2010 (IMF, 2010: 41). The labor market impact of the crisis was huge and the unemployment rate increased from 11.3 percent in 2008 to 20 percent in 2010, with youth and women the most affected categories (IMF 2010: 8, OECD 2010: 24). As in Ireland, the crisis was due to the bursting of a huge real-estate bubble, which in turn provoked a stark contraction of the construction sector, Spain's growth engine in the 2000s. In addition, just like other countries of the Euro-zone periphery, the country had competitiveness problems: nominal prices and wages had grown faster in Spain than in core Eurozone countries. This had contributed to a growing external debt problem in the years 2000 (OECD 2010: 23).

The government's initial response to the crisis was very different from that of Ireland. The Socialist government engaged in expansionary fiscal policy to counter the adverse effects of the crisis. One of the most important provisions was the extension of unemployment benefits. Discretionary spending, combined with the effects of automatic stabilizers, led to a dramatic increase in public deficit: 11.2 percent of GDP in 2009 and 9.3 percent in 2010 (IMF 2010: 41)

The other notable trait of Spain's initial response was the Socialist government's commitment to social concertation. This had been one of the dominant characteristics of the Spanish political economy in the 2000s. In keeping with this recent tradition, on July 29, 2008, the tripartite social partners signed a declaration of principles outlining a shared policy response

to the economic crisis, in which they committed to take joint action on employment policy, collective bargaining, and social protection.

Notwithstanding the parties' stated commitment to social dialog, important differences began to emerge. The first rupture occurred in 2009, when the social partners were, for the first time since 2002, unable to negotiate the yearly centralized agreement on wage guidelines.

The Socialist government's response to the crisis changed dramatically in late 2009 and, most clearly, in 2010 when growing doubts about the sustainability of the peripheral countries' fiscal positions began to be reflected in growing prices on credit default swaps on Spain's public debt (IMF 2010: 6). In an attempt to regain the confidence of international financial markets, the government undid many of the expansionary measures of the previous two years, slashed public spending, and engaged in structural reforms of the labor market and the pension system. The policy process used was a mix of unilateralism and corporatism under the 'shadow of hierarchy' (Visser and Hemerijck 1997). Essentially, the government would impose tight parameters and deadlines on social partner negotiations. If unions and employers were able to reach an agreement by the set date the government would ratify it. Alternatively, it would regulate by decree.

In January 2010, as part of a broader fiscal adjustment program, the government issued proposals to increase from 15 to 25 the number of reference years for the calculation of pension benefits and to increase the retirement age from 65 to 67. The government's turn-around towards fiscal adjustment proceeded with a partial block of public sector hiring. This was followed by more drastic measures, such as a cut of 5 percent in public sector wages on average. The unions voiced their dissent by organizing a public sector strike in June 2010. In the

same month, following a failure of the social partners to reach an agreement on the issue, the government issued a unilateral reform of employment protection legislation. The reform reduced severance pay in the event of an unfair dismissal, eased the criteria for fair dismissals, and broadened the conditions under which companies could opt out from collective agreements. It was saluted as a major step forward towards fiscal sustainability by both the OECD and the IMF (OECD 2010; IMF 2010). The unions responded by organizing a general strike at the end of September 2010. However, participation in the strike was unequal, with the industrial sectors responding more promptly and massively than the service sectors. In any case the union mobilization did not manage to alter the legislative reform.

In December 2010, a new set of governmental reforms of clearly neoliberal orientation was introduced, again with a view to convincing international financial markets that Spain was solvent. The package included the repeal of the extension of unemployment, as well as reductions in corporate tax rates and partial privatizations. All of these were unilateral reforms.

However, social concertation was not entirely dead, and in February 2011 the parties signed a social pact on 'growth, employment, and the guarantee of pensions.' The highlight of the pact was a negotiated pension reform. With this, the unions accepted several provisions against which they had mobilized one year before. In exchange, they obtained some measures aimed to increase stability of employment, such as a reduction of social security contributions for companies hiring young workers and long-term unemployed, and 400 Euros per month for the unemployed whose benefits had ceased.

In the following months, the social partners were unable to reach an agreement on the reform of collective bargaining agreements and the government intervened by decree on June

10, 2011. The key point of this reform was the broadening of circumstances in which an enterprise contract could legally bypass a higher level contract. In addition, the reform introduced a maximum time for contract renewal (between 8 and 14 months) after which mediation and arbitration would intervene to resolve the dispute.

In the summer of 2011 the sovereign debt crisis deepened further and enmeshed the third economy of the Eurozone: Italy. The unfolding of events was similar to other peripheral countries. Growing concerns about default led financial markets to shun the bonds issued by financially weak countries, including Italy. The result was that interest rates on the Italian ten-year bonds shot up and reached seven percent on an annual basis, while the spread with corresponding German bonds rose above five percent. Rising interest rates increased the costs of servicing the Italian public debt and worsened the Italian fiscal position, making it necessary to slush public expenditures and increase the primary surplus.

Faced with a confidence crisis, the response of the Italian political class was similar to the other countries. The center-right party in government passed an emergency austerity package with the support of the opposition in the summer of 2011. Yet despite these measures the pressure on Italian bonds did not abate. Mounting tensions led to a change of government in the fall of 2011. The center- right government was replaced by a government of technocrats, supported by a three-way grand coalition among center-right, center, and center-left parties. The new government engaged in a thorough program of labor market and product market liberalization with the explicit support of European elites.

The technocratic government shunned social concertation with the social partners and emphasized its ability to pass reforms unilaterally. Structural reforms were presented as

necessary to increase economic efficiency and to rebalance the scales between 'insiders' and 'outsiders' in the Italian labor market. The government managed to pass a draconian pension reform which increased retirement age, abolished seniority pensions, and imposed the application of the pro-rata method of capitalized contribution to calculate the pension benefits of retirees who had entered the labor market before the reforms of the 1990s. When it came to employment protection legislation for regular workers, however, the government had to modify its original proposal – which would simply abolish the possibility of reinstatement for workers fired for economic reasons – due to opposition from within its own parliamentary majority, and had to reintroduce the principle that a judge would decide between monetary compensation and reinstatement when faced with an economic firing decision that she deemed unjustified.

It looked as though not even a technocratic government operating under conditions of extreme external urgency (a sovereign debt crisis) would be able to decisively reform employment protection legislation in Italy. However, a decisive reform was approved in the Spring of 2015. With the strong support of the employer association and against the opposition of all trade unions, the center-left government eliminated unilaterally the possibility of reinstatement for illegitimate economic firings. The new norm would apply to new employment contracts, while previous ones would still be protected by the old rules. The new employment protection regime would thus cover the entire Italian labor force only in due time. This reform was part of an ambitious program of labor market reform aimed to shift the center of protection away from the job and towards the worker and her employability. However, while some measures have been taken to extend unemployment insurance to previously excluded categories of workers and to strengthen active labor market policies, efforts to institutionalize

Nordic-style flexicurity in Italy have so far been hindered by the limited availability of public funds, a consequence of the need to keep public deficits in check.

Concluding Remarks

This paper has argued that the last few years have seen a decline of social concertation in Europe. Although the paper has focused on developments in Ireland, Spain, and Italy following the sovereign debt crisis, the crisis of social concertation is not limited to these countries. For example, the main policy reforms of the early 2000s in Germany, the Hartz Reforms, were introduced unilaterally by government against trade union opposition (Hassel and Schiller 2010).

The decline of social concertation is due to several factors: first, the size of the fiscal adjustment (in terms of public expenditure cuts) is simply too much for unions to actively contribute to its implementation. Related to this, and this is the second factor, the availability of exchange resources to incentivize trade union collaboration has dramatically shrunk. Third, the legitimacy of social concertation has diminished. For governments facing national emergencies, social concertation is often perceived as too slow and inefficient. In addition, the declining organizational strength of trade union and employer association limits their ability to act of representatives of workers and firms at large. Instead, they are increasingly being perceived as ‘special interests’ whose involvement in public policy unduly shifts the burden from the relatively well-protected ‘insiders’ to the unprotected ‘outsiders’ in the labor market.

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Lucio Baccaro
Université de Genève
Département de sociologie

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What Is Social Concertation?

- A peculiar mode of policy formation in which labor and social policy is negotiated between the state, employer organizations, and trade unions
  - It rests on a highly institutionalized industrial relations system, characterized by sectoral- or national-level collective bargaining, workplace representation structure, encompassing and highly representative interest associations

Social Concertation in Response to the Oil Crises

- The key problem was to lower inflation while minimizing the increase in unemployment
- The corporatist literature argues that countries with centralized bargaining institutions have a better inflation/unemployment trade-off (Flanagan et al. 1983; Tarantelli 1986)
- Wage moderation was achieved both through coordinated bargaining (Soskice 1990) or through centralized bargaining (Bruno and Sachs 1984)

The Social Pact Era

- Changes in the external environment: the most pressing policy issue is no longer disinflation but rather boosting competitiveness
- Political risks associated with the passing of potentially unpopular reforms (welfare state, labor market)
  - Weak governments or risk-avoiding parties
  - Predominance of 'moderate' trade union factors
  - Support of employer organizations
- Social pacts emerged in 'unlikely' countries (i.e. countries considered to be lacking in 'corporatist preconditions'
  - Ireland, Italy, Spain, Portugal, as well as Netherlands, Norway, and Finland (but not Belgium, Germany, and Sweden)
  - In Denmark, social concertation was mostly bilateral

Changing Political Exchange

- Little availability of exchange resources
- Either consensus to potentially unpopular reforms in exchange for tax reductions
  - Ireland and Finland
- Or macro-concessionary bargaining in which trade unions' quid pro quo was institutional legitimation and 'limiting the damage' (i.e., protection of union insiders)
  - Italy and Spain (on pension reform and labor market liberalization)

Changing External Circumstances

- With the sovereign debt crisis, the extent of necessary reform was such that the union concessions required became more important and the space for political exchange shrank
  - In addition unilateralism became a sign of distinction for many governments
- Faced with emergencies and emboldened by the lack of plausible alternatives to decisive liberalization, governments chose to act unilaterally

Ireland

- From export-led growth to housing bubble
- Sovereign debt crisis: need for 'internal devaluation'
- Discontinuation of social partnership in 2009 with bargaining decentralization and emergency-driven government unilateralism (trojka-inspired reforms)
- Partial restoration of centralized bargaining in the public sector ('Crooke Park agreeement')

Spain

- Bubble-driven growth (housing market)
- Early response to the crisis was Keynesian stimulus (2009) and social partnership
- When the sovereign debt crisis hit, the government backpedaled: spending cuts and structural reforms
- Unilateral reforms of the labor market (employment protection)

Italy

- Imperfect social concertation in the years 2000s
  - E.g. 'Pact for Italy' in 2002
- Sovereign debt crisis
  - Need to regain financial market's "confidence"
- Unilateral pension reform in 2012
- Unilateral reform of Article 18 in 2015

Germany

- Cost problems of German manufacturing in the 1990s
  - Outsourcing; offshoring; erosion of industry-level bargaining
- Failed attempt to address the problem with social pacts in the 1990s
- Government's unilateral reform of the labor market (Hartz reforms) in the early 2000s

Concluding Remarks

- These are not very good years for social concertation in Europe
- Declining legitimacy of social concertation
  - – Unable to deal effectively with regulatory problems
  - – Declining representativeness of organized actors (trade unions and employer association)
  - – These are perceived as representing 'insider' groups at the expense of 'outsiders'