The State and Economic Interests: Ireland in Comparative Perspective

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Introduction

IRELAND’S ECONOMIC AND POLITICAL DEVELOPMENT has often been assumed to be very different from that of other western societies. However, corporatist or ‘concertative’ pay agreements have been a recurring theme in Irish economic management. In this way, Ireland’s experiences resemble those of many other industrialised countries, and especially the smaller European countries with which Ireland may perhaps most appropriately be compared. Some commentators have argued that all small countries experience a special incentive to adjust in a co-ordinated way to international economic pressures, in view of their vulnerability to trade fluctuations (cf. Katzenstein, 1983, 1985). Ireland’s growing economic openness since the 1960s provided the context for the emergence of centralised pay agreements (Hardiman, 1988: ch. 2). This paper will use comparative studies to draw out the conditions of success or failure of corporatist pay agreements, the better to account for the particular features of the Irish experience.

The heyday of corporatism has often been seen as the 1970s.¹ During the 1980s, the dominant tendency appeared to be for comprehensive, centralised bargaining systems to founder, or to be reconstituted at lower levels or ‘sectors’ of the economy (Schmitter, 1991), a development sometimes termed ‘meso-corporatism’ (Cawson, 1985). The return to centralised agreements in Ireland in 1987 might be thought of as a move against the general trend. However, an analysis which is less focused on Northern Europe and Scandinavia reveals that Ireland was far from

¹ An extensive academic debate was initiated primarily by Schmitter’s article, originally published in 1972 (see Schmitter, 1979), entitled ‘Still the Century of Corporatism?’.
unique in seeking a centralised solution to economic difficulties during the 1980s.

Corporatism in Advanced Industrial Societies

Corporatism became a widely used strategy for macroeconomic regulation, with greater or lesser degrees of success, during the years between the end of the Second World War and the oil-price crises of the mid-1970s. These were the years of the 'long boom'. Although the experiences of different countries varied, these years can be said to have been characterised by steady growth, virtually full employment, and an increase in trade union strength. Corporatist networks linking the conduct of collective bargaining to government policy-making provided a means of reconciling the potentially conflicting policy priorities of full employment, growth, and control of inflation. Most western countries became involved in corporatist experiments in these years (Schmitter and Lehmbruch eds., 1979; Lehmbruch and Schmitter eds., 1982; Goldthorpe, 1984).

The form taken by centralised agreements, and the extent of participation of government in employer–labour bargaining, varied considerably. In the Nordic countries, employer–labour collective bargaining succeeded for many years in combining steady growth with egalitarian redistributive policies, with no direct government role, but with considerable public policy support for full employment and 'active labour market' policies (Korpi, 1978; Esping-Andersen, 1985; Arter, 1987). In Austria, egalitarian objectives featured less prominently, and pay agreements were negotiated within highly institutionalised tripartite consensus-building processes. But this process also facilitated the maintenance of high levels of employment with low levels of inflation (Lehmbruch, 1979; Scharpf, 1981; Marin, 1983). In the Netherlands and, in a somewhat different form, in West Germany, collective bargaining initially facilitated post-war economic reconstruction under heavy political influence. In both countries, the mechanisms for representing employer and labour interests at various levels of economic and political decision-making were extensive. Pay bargaining thus contributed to controlling inflation in a context of strong growth, whether the government involvement was direct or indirect (Flanagan et al., 1983; Gourevitch et al., 1984; Markovits, 1986; Scholten ed., 1987; Scharpf, 1991). While few countries failed to attempt some form of co-ordination of pay policy with government objectives, it is generally acknowledged that the strongest, most successful exemplars of corporatist wage agreements were the centralised agreements negotiated in Austria and in the Scandinavian countries.
From the mid-1970s, 'stagflation' put unprecedented stresses on Keynesian techniques of demand management. Additional public expenditure deferred the emergence of mass unemployment but, in many countries, unemployment began to creep up in the 1970s and increased more rapidly in the early 1980s (Johannesson and Schmid, 1980; Scharpf, 1984, 1991; Therborn, 1986; Schmidt, 1988).

The 1980s saw the emergence of a new set of economic problems in the advanced countries. Economic growth no longer ensured employment expansion. Control of inflation assumed a different significance in slacker labour markets. Further problems emerged from the increasing interdependence of the international economy. The old Keynesian remedies no longer seemed relevant. Many governments entered the 1980s with sizeable fiscal deficits, which they could sustain in the short term to support employment levels, but which had to be tackled eventually. The changed economic circumstances brought about a shift in the terms on which organised economic interests were involved in political processes. For some, the British experience was a paradigm of the new direction, with trade unions excluded from political influence, unemployment allowed to rise as a discipline on labour markets, and the introduction of legislation to further reduce unions' organisational strength (see, e.g., Longstreth, 1988; Crouch, 1990).

However, the diversity of political responses apparent in this period was greater than at any time since the war (Goldthorpe, 1984, 1987; Lash and Urry, 1987: ch. 8). The unions' bargaining position was, on the whole, weaker (cf. Baglioni and Crouch eds., 1990) but there was no common tendency towards an undermining of union organisation, and no convergence towards Britain's experience in the rest of the advanced capitalist countries (Goldthorpe, 1987; Hardiman, 1990). Still, the solutions adopted to economic problems often entailed a shift away from the 1970s model of neo-corporatism; and where 'social partnership' agreements were negotiated, the terms on which they were concluded had to take account of new circumstances.

The co-ordination of pay bargaining with macroeconomic policy remained central to the 'policy repertoire' in Austria (Gerlich et al., 1988), in Norway (Lafferty, 1990), and in Finland (Arter, 1987). In these countries, open unemployment was avoided through a variety of policy responses to which the established corporatist networks were central. The 'Swedish Model' was under more obvious stress, as the unity of the main blue-collar federation (LO, Landsorganisationen i Sverige) was threatened from within, primarily by the metalworkers' union—a move supported by their employer counterparts, who attempted to shift to industry-level bargaining. The LO's leadership role in collective bargaining was also
increasingly challenged as the rapidly expanding and diverse white-collar unions, with their own separate organisational structures, sought to develop independent strategies (Lash, 1985; Ahlen, 1989). But, at least until 1991, the economic problems of the Swedish economy were managed within the existing system.2

A number of other countries experimented with the introduction of centralised agreements for the first time during the 1980s: these were Australia, Spain, Portugal, and Greece. Australia already had a national-level system of wage bargaining, which had facilitated the rapid diffusion of wage gains during the 1970s. Thus, employers as well as unions supported the National Accord, which was first negotiated between the unions and the Labour Party in 1983 and renewed at intervals thereafter (OECD, 1988, 1990).3 The Accord was one element of a government strategy to liberalise Australian monetary and trade policies, the consequences of which were likely to involve some hardship among employees. But the unions were committed to a centralised strategy which could help to prevent unemployment from worsening, their views being explicitly inspired by the examples of the Scandinavian countries (Archer, 1991).

The newly-democratised countries of Southern Europe, Spain, Greece, and Portugal, with their relatively underdeveloped economies, faced special problems of adjustment to the conditions of EC membership. In Spain and Portugal the legacy of protectionist state intervention from the pre-democratic era was also still strong. Agreements between government, employer organisations and trade union movements were attempted in each case to facilitate the necessary adjustments to more liberal and competitive conditions (Perez-Diaz, 1986; Roca, 1987; Pinto, 1990; Featherstone, 1990). Trade union membership levels were low, and in Spain in particular union weakness was compounded by internal political divisions (Estivill and Hoz, 1990; Gillespie, 1990). But more seriously for the prospects of corporatist pay agreements in Spain and in Greece, popular expectations of what governments of the left should achieve were high. The pay agreements were restrictive, and the fiscal commitments of governments were limited. In Greece, allegations of political corruption within the Socialist Party further soured relations between unions and

2 During 1990, in an attempt to control strikes and secure its budgetary position, the Social Democratic government had threatened to introduce a range of legislative controls on union actions. It survived without doing so. But in the autumn of 1991, the Social Democrats finally lost office, and with it the political hegemony they had held for so long, even while in opposition.

3 In New Zealand, the Labour governments elected in 1984 and 1987 also pursued liberalization policies, but with no negotiated agreement with the unions (Whitwell, 1990; Walsh, 1991).
government; in Spain, popular discontent resulted in sizeable popular and industrial protests. By the early 1990s, only Portugal had a functioning corporatist pay agreement, facilitated by fiscal relaxation in the late 1980s (OECD, 1991a).

The terms of the agreements in each of these countries differed in a number of ways from the stable neo-corporatist practices established elsewhere in an earlier and economically more buoyant period—and this, as will be seen, was true of the Irish experience of the late 1980s as well. Medium-term economic stabilisation was the first consideration, but pursuit of long-term growth also involved adjustment to a more open and competitive international economic environment. The economic problems to be addressed thus included control of high levels of unemployment, reduction of public spending, and liberalisation of market conditions both in domestic and international activities. For government and employers, corporatist agreements could provide some assurance that union strength would not worsen an already grave economic situation. For organised labour, corporatism could no longer provide a means of pursuing full employment policies. Its participation in such agreements could help prevent economic performance from worsening, but the assurances that economic outcomes would improve were weaker than previously, and governments could make relatively few fiscal concessions to underpin union co-operation. Moreover, by the late 1980s, new disciplines on economic policy were felt in the EC countries, and in those countries such as Sweden and Norway which had decided to link their currencies with the EC's Exchange Rate Mechanism. Commentators argued that these developments accorded greater significance to domestic pay policy. Scharpf, for example, suggested that 'the structurally weak countries with greatest pressure for unsustainable pay rises will become even weaker because they will not be able to use the exchange rate to pass on costs'.

Conditions Facilitating Corporatist Agreements

This brief profile of corporatist experiences leads us to consider the conditions which facilitate the negotiation and successful implementation of such agreements (cf. Korpi and Shalev, 1980; Schmidt, 1982; Schmitter, 1981; Cameron, 1984; Western, 1991). The formal, organisational conditions will be outlined first, followed by the strategic considerations relevant to each side in the negotiating process.

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Corporatist agreements might be described as ‘class-compromise’ agreements, because organised labour undertakes, in its negotiations with employers, to restrain industrial militancy and to hold back on maximising its short-term wage gains; the objective is to improve medium-term economic performance in ways that would benefit both workers and employers (Przeworski, 1985). The result can be thought of as a ‘positive-sum’ outcome from which both sides benefit. Control of inflation can be thought of as a ‘public good’ desired by employers and unions alike. Employers might also be expected to value industrial peace, and the predictability of wage increases. Trade unions attach priority to real pay increases, but also to control of unemployment. Their central organizations may be thought of as having ‘class-wide’ interests, because labour-market conditions are crucial to the collective well-being of all employees (Korpi, 1978, 1983; Cameron, 1984; Offe, 1985).

Where employer and trade union organisations cover a relatively large proportion of their respective potential memberships, the authority of their federations would be expected to be great. ‘Encompassing organisations’, that is, organisations that span the whole, or the greater part, of their total potential constituency (Olson, 1982), are best placed to take a broad overview of economic performance, of how their activities affect it, and of strategies to improve it.

High levels of industrial concentration facilitate employer organisation (Ingham, 1974; Cameron, 1978). Where employers are relatively homogeneous, they are likely to experience less difficulty in organising effectively and building up high levels of membership of employer associations. The kind of trade union organisation which is most conducive to corporatist agreements in turn requires high union density, a unified trade union movement, and a high degree of authoritative centralisation on the part of the union federation (Schmitter, 1981; Schmidt, 1982). An industrial basis of organisation may be more favourable than a combination of craft and general unions, because industrial unions facilitate the absorption of rank and file tensions within the organisation, thus reducing open conflict. They also make it easier to centralise bargaining at the national level. The nature of the legal framework of industrial relations can also be important in stabilising agreements, as strong juridification of industrial relations can contribute to strengthening the authority of the central union federation (Crouch, 1985).

The character of the manufacturing sector of the economy may have a significant bearing on the unions’ willingness to participate in wage agreements. If that sector which is most exposed to international trading conditions is relatively large, and also highly unionised, these unions are likely to exert a strong, perhaps dominant, influence within the trade union
federation. The need to protect competitiveness is therefore more likely to be recognised within the labour movement, and the exposed sector will take the lead in pay bargaining (Crouch, 1991, 1992). The Swedish unions’ strategy on pay from the 1950s on, which resulted in one of the paradigm cases of ‘concertative’ agreements, was based on the explicit recognition of two sectors in the Swedish economy: an exposed, competitive, manufacturing sector, and a sheltered sector of non-tradeable goods and domestic services (Edgren et al., 1973; Gourevitch et al., 1984). An additional feature which helped the ‘Swedish model’ to become well established in the 1950s and 1960s was the relative weakness of white-collar trade unions and the dominance of the trade union federation organising private sector industrial employees (the LO) over other federations. This greatly facilitated acceptance of the primacy of the needs of the exposed sector (Gourevitch et al., 1984).

Close relations between the trade union movement and the governing party or parties will further improve the prospects that comprehensive pay agreements will be successful. The political character of the party or parties in power may be important in either of two ways. First, a Social Democratic or Labour government in power can help to secure agreements by boosting the confidence of the trade union movement that the government of the day is seriously committed to objectives which the movement shares. Secondly, where (as in most cases) a leftist party does not occupy a ‘hegemonic’ position, what may be more important is the ideological distance between parties in the political spectrum, especially with regard to the management of the economy. Where the government is formed by a coalition of parties, co-operation between them may require ‘consensus-oriented’ pay agreements (Scharpf, 1991). Such a narrow range of disagreement among the main parties has been a feature of Austrian politics, and also, though to a lesser degree, of politics in West Germany and the Netherlands. In contrast, where it is likely that the orientation of economic policy will be reversed with a change of government, stable and successful concertation of economic interests is less likely (as, for example, in Britain).

For each participant, though, wage-regulation agreements must provide a credible means of advancing at least some of the interests that are most important to its members. If such agreements succeed in improving medium-term economic performance, all sides acquire a vested interest in their continuance. During the 1960s and 1970s, these agreements held out the prospect of generating growth without producing damaging inflation. The countries in which corporatist structures were well established tended to be characterised by low inflationary wage pressures, the continued preservation of low unemployment, high levels of employment, and low
strike rates (see, e.g., Korpi and Shalev, 1980; Schmidt, 1982, 1988; Cameron, 1984). The ‘politics of the virtuous circle’ was evidently functioning successfully (Castles, 1978; Lange, 1984). This ‘positive-sum’ game provided enough incentives for all sides to remain committed to corporatist agreements. But economic contingencies affect the probability that a positive-sum outcome will be possible. Similarly, even where formal conditions appear to be favourable to such agreements, the relationships between unions and employers, unions and government, and employers and government, are contingent and subject to strategic calculations.

During the 1980s, it became increasingly apparent that the relationship between the level of wage bargaining and economic performance was not linear, as earlier analysts had argued, but rather follows a ‘U-curve’. Steady growth and low levels of unemployment were not only evident in the centralised systems: they were also to be found in countries with weak and highly decentralised labour market organisations and fragmented collective bargaining arrangements, generally governed by parties of the right or centre-right (Garrett and Lange, 1985; Calmfors and Driffill, 1988; Paloheimo, 1991). The most prominent exemplar of this ‘free-market’ approach to growth and employment creation during the 1980s was the USA (Esping-Andersen, 1990: ch. 9).

One explanation of these alternative paths to successful economic performance can be found in Olson’s (1982) analysis of the effects of organised labour on growth prospects. He suggests that where unions have relatively little power to disrupt market processes, employer responses to market signals can be swift, and changes in demand and in competitive conditions can easily be accommodated. If union density increases but unions are fragmented, each can pursue its own short-term advantage while disregarding the consequences for the rest of the economy; an individual union need not concern itself if its members’ pay increase is passed on elsewhere as a price increase. The cumulative effect of a multitude of such decisions will, however, be highly disadvantageous at the aggregate level. But if union density is high, and unions have an effective means of co-ordinating their activities, the union leadership can take an overview of the consequences of union activities at the macro-economic level. An ‘encompassing’ union organisation can devise a strategy to avoid the disruptive consequences of unions’ disaggregated pursuit of their interests. Thus, according to this analysis, good economic performance would be expected both in countries in which unions were weak and ineffective and in countries in which they were strong and ‘encompassing’.

On the opposite side of the ‘U-curve’ from countries following the free-market model during the 1980s were those with a co-ordinated approach
to economic management. But there were in fact two clusters of countries featuring high levels of labour market co-ordination, of very different sorts. Austria, Sweden, and Norway were all characterised by strong and centralised trade union organisations, and large Social Democratic parties in parliament (though not always in government). Their experiences correspond most clearly to Olson's analysis of the role of 'encompassing' union organisations. A second cluster, however, comprised Japan and Switzerland, (and Germany, though its higher levels of unemployment during the 1980s remove it somewhat from the 'pole' of successful economic performance). These cases reveal a very different means of providing co-ordination in industrial relations institutions, labour market policies, and pay determination processes. Organised labour is not a strong actor at the centralised or national level, but is integrated into policymaking and wage formation at lower levels in a variety of ways (Therborn, 1986; Soskice, 1990, 1991).

None of this is to suggest that either the decentralised or the centralised models were without their own difficulties. The US model encountered increasing problems in employment generation and fiscal stability during the 1980s, and a variety of unsolved 'public goods' problems in social provision, through its pursuit of market-based solutions. On the other hand, most of the centralised systems encountered limits to the effectiveness of planning under the changed economic conditions. The prospect of EC economic integration impelled several countries which were not members of the EC, including Sweden, Norway, and Austria, to reorient their own economic policies to cope with the new situation. Greater mobility of labour and capital, 'harmonisation' of tax systems, and fixed exchange rates made it far more difficult for domestic economic strategies to function independently of trends in other countries. By 1990, Sweden and Norway had aligned their currencies with the European Monetary System, and Sweden and Austria had applied for EC membership. Whether or not centralised systems would continue to be the dominant strategies in these countries remained an open question, but the preferences of the Swedish employers had shifted decisively towards decentralised and market-based solutions.5 Furthermore, in many western countries, electoral considerations were weakening the relationships which parties of the left had previously cultivated with organised labour (Peterson, 1987; Hall, 1990).6


6 The Spanish Prime Minister, Felipe Gonzalez, was reported to have commented with relief on the unions' breach with the party, as parties of the left all over Europe needed to 'recover their autonomy'. Interview, Financial Times, 17 December, 1990.
Nevertheless, the curvilinear relationship between bargaining systems and economic performance crystallises the problem faced by countries with 'intermediate' arrangements, whose economic performance has been generally poor: it is not clear in which direction change would most improve their performance. Ireland can be taken as ‘intermediate’ in this sense. It has relatively decentralised labour market institutions with ‘some tendencies’ to centralisation (Paloheimo, 1991: 120; cf. Roche, this volume). It has a political system in which the major parties do not divide on the conventional left–right spectrum, and the main parties have not typically evinced pro- or anti-labour strategies (see Mair, this volume).

The next section deals with the emergence of interest in centralised, corporatist pay agreements in Ireland during the 1970s, and investigates the reasons why, by 1981, all sides had come to believe that their usefulness had been exhausted. The subsequent section analyses the Programme for National Recovery (PNR) of 1987 and the Programme for Economic and Social Progress (PESP) of 1991. It discusses whether anything fundamental had changed in the attitudes and commitments of each side, and evaluates the prospects for agreements of this kind becoming central and stable elements of national policy.

The Politicisation of Collective Bargaining in the 1970s

The move toward centralised pay agreements in Ireland, as elsewhere, arose from the problems of economic growth. A strike wave in the late 1960s developed for reasons similar to those which obtained in several other European countries: economic growth and tighter labour markets facilitated a shift of power to the workplace level of organisation (Crouch and Pizzorno eds., 1978, vol. 1). In the Irish case, craft workers’ pay rates exercised a ‘leadership’ role which intensified wage pressures and heightened industrial militancy (McCarthy, 1973; McCarthy et al., 1975).

The National Wage Agreements (NWAs) of 1970 to 1978 were not negotiated primarily to facilitate the macroeconomic management of inflation, unemployment and growth. The objectives were to negotiate increases in employee incomes in a more orderly way than hitherto, to provide a mechanism for dispute settlement, and to keep government out of direct involvement in pay determination. The trade union negotiators were mandated to take as their central objective the protection of living standards through pay compensation, particularly during the years of high
inflation in the mid-1970s, following the oil price crisis. The centrally-agreed norm also permitted increases above the norm to be sought, on certain conditions, through local bargaining: the NWAs were ‘two-tier’ agreements from the outset (O’Brien, 1981; Hardiman, 1988).

Governments became more interested in the terms of the agreements in the course of the 1970s. They wished to exercise a direct influence on the terms of the public service pay bill. But in addition, the centralised pay agreements came to assume considerable importance for their own macro-economic objectives, first during the oil-price crisis and then during the international recovery of the later part of the decade. The first cautious attempts to influence pay norms through tax concessions were made by the Fine Gael–Labour coalition, in 1975 and 1977. But a much more overt proposal linking budgetary concessions with pay outcomes was made by the Fianna Fáil government in 1978. The National Understandings of 1979 and 1980 represented the culmination of this expanded bargaining agenda. Both involved some tax concessions to employees and a range of government spending commitments on employment, health, education and other matters, in addition to the public and private sector pay agreements (see Roche, 1982).

However, by 1981 all sides took the view that the agreements had not worked to their advantage. Wage drift had grown to proportions which the private sector employers held were no longer sustainable (cf. Fogarty et al., 1981). Moreover, by the late 1970s the growing incidence of industrial conflict had further reduced the attractiveness of the agreements (Hardiman, 1988: ch. 4). Considerable political pressure had been brought to bear on the private sector employers to agree to the terms of the second National Understanding in 1980, but after it expired, they withdrew altogether from any further negotiations.

A significant source of discontent for employers and employees alike was the growing ‘tax wedge’ between real and disposable income. The tax base of the economy had remained narrow, because industrial policy required company taxation to be relatively light, and agricultural interests and the self-employed constituted powerful traditional lobbies against attempts to extend the reach of the tax system. Despite reform at the margin, the tax system came to rely ever more heavily on employees during the 1970s, as rapid nominal pay increases drew more and more into the tax net (Hardiman, 1988: ch. 4; Breen et al., 1990: ch. 4). The tax burden

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7 Ruaidhri Roberts (ICTU) cited a typical comment on ICTU’s bargaining policy in the mid-1970s, reflecting the lack of economic sophistication among many union activists: ‘Let’s go for a really big wage increase this time, one so big that inflation just can’t catch up with it’ (in interview in 1983).
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had itself become an object of employee dissatisfaction, occasioning massive street protests in 1979. Employers in turn increasingly held tax rates responsible for stimulating excessive pay demands. Although grievances arising from the tax structure risked undermining continued support for the centralised pay agreements, problems in public finance by the end of the 1970s made significant reductions very difficult.⁸

By the early 1980s, government found itself facing heavy public spending commitments, and a sizeable fiscal deficit, much of it financed by increased foreign borrowing (Hardiman, 1988: ch. 4). The increased borrowing and spending undertaken by the Coalition government in the mid-1970s had largely been brought under control by 1977 (OECD, 1982: 38). The public spending commitments undertaken by Fianna Fáil proved far more difficult to curb, and the fiscal deficits thus generated were to dog successive governments during the 1980s.

What, then, went wrong? The pay agreements had appeared to develop into a classic form of ‘concertation’ whereby the outcomes of pay determination were negotiated to complement macroeconomic objectives. Yet these agreements did not become successful ‘class compromises’. Four factors may be identified to account for this. First, employers’ interests were diverse and difficult to co-ordinate effectively. Secondly, the trade union leadership faced organisational difficulties in any attempt to advance collective, ‘class-wide’ interests. Thirdly, the cleavage structure of the party system made it difficult for governments, under conditions of fiscal expansion, to establish firm policy priorities. Fourthly, the structure of the economy itself cast doubt on the credibility of a strategy of employment growth through wage regulation agreements.

**Employer diversity**

The employers’ main concerns were to secure wage costs consistent with the requirements of competitiveness, and to minimise the incidence of industrial conflict. But the changing nature of the Irish economy limited their ability to take a common line.

The principal feature which differentiated the Irish economy from other small economies with a longer experience of stable wage regulation agreements was the rapid development during the 1970s of a foreign-owned sector of manufacturing. This was concentrated in the most modernised, developed, and export-oriented industries (NESC, 1982,

³⁸ The tax wedge continued to worsen: between 1979 and 1983, real after-tax wages of the average employee fell by 15 per cent, while real labour costs to firms rose by 12 per cent (OECD, 1989a: 46).
1983; O’Malley, 1989 and this volume). Increasingly, Irish manufacturing industry was becoming differentiated between an older, often labour-intensive sector, largely indigenously-owned, and a newer, more capital-intensive and predominantly foreign-owned sector. The traditional industries suffered most heavily with the onset of recession, and wage costs were clearly of considerable significance to them. But the companies in the foreign-owned sector generally tended to be capital- rather than labour-intensive, so pay costs represented a lower proportion of their total costs. The export-oriented, mainly foreign-owned sector also tended to be far more profitable than the domestic productive sector (O’Hearn, 1989: Table 11, 592). This increased the incentives to employees in these firms to seek ways to improve their relative pay position through additional workplace bargaining.9 Many firms, especially in the foreign-owned sector, were willing to make additional payments to skilled labour in excess of the basic terms of the pay agreements. This counteracted the compression of differentials which the basic provisions of the pay agreements alone would have effected (cf. Fogarty et al., 1981: 16).

Foreign-owned companies were also likely to have a weaker interest in, or long-term commitment to, employer solidarity than Irish-owned companies. In a survey undertaken for the IDA in 1984,10 foreign-owned firms were found to be almost as likely as Irish-owned to be members of an employers’ association, but almost all of them conducted their bargaining as individual companies rather than as part of a group (only one-third of Irish-owned companies did so); they were also significantly more likely to use their membership of the employers’ association for information only. In these cases, the most the FUE (Federated Union of Employers; Federation of Irish Employers, or FIE, from 1989) could do was to encourage these firms to make additional payments in ways that would not involve too transparent a breach of the terms of the centralised agreements.11

Such differences among employers therefore made it difficult for them

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9 It would not be correct, though, to assume that the ‘modern’, largely foreign-owned sector, always pays the highest wages. Other factors such as the structure of the workforce are also relevant. For example, electronics, health care products, textiles, and clothing have a high proportion of female assembly-type workers, and wages are at or below the average for industry. The drink, chemicals, and pharmaceuticals industries have relatively high average wages: they are highly capital-intensive and have a higher proportion of technical and other skilled workers (cf. O’Hearn, 1989: 592-3).


11 Dan McAuley, former FUE Director General, stated in interview in 1983 that American companies would ‘run a mile’ if they thought the FUE was trying to influence their in-house industrial relations.
to devise a common strategy on pay policy (cf. also Hardiman, 1988: ch. 6). Furthermore, many FUE member companies were ill-prepared for two-tier bargaining. Collective bargaining prior to the 1970s had involved more multi-employer or industry-level bargaining, especially in the industries producing for the domestic sector. The centralised agreements increased the volume of claims advanced at firm- or plant-level, and many employers found it difficult in the circumstances to resist them. The private sector employers lacked the co-ordination to establish the pay agreements on terms more favourable to their own interests.

Problems of trade union co-ordination

A number of the characteristics of the Irish Congress of Trade Unions (ICTU) diminished its scope for authoritative policy-making. The peculiarities of the early development of the trade union movement gave it contours which would, under any circumstances, render it difficult to devise a common, collective strategy (cf. Roche, this volume). Pre-independence Ireland already had a trade union structure on the British model before it had very much of an industrial base at all (McCarthy, 1977). The Irish trade union movement included craft unions, general unions, public sector unions, and quasi-industrial unions. The unions' organisational fragmentation was reduced somewhat during the 1970s and 1980s. But the legacy of British patterns of decentralised organisation and collective bargaining, combined with a permissive legislative system in industrial relations, meant that the capacity of ICTU to articulate 'class-wide' interests and to devise collective strategies was always limited.

Furthermore, trade unions which had their head-offices in Britain continued to organise Irish members in post-independence Ireland. The division between British-based and Irish-based unions overlapped, to some extent, with a division in unions' ideological orientation to collective bargaining and relations with government. Though there were exceptions, the Irish-based unions tended to favour a pragmatic approach to negotiations with government, while the British-based unions tended to be deeply attached to a workplace focus of collective bargaining, and were particularly opposed to any form of incomes policy (see, e.g., McCarthy, 1977: 578–9; Roche, this volume). The latter group of unions, along with some Irish-based, mainly craft unions, constituted a recurrent problem for the union leadership, because they opposed all moves towards centralised bargaining. They were motivated by ideological disdain for pay

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12 There were 95 trade unions in 1970, 75 in 1985, and 69 in 1989. See Roche this volume.
negotiations with the state, or by economic self-interest (since they organised among the more highly-paid employees), or by both considerations.

During the 1970s, changes in the employee workforce introduced new divisions of interest into the union movement. First, the growth of new industries, as outlined above, differentiated the interests of employees in manufacturing. Crouch (1991, 1992) has suggested that unions in the exposed, competitive sector of the economy are crucial for the development of union commitment to corporatist pay agreements. But employees in this sector in Ireland could scarcely be expected to play such a role. Employees in the exporting sector were not organised in a single union or bloc of unions, comparable, say, to the metal-workers' unions in some other European countries. Employees in manufacturing in both the foreign-owned and domestic-owned sectors tended to be organised by the same unions.

Secondly, during the 1970s employment increased steadily in services and especially in the public sector (Conniffe and Kennedy, 1984: 261). This contributed to the steady increase in white-collar trade union membership (Roche and Larray, 1989). More than seventy unions were affiliated by ICTU by the mid-1980s, and by then about half of all trade unions had a membership confined wholly or mainly to the public sector (Cox and Hughes, 1989). These unions steadily gained in influence within ICTU but, more significantly for pay policy, public sector employees were also organised by a wide range of other unions—craft unions, and the big general unions—which were not primarily public sector unions. It was estimated that, by the mid-1980s, at least half of the country's trade union members were public sector employees, and that only about fifteen unions had no public sector members (Cox and Hughes, 1989). This helped to prevent conflicts of interest between different categories of employee from being expressed as clashes between discrete organisations; but at the same time it made it difficult for unions to establish clear priorities between the diverse interests of their memberships. In attempting to generate any strongly centralised strategy, the senior officers of ICTU had no independent base of support. The Executive Council comprised trade union leaders who were subject to a variety of particularistic pressures emanating from their own membership, and focused on pay and pay-related benefits. Thus, with no real opportunity for constructing an overarching, collective definition of economic interests, ICTU had little option during the 1970s but to press for the widest scope for two-tier bargaining. The 'vectors' of divergent interests were therefore crucial in shaping the priorities adopted (see Hardiman, 1988: ch. 5).

Political commitment to pay agreements

The Irish political system, lacking the articulation of class or distributive issues in party organisation, facilitates the formulation of concertative strategies in some of the ways suggested earlier. The largest party, Fianna Fáil, has consistently drawn significant cross-class support; and the alternative of a Fine Gael–Labour coalition, which formed governments in the mid-1970s and between 1982 and 1987, also had a cross-class support profile, though rather different in kind (Chubb, 1982; Mair, 1987 and this volume). The commitment first by the Coalition government and later by Fianna Fáil to support a form of social partnership with wage negotiation at its core fulfils one of the conditions specified above for effective concertation.

However, the nature of that commitment deserves further scrutiny. As Mair in his paper below shows, awareness of distributive conflicts is widespread in Irish society but the party system tends to blur its articulation. Coalition governments of Fine Gael and Labour have been characterised by cross-cutting priorities of economic liberalism and social welfare. However, the contradictions within Fianna Fáil have been of greater significance for the fortune of wage regulation agreements. Its cross-class electoral support and its ideology of national interest and national unity have disposed it more strongly than the Coalition governments to seek support from, and co-operation with, all sections of Irish society (Chubb, 1982: ch. 6; Bew et al., 1989; Lee, 1989). And although trade unions' political affiliation, where they have any, is to the Labour Party, trade union leaders recognise that Labour's influence, when in government, is not great. Links between sections of the trade union movement and the Fianna Fáil party are strong, and influential union leaders have attached greater significance to their relations with Fianna Fáil than to those with any other party (Hardiman, 1988: ch. 7; Bew et al., 1989: ch. 4).

Fianna Fáil's own vaunted freedom from ideological commitments disposes it to adopt a relatively short time-scale in its approach to mediating distributive conflict. This feature is not unique to Fianna Fáil (nor indeed to Irish democratic politics). But the content of such short-term calculations is further moulded by an electoral system which encourages localism and particularism at the expense of a sense of national priorities (Carty, 1981).

The role of the pay agreements in mediating adjustment to the shocks of inflation and unemployment, particularly in 1975 and 1976, was generally deemed positive. Indeed, the incoming Fianna Fáil government of 1977 was prepared to approve the centralised agreements more overtly.
than its predecessors. But this political support for continued centralised bargaining itself added a new element to employer and trade union expectations. The trade union movement came to see the growing involvement of government in the process, particularly that of the Fianna Fáil government, as providing an additional forum for pursuing gains on issues under the direct control of government. The degree to which fiscal concessions were seriously conditional upon the level of pay increase in the agreement had never been clear, though trade union negotiators understood that an element of give-and-take was required in the (confidential) negotiations. But by the end of the decade, the unions were aware of the political importance which government attached to securing agreements, and knew that once pay terms were not too far above the limits indicated, government was very unlikely to rescind its offers. A senior trade union leader, centrally involved in the negotiations of the period, commented in retrospect that for a while during the National Understandings, ICTU exercised ‘a lot of clout—more than it should have been able to’; and that where this happens in bargaining situations, ‘what is implied is ineptitude on the part of the other side’.14

Fianna Fáil has at various times evinced a pragmatic commitment to containing and absorbing conflicts, and to finding ways of accommodating discontent without alienating important constituencies of support. But this characteristic of its electoral strategy contributed to what came to be seen as the excessively high political and economic cost of achieving the last two centralised agreements of the 1970s.

The structure of the economy

The scope for government to exercise significant control over economic performance was limited, most obviously so in the areas of inflation and unemployment (Hardiman, 1988: chs. 2, 4). Government’s capacity to control inflation was restricted by the openness of the economy and its close trade links with Britain, and by the parity which was maintained between the Irish pound and sterling until 1979. These factors meant that Irish inflation levels were heavily dependent on those obtaining in Britain.

From the trade union side, one of the essential elements of concertative wage agreements, the assurance that wage restraint would improve longer-term employment prospects, was particularly uncertain in the Irish case. Industrial growth was heavily based on attracting foreign investment. This

14 Ruaidhri Roberts, in interview in 1983. Another senior trade union leader commented that negotiating public service pay increases in 1980–81 was like ‘pushing at an open door, with a smiling Taoiseach sitting behind an open coffer asking, how much do you want?’.
strategy of 'dependent' development meant that there was no guarantee that the economic benefits of wage restraint would translate into domestic investment (O'Hearn, 1989; O'Malley, 1989). Trade union scepticism regarding the commitment of foreign industry to the Irish economy deepened during the 1970s as evidence accumulated of the extensive repatriation of profits to the overseas parent companies.\textsuperscript{15}

It also seemed evident to the unions that tax incentives were more important than pay levels in attracting direct inward investment. Industrial policy was based on providing attractive corporate tax rates, grants, and a variety of allowances and tax expenditures to attract direct foreign investment and to boost an export orientation. This resulted in relatively heavy employee taxes which implicitly disfavoured employment-intensive investment. The relative prices of capital and labour were distorted, to labour's disadvantage, throughout the 1970s (OECD, 1979: 37). There was, therefore, a degree of tension between pay policy and employment creation policy which governments found it difficult to manage convincingly. Governments could argue that in the absence of pay agreements, job creation prospects would be worsened. But it appeared to the unions that the connections between pay restraint and employment expansion were very tenuous. Public sector job creation could alleviate unemployment to some degree, but it became increasingly clear in the late 1970s that this entailed excessive fiscal costs.

In sum, although many of the conditions impelling the 'social partners' towards concertative agreements were present in Ireland during the 1970s, there were also powerful reasons why the agreements did not develop as successful elements of a macroeconomic 'virtuous circle'. In this light, the shift away from centralised collective bargaining between 1981 and 1987 was relatively unsurprising. Fiscal crisis left no scope for government interest in concertation agreements (Roche, 1989). High and rising unemployment limited trade union militancy. The employers' associations provided strong support for a more vigorous approach to company-level bargaining. In Ireland, as elsewhere in western Europe (Streeck, 1990), this did not necessarily mean overt hostility to trade unions or a radical revision of collective bargaining arrangements. Some issues, such as the introduction of new technology, increased responsibility, and task flexibility, required greater employee involvement in work processes and could only be negotiated effectively at company level. During these years,

\textsuperscript{15} 'The size of profit repatriation by foreign-owned companies significantly affects the current external balance'; in 1977 it amounted to 2.5 per cent of GNP; this had risen to 10.5 per cent by 1988. (OECD, 1989a: 41).
however, ICTU found itself fragmented in its organisation and in its pay negotiation functions, and unable to influence the apparently inexorable rise in unemployment. From this chastening experience, and from a determination to avoid the fate of political irrelevance which had overtaken the British trade union movement, a new approach to trade union strategy was developed. But it needed the return to government of Fianna Fáil in 1987 to give it effect.

The Centralised Agreements of the 1980s

Both the Programme for National Recovery (PNR) and the Programme for Economic and Social Progress (PESP), like the earlier National Understandings, may be seen as ‘concertative’ agreements. The most obvious difference from the earlier agreements, though, was the economic climate in which they were negotiated. The enormous fiscal problems of the 1980s, and rising unemployment and emigration, left little room for manoeuvre. This time the trade unions’ bargaining strength was weaker, and employers and government alike were working within much tighter constraints.

Both the PNR and PESP involved three-year phased pay agreements—a longer term than any that had been negotiated during the 1970s. The PNR, negotiated in October 1987, consisted of two parallel pay agreements, one for the public and another for the private sector, which averaged out at approximately 2.5 per cent per annum. The private sector agreement (though not the public sector one) ruled out any additional cost-increasing claims, to avoid the re-emergence of two-tier bargaining.16 On the government side, spending commitments were restricted to employee tax relief. Public spending was cut sharply in the following budget, in line with government commitments and with the support of all parties to the PNR, in order to reduce the ratio of public debt to GNP and to make progress towards further reducing the fiscal deficit. Only in this way, it was argued, could economic recovery begin and employment prospects improve.

When the PNR was due to expire, it was initially unclear to the employers or to government that a second agreement on similar terms would be obtainable, in view of the economic improvement already under way. In the event, an agreement was reached in January 1991 for a pay agreement averaging approximately 4.8 per cent per annum over three years.17 The union side pressed for some element of local bargaining in

16 For details, see e.g. *Irish Times*, 10 October, 1987.
17 For details, see e.g. *Irish Times*, 16 January, 1991.
this agreement; employers conceded limited rights. This agreement, like the PNR, was developed as the central element of a broader government economic plan. The PESP involved tax concessions and further government commitments to spending on social welfare, education, and health.

Several aspects of the PNR and PESP mark them off from the agreements of the 1970s. First, a firmer consensus on the problems of the economy appeared to have been reached during the mid-1980s, which might be seen as improving the stability of any ensuing neo-corporatist arrangements (cf. Armingeon, 1986). Secondly, although it is too soon at the time of writing to draw any firm conclusions about the PESP, the PNR received a positive evaluation across a relatively broad spectrum of opinion. How much, then, one may ask, has really changed since the 1970s, and how stable are these agreements likely to be in the altered economic circumstances of the 1980s and early 1990s?

The economic analysis which underlay the PNR originated with an influential report produced by the tripartite consultative body, the National Economic and Social Council (NESC). Through the involvement of all the major economic interests and of government representatives, that body had functioned during the mid-1980s as never before as a forum for discussing the economic crisis, particularly the crisis in the public finances, and the political options for tackling it. The NESC report, A Strategy For Recovery (November, 1986), was explicitly intended as a consensual statement; no minority, dissenting opinion was appended. There was no mention of pay policy in the report, but it identified the central problems of the Irish economy which would need to be addressed. Although it had been commissioned by the Coalition government, it was widely perceived as non-party document.

The advent to power of Fianna Fáil in 1987 was crucial to the possibility of a return to centralised pay bargaining. While still in opposition, Fianna Fáil had proposed building on the NESC consensus; it had incorporated proposals for a tripartite agreement in its election manifesto, and had given priority to the negotiation of the PNR upon taking office. Fine Gael had made it clear while in government (with the Labour Party) between 1982 and 1987 that it did not intend to diminish the distance it had imposed between the trade union movement and government.18

The performance of the economy during the three years of the PNR was considerably better than that of the preceding few years. The strategy

18 In his memoirs, ex-Taoiseach Garrett Fitzgerald commented that ‘Meetings with ICTU were formal, often tense, and on the whole unproductive throughout our term’ (Fitzgerald, 1991: 454).
of the PNR was summarised by an influential economic commentator as one of ‘deflationary expansion’ (McAleese, 1990). The current Budget deficit was brought sharply down, and Exchequer borrowing was reduced.\(^1\) Tax expenditures were a central part of the PNR strategy, and government spent approximately three times the amount originally committed in budgetary tax relief, targeted primarily at the PAYE sector.\(^2\) The debt-to-GNP ratio had been reduced from 130 per cent in 1987 to about 123 per cent by the end of 1989, with prospects of further reduction.\(^3\) Of the industrial countries which started the decade with sizeable fiscal deficits, Ireland was one of the worst placed; yet by 1990 it ranked second only to Denmark in the size of the transformation which had been accomplished (McAleese, 1990). Both interest rates and inflation had been held below the EC average during the second half of the decade, an unusual experience for Ireland. Despite the severe retrenchment in public spending, growth increased each year between 1987 and 1990. Improved levels of confidence in economic performance permitted producers and exporters to take advantage of an upturn in international economic conditions.

Of greater immediate significance for the trade union movement, real disposable incomes actually increased somewhat between 1987 and 1990, through a combination of negotiated pay increases and tax concessions, following the years of real pay decline earlier in the decade.\(^4\) Estimates of the figures involved have varied, depending on the assumptions made, but the tripartite PNR Central Review Committee estimated that, whereas average earnings had fallen by between 8 and 10 per cent between 1980 and 1987, they had increased by between 4 and 9 per cent between 1988 and 1990.\(^5\) And although unemployment remained very high, at around

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\(^1\) The current Budget deficit fell from 8.3 per cent of GNP in 1986, and 6.5 per cent in 1987, to 1.7 per cent in 1988 and 1.3 per cent in 1989. Exchequer borrowing declined from 12.8 per cent in 1986, and 9.9 per cent in 1987, to 3.3 per cent in 1988 and 2.3 per cent in 1989 (McAleese, 1990: Table 2).

\(^2\) Between 1988 and 1990, the standard rate of income tax was reduced from 35 per cent to 30 per cent, and the top rate from 58 per cent to 56 per cent, allowances were increased, and the (hitherto very narrow) bands for the standard and 48 per cent rates were broadened.


\(^4\) This contrasted with the terms of the centralised agreement negotiated by the Finnish centre-right government in November 1991, which involved a two-year pay freeze as part of a package of measures to deal with economic crisis.

\(^5\) The *Quarterly Report* of the Monitoring Unit of the Department of Labour, July–September 1989, similarly estimated that during 1988 and 1989, increases in real take-home pay for those on average earnings and average male earnings ranged from 3 per cent to 7 per cent.
18 per cent, it was estimated that employment had increased by some 30,000 between April, 1987 and April, 1989.24

The low inflation and low interest rates of the late 1980s not only increased the real value of the pay agreement to employees, but did so in a way that did not impose costs on the private sector employers. Over the course of the PNR, in contrast with the 1970s, the share of profits in national income increased and that of employees' wages and salaries decreased.25 The private sector employers had been slow to become involved in centralised processes again, particularly in view of the 'irrationality' of the terms on which the second National Understanding had been concluded.26 They only became involved when it was clear that a headline-setting public sector agreement was imminent. They insisted that second-tier bargaining should be prohibited for the duration of the agreement. Once the union negotiators had accepted this, the employers were persuaded that there were real advantages to be gained from the PNR.

Their willingness to support the PNR is further explained by the fact that the outcomes of decentralised collective bargaining between 1980 and 1987 had not been altogether to their satisfaction. The incidence of additional cost-increasing claims had been reduced, and industrial militancy was depressed by unemployment and recession. But nominal wage increases were less flexible than they wished: competitiveness was protected by exchange rate movements more than by pay developments.27 In contrast, competitiveness improved markedly between 1987 and 1990, as hourly earnings in common currency declined in 1988 and 1989 and unit wage costs fell even more dramatically.28 Unlike in the 1970s, those

24 PNR Central Review Committee Progress Report, February 1990. The rate of employment gain was expected to be 13,000 in 1990. Notified redundancies in 1989 were 13,400, but this was the lowest since 1979 and over 40 per cent lower than in 1988. The Department of Labour Annual Report, 1989, reported that the average rate of unemployment for 1989 was 17.9 per cent, compared with an average of 18.4 per cent in 1988. Net outward emigration was 27,000 in 1986/87, 32,000 in 1987/88, 46,000 in 1988/89, but was forecast, on the basis of ESRI data, to decline by about 20,000 between April 1989 and April 1991 (Annual Report, 1989: 18).
25 Paul Tansey, 'The negotiations will really be a struggle for economic power', Sunday Tribune, 11 November 1990.
26 This and other comments in this paragraph are drawn from an interview with John Dunne (FIE).
27 Gross hourly earnings in Ireland rose by three-quarters between 1980 and 1985, and by less than half in comparator countries; productivity gains and a recovery in sterling in relation to the punt reduced the loss of competitiveness expressed in terms of common-currency unit wage costs (see Hardiman, 1988: 219-21).
in stronger market positions did not engage extensively in additional bargaining 'above the odds', visible in the forms of wage drift. Some pay increases above the terms established by the PNR were indeed negotiated, especially in industries such as pharmaceuticals, chemicals, and electronics. But the national pay terms evidently exercised a dominant influence on pay movements, and senior officers of the FIE reported that when account was taken of increased output and extra overtime, the extent of wage drift was actually very small. The relatively low levels of wage drift were attributed to managers' experiences during the earlier years of the 1980s when they 'learned how to manage again'.

However, the successes of the PNR owed a great deal to the improvement in the international economy in the late 1980s. Many of the underlying problems which had created difficulties for the agreements of the 1970s were still in evidence. The stability and durability of pay agreements were not yet assured. In what follows, the aim is not to attempt to predict the eventual outcome of the PESP in any detail, but rather to consider the various factors which might tend either to strengthen or to weaken the prospects of corporatist pay agreements in Ireland.

Tensions within the trade union movement

During the 1980s, influential trade union leaders increasingly saw a return to the national stage as their only hope of escaping organisational decline. In the context of falling membership and increasing unemployment, one union leader had commented that: 'The trade union movement can hardly now be called a movement; it is more a loose federation of organisations

29 The surveys of pay developments by the Central Statistics Office and the Department of Labour Monitoring Unit make this clear. While actual real take-home pay was estimated to have increased by between 3 and 7 per cent during 1988 and 1989, it would have increased by between 1 and 5 per cent for those receiving only the standard increases.

30 Interviews with John Dunne and Gerry Dempsey (FIE). Jim O'Brien, a director of FIE, estimated that the first phase of the pay agreement was applied as written in 85 per cent of agreements and to 74 per cent of employees. 'Only 3 per cent of the 1000 agreements analysed by FUE differed from the PNR for no apparent reason—and these involved only 1.5 per cent of employees in the sample of 433,516 employees covered by the analysis. All in all this was an unparalleled degree of commitment to what was, in essence, a modest three year pay agreement' (O'Brien, 1989: 146).

31 Interview with John Dunne (FIE).

32 For a sceptical view of the role of the PNR in economic recovery up to 1990, and a distinctly negative prognosis for the PESP, see, for example, Durkan (1991); also Sean Barrett, 'A Case of National Misunderstanding', Business and Finance, 24 January, 1991.
each dismally engaged in pursuing sectional interests'. The trade union movement had therefore to take part in any stabilisation and recovery strategy, 'if it was not to be seen as part of the problem rather than as part of its solution'. The leadership of ICTU also took the view that unemployment was primarily a political issue, one which would not be remedied without political intervention (ICTU, 1984)—an unlikely prospect in the mid-1980s. The need to develop a credible policy on this issue became pressing as unemployment worsened. The clear implication of these reflections was that a more calculated political presence and policies with a longer time-scale would be the only way to remain viable as a collective voice.

Many union leaders increasingly looked to other west European countries for their models, a tendency strengthened by ICTU's increased involvement with the European Trade Union Confederation (ETUC), arising particularly from debates over the EC's Social Charter. An ICTU policy document (1990) stated that:

The overall aim of the long-term strategy should be the development of a modern efficient social market economy in Ireland similar to Germany—a market economy, with regulations on competition, company law and consumer rights with regulations that bite, low levels of unemployment and a high level of social protection. In devising the strategy we should also learn from the achievements of small open economies such as Austria, Denmark and Finland which have more developed economies, higher living standards and lower unemployment than Ireland. These they achieved through National Programmes agreed centrally but implemented with a high level of worker participation and involvement at the level of the individual company.

However, the trade union movement continued to be characterised by the diversity of interests discussed earlier. Some rationalisation of trade unions occurred during the 1980s, the most significant merger being that between the two largest general unions in 1990.

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33 Phil Flynn (general secretary, LGPSU), at the ICTU Annual Delegate Conference, July 1985.
34 Interview with Peter Cassells (ICTU).
35 ICTU leaders may also have seen other pragmatic reasons for developing their policies on this matter: 'The poverty lobby and the Catholic Church have become a real thorn in the government’s side. They could do horrendous damage to the unions if they can make ICTU look like a pressure-group for the employed only. The PNR keeps up our profile on the issues of poverty and unemployment'. Interview with Bill Attley (SIPTU).
36 See, for example, ICTU (1989); also 'A Programme for Economic and Social Development', in ICTU (1990). On changed views on trade union legislation and privatisation, see ICTU Executive Council Report, 1990, p. 70.
37 These were the Irish Transport and General Workers' Union (ITGWU) and the Federated Workers' Union of Ireland (FWUI), both of which had been founded by Jim Larkin.
SIPTU, comprised over 40 per cent of all union members affiliated to ICTU. But ICTU remained constrained by the limited authority it could exercise over its constituent unions, and by the diversity of interests represented within individual unions. Debates within the trade union movement in the course of the PNR, and preceding the negotiation of the PESP, revealed the fragility of the consensus achieved under the PNR. Trade union members tended to evaluate it primarily in terms of how well it performed in securing protection for living standards and reductions in tax levels, and greater equity in social and health services. The fall in inflation levels gave a fillip to the defenders of the agreement and mollified many of those who had been critical of what it had delivered. But the international upturn of the later 1980s could not have been foreseen; senior trade union leaders had initially been very cautious in their estimation of the durability of the pay settlement.38

At ICTU delegate conferences from 1987 on, approximately 60 per cent of delegates have supported the centralised agreements, and up to 40 per cent have opposed them, out of a combination of principled opposition and calculated attempts to put pressure on government. This is much the same pattern as was evident during the 1970s (Hardiman, 1988: ch. 5). Trade union leaders accepted that this was likely to continue to be the case, and concentrated on securing as much of the majority vote as possible.39

The core of organised challenge to ICTU’s strategy continued to reside in the minority of trade unions, largely composed of British-based unions and some Irish-based craft unions, which still opposed any departure from ‘free collective bargaining’ as a matter of principle.40 The unions opposed to the PNR came close to embarrassing the ICTU strategy severely, by forcing a Special Delegate Conference to be held in February 1990 to debate ICTU withdrawal from the PNR. The resolution discussed at the conference had taken the leadership of ICTU by surprise, and all its leadership resources were mobilised to secure its defeat. It was defeated, but by a close margin.41 The level of dissatisfaction with government policy expressed by many other union representatives revealed the highly conditional nature of support for the PNR.

38 'Most of us were surprised at the speed with which things improved. We had thought it would take a minimum of three years to make a dent in the economic situation. We had wanted to take pay off the agenda for as long as that took'. Interview with Peter Cassells (ICTU).
39 Interviews with Peter Cassells (ICTU), and Bill Attley (SIPTU).
40 A leading figure in this group maintained that ICTU’s role should be confined to lobbying on matters such as social policy, tax reforms, etc. Interview with Brian Anderson, MSF.
41 See e.g. Irish Times, 6–9 February, 1990; Business and Finance, 15 February, 1990.
Divisions within the trade union movement, and indeed within individual unions, persisted during the 1980s, making it difficult for union leaders to establish clear priorities between the potentially conflicting interests of public sector employees and private sector employees, between those in the domestic and foreign-owned sectors, or between white-collar and blue-collar employees.

Public sector 'special' pay increases, recommended by the Arbitrator under the Conciliation and Arbitration Schemes (see Cox and Hughes, 1989), added significantly to total public expenditure during the 1980s. The PNR in 1987 and the PESP in 1991 both postponed the phasing-in of various 'special' increases, and limited the right to advance further claims. But in a situation where the public finances deteriorated, and these claims were further delayed, public service grievances could become acute. Public sector employees possess considerable disruptive power. During 1991, strikes in electricity supply, the postal services, and in public transport underlined once again the difficulties of trade union leaders in committing their members to pay agreements.42

The political factor

Fianna Fáil returned to (minority) government in 1987 with a consensus-based recovery plan. But the difficulties inherent in a cross-class approach to accommodating distributive conflict became more apparent in the years that followed.

The election of 1987 saw a shift of urban working-class support towards Fianna Fáil, in protest at the harshness of the measures proposed by the coalition (see Laver et al., 1987). For Fianna Fáil, maintaining good relations with the trade union movement was a familiar element of its economic approach.43 But although it had campaigned actively against the 'uncaring' Coalition and the hardships involved in public expenditure cuts, its own public spending cuts, especially in health, were greatly resented (Marsh and Sinnott, 1990). The election called in mid-1989, to try to gain an overall majority while the government's prospects still seemed good, revealed the depth of popular dissatisfaction (the same dissatisfaction voiced at ICTU's Special Delegate Conference in February 1990). Its

42 See, for example, 'Programme in question after electricians' strike', *Irish Times*, 27 April, 1991. The power workers' strike accounted for 48 per cent of all days lost in strikes between January and September 1991.

43 The leadership of ICTU also welcomed the opportunity to play a centre-stage role again: 'Before our first meeting with the Fianna Fáil government, we were like schoolboys, down in Raglan Road (ICTU head offices), all in good suits, delighted to be talking directly to the government again'. Interview with Bill Attley (SIPTU).
policies lost Fianna Fáil some measure of working-class support to both Labour and the Workers’ Party. The 1989 election appeared to signal an emergent left-right division in the Irish political spectrum (see Gallagher et al., 1990; Mair, this volume). Not only did Fianna Fáil once again fall short of an overall majority, but its claim to be the ‘natural party of government’ appeared to be at an end when it formed a coalition government with the Progressive Democrats (cf. Bew et al., 1989).

However, if the party’s electoral strategy was receiving a battering, its preference for consensus-based economic policies had not diminished. There were some signs in 1990–91 that, once again, the political primacy of securing an agreement could take priority over what might be considered economically desirable. The rate of reduction of the public borrowing requirement slowed, and public spending was given more rein. During the run-up to the negotiation of the PESP, the government made some advance concessions on public spending to secure the support of influential public sector unions (for example, to the teachers’ unions). In the course of the pay talks, the private sector employers were understood to be under strong pressure from the Labour Minister, Bertie Ahern, and from the Taoiseach himself, to make further concessions in order to secure an agreement.44

It is as yet too soon to evaluate the outcome of the PESP. Nevertheless, the constraints on governments in the early 1990s have prevented the same recourse to the use of fiscal policy as in the late 1970s. During 1991, budgetary overruns impelled the Fianna Fáil-led government to propose not only to postpone the public sector ‘special’ increases due in the future, but to take the unusual step of limiting the amount eventually paid, on a tapered scale most favourable to the low-paid. Union protest was widely expected at what was interpreted as a breach of the agreement on the part of the government.45 Early in 1992, a compromise seemed likely to be found whereby the scheduled increases would be deferred, but would be paid in full before the end of 1994; economic growth and a more buoyant economy were expected to ease budgetary problems by then. The union leadership sought a solution which would prevent the breakdown of the agreement; government made some gains in the timing of its budgetary problems, if not in their ultimate volume. The scope for an agreed

44 See ‘How a deal was struck’, Business and Finance, 24 January 1991. The Minister for Labour was recognised as taking a strongly sympathetic view towards the trade union position on other matters, particularly employment: see ‘Employers “owe it” to help generate jobs, says Ahern’, Sunday Tribune, 19 November 1989.
45 See, for example, ‘Unions to meet on plans to fight pay negotiations’, Sunday Tribune, 15 September 1991.
recognition of what the economy could sustain was greater in the early 1990s than it had been in the late 1970s.

The structure of the economy

The mechanisms through which pay restraint would translate into employment creation were as problematic in the 1980s and 1990s as they had been during the 1970s. A persistent problem in the Irish economy was that improvements in employment levels followed much more slowly than improvements in other economic indicators. The experience of ‘jobless growth’ was not confined to Ireland, but Ireland had little prospect of experiencing the strong and sustained levels of growth which would be needed to make an appreciable difference to employment levels. The tax system continued to constitute a serious obstacle to employment-creation, while the system of grant-aiding industry increasingly came under criticism; there was still little evidence of a coherent national strategy for job creation. The widely publicised financial scandals during 1991 may also have made the need for pay restraint even less convincing to many employees. Cynicism about the meaning of the national interest, and the distribution of the sacrifices required to achieve it, was widespread. The ‘social partners’ had reached a consensual analysis of the problems of the national economy in 1986. But the difficulties of devising a credible and sustainable strategy on pay policy to address these problems, and one which would command sufficient support among the employee workforce, still seemed considerable by the early 1990s.

Conclusion

It was noted earlier that during the 1980s economic performance in terms of the main indicators of growth, inflation, and unemployment, appeared to show a U-shaped distribution in relation to the organisational centralisation of the major economic interests and the centralisation of collective bargaining. In its industrial relations system, Ireland is generally taken by commentators to be a ‘decentralist country with some centralist tendencies’. Such cases may find they attract many of the disadvantages and few of the advantages of the two main alternative economic management options, the decentralised, liberal approach, and the centralised, corporatist approach.

In Ireland, governments have at various times tried to centralise the system of industrial relations. But the evidence would suggest that this solution is not firmly based. Certainly, the agreements of the 1970s did not work successfully as a mechanism for improving national economic performance. The PNR of 1987 was generally judged to have been successful—but so were the first few NWAs in the early 1970s. What remains uncertain is whether corporatist pay agreements may become more securely established in the future. No definite evaluation can yet be offered of the PESP and of the prospects of a successor to it. Nevertheless, many characteristics of Irish politics and society, and Irish economic structure, continue to make it difficult to predict with confidence the future of corporatist pay agreements.

As discussed earlier, the trade union movement finds it hard to establish priorities among the competing interests of its membership. The exporting sector has not been at all as firmly rooted into the domestic economy in Ireland as in those countries which have been the paradigm cases of corporatist pay policies. Employees in this sector do not constitute a distinct organisational bloc. The economic disciplines of centralised agreements are unlikely to come from conditions in the exposed manufacturing sector in Ireland.

Economic management strategy has not, to date, become sufficiently politicised in Ireland to generate support for an alternative, more thorough-going decentralised approach. But the difficulties of implementing stabilisation policies with trade union support became increasingly severe for a government seeking to maintain a centrist position. It is possible that a growing ‘Europeanisation’ of the Irish party system will in the future alter the terms of the debate on economic policy, and will propose a different set of costs and benefits related to corporatist pay agreements. But this remains no more than a possibility at present.

The experience of other countries suggests that where corporatist pay agreements are seen to produce successful economic outcomes, this reinforces and stabilises them. Sustained positive feed-back of this sort has yet to be seen in the Irish case. Special problems arise due to the distinctive structural features of the Irish economy and the nature of its industrialisation strategy. Nevertheless, on the evidence of the pragmatic adjustments to the changed domestic and international economic circumstances which has been evident in trade union thinking and in the leadership of the political parties since the mid-1980s, corporatist pay agreements could yet become more firmly established as part of the national ‘policy repertoire’ during the 1990s.
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