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# **Thatcherism delayed? The Irish crisis and the paradox of social partnership**

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## **ABSTRACT**

This article reviews the state of Irish industrial relations in light of the current economic crisis. It argues that social partnership, paradoxically, was rooted in the continuation of a tradition of permissive voluntarism with minimal employment rights with both direct and indirect implications for the current Irish economic crisis. As such, Irish industrial relations cannot be understood in isolation from a broader analysis of the rise and fall of social structures of capitalist accumulation. The discussion considers the prognosis for social partnership post-economic crisis.

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## 1. Introduction

Ireland has been particularly hard hit by the current economic crisis. As with every other country today, the Irish crisis is rooted in an international framework that shapes how local actors and institutions respond. The 'Celtic Tiger' boom coupled with a quasi-corporatist partnership regime obscured the extent of Ireland's integration with global neo-liberal structures. In contrast to Thatcherism in Britain, Irish unions had access to government through 'social partnership,' a centralised wage bargaining process which also included participation in broader social policy and welfare decisions. However, this settlement was different from the codetermination social pacts in other parts of central Europe. Social partnership in Ireland was rooted in the continuation of a tradition of a strong voluntarism with minimal employment rights. The labour rights that do exist were often begrudgingly legislated for only in response to European directives.

As noted elsewhere, these contradictions were suppressed as the economy, and most workers, enjoyed an unprecedented period of economic boom (Roche and Gunnigle, 1995; Gunnigle, 1998; Roche, 2007). Arguably, the economic recession has exposed the

inability of voluntarism to adequately protect workers and other vulnerable sectors of Irish society. Consequently, over 20 years of uninterrupted social partnership has broken down. These two decades of accommodation to cooperative union-management relations have created a union bureaucracy institutionalised in a top-down partnership milieu rather than alternative, bottom-up mobilisation strategies. It may therefore be the case that post the economic crisis, national level social partnership may be revived, although in what form remains uncertain. However, the extent to which any revised model will defend workers remains debatable.

In advancing this position the paper is structured as follows. The next section develops the Social Structures of Accumulation (SSA) theory as the theoretical lens through which to review the economic crisis and its attendant industrial relations implications. In section three, this theoretical lens is related to the specific Irish context. Section four reviews Irish social partnership, while section five discusses industrial relation trajectories post-economic crisis. Section six discusses future implications.

## **2. Social structures of accumulation: old and new**

Social structures of accumulation theory (SSA) contends that capitalist history is characterised by long periods of relatively unproblematic accumulation separated by periods of relatively intense crisis.<sup>1</sup> The more stable periods and their subsequent breakdowns constitute a succession of stages of capitalism. Within this framework, recent events can be analysed as the crisis of global neo-liberalism, the social structure of accumulation, or stage of capitalism, which succeeded the stagflationary crisis of the 1970's. While each SSA is different from those which preceded it, global neo-liberalism constituted a break with previous SSAs in that these SSAs were primarily national, whereas global neo-liberalism developed at an international level. The relation between the global and national aspects is therefore different in the contemporary stage of accumulation compared to the previous era.

The post World War II stage of regulated accumulation can be thought of as a series of national state-regulated structures which were linked,

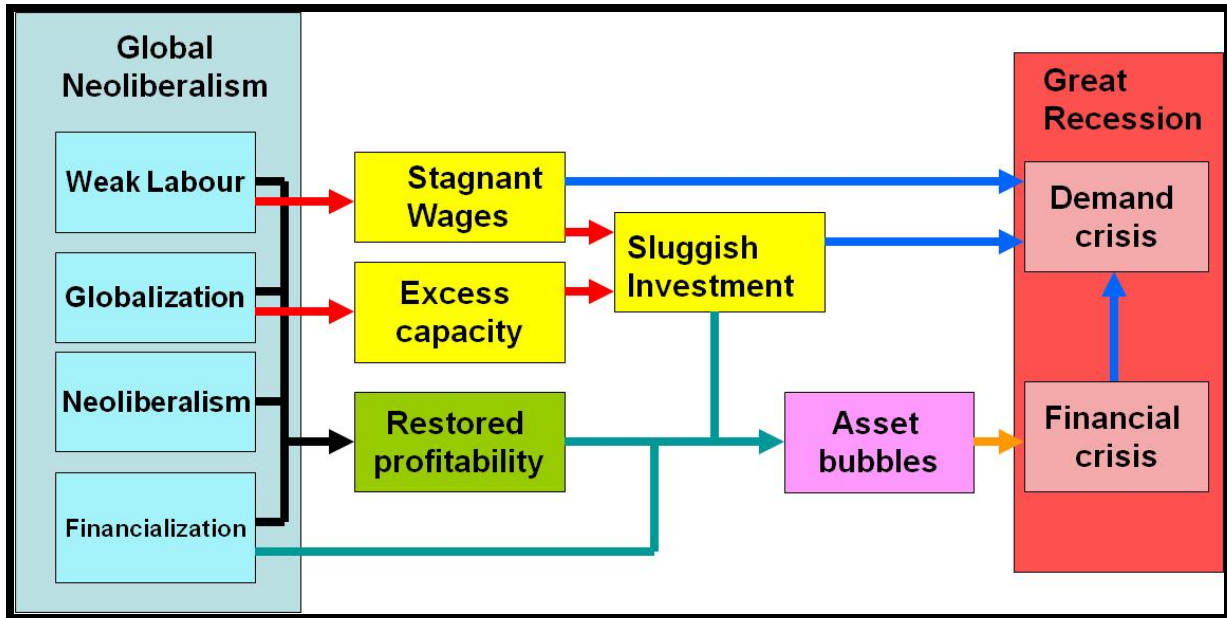
internationally, by a set of transnational institutions, such as the Bretton Woods system. By contrast, the global neo-liberal stage exists in its most pure form at the international level, where neo-liberal principles became dominant as expressed by institutions such as the World Trade Organisation (WTO), International Monetary Fund (IMF), and the World Bank. Global neo-liberalism is a transnational structure with local institutions and agencies nested within it, with variation in the extent to which local arrangements reflect or vary from the broader neo-liberal model of capital accumulation.

The Irish crisis cannot be understood without an appreciation of the crisis of global neo-liberalism. The Irish crisis, however, is not simply the local expression of the global crisis. The Irish crisis is simultaneously the result of its own complementary institutional structures centred around market liberalisation. A brief outline of the origins of the current international crisis is necessary in order to draw out comparisons with the Irish case. This brief outline begins with a simplified framework presented in Figure 1.

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<sup>1</sup> The founding document of SSA theory is Gordon et al (1982). For updates on the SSA literature see Kotz et al (1994) and McDonough et al (2010).

**Figure 1: The global crisis of neo-liberalism**



The analytical challenge is to proceed from the basic structure of global neo-liberalism on the left in Figure 1, to the inauguration of the current crisis on the right. For convenience, the SSA will be outlined in relation to four constituent elements: *globalisation*, *neo-liberalism*, *weakened labour*, and *financialisation*. The impact of these factors all initially led to restored profitability and will be discussed in turn.

*Globalisation* is located in several developments. The first is a significant increase in the international movement of

capital, goods and money consequent on the wide-spread reduction in both physical and political barriers to markets. The second development is a geographical extension of capitalist relations of production to Eastern Europe and China. These transitions have opened up vast supplies of raw materials, extensive investment opportunities, massive pools of cheap labour, and large new markets for global capitalism. The result of this new mobility is the fragmentation of production across borders and its reintegration via trade and the global supply chains of

transnational corporations (Gereffi and Korzeniewicz, 1994; Kaplinsky and Morris, 2001). In this context, the emergence of transnational class relations has become increasingly important (Pijl, 1998; Overbeek, 2001; Robinson, 2004).

*Neo-liberalism* is a multi-faceted entity that includes political-economic institutions, policies, theories, and ideology. Key institutions include those charged with promoting the economic liberalisation of world markets, such as the WTO and IMF. The more restricted domestic state could be included as well as numerous think tanks and private political organisations. At the policy level, neo-liberalism advocates privatisation and price stabilisation. The dominant theory is a free-market version of neo-classical economics, predicated on the glorification of individual choice rather than coordinated or regulated markets and institutions.

The third element of the SSA is the *weakened role of labour*, which is pursued through the shift or threatened shift of production location. This is a new labour control strategy through "spatialization" (Wallace and Brady, 2010). Trade unions have experienced declining density, influence and power. This has been accompanied by the emergence of new

production regimes which further diminish the organisational capacity of labour, such as models of world class manufacturing and flexible specialization (Parker and Slaughter, 1988).

Finally, *financialisation* is the increasing concentration of accumulated wealth in the hands of a few financial institutions. This has created a tendency to divert investment from the productive sector of the economy to finance. Short term performance and quarterly returns have become the measure of success, while top management increasingly move from the boardroom of one corporation to another, losing any anchor in the fundamental health of the enterprise (Tabb, 2010; Boyer, 2010). Regulations restricting the unfettered movement of finance have been systematically eliminated.

We turn now to the examination of how has such a global neo-liberal model played out in Ireland; its similarities, differences, and the implications for industrial relations.

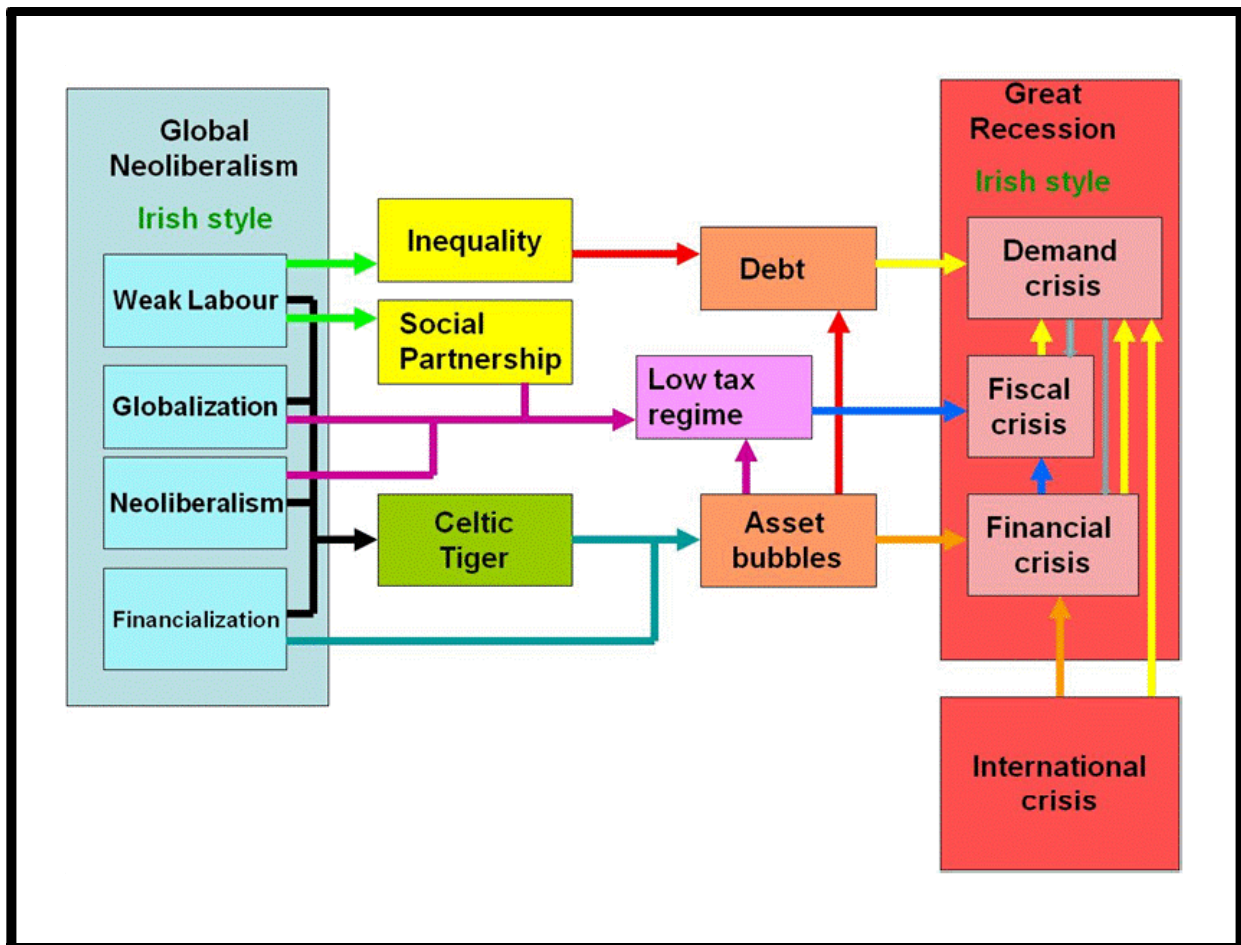
### **3. Ireland in a historical and global neo-liberal context**

While global neo-liberalism has room for local variation, all national manifestations are to one degree or

another implicated in it. Thus it is unlikely that a crisis of global capital will be wholly resisted at the nation-state level. At the same time, national differences are bound to alter the expression of crisis dynamics rather than simply mirroring them. In this context the Irish crisis is simultaneously both a manifestation of the global crisis, and an expression of how its own national institutional dynamics are played-out. In

reviewing the interplay of Irish structures a certain consistency with the pattern of global neo-liberal accumulation is evident, although a somewhat different institutional configuration can (in part) be identified. The same four categories utilised in the description of global neo-liberalism above in Figure 1 are replicated in the Irish context in Figure 1a below.

**Figure 1a: The crisis of global neo-liberalism: Irish style**



### *Globalisation: Irish style?*

Irish trade policy has been outwardly oriented since the late 1950's when a nationalistic import substitution policy was abandoned and foreign direct investment actively pursued. In 1981, a corporate tax rate of 10% was introduced on all manufacturing profits to promote exports. Subsequent legislation extended this low rate to a larger range of industries. Finally a uniform rate of 12.5% was introduced to avoid charges of discrimination against non-manufacturing industries (MacSharry and White, 2001). A more active intervention by state agencies was oriented to connecting the Irish economy to the global. Both Enterprise Ireland and IDA Ireland have a history of promoting foreign direct investment and linking domestic firms to international activity. Net foreign direct investment rose by over 700% in 1989 over the previous year. It doubled in 1990 and again by 1996 to €2.62 billion, with a peak of nearly €30 billion in 2002 (World Bank Development Indicators<sup>2</sup>). Irish exports took off after 1990 and rose from 56.7% of GDP and peaked at 100% of GDP in 2001 (World Bank Development Indicators).

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<sup>2</sup> World Bank Development Indicators are available at <http://data.worldbank.org/indicator>

### *Neo-liberalism: a Celtic Tiger variant*

In a sense the best evidence for the dominance of neo-liberalism in Ireland in this period is Ireland's enthusiastic integration into international markets and openness to foreign direct investment. Further, the Irish government's approach to regulation has been characterised as 'light-touch' or 'minimalist'. The (de)regulatory approach can be traced to a peculiarly Irish anti-authoritarian populism with an ideological neo-liberal tenor. For example, the former Minister for Finance, Charlie McCreevey, explained the role of government with regard to regulatory responsibilities:

“Don't try to protect everyone from every possible accident . . . And leave industry with the space to breathe and investors with the freedom to learn from their mistakes.” He actually boasted of how “Many of us in this room are from the generations that had the luck to grow up before governments got working and lawyers got rich on regulating



our lives. We were part of the ‘unregulated generation’ – the generation that has produced some of the best risk-takers, problem-solvers and inventors.” (quoted in Fintan O’Toole, Irish Times, February 17, 2009)

Another area in which the neo-liberal policy agenda has been actively pursued is through privatisation. Ireland had inherited a legacy of nationalised corporations from

an early history of public developmental projects in the post-independence Irish Free State. These covered a wide range of economic activities from sugar to shipping. With the exception of Irish Steel, these State corporations were generally well-functioning. Wholesale privatisations began in 1991 and the largest was in 1999 of the public telecommunications company, Eircom. Other important privatisations, summarised in Table 1, include financial institutions, banks and the flag carrying airline, Aer Lingus

**Table 1: Privatisation of Irish State-owned enterprises: 1991-2006**

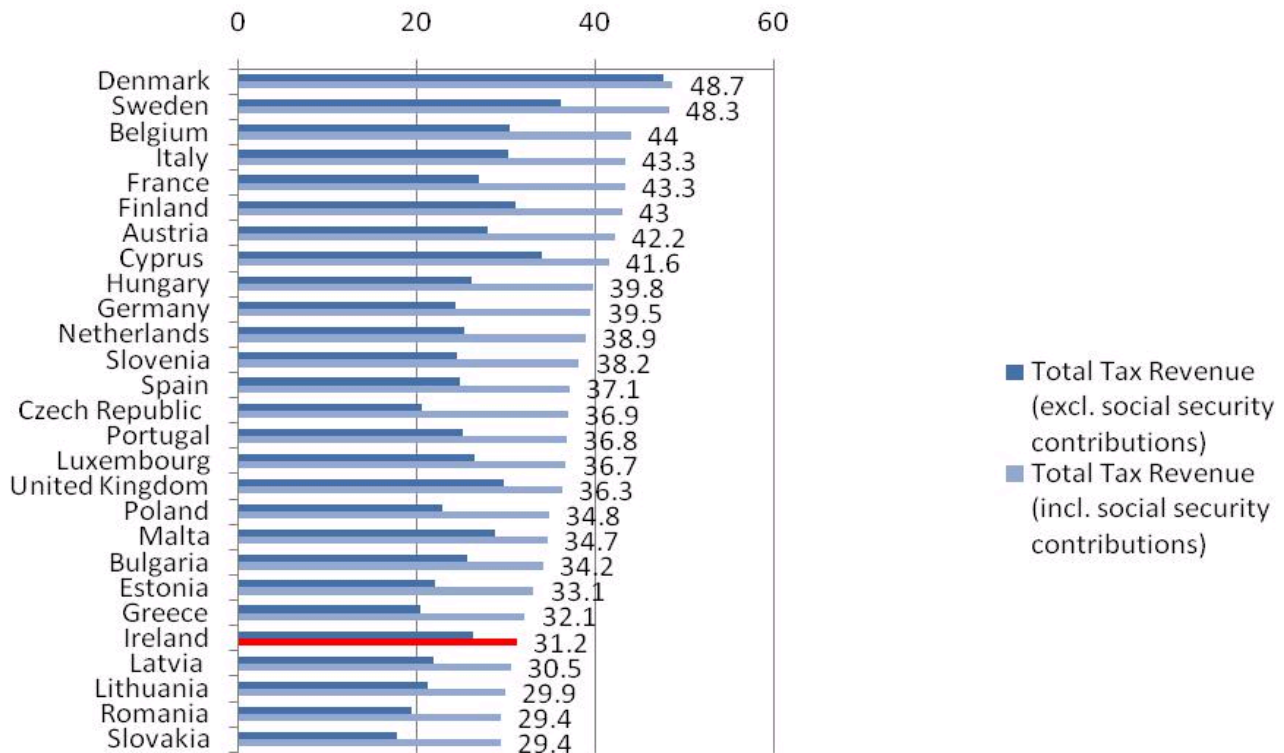
Company	Year	Sector	Exchequer Proceeds (€m)	Method of Sale
Greencore	IPO in April 1991	Sugar / Food	210.65	IPO and Placements
Irish life	IPO in July 1991	Insurance	601.93	IPO and Placements
B&I	1992	Shipping	10.80	Trade Sale
Irish Steel	1994	Steel	0	Trade Sale
Eircom	IPO in July 1999	Telecoms	6,399.91	Trade Sale and IPO
ICC Bank	January 2001	Banking	322.27	Trade Sale
TSB Bank	April 2001	Banking	408.35	Trade Sale
INPC	May 2001	Energy	20.00	Trade Sale
ACC Bank	December 2001	Banking	145.60	Trade Sale
Aer Lingus	September 2006	Air Transport	200.00	IPO
Total			€8,328.51	

IOP=initial public offering; Aer Lingus based on IPO price at the time (Source: Forfas, 2007)

Tax reform was central to the neo-liberal project. For example, as a percentage of GDP, Irish taxation remains at a similar level of some of the poorer Eastern European member states of the EU. As shown in Table 2,

total tax revenue to the Irish exchequer is on a par with Latvia, Lithuania and Romania, and considerably lower than Ireland’s neighbouring competitors: the UK, France, Germany or Spain.

**Table 2: European Member States Total Tax Revenues: % of GDP, 2007.**



(Source: European Anti-Poverty Network Ireland, 2007)

*Weakened labour: wealth and inequality*

The argument that organised labour has been weakened during the Celtic Tiger period is rooted in three developments, common also in many other countries. First, income inequality has risen. Second, ‘light-touch’ employment regulation has favoured capital at the expense of employee rights. The third development is the decline of trade union membership combined with the institutionalisation of social partnership. The latter is picked up separately and in more detail in sections four and five below.

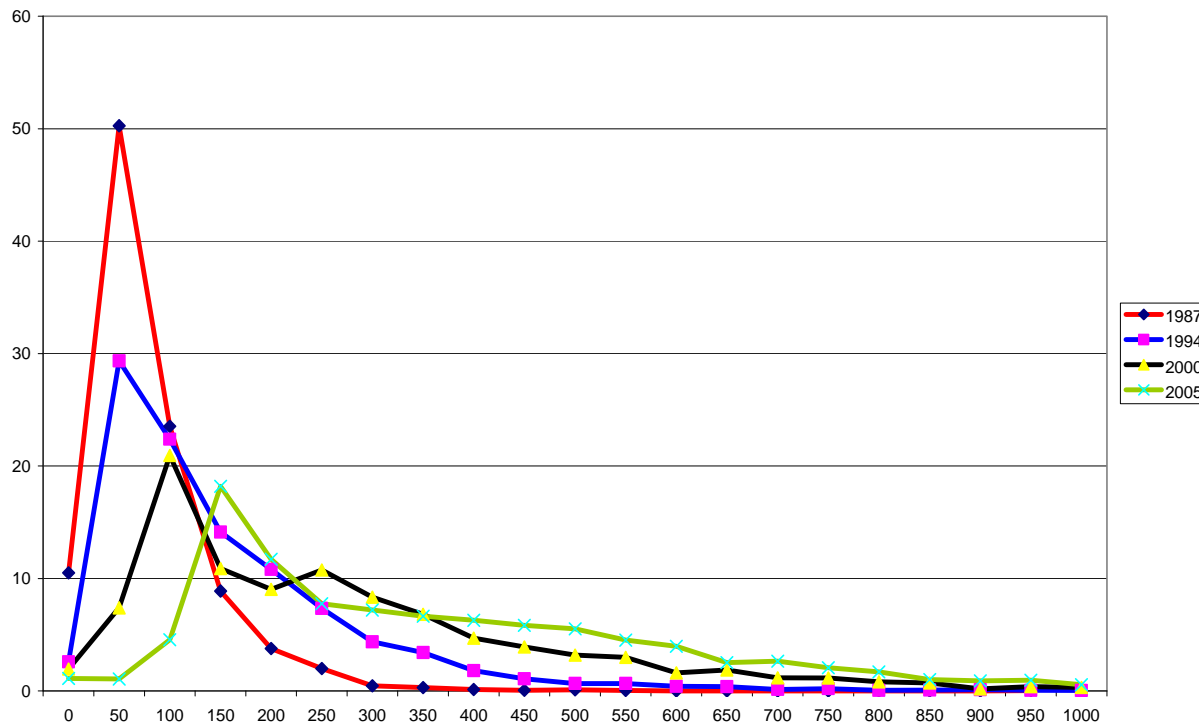
While earnings and income have risen sharply during the Celtic Tiger years, increased living standards have not prevented the emergence of increasing economic inequality (see Figure 2). At the beginning of the Celtic Tiger period incomes were bunched around a particular modal figure<sup>3</sup>. By the late 1990s, top incomes had pulled far beyond those at the bottom of the income ladder, as depicted in Figure 2, which charts the change in the

<sup>3</sup> The mode is the most populated level of income as represented by the highest peak in the figure

income distribution between 1987 and 2005. The rightward tail depicting higher

incomes has become thicker.

**Figure 2: Rising income inequality during the Celtic Tiger**



Source: McDonough and Loughrey (2009)

The second factor weakening organised labour has been a generally minimalist employment regulatory regime, consistent with the permissive dynamic of both voluntarism and neo-liberalism. For instance, Ireland opposed and then stonewalled the EU Directive on employee information and consultation rights because of the collectivist tenor of the regulation (Dundon et al, 2006). Ireland also falls short in the area of statutory trade union recognition, promoting dispute resolution

procedures without mandated rights for trade union bargaining (Dobbins, 2010).

Finally, Irish trade union membership declined from its peak in 1980 of 62%, to 31% by 2007 (CSO, 2008). Non-unionism is particularly evident among the growing multinational sector, with IDA Ireland endorsing a choice for inward investing firms over union recognition or non-unionism (Gunnigle et al, 2005, 2009; Collings et al, 2008).

*Financialisation: a triarchy of property developers, bankers and politicians*

Ireland has been an enthusiastic participant in financialisation. In 1987, tax relief was given to occupants of the Irish Financial Services Centre (IFSC), a government initiated facility built on 11 acres of derelict ground in the Dublin Docklands. This quickly became an important centre for a wide variety of trans-national financial activity. Light touch financial regulation was seen as essential to attracting this kind of inward investment. Domestic financial institutions moved to take advantage of this new ethos.

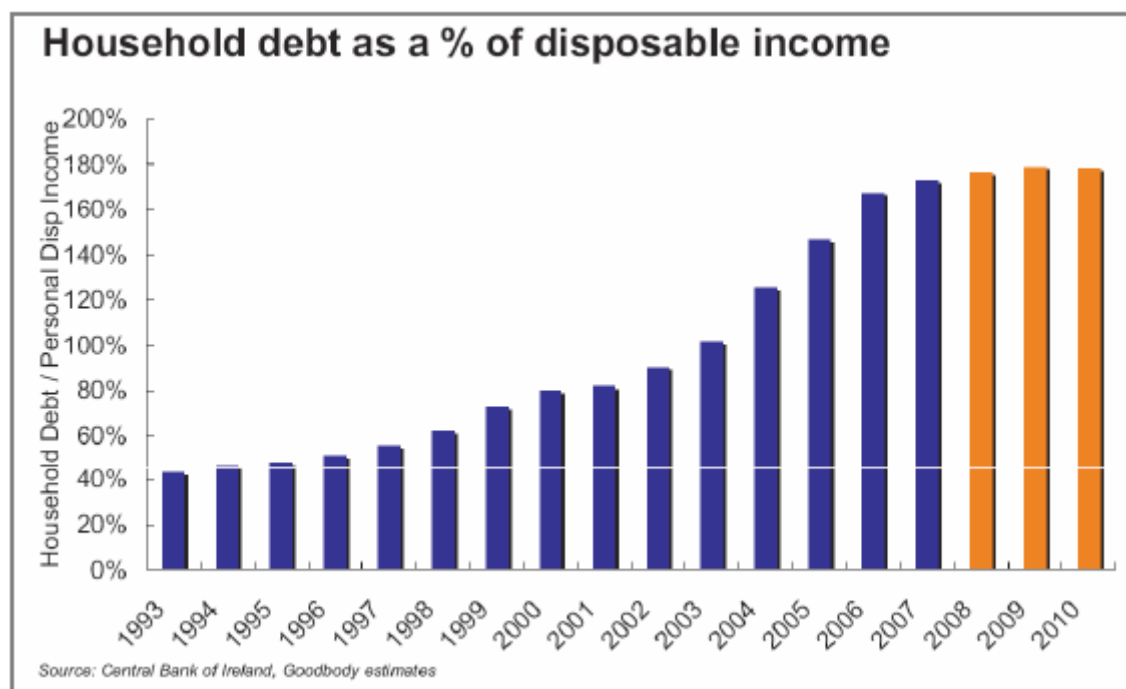
While the IFSC was doing its part to facilitate international financialisation, a particularly Irish local counterpart was built up around the coalescing of the interests of Irish property developers, Irish banks and a cadre of government politicians. Fianna Fail has been the dominant political party in government during the Celtic Tiger years and built-up a close political and economic alliance with builders and property developers, as the fortunes of these businesses were often dependent on government zoning decisions. These

activities were heavily dependent on finance.

While the early and middle Celtic Tiger was rooted in multinational direct foreign investment, economic expansion eventually created a bottleneck in housing and commercial property. This dovetailed with a national preference for private home ownership and an exaggerated respect for the rights of private landholders. A property bubble was initiated and construction reached 29% of total value added in 2006 (DKM Economic Consultants, 2007).

The growing involvement of the local banks led to a tapping of international capital flows to finance both the development of Irish property and the private purchase of this property once completed. This process massively inflated the property bubble. Growth increasingly depended on construction and private spending increases depended on borrowing and inflated home equity. Borrowing rose to some 180% of disposable household income (see Figure 3). This was the Irish counterpart to the sub-prime bubble in the United States though a relatively small percentage of the loans involved were actually of sub-prime grade.

Figure 3: Household debt as a % of disposable income (Amarach, 2009)



Taken together the interplay of these broad forces - *globalisation*; Ireland's adoption of *neo-liberalism*, increasing *financialisation*; and the role played by a *weakened labour* movement – place us in a position to identify how the Irish crisis has played-out. The economic crisis, Irish style, is manifest in three closely interlinked aspects shown to the right of Figure 1a: a *financial crisis*, a *fiscal crisis*, and a *demand crisis*.

House prices peaked in 2007 and anxiety generated by the global financial crisis then accelerated the slide. To date house prices have fallen roughly 50% and are expected to decline further. The

construction industry has come to “a juddering halt,” as one Minister put it. Because of the progressive lowering of tax on personal income, agreed through successive social partnership negotiations, taxes had become excessively dependent on income from stamp duties and VAT from the construction sector. The collapse of the housing bubble cut off these sources of funds. At the same time, rising unemployment increased social welfare payments. This created a fiscal crisis. Irish tax revenues to April 2009 fell 24% and a further 10% to April 2010 (Irish Exchequer returns) and Irish deficits rose from a 3% of

GDP surplus in 2006, to a deficit of 14% in 2009 (EUROSTAT).

The downturn has set off a classic Keynesian downward spiral of rising unemployment and falling demand. It has also led to the massive withdrawal of credit across the economy both to businesses and consumers. The fiscal crisis of the Irish state has also seriously impacted overall demand. The government was forced to introduce a supplementary budget in 2009 that raised taxes by €1.8 billion and cut spending by €1.5 billion. The budget in 2010 contained a further €4 billion in cuts. Social partnership collapsed when government opted for a unilateral imposition of public sector wage cuts of up to 15%, rather than seek compromise through social dialogue. Consumers, lumbered with debt and fearing unemployment, have added to the crisis. Retail sales began to fall in 2008 and fell by 18% in 2009 and unemployment tripled from 4.6% in 2007 to 13.4% in June 2010 (CSO)

The international financial crisis impacted Ireland significantly. At the same time, the Irish crash has a number of distinctive characteristics. The Irish property boom had distorted the economy and a disproportionate amount of both economic activity and employment

depended on construction. For this reason, the collapse of the property bubble delivered a sudden body blow to the economy. The property bubble also encouraged the continuation of the tax cutting strategy pursued within the context of social partnership agreements.

Two factors are then responsible for the distinctive character of the Irish dynamic. First, the Irish *version* of financialisation channelled a substantial amount of international credit into the property market. This is a variation of the global pattern. The second factor involved was an Irish *departure* from the institutions of global neo-liberalism in the form of a social partnership model which took responsibility for negotiated wage restraint, welfare provision and taxation. For this reason, Irish industrial relations and in particular social partnership is reviewed next.

#### **4. Irish industrial relations and social partnership**

To be sure, Irish social partnership shielded workers from the worst excesses of global neo-liberalism. It may even be said that social partnership democratised Irish society insofar as unionised workers had a voice at the tripartite bargaining table.

However, with declining union density and continued economic inequality, despite the Celtic Tiger boom, social partnership did not correct for tensions in the labour market between State regulation and protections for vulnerable groups not typically inside the union movement, such as older workers and women (D'Art and Turner, 2005). In trading wage moderation for personal tax reductions, the social partnership negotiations contributed to the emergence of Ireland's low tax regime and the scramble for foreign direct investment with an attendant union avoidance approach to industrial relations (Gunnigle et al., 2005; Collings et al, 2008). Inequality, wage restraint and light-touch regulation contributed to the emergence of increasing indebtedness, as those on the lower rungs of the income ladder attempted to emulate rapidly rising consumption standards of those above them.

The essential features of Irish social partnership have been more fully explained elsewhere (see for example Von Prondzynski, 1998; Wallace et al, 2004; Roche and Geary, 2006; Roche, 2007; Teague and Donaghey, 2009). It is social partnership which sets Ireland apart from the overall neo-liberal trajectory of global capitalist accumulation, but social

partnership came with the apparent absence of corporatist preconditions evident elsewhere in Europe (Teague and Donaghey, 2009a). Important elements of Irish social partnership include: *voluntarist relations*; *adversarialism*; *centralisation*; *institutionalisation*; and *collectivism* (Von Prondzynski, 1998; Collings et al, 2008). A number of these dimensions run counter to free market orthodoxy. Several of these features have a lineage to the period of British rule prior to the formation of the Irish Free State in 1922, while other aspects have evolved in a uniquely Irish fashion (Hardiman, 1988).

Ireland's system of industrial relations is, first, premised on *voluntarism*, in that the main protagonists regulate employment conditions through voluntary rather than legislative arrangements (Dobbins, 2010). A second feature of Irish industrial relations is that relations between unions and employers tend to be viewed as *adversarial* (or antagonistic), with an acknowledgement that underlying conflicts of interest are best mediated through State-sponsored supports, such as the Labour Court (Roche, 2001). To this end collective bargaining has a long history of government support as a means of reconciling conflict. Arguably, voluntary bargaining is well suited to coexist

with other elements of neo-liberalism. Thirdly, voluntary social partnership in Ireland is very much a *centralised* and *institutionalised* arrangement at the national level, with a series of uninterrupted national agreements over 20 years covering wages, taxation and welfare provision (Roche, 2007). Finally, the *collectivist* dimension to social partnership and industrial relations reflects Irish society's acceptance of trade unions in corporatist-style decision-making and historically high levels of union membership (Collings et al, 2008).

The interplay between the cooperative character of Irish social partnership and global structures of accumulation are rarely considered. The stagflationary crisis created the antecedent conditions of social partnership. Donaghey and Teague (2007:20) point out that during the 1970s and 1980s Ireland was on the verge of an 'economic abyss', with unemployment averaging 16.8% and national debt as much as 117% of GDP. The first national partnership agreement in 1987, the *Programme for National Recovery* (PNR), prioritised economic stability, tax reform and national level coordination. Seven uninterrupted partnership agreements ensued between 1987 and 2006, culminating in the latest ten-year

agreement, *Towards 2016*<sup>4</sup>. The latter was subject to review and adjustment in 2008 due to the economic crisis. Partnership collapsed when the government and unions failed to agree a series of austerity measures and public sector wage cuts (see below).

Conventional wisdom suggests that rather than following the aggressive neo-liberal agenda of Thatcherism in the UK, Ireland in the late 1980s adapted voluntary partnership as an alternative and more inclusive social governance arrangement. The PNR agreement in 1987, and subsequent partnership agreements thereafter, facilitated a consensus around national identity rather than sectional self-interest. This incorporated a discourse of 'cooperation, working together, and mutual gains' which became a political lexicon that was more attractive to the labour leadership than the union exclusion or de-recognition under Thatcherism in Britain (MacSharry and White, 2000). Geary (2007: 98) concluded that "social partnership has set Ireland apart from Britain" and the inclusion

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<sup>4</sup> The seven national partnership agreements are: 1987, Programme for National Recovery (PNR); 1991, Programme for Economic and Social Progress (PESP); 1994, Programme for Competitiveness and Work (PCW); 1997, Partnership 2000; 1999, Programme for Prosperity and Fairness (PP&F); 2001, Sustaining Progress; 2006-2016, Towards 2016. In 2010 a public sector only worker agreement was negotiated, the Public Service Agreement 2010-2014 (otherwise known as the 'Croke Park' agreement).



of trade unions “in macro-economic management and social policy-making in Ireland is singular.”

However, the result is more complex and the considerable unevenness in these structures has been heightened by the crisis, leaving the foundations of social partnership unstable. Crucially, it was the voluntarist dynamic of Irish industrial relations that became increasingly permissive of inconsistent action at firm level (Dobbins, 2010). This resulted in what Teague and Donaghey (2009: 74) argue is an Irish blend of ‘institutional complementarities,’ a particular symbiosis among traditionally competing social and economic institutions. Among other features, these included trade unions accepting wage restraint for employment growth; economic liberalisation and market openness in return for access to (though not necessarily influence over) tripartite bargaining structures; the accommodation of a non-union model for foreign multinational capital; a minimalist welfare state in terms of social security and health care provision as it had relevance for fewer people given the grow in employment share; a minimalist adaptation of European employment directives; and few established labour standards and regulations.

Institutional structures were designed that meant Ireland was an attractive location for the continued growth and expansion of global capitalism, while at the same time constraining employer choice through voluntary partnership. In many ways, the framework of social partnership created an appearance of industrial harmony which did not have deeper roots in parallel economic and social structures (Dobbins and Gunnigle, 2009). More recently, as Roche (2010) comments, political maneuverings within government ranks have diminished the legitimacy of social partnership:

“Social partnership was obviously less central to Cowen’s political identity and record than to those of his predecessor ... having told the unions in private that social partnership was ‘no longer fashionable’. .. a powerful axis developed in government around Finance Minister, Brian Lenihan, which was much less well disposed towards the kind of compromises associated with social partnership and more inclined towards direct measures to cut public expenditure” (Roche, 2010)

## **5. Irish industrial relations after the crisis**

Social partnership remains a contentious issue in industrial relations theory and

practice (Allen, 2000; Ackers, 2002; Kelly, 2004; D'Art and Turner, 2005; Roche, 2007, 2010). One leading critic argues that an over-reliance on the institution of social partnership often results in a further weakening of labour as unions lose their capacity to resist unpalatable plans or wage cuts (Kelly, 2004). The problem is that when redistributive institutions, such as bargaining and negotiation, are embedded in a cooperative ideology then the capacity of social actors to resist or challenge employer (State) actions becomes increasingly diminished (Kelly, 1998). In this way partnership eventually undermines the power of unions to act at the level of the firm. In contrast, more sympathetic advocates have pointed to the economic gains of social partnership in Ireland (Geary, 2008; Teague and Donaghey, 2009).

The prognosis for Irish social partnership is at best mixed. In December 2009, the social partners failed to agree a coordinated response to a global economic crisis, a failed banking system and mounting public debt. Even though the trade union movement accepted the need to save €13 billion in public finances, finding a way to achieve the cuts resulted in deadlock. The government subsequently imposed public sector pay cuts in its November 2009

budget, amounting (on average) to a 15% reduction in public sector wages (Sheehan, 2010). Amidst growing resentment trade unions mounted a 'low-key' response to government imposed cuts, including a national one-day public sector strike, work-to-rule and go-slow actions designed to disrupt public sector transformation. More recently, in an attempt resolve the deadlock and perhaps partially to rejuvenate partnership, unions and the government re-entered discussions and negotiated a public sector adjustment; the *Public Service Agreement 2010-2014*, otherwise known as the 'Croke Park deal' after the sporting stadium in which the negotiations took place<sup>5</sup>. The Croke Park agreement is being recommended by the government, IBEC and ICTU as a solution that may rejuvenate a type of social dialogue as well as revisit previous pay cuts by productivity savings created from public sector reform.

A key litmus test will be whether Ireland's so-called unique 'institutional complementarity' that has underpinned social partnership without threatening the global neo-liberal stage of capitalist accumulation can be sustained during tough

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<sup>5</sup> The Croke Park *Public Service Agreement 2010-2014* is not a national partnership agreement as it is exclusive to the public sector and did not include all the partners typically involved in Irish social partnership negotiations

times. Irish social partnership has collapsed not only because of global economic crisis but also, in the words of David Begg, General Secretary of ICTU, its 'foundations rest on sand' (Begg, 2008:55). As a result of the on-going and unprecedented economic crisis in Ireland, the argument posed here is that social partnership is not as stable or as impressive a cooperative regime as was often believed. The argument is fourfold. First, workplace-level cooperative regimes are rare in Ireland because the conditions to sustain and support participation are weaker than the global neo-liberal forces which undermine it, especially at the level of the firm. Second, as a consequence, the public policy objective to diffuse partnership to enterprise level has consistently failed. Third, State industrial policy has paved the way for foreign-owned multi-national corporations to engineer their own distinctive non(anti)-union human resource agenda alongside a government discourse of partnership (Gunnigle et al, 2009). Fourth, the government failed to develop robust institutions that provide both an auxiliary and protective labour market function: what Streeck (1997) defines as a range of 'beneficial constraints' resulting from a regulated rather than a voluntarist regime. Each strand of this argument is elaborated below.

The first element to the argument is that the extent of permissive voluntarism reinforces a neo-liberal approach to the social and economic structures of capitalism. Social partnership in Ireland cannot be viewed as a substantial departure from this 'permissive' form of voluntarism because it places few constraints on employer accumulation. Accordingly, employers retain sole authority to initiate partnership arrangements or not (Dobbins and Gunnigle, 2009). In macro policy terms, voluntarism has also allowed government to maintain the 'light-touch' stance in key areas of employment and financial market regulation, for example, when interpreting European directives for employee information and consultation (Dundon et al., 2006). Importantly, in the context of the increasingly permissive nature of voluntarist industrial relations, it has been easy for employers (including the state) to shift from bargaining about redistributing the gains of economic prosperity, to aggressively negotiating or even imposing concessions in response to the current crisis (Roche, 2010). It has become increasingly difficult for unions to accommodate the scale of concessions sought to rectify the fiscal, financial and demand-side crises noted earlier. At the same time, it has been much easier for employers in the private sector to

push through change and cut jobs owing to the lack of labour market regulation.

The second strand of the argument is that government efforts to diffuse partnership to the workplace level have failed. There is very little evidence of workplace inclusion with as few as 4% of private sector organisations reporting formal partnership arrangements (Williams et al., 2004). Employers have been free to choose a range of non-partnership options that accord with the neo-liberal ethos of greater individualisation, unilateral imposition, weak employee involvement and concession bargaining (Roche, 2007, 2010; Teague and Hann, 2010). The idea that social partnership enables employees to become stakeholders has rarely, if ever, altered the deeper cultural mindset that employers have a perceived right to rule within the firm (Edwards, 2003).

Third, Irish industrial policy has suited a global neo-liberal project by allowing inward-investing MNCs to implement sophisticated forms of union avoidance (Gunnigle et al, 2005, 2009). The role played by the State's industrial promotions agencies has been inimical to the ideal of social partnership. For example, during the previous SSA (e.g. 1960s and 1970s), State agencies recommended union recognition

among new inward investing firms by arranging introductions to trade union officials and encouraging MNCs to conclude recognition agreements. Research in this general area developed the 'convergence thesis': that the employment policies and practices of MNC subsidiaries would be largely similar to host country practices, which in Ireland would conform to a voluntary pluralist regime (Kelly and Brannick, 1985). However, the 'convergence' thesis has been brought into question in the Irish case, with MNCs (especially American subsidiaries) less likely to adjust their employment practices to suit local norms (Roche and Geary, 1995; Turner et al, 1997; Gunnigle et al, 2005). There was a growing pattern of trade union avoidance among MNCs in Ireland, facilitated by a shift in policy among State agencies (Gunnigle et al, 1998; Lavelle et al, 2010). By the 1990s, these government bodies indicated to inward-investing firms that they had the 'freedom to recognise or avoid trade unions' (Gunnigle et al, 1998; McGovern 1989). Many of the inward-investing firms originated from sectors of the U.S. economy that were hotbeds of anti-unionism (Foulkes, 1980; Kochan et al, 1986). Thus the public face of union legitimisation neither disturbed or derailed global neo-liberal structures. Finally,

conformity to a global neo-liberal agenda has resulted in an institutional disconnection among labour market actors in Ireland. One consequence of this, according to Thompson (2003), is the breakdown of the wage-effort bargain because employers find themselves unable (unwilling) to maintain their side of a deal as alternatives to social partnership and workforce participation are increasingly pursued under severe economic pressures. As Godard (2004) argues, in liberal-based economies unilateral management is more likely than genuine workforce participation as the former requires minimal support and resource. The implication is that strong and robust partnership regimes are rarely successfully implemented by governments and employers because they both engender and demand a regulatory model which runs counter to neo-liberal ideology. Even when partnership is adopted, as in Ireland, this is clearly of a variant that can be tolerated only when it demonstrates commercial value, and is easily dismissed when economic conditions change. To this end, Irish social partnership falls short of the institutional complementarities necessary for what Streeck (1997) argues is the benefit of regulated constraint.

## **6. Conclusion: Thatcherism delayed?**

We have argued that the institutional structures of accumulation in Irish society can be broadly characterised as a variant of, or local manifestation of, global neo-liberalism. This situation has been partially obscured by those areas where Ireland differs from the overall global pattern, in particular in the area of social partnership. This was manifest most clearly in the practice of negotiating extensive partnership agreements that dovetailed wage restraint, welfare levels and lowered taxation. The 'partnership' model has been held in contrast with the anti-union postures of the paradigmatic neo-liberal governments in the US and UK. Indeed, the enthusiasm displayed by the union leadership for social partnership stems partly from a desire to avoid the kind of brutal confrontation which occurred under Thatcherism in the UK.

While Irish social partnership contributed to the Celtic Tiger success it was itself heavily dependent for its longevity on the resources generated by the rapid expansion of the Celtic Tiger period (Rittau and Dundon, 2010). Ultimately, it lacked many of the institutional underpinnings of regulated arrangements in other European/Nordic countries, most of which have suffered less as result of the global-local interplay of the

crisis (Donaghey and Teague, 2005). Paradoxically, socio-economic cooperation in Ireland rested on the foundations of permissive voluntarism. In this area, it did not depart so radically from global neo-liberal patterns. In the face of economic crisis, social partnership, successful in part in distributing the spoils of growth, proved unable to negotiate retrenchment. The abandonment of social partnership has, arguably, been central to the government's strategy of dealing with the crisis. The government's strategy included a comprehensive and generous rescue of the banks and their bondholders, and the establishment of fiscal rectitude through deep cuts in spending. It was unlikely the unions as social partners would endorse these strategies. Still less likely was the acceptance of unilateral public sector wage cuts as the basis for reducing living standards in support of a recovery of competitiveness.

The latest stage of development at the time of writing, the Croke Park agreement, is a further political manoeuvre to generate some resemblance of cooperative dialogue in the midst of the crisis. The agreement essentially copper-fastens previous unilateral pay reductions while containing a tentative commitment to avoid additional

pay-cutting measures, unless faced with a further economic crisis. Significantly, the agreement also presumes a high degree of cooperation with public sector 'reforms'. While the agreement received overall public sector union approval, nine of the nineteen unions voted against, with some threatening to maintain opposition. This divisive outcome could further weaken organised labour. Cutbacks in public sector wages, it appears, may be the opening salvo in an elite strategy of restoring enterprise competitiveness and restarting accumulation. Arguably, the government is signalling the acceptability of extending wage-cutting measures to the private sector. More than 20 years of voluntarist social partnership has meant that existing union structures have been poorly positioned to resist the assault.

It is an irony that the first consequence of the crisis has been the rapid disintegration of precisely that element of the Irish social structure which served to distinguish Ireland from the overall pattern of global neo-liberalism. In the face of the crisis, the institutions of Irish industrial relations have through the abrupt abandonment of social partnership been forcibly realigned, at least temporarily, with the market fundamentalism of the global

neo-liberal era. While a full frontal Thatcherite-type ideological attack on labour is not evident, the State has prevented unions from effectively defending pay and working conditions in the face of the economic crisis. The Government's morbid strategy of reflating the banks and deflating the rest of the economy is unlikely to work. Crises are seldom resolved through the

restoration of the old order. It remains to be seen whether a kind of Thatcherism in Ireland has been denied by social partnership, or merely delayed.

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