Article

European Journal of Industrial Relations

European Journal of Industrial Relations
2017, Vol. 23(2) 117–133

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DOI: 10.1177/0959680116669032
journals.sagepub.com/home/ejd
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Rethinking social pacts in Europe: Prime ministerial power in Ireland and Italy

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Abstract

In Ireland and Southern European countries, social pacts were widely seen as a mechanism to mobilize broad support for weak governments to legitimate difficult reforms in the context of monetary integration. I retrace the politics of these pacts in Ireland and Italy to argue that it was less the condition of 'weak government' that enabled the negotiation of tripartite pacts, than the intervention of a 'strong executive': the prime minister's office. Social pacts were pursued as a political strategy to enhance prime ministerial executive autonomy. In the aftermath of the euro crisis, this means of enhancing executive autonomy has been replaced by the negotiation of grand coalition governments, with the exclusion of unions; but this continues the trend towards the prime ministerialization of politics.

Keywords

European monetary union, Ireland, Italy, prime ministers, social pacts, trade unions

Introduction

One of the defining features of the political adjustment to economic problems in the build-up to European monetary union (EMU) was the negotiation of social pacts between governments and trade unions. Scholars attributed the resurgence of social pacts in Europe primarily to *weak governments*. Minority coalition governments lacking a parliamentary majority needed the support of trade unions to mobilize consent for unpopular reforms in the midst of economic crises (Avdagic, 2010; Baccaro and Lim, 2007; Baccaro and Simoni, 2008; Hamann and Kelly, 2007). There were multiple pathways to negotiation; but in the origin of social pacts, all countries shared the condition of weak government. Debates shifted from analysing the structural variation in industrial relations

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regimes in EMU, and became primarily concerned with explaining the exchange *process* under which social pacts could be successfully negotiated (Avdagic et al., 2011). Some countries negotiated pacts as a one-off bargain to reform labour market policies in order to achieve EMU entry, while others *institutionalized* them as form of public policy-making. All pacts favoured employers and were generally considered 'neoliberal' in orientation (Baccaro and Howell, 2011).

This literature advanced our knowledge on the political economy of reform. But in responding to the eurozone crisis, in the context of significantly unstable governments, the strategy has been to *exclude* unions from the adjustment process (Bach and Bordogna, 2013; Colombo and Regalia, 2016; Culpepper, 2014; Molina, 2014). In the two most cited cases of social pacting, Ireland and Italy, governments have not only excluded trade unions from the process of adjustment but eviscerated tripartite social partnership arrangements, regardless of the possible electoral cost for governing parties. On one hand, this change is a direct outcome of a fragmented trade union movement, which cannot impose costs on the government, and therefore cannot force admittance to the bargaining table (Benassi and Vlandas, 2016; Culpepper and Regan, 2014). That is, unions have become too weak to be considered a social partner by governments implementing austerity. But on the other hand, it reflects a change in the political tactics of legitimation by the core executive of the state: the *prime minister's office*.

Using a causal process-tracing analysis of Ireland and Italy, I suggest that the condition of weak government requires reconsideration, and that the real politics of social pacting can be traced to prime ministers, not weak governments per se. My core claim is that the emergence and consolidation of social pacting in those countries lacking the institutional preconditions for neocorporatist negotiations required the strategic intervention of the prime minister's office, to overcome parliamentary vetoes. For the sake of parsimony, I claim that it was the intervention of a 'strong executive' not a 'weak government' that provided the *necessary* condition for social pacts. I conceptualize strong executive as the strengthened position of the prime minister's office vis-a-vis government. Minority governments, and competitive elections among parties, provide the general context for policy-making in all European democracies, but to explain the politics of social pacts, as a strategic response to European monetary integration, requires an analysis that focuses on the changing politics of *executive government*.

My core empirical argument is that social pacts were initially designed to stabilize industrial relations, and were made possible by the strategic intervention of the prime minister's office. Prime ministers, seeking to assert their political authority over the legislature, negotiated with relatively strong trade unions to enhance their executive autonomy over parliament. Weak governments, in effect, needed the *active intervention* of a strong prime minister to negotiate a political deal aimed at implementing austerity. In the aftermath of the euro crisis the coalition dynamics have changed, prime ministers are now tasked with generating legitimacy for austerity through 'grand coalitions' rather than through 'social pacts'. Both approaches, however, enhance prime ministerial autonomy.

It is important to note that my dependent variable is not the collapse of social pacting in the aftermath of the eurozone crisis. Rather, I am primarily interested in tracing the institutional origins of social pacts in order to test empirically the claim that it was the political intervention of prime ministers, rather than electorally weak governments, which provided the *necessary* condition for tripartite negotiations. To do this, I adopt a process-tracing analysis of two critical cases: Ireland and Italy. Although these countries are normally identified with different parliamentary regimes, a similar corporatist process was present in both: national tripartite pacts in both countries were an executive response to problems of wage competitiveness that government could not resolve on its own. This was a period when executive leaders across Europe were increasingly centralizing political authority in the prime minister's office, in order to build strategic capacity as a response to European monetary integration (Hancké and Rhodes, 2005; Hassel, 2003).

In the Irish case, the strategic objective of centralizing decision-making within the prime minister's office was to develop a national 'economic and social plan' that was autonomous from the Department of Finance. The National Economic and Social Council (NESC), a tripartite agency sponsored by the prime minister's office, became central to the negotiating process. The outcome was 25 years of centralized industrial relations, locally referred to as 'social partnership' (Regan, 2014). Social pacts became a political tool for the prime minister's office to assert itself as the core executive of the state, and mobilize popular support for government policy, while enhancing policy coordination across government departments. These coalition dynamics changed with the external intervention of the 'Troika' and the emergence of a new 'economic management council' in the prime minister's office.

In Italy, during the early to mid-1990s, 'technocratic' prime ministers intervened to mobilize support among trade unions to enhance government legitimacy for unpopular reforms in the context of parliamentary fragmentation. By contrast, Berlusconi shifted the strategy away from social pacts to the use of emergency legislative decrees and/or confidence votes. During the eurozone crisis, Mario Monti continued this trend, but unlike Berlusconi his legitimacy was anchored in neither political parties nor organized interests, leading to a failed experiment in 'unmediated democracy' (Culpepper, 2014). But the important point to note is that the causal mechanism leading weak governments to negotiate social pacts (and economic reform more generally) was the same in both countries: the *intervention* of prime ministers with the authoritative capacity to negotiate economic reforms autonomously from the legislature.

Below, I first examine the political economy of reform literature on social pacting and negotiated adjustment. Second, I outline the variable missing from the causal mechanism that led weak governments to negotiate pacts in Ireland and Italy: the coordinating capacity and intervention of the prime minister's office. I then evidence prime ministerial intervention through a causal process-tracing analysis of tripartite social pacting in both countries. Finally, I discuss the new prime ministerial strategy of enhancing executive autonomy in Europe: grand coalition governments.

Legitimizing the politics of reform: social pacting and parliament

I begin by reviewing *alternative* accounts of the circumstances under which, in the absence of corporatist policy-making structures, political actors negotiate with trade unions. The literature on the emergence of pacts in Ireland and Southern Europe, particularly Spain, Italy and Portugal, makes the important observation that the underlying objective was to enhance labour market competitiveness through controlling unit wage costs. This led scholars to conclude that governments in these countries negotiated social pacts to satisfy the Maastricht criteria for EMU (Hancké and Rhodes, 2005; Regini, 2000). That is, in countries without the institutional foundations for coordinated wage restraint, centralized pacts were a direct outcome of *functional* constraints associated with European monetary integration; they were often termed 'competitive corporatism' (Molina and Rhodes, 2007).

Baccaro and Lim (2007) develop this argument, specifying that governments negotiate social pacts when they are incapable of forming a parliamentary majority. Political parties need the support of trade unions to implement labour market and collective bargaining reform because, in a context of parliamentary fragmentation, governments are too weak to act alone. Hamann and Kelly (2007) corroborate this hypothesis through a large-N statistical analysis and conclude that political parties negotiate social pacts as an *electoral* strategy to win votes. Avdagic et al. (2011) synthesize the existing literature, using a Boolean Algebraic method, and concluded that while equifinality exists (multiple pathways to the same outcome), electoral calculation by minority coalition governments in multi-party systems is indeed the single most important factor in predicting whether corporatist pacts are successfully negotiated. Furthermore, most industrial relations scholars argue, correctly, that social pacts were primarily a negotiation between union confederations and government, and aimed at ensuring that wage increases in the public and non-traded sectors mirrored those in the competitive sector (Hassel, 2009). Labour market and pensions liberalization reflected the preference of employers, and social pacts ensured that unions bought into these reforms by securing a democratic mandate from their members (Natali and Pochet, 2009).

All this has significantly improved our understanding of why governments in Europe share their policy-making prerogatives with trade unions. But one crucial factor has been overlooked in this literature. An unstable government cannot, in itself, negotiate a non-parliamentary coalition for economic reform. This requires the intervention of an 'honest broker' with the authority and autonomous capacity to negotiate a *quid pro quo* among conflicting interests.

The condition for coalition building: strong executive not weak government

Social pacts emerge when political parties are bypassed in parliamentary decision-making. The clearest examples of this are the non-partisan 'technocratic' governments in Italy during the early 1990s (Pasquino, 1997; Pasquino and Valbruzzi, 2013). As suggested by the literature, these governments were 'weak' in the sense that they were not legitimated by directly elected parties capable of forming a stable government in parliament. Or to be more precise, Italian political parties were weak relative to government. Technocratic prime ministerial leadership, and the appointment of a non-partisan government, were an obvious solution to this parliamentary dilemma. But this created an additional problem of ensuring democratic accountability and political legitimacy when implementing reform.

Social pacts overcame this problem by legitimizing the political initiatives with union and employer confederations, rather than political parties in parliament. The industrial

Table 1. Parliamentary powers index (2007).

AT	0.72	EL	0.81	SE	0.72
BE	0.75	IE	0.66	UK	0.78
DK	0.78	IT	0.84		
FI	0.72	NL	0.78	AUS	0.63
FR	0.56	PT	0.63	USA	0.63
DE	0.84	ES	0.72		

Source: Fish and Kroenig (2009).

relations and wage reforms that were implemented in Ireland and Southern Europe, particularly during the Maastricht convergence period, anchored the adjustment in civil society but simultaneously achieved a more fundamental objective: strengthening prime ministerial autonomy over government. In their origin, social pacts, I suggest, facilitated a temporary transition from a parliamentary to a presidential system of governance. The capacity to act autonomously from both cabinet government *and* opposition parties in parliament is how I define a 'strong executive' (Poguntke and Webb, 2005).

One way to observe this empirically is to examine cross-national variation in the strength/weakness of executive–legislative relations. The Parliamentary Powers Index (PPI), developed by Fish and Kroenig (2009), provides a series of proxy indicators to measure the extent of parliamentary legislative *influence* over executive government. The main data source is the Legislative Powers Survey (LPS), which lists 32 items that gauge the influence of the legislature over the executive, parliamentary autonomy, parliamentary authority and the institutional capacity of the legislature. These data are generated through an international survey of experts, extensive study of secondary sources and analysis of constitutions and other relevant documents. Using measures of 'strong legislature' as a proxy for 'weak executive' is certainly not ideal. Executive power relates to a much broader set of formal (and informal) constitutional forms, but these are the only systematic data available on a cross-country basis.

The variable LPS ranges from 0 (*least powerful*) to 32 (*most powerful*). The PPI aggregates these LPS indicators to measure the overall 'strength' of the legislature. These range from 0 (*least powerful*) to 1 (*most powerful*). If we sum the number of powers that the national legislature possesses and divide it by 32 we can calculate the score (Fish and Kroenig, 2009). For example, a country with a national legislature that possesses 16 of 32 parliamentary powers has a PPI of 0.50. Table 1 provides the scores for a selection of western European countries, the United States and Australia.

These scores illustrate significant cross-national variation in executive–legislative relations among western parliamentary democracies. As would be expected, presidential systems such as France and the United States score much lower than average. The variation becomes more interesting, however, among multi-party consensual democracies in Europe, such as Ireland and Italy. The Irish legislature, for example, is much weaker vis-a-vis the executive than in Italy (0.66 compared to 0.84). Other things being equal, this would suggest that Ireland's core executive (the prime minister's office, in particular) is more autonomous of the government and the legislature than in Italy. Why then did both countries pursue social pacts? As my discussion shows, the prime minister's office in Ireland sought autonomy from cabinet government (particularly the Department of Finance), whereas in Italy it sought autonomy from parliament. This is an important difference, but for my purposes, it is sufficient to note that what matters is the *common* attempt to increase and legitimate prime ministerial autonomy.

More parliamentary power does not necessarily imply better decision-making, and it is necessary to view these synthetic indices with caution. For example, both Italy and Germany have 'strong' legislatures. But in the former, this leads to the disruptive influence of partisan political parties over policy (*partitocrazia*), whereas in the latter it increases non-partisan committees. The utility of these data is that they provide a systematic measure of 'strong legislature', which in turn can be used as an inverse proxy for the strength of the executive. One can hypothesize that weak prime ministerial executives will develop strategies to increase their power as against parliament, in order to enhance their authority over government. It is these *strategies* that prime ministers pursue to overcome veto players in the policy-making process that are my primary concern.

The presidential–parliamentary distinction has been foundational to the study of comparative politics for decades, based around measuring *legal–formal* institutions, such as constitutions and electoral rules. But there is growing recognition that these formal attributes reveal very little about the actual politics of executive government (Fabbrini, 1994; O'Malley, 2007; Peters and Helms, 2012). In all parliamentary democracies, the prime minister has the informal power to shape the policy-making agenda. But few constitutions recognize or grant this informal power in legal–formal terms. Negotiating social pacts outside parliament and government, I suggest, is one way to observe the strategies prime ministers pursue to enhance executive autonomy.

My hypothesis is that the necessary condition for social pacting in Ireland and Italy was the same: the political intervention of the prime minister's office. The rationale was also the same: to strengthen the power of the executive as against the legislature and stabilize industrial relations. I will now test this claim through a 'most different' case study design. Italy has a strong legislature, and the executive has less influence over government, relative to almost every other consensual democracy in Europe (Hine and Finocchi, 1991; O'Malley and Cavatorta, 2004). Ireland, on the other hand, has a weak legislature but strong cabinet government (individual ministries). Both of these factors (strong legislature in Italy and strong cabinet government in Ireland) constrained the executive autonomy of prime ministers, and spurred them to seek alternative strategies to achieve their political objectives.

Social pacts and the prime ministerialization of Irish politics

> Social partnership was born out of the need to build a strong Taoiseach's Department in response to an economic and social crisis. (Bertie Ahern, Taoiseach (prime minister), 1997–2008)

In 1987, a newly elected Fianna Fáil (FF) government negotiated a social pact, the *Programme for National Recovery* (PNR), with the Irish Congress of Trade Unions (ICTU) and the employers' and farmers' organizations. This was followed by the

Programme for Economic and Social Progress (PESP) in 1990. Both were aimed at generating the conditions for national wage restraint to ensure that the export gains of currency devaluation were not lost. The unions exchanged their right to pursue firm-level bargaining in return for cuts in income tax and influence over government economic policy. The outcome was 23 years of centralized wage bargaining (Hardiman, 2002; Roche, 2009). But throughout the 1970s, successive governments had attempted such industrial relations reform and failed. What changed?

The causal process can be traced to a newly empowered Department of the Taoiseach (DoT) under the FF leader, Charles Haughey, who after the 1987 election sought support for economic reform outside his minority government. Unlike previous attempts at centralized wage bargaining, the PNR and PESP were directly sponsored and negotiated through his office, and directly involved unions in fiscal policy. Wage restraint was traded for tax cuts. The attempt to construct a national incomes policy had become a strategic priority for state managers in the prime minister's office since Ireland's entry to the European Monetary System (EMS). Haughey and his officials increasingly recognized that the new European monetary regime would require sharing the economic policy-making prerogatives of government with unions, as illustrated by this comment in the archives of the Taoiseach's office:

> To formulate an economic plan without the wage-bargaining process built into it and hope that the trade unions will be persuaded by exhortation and admonition to fall in line is a futile exercise … To stabilise wage claims, we must channel the expectations and strength behind them towards cooperative effort to achieve economic expansion … If the planning process does not permit trade union power to be exercised in developing the economic system, we must not be surprised if it seeks its own ends independently.

From 1982 to 1986, under the Fine Gael (FG)–Labour coalition, unions were excluded. Wage bargaining took place at firm level. Inflation soared. During this period, a senior government official, Padraig O'hUiginn, previously secretary to the DoT, became chair of the tripartite NESC, established in 1979 to advise the Taoiseach on economic policy. In 1986, the NESC produced a *Strategy for Development*, which contained identical industrial relations recommendations to a previous FF document, the *Way Forward*. In 1987, Haughey was re-elected Taoiseach and O'hUiginn returned to government as secretary general of his office. He used the *Strategy for Development* to negotiate with the ICTU for support for the government's fiscal adjustment. In return, the newly elected government would give the ICTU an informal seat at the table. For the next 23 years, social partnership became the default position of Irish politics. All social pacts were directly negotiated through state officials in the DoT.

The relationship between FF and trade unions

Given the parliamentary strength of FF in 1987, it could be argued that social partnership reflected its partisan preference rather than prime ministerial politics. In 1990, for example, Haughey described the relationship between FF, trade unions and the emergent tripartite social partnership process as follows:

> Trade unionists subscribe to our *republican political philosophy* with its strong emphasis on economic development and social progress … which has to be planned and organised. Fianna Fáil is a party, which trade unionists feel at home, reflecting the aspirations of the majority of Irish people, irrespective of class …

Thus, one could reasonably suggest that social pacts were merely the outcome of FF electoral priorities. But this relationship with the unions had existed for decades, and all previous attempts at corporatism failed. This is because negotiations took place via the Department of Finance, which opposed any attempt to engage in an exchange that involved fiscal policy. This veto came to an end when Haughey moved responsibility for the wage bargaining process (a *tax-based incomes policy*) directly to the DoT.

Senior civil servants in the DoT supported this new role for their office, given that many of them (including O'hUiginn) had transferred from the Department of Economic and Social Planning in 1982. The reason for abolishing this was that it conflicted with the economic conservatism within the Ministry of Finance. From 1987, its Keynesian orientation was effectively transferred into the DoT through the social partnership process. Senior officials in the Department of Finance resented this enhanced role for the DoT, which they colloquially termed the 'Ministry of Social Partnership'. Their opposition was based on the argument that 'corporatism' granted too much political influence to trade unions in shaping the policy priorities of the elected government. But as long as the unions had sufficient veto power in the labour market, to create industrial instability in a period of export-led growth, the DoT was willing to open the doors of government buildings (Regan, 2012).

This strengthened role for the Taoiseach could also be observed in the establishment of the tripartite Central Review Committee, tasked with implementing the agreements. Union leaders were among the members and reported directly to the Taoiseach on a monthly basis, gaining unprecedented access to the corridors of power. By the mid-1990s, Ireland had definitively moved from a 'pluralist' model of public policy formation to 'tripartite' concertation. The precondition that made this possible was not a weak minority government but the authoritative intervention of the DoT, enabled in turn to extend its autonomy and influence within government.

Economic planning and the 'ministry of social partnership'

By the mid-1990s, the DoT had usurped the Department of Finance in setting the economic policy agenda, and used the social partnership process to achieve the wage and inflation convergence criteria of Maastricht. In 1994, a new FG–Labour coalition government received what was then the largest majority in the history of the state, yet continued to involve unions through social pacts to manage the constraints of European monetary integration. Social partnership was considered more effective in solving economic problems (maintaining competitiveness) than the competitive electoral arena of parliament. The export competitiveness gains of the 1992 currency devaluation were guaranteed by 6 years of wage restraint in the *Programme for Competitiveness and Work* (PCW), negotiated in 1993, and *Partnership 2000* (P2000) negotiated in 1996.

From the ICTU perspective, these social pacts involved a political exchange that benefitted all workers: a reduction in marginal rates of income tax. All the centralized wage agreements negotiated from 1987 onwards were put to a vote among the membership of affiliated unions. All passed. For some industrial relations scholars, this was a 'Faustian bargain', as it effectively turned the trade union movement into a series of triennual wage referendums (D'Art and Turner, 2011). The main critique among policy-makers, however, was that social partnership marginalized parliament and the public administration. An activist DoT (using social pacts as a strategy to enhance its authority within government) meant that the Department of Finance lost its influence as the core executive of the state.

The constraints of Maastricht ensured that all governments during this period continued an austere approach to wage and fiscal policy. This changed after the 1997 election, when a new populist government under the FF leader, Bertie Ahern, in coalition with a neoliberal party, the Progressive Democrats, opted to cut income taxes *and* increase public sector spending. The new Taoiseach negotiated the *Programme for Prosperity and Fairness* (PPF) in 1999, followed by *Sustaining Progress* (SP) in 2003. Parties in parliament increasingly viewed these pacts with suspicion, as they were perceived as allowing the Taoiseach to escape parliamentary scrutiny, while negotiating public policy behind closed doors.

Partisan politics and the re-emergence of parliament

This concern was directed, in particular, at Ahern, who remained Taoiseach until 2008. The tripartite process expanded to include almost every interest group in civil society, with the implication that the Taoiseach increasingly used the non-parliamentary process as a budgetary strategy to 'buy off' the electorate. His government cut taxes in every budget from 1999 to 2008. Simultaneously, total expenditure on income transfers increased from €6.2 bn in 1999 to €13 bn in 2006. By 2004, employer social insurance contributions and corporate tax rates were the lowest in Europe, while the income tax base was narrowed to 50 percent of employees. Nominal wage growth grew on average by 5 percent per annum. In 2002, a public sector side payment awarded, on average, an 8.9-percent increase, in addition to the 3-percent national wage agreement, to *all* public sector workers.

The 1999 and 2003 pacts, and the negotiation of a 10-year social pact in 2006, *Towards 2016*, consolidated the strategic role of the Taoiseach as the chief executive of the state; the social partnership agreements became indistinguishable from his public policy priorities. In the words of a senior FF minister at that time (interview, 2012), 'if you wanted to get a policy implemented, it had to be in Taoiseach's social partnership agreement, which became the real programme for government'.

The DoT could sustain this influence because, until 2008, involving trade unions in government was perceived as necessary to deliver industrial relations stability. But when the international financial crisis hit, Ireland's economic bubble burst and government revenue collapsed. The DoT and their close relationship with trade unions were now considered part of the problem not the solution. Economic policy shifted back to the Department of Finance, which quickly reasserted its role as the core executive of the state. In the words of one of its senior civil servants,

> The social partnership party is over, the Prime Minister's Office know that, we are back in the driving seat and I can assure you, the unions and all those other lobby groups that social partnership spawned, will not be getting anywhere near that door. (Interview, 2012)

FF subsequently suffered a historic electoral defeat in 2011, being reduced to 15 seats out of 165. The newly elected government under the FG leader, Enda Kenny, continued to dissolve social partnership. The new Taoiseach negotiated a grand coalition between centre-right and centre-left, forming the largest parliamentary majority in the history of the state. This effectively muted all parliamentary opposition to the austerity programme imposed by the Troika. The new Taoiseach removed the social partnership function from his Office, downgraded the NESC, replaced all senior civil servants associated with social partnership, and closed the remaining tripartite committees in government. Decision-making was centralized into a new 'economic council' consisting of the Taoiseach, the Minister of Finance and the Minister for Public Expenditure. The government lost its majority in the 2016 elections; but despite his precarious parliamentary position, Kenny ruled out any return to tripartite dialogue.

Social pacts and the prime ministerialization of Italian politics

> We will have to act like a serious efficient government with a small number of ministers. (Giuliano Amato, *Presidente del Consiglio dei Ministri* (Prime Minister), 1992–1993)

Much as in Ireland, the process of Italian *concertazione* had deep roots in a Catholic 'republican' state tradition (Salvati, 2000, 2006). Throughout the 1970s and 1980s, there were attempts to negotiate a centralized incomes policy to control inflation and manage the constraints of European monetary integration. But trade unions were fragmented and organized in three competing confederations, each of which had significant veto power over economic policy. In 1978, they embraced a common approach to incomes policy called the 'Eur-line', which facilitated national tripartite negotiations and led to a political deal with the Department of Labour in 1983. This involved a ban on firm-level bargaining in return for influence over national labour market reforms (Baccaro and Pulignano, 2009; Regini and Colombo, 2011).

In 1984, the Ministry of Labour failed to renegotiate the deal and the short-lived unification of a fragmented trade union movement collapsed. The economic situation deteriorated. Company bargaining continued and inflation worsened. By 1992, Italy, along with the United Kingdom, was forced out of the EMS and subsequently devalued the lira. At the same time, the political party system was collapsing as a result of a series of corruption scandals (Fantoni, 2012; Magatti, 1996). Parliamentary fragmentation and an international monetary crisis provided the contextual background for the emergence of two non-partisan 'technocratic' governments (Pasquino and Valbruzzi, 2013). In 1992 and 1993, two social pacts were negotiated that implemented far-reaching reforms in the collective bargaining system, putting an end to the wage indexation system. How was this macroeconomic adjustment possible in the presence of a weak government and a collapsed parliament?

The causal process can be traced to the intervention of the prime minister's office (*La* Presidenza del Consiglio dei Ministri). The *Amato Pact* in 1992, the *Ciampi Protocol* in

1993 and the *Dini Social Accord* in 1995 were all negotiated by technocratic prime ministers who legitimized the reform process outside parliament. It was they, not the Department of Labour or representatives from political parties, who negotiated on behalf of the government. Throughout the 1980s, various prime ministers had proposed constitutional reforms to strengthen the executive branch of government. Bettino Craxi, leader of the socialist party, and premier from 1983–1987, even advocated a formal transition from a parliamentary to a presidential regime (Calise, 2005). Ciampi and Amato likewise supported enhanced executive autonomy over the legislature. Their recourse to social pacts was primarily designed to strengthen the problem-solving capacity of the executive (Pasquino, 2013; Regalia and Regini, 1998; Salvati, 2000).

The fact that all these pacts occurred under non-partisan governments led scholars to conclude, correctly, that a core condition for *concertazione* was a weak government. Technocratic administrations needed to generate non-parliamentary support to enhance their legitimacy (Culpepper, 2002). But what has not been explicitly analysed in the literature is the strategic intervention and the coordinating capacity of the prime minister's office itself. A more centralized executive, by definition, implies more prime ministerial autonomy from government. It is precisely because parties in parliament had *less* influence over policy during these years that technocratic premiers were capable of negotiating social pacts with trade unions. In this regard, the necessary condition for social pacting was less the presence of a weak government and more the intervention of a strong executive, capable of acting autonomously. As one of those involved in the negotiations explained,

> The Prime Minister and the Minister of Labour played a strong role as guarantors. They were fully and directly involved in designing and cementing a deal. Their competence and authoritativeness made them ideal mediators among our different positions, and their proposals were capable of taking all viewpoints into account. (Regini and Colombo, 2011: 128)

The 1994 election was won by the right-of-centre *Forza Italia*, led by Silvio Berlusconi. He continued the centralization of executive power but adopted a different approach from the technocrats on how to design and implement successful economic reforms. To consolidate the public finances, Berlusconi introduced a unilateral change to public pensions, particularly seniority pensions. The reform collapsed in response to trade union protests and Berlusconi was forced to resign (Jessoula, 2009). In 1995, a new technocratic executive led by Lamberto Dini successfully implemented the same reforms, albeit with important concessions (Simoni, 2011). The Dini reform was a success because the process had been taken *out* of parliamentary party competition. Again, this suggests that it was not so much electoral calculation by political parties that provided the condition for social pacting; rather it was the strategic position of a prime ministerial executive capable of acting autonomously.

Social pacts, partisan reform and state capacity

Throughout the 1990s, social pacts helped premiers solve problems that parliament could not achieve on their own, and subsequently generated the conditions in 1996 for the newly elected centre-left prime minister, Romano Prodi, to promote *concertazione* as a mechanism to stabilize Italian parliamentary politics and build executive state capacity (Fabbrini, 2004). This was particularly important when Italy was trying to stabilize inflation and reduce the budget deficit to satisfy the Maastricht convergence criteria. Prodi used social pacting as a strategy not just to overcome the influence of *partitocrazia* but also to get the three union confederations to overcome their internal divisions and achieve entry to EMU. The strategy of tripartism was viewed as a success and led some scholars (Rhodes, 1998) to conclude that Italy, under the constraints of European monetary integration, had entered a new phase of 'competitive corporatism'. The parliament even considered introducing a legal framework to embed c*oncertazione* into the constitution, among a host of other measures, all of which would have enhanced the governing autonomy of executive government (Carrieri, 1997).

In 1996, Prodi used social pacting to negotiate a large package of labour market reforms based around the introduction of temporary agency work (Regini and Colombo, 2011). The resulting 1997 'Treu reforms' increased labour market flexibility but reinforced employment protection for the core unionized sectors of the economy (Simoni, 2011). The package was initially drafted by Dini but were now taken over by the Department of Labour under Tiziano Treu, and the concessions to the unions led to a growing perception that social pacts were designed to protect labour market 'insiders'. In 1998, Prodi, who oversaw the implementation of reforms, was forced to resign and replaced by Massimo D'Alema. As chief executive of the new centre-left *Ulivo* government, D'Alema again turned to corporatist channels to bolster his executive power and negotiated the 1998 'Christmas Pact'. While this social pact was primarily symbolic, it reinforced a perception that *La* Presidenza was the core executive of government.

The recourse to non-partisan technocratic administrations reflects the highly politicized nature of Italian parliamentary politics. Non-partisan premiers proved more effective in overcoming the influence of the legislature than elected governments. Social pacts facilitated this process by enabling the executive to bypass veto players in parliament (primarily political parties) while simultaneously legitimating contested economic reforms through non-parliamentary channels. This does not contradict, nor is it mutually exclusive to, the *weak government* thesis, but it does suggest that in the context of electoral competition, weak minority governments needed the active intervention and authority of the prime minister to build a non-parliamentary coalition of reform.

Executive power and the re-emergence of 'partitocrazia'

Much as in Ireland under Ahern, the re-election of Berlusconi in 2001 with a stable majority meant that partisan politics increasingly dominated the social partnership process (thereby reducing the 'problem-solving' function associated with technocratic administrations). The policy agenda of Italian social pacts widened and became less concerned with the Maastricht convergence criteria. The politicization of tripartism once more split the Italian trade union movement. The left-oriented *Confederazione Generale Italiana del Lavoro* (CGIL) was willing to negotiate with Berlusconi, but not to sign a pact that might increase his executive power (Marangoni, 2012). In 2002, the prime minister negotiated a *Pact for Italy* with its two smaller rivals, but CGIL refused to sign.

The partisan nature of social pacting continued during the brief tenure of the centre-left premier, Romano Prodi, elected in 2006. In 2007, he negotiated a *Pact for Welfare* whose signatories included the CGIL. In opposition to Prodi's newly formed *Partito Democratico* (PD), Berlusconi created the *Popolo della Libertá* (PDL), which won the 2008 election with a sizeable majority (Pasquino and Valbruzzi, 2012). Despite this stable majority, Berlusconi chose to use corporatist channels to legitimate a significant reform of the collective bargaining system. However, the trade union movement was increasingly divided on whether to sign a social pact that would increase the executive dominance of Berlusconi within government (Regini and Colombo, 2011).

This concern was not unfounded. What defined executive autonomy in the second Berlusconi administration was *less* the use of social pacting (as a strategy to bypass parliament when implementing economic reform) but the active use of *confidence votes* and *emergency decrees*, which if defeated in parliament usually leads automatically to new elections. Emergency decrees constituted a staggering 60 percent of the legislative activity of the Berlusconi cabinet, compared to 38 percent for the previous premier, Prodi. Despite having a comfortable government majority, Berlusconi bypassed the ordinary legislative process and relied upon the exceptional procedures of decree laws and confidence votes to discipline his cabinet and increase executive dominance over parliament (Marangoni, 2013; Pasquino, 2007).

In 2011, Berlusconi was ousted from office and replaced by another non-partisan technocrat, Mario Monti. His task was to bring down the yield on sovereign debt and adjust the Italian labour market to the constraints of EMU (McDonnell and Valbruzzi, 2014). Monti ignored the political success of previous technocratic administrations and attempted to design and implement economic reforms *unilaterally*, without the support of either political parties in parliament or trade unions (Culpepper, 2014; Fabbrini, 2009). Monti, in effect, continued Berlusconi's approach by issuing decree laws and seeking delegated authority measures to enhance his autonomy.

According to Marangoni (2012), the legislative strategy of the Monti executive was the most highly coordinated from the Presidenza, with an unprecedented 70 percent of legislative initiatives presented as decree laws, 95 percent of which were approved. However, while decree laws may increase executive autonomy from the legislature they undermine political legitimacy. Monti's reforms failed to satisfy both political parties in parliament and trade unions in civil society. His grand coalition collapsed. Matteo Renzi, who became premier in 2014, continued Monti's union exclusion and sought legitimacy for his industrial relations and labour market reforms through a 'grand coalition' between centre-left and centre-right.

Discussion

In reconstructing the Italian and Irish cases, I have argued that the renaissance of social pacts throughout the 1990s and 2000s can be traced to a political strategy by the core executive of the state, the prime minister's office, to centralize decision-making and increase executive autonomy from the legislature and government. The process of building a non-parliamentary coalition of reform to legitimize economic adjustment, I suggest, required the intervention of this office, rather than the presence of a weak minority government per se. This condition of *executive intervention* has not been examined in the literature. The dominant explanation for why governments share their policy-making prerogatives with unions is that it is a partisan strategy to improve electoral prospects. The causal mechanism specified in this article is that without the institutional preconditions of tripartite concertation, social pacting required the authority of prime ministerial intervention.

This causal mechanism does not contradict the weak government thesis. Rather, it specifies more concretely that governments, in non-corporatist eurozone countries, regardless of electoral interest, required prime ministerial intervention to generate the conditions for tripartite negotiations. But where the argument does differ from the weak government thesis is the proposition that social pacts were a strategy to enhance prime ministerial *autonomy* from parliament. In this regard, the tripartite social pacts negotiated in the 1990s and 2000s can be considered part of a general trend towards the *prime ministerialization* of government in contemporary European democracies (Curtin, 2009; Elgie, 2011; O'Malley, 2007; Peters and Helms, 2012; Poguntke and Webb, 2005).

In Ireland and Italy, premiers strategically used tripartite pacts with unions to enhance their autonomy and problem-solving capacities, as against the parliament. The need to legitimize industrial relations reforms, in the context of the post-2008 euro crisis, has further elevated prime ministerial influence in government. However, rather than pursue economic reforms with unions and employers, the strategy is to nurture cross-party 'grand coalitions'. Whether this actually improves the effectiveness and legitimacy of reforms is a moot point. But it does suggest a continued trend towards the centralization of decision-making within the office of the prime minister. What about the role of unions and employers themselves? Unions were once considered privileged interlocutors in their attempt to legitimate economic reforms in unruly parliaments. With the exception of public sector unions, this is no longer the case. Prime ministers, it would appear, no longer require the support of union confederations when implementing tough industrial relations and labour market reforms, which is perhaps related to the perception of that previous social pacts were negotiated in the narrow interest of 'insiders'.

My findings are, of course, limited in their generalizability, given the small-N most-different paired case study analysis adopted. But the observations would also appear to hold for Spain, Portugal, Finland and Korea. In all these countries, the prime minister's office negotiated social pacts with trade unions to resolve complex economic problems that parliaments were incapable of achieving on their own. This was particularly the case in Korea after the International Monetary Fund (IMF) adjustment in the early 1990s. In response to an economic crisis, its government centralized decision-making in the prime minister's office, and the means to legitimize this was the negotiation of social pacts (Lim, 2002). Similarly, the process collapsed when political parties in parliament reasserted themselves over the quasi-technocratic corporatist process. The same occurred in Poland and Spain (Meardi et al., 2015), where social pacts were previously negotiated directly through the tripartite commission in the prime minister's office but collapsed when the process returned to the Department of Labour.

The changing politics of post-crisis European industrial relations may open up new lines of research inquiry. Since the euro crisis, the role of prime ministers has increased rather than decreased in importance, given the centrality of the European Union (EU) Council in coordinating the policy response. But unlike the pre-EMU period, national executives are no longer tasked with mobilizing consent to legitimize difficult reforms, but are vehicles to *impose* structural reforms on behalf of the new euro governance regime. Under the watchful eye of the European Commission, national leaders have adopted more hierarchical means of legitimating reform in parliament. But this is not likely to deliver the previous promise of social pacting, which was to mobilize consent for unpopular labour market reforms in response to the constraints of European monetary integration. In this regard, governments in Ireland and southern Europe may well return to social pacts to resolve their labour market problems in the future. Meanwhile, grand coalitions monitored by an increasingly interventionist Commission, will provide the legitimacy for implementing harsh austerity.

Declaration of Conflicting Interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The author(s) received no financial support for the research, authorship and/or publication of this article.

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