# 7 The Rise and Fall of Social Partnership in Ireland

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## 7.1 Introduction

Ireland has always been a critical case in the comparative political economy of social pacts literature (Baccaro and Lim 2007). Much like Southern Europe, Ireland did not have the institutional preconditions considered necessary for centralized or coordinated wage bargaining (Avdagic 2010; Avdagic, Rhodes and Visser 2011), nor the conditions for tripartite policymaking (Baccaro and Simoni 2008). It had a conflictual and voluntarist industrial relations regime and a Westminster-style policymaking regime, with the implication that decision-making was highly centralized in the core executive of the state (Regan 2012a, 2017).

Ireland is widely considered a variant of a liberal market economy (LME), with low corporate taxes and a flexible labour market, and heavily dependent on foreign direct investment (FDI). Despite this, from 1987 to 2008, Ireland instituted a centralized wage bargaining regime and a formalized tripartite process of social concertation in policymaking (Culpepper and Regan 2014; Hardiman 2002; O'Donnell, Adshead, and Damian 2011; Roche 2007; Teague and Donaghey 2009; Weishaupt 2011). Locally, this became known as *social partnership*, and will be referred to as such throughout the remainder of this chapter.

The literature tried to explain the emergence and consolidation of social partnership with reference to the functional constraints of being a small open economy (Hardiman 2006), European monetary integration (Hancke and Rhodes 2005; Hassel 2003), a weak government seeking legitimation (Avdagic 2010; Baccaro and Simoni 2008), electoral calculation by political parties (Hamann and Kelly 2007), and/or the strategic capacity of trade unions to force themselves to the bargaining table (Culpepper and Regan 2014). It created a relatively large literature on whether *domestic* political factors or *international* constraints explained the emergence of tripartism in countries lacking the institutional preconditions for corporatism.

Empirically, in Ireland, it was always a combination of both international and European economic constraints and domestic political conditions. In the late 1980s, a weak centre-right *Fianna Fáil* (FF) government sought legitimation for its economic adjustment, and recognized that the adjustment would be more successful if trade unions were brought into the policy-making process. The Prime Minister of the day, Charles Haughey, actively sought *stability* in industrial relations and wage restraint to attract international investment and as a strategy to reap the rewards of the European single market. Social partnership also strengthened the coordinating position of the Prime Minister's office vis-à-vis the Department of Finance (Regan 2017). The leadership of the trade union movement were willing to accept centralized wage restraint if granted direct access to government buildings, which would give them the strategic capacity to influence the trajectory of national fiscal policy (Regan 2012b).

The core argument of this chapter is that the collapse of social partnership can be traced to a weakened trade union movement, whose representative legitimacy is called into question on the basis of their narrow membership, and their involvement in the economic policies of FF governments in the 2000s. Since 2008, successive Taoisigh (Prime Ministers) have focused on *parliament* as the avenue to legitimate public policy reform. The remainder of the chapter is structured as follows: first, I describe the context of the crisis during 2008–2011. Second, I describe the post-crisis management period from 2012 onwards. Third, I discuss the main inferences to be drawn from this shift from tripartism to parliament.

## 7.2 The crisis context

### *7.2.1 Social partnership*

In the origins of social partnership, in the mid-1980s, union density was over 50 per cent and bargaining coverage close to 70 per cent (Regan 2012a). This gave trade unions significant deterrent power in the market. But in the late 1980s, trade union leaders recognized that the economy was undergoing rapid structural change, and that the government's policy of attracting US FDI and the expansion of the European single market would put them at a strategic disadvantage. They were acutely aware of the labour exclusion strategies being pursued in the UK, and amongst trade union leaders there was a growing consensus that the militancy of UK trade unions had backfired. In this context, union leaders strategized that it was better to offer the *carrot* of problem-solving to the government, which largely rested on taming their members and delivering wage restraint. In return for this, they were granted a seat at the government table (Hastings et al. 2007; Regan 2012a, 2012b).

Throughout the 1990s, social partnership enabled government to meet the Maastricht criteria, whilst providing the political stability to attract non-unionized FDI. The Irish Congress of Trade Unions (ICTU) delivered their side of the bargain and ensured coordinated wage restraint amongst their affiliates (Roche 2007). By the late 1990s, the social partnership process was associated with improved economic and employment performance, and the process was increasingly judged on the basis of output legitimacy (Hastings et al. 2007). But by the early 2000s, the labour market was undergoing significant structural transformation. In particular, unionized jobs and collective bargaining coverage in the private sector were undergoing sharp decline. Union density was increasingly concentrated in the public service sectors. This narrowing of membership meant that the representative legitimacy of trade unions was becoming increasingly questioned within the media (Culpepper & Regan 2014). But this criticism was muted as long as the process was associated with strong economic and employment performance.

In the early 2000s and after Ireland's entry to the eurozone, the Irish economy boomed. Absent the external constraint of Maastricht, and in a context of a booming economy, it became increasingly difficult for government and trade union leaders to maintain wage restraint. From 1997 to 2007, successive centre-right FF governments in coalition with a small neoliberal party, the Progressive Democrats (PD), focused fiscal policy on cutting income taxes. The government's tax policy agenda became directly integrated into the social partnership process. At the same time, each social partnership agreement pushed for more expenditure on pensions, social protection, public service pay, and capital investment. This meant that the exchange of social partnership – and its representatives – became directly associated with a public policy regime of increased expenditure and lower taxes. This proved to be a "Faustian bargain" when the financial crisis hit in 2008 (D'Art and Turner 2011).

During the 2008–2012 crisis, no Irish government sought to legitimize tough austerity measures through tripartite negotiations with trade unions and employers. Nor did they try to negotiate during the recovery period (2012–2018). The economic adjustment was sought and legitimated through cross-party and grand coalition governments in *parliament*. This aligned with the preference of the Troika: the European Central Bank (ECB), the European Commission (EC), and the International Monetary Fund (IMF). Public sector unions, however, were central to legitimating the government's fiscal adjustment through three public sector wage agreements: Croke Park, Lansdowne Road, and the Haddington Road agreement. These public sector pacts were bipartite industrial relations agreements negotiated by the Department of Finance and the leadership of the main public sector unions. Whilst they ought not to be considered a form of tripartite social concertation, they demonstrated that where trade unions are strong – the public sector – they were central to coordination efforts.

### *7.2.2 The political context*

In the 2007 election (see Table 7.1), the centre-right FF party won 78 seats in parliament and 42 per cent of the popular vote (Gallagher and Marsh 2008). Much like the previous 1997 and 2002 election, this meant they were

*Table 7.1* Government composition in Ireland, 2007–2020

| *Cabinet (prime minister, party, and duration)* | *Percentage of seats in parliament (lower chamber)* | *Governing parties* | *Type of government* |
|---|---|---|---|
| Ahern III (FF) 06/2007–05/2008 | FF 47%<br>PD 1%<br>Green 4% | Conservative, liberal, and green | Majority |
| Cowen (FF) 05/2008–03/2011 | FF 47%<br>PD 1%<br>Green 4% | Conservative, liberal, and green | Majority |
| Kenny I (FG) 03/2011–05/2016 | FG 46%<br>Lab 22% | Conservative and social democratic | Majority |
| Kenny II (FG) 05/2016–06/2017 | FG 31% | Conservative | Minority + confidence and supply with FF opposition |
| Varadkar (FG) 06/2017–6/2020 | FG 31% | Conservative | Minority + confidence and supply with FF opposition |

the biggest party in parliament and in a lead position to form a government. In Ireland, a party must receive at least 84 seats to form a single-party government. This has not happened since 1979, meaning that coalition governments are the norm. In the aftermath of the 1997 and 2002 election, FF formed a coalition with the small, neoliberal PD. But in the 2007 election, the PD lost six seats, going from eight to two seats. In response, FF reached out to the Green party, who had just won six seats. In June 2007, the FF, PD, and Greens reached agreement on a programme for government and entered office. Within a year, this coalition government would be confronted with a massive economic crisis, requiring a huge fiscal adjustment.

One year prior to the 2007 election, the FF/PD government negotiated a ten-year social pact agreement with the ICTU, the Irish Business and Employers Confederation (IBEC), and various civil society actors. This social pact, *Towards 2016: Review and Transitional Agreement 2008/2009*, was a ten-year strategic plan and designed to move away from the previous norm of negotiating three-year agreements. But it contained a clause that enabled the renegotiation of a centralized wage agreement every 24–36 months. The new FF/PD/Green coalition was publicly committed to implementing the *Towards 2016* agreement, and the new programme for government largely complemented what was contained in this social pact (interview, civil servant involved in the negotiations).[1]

In early 2008, it became obvious that the Irish economy was in trouble. Since the early 2000s and immediately after Ireland's entry into the Economic and Monetary Union (EMU), the Irish banks had borrowed excessively on the European inter-money market to lend directly into the domestic mortgage market. Irish bank lending went from 60 per cent of national income in 1998 to 270 per cent in 2007. Irish house prices peaked in 2007, and had increased by over 350 per cent since the late 1990s (Lane 2012; Whelan 2014). In response to the rapid house price inflation, successive FF governments cut income taxes in addition to increasing nominal wages, on the assumption that real take-home pay should increase to allow households to borrow for larger mortgages (interviews, social partners in the process). This government-led policy regime was legitimated by the tax-based incomes policies that were built into the social partnership agreements, and which were increasingly used by successive FF governments to buy off political dissent in civil society (Meade 2005).

In May 2008, and in the midst of a growing awareness that Ireland was entering an economic crisis (see Figure 7.1), the Irish Taoiseach (Prime Minister), Bertie Ahern, resigned. This was a critical moment for the future trajectory of Irish social partnership. Bertie Ahern had been directly involved in all but one of the social pact agreements that had been signed since 1987, and was largely considered the political architect of the process (Roche 2009). As Taoiseach from 1997 to 2008, he had centralized the social partnership process in the Prime Minister's Office, with senior civil servants in this Department tasked with brokering and coordinating the agreements. By the mid-2000s, the wording of the social pact agreements and the programme for government were indistinguishable. Senior civil servants in the Taoiseach's office also used these pact agreements to coordinate their activities with other government departments. In this regard, social partnership became an extension of the Prime Minister's Office (Regan, 2017).

Brian Cowen became the new leader of FF and replaced Bertie Ahern as Prime Minister in the summer of 2008. He committed the Taoiseach's office to the social partnership process, which was reflected in the signing of the

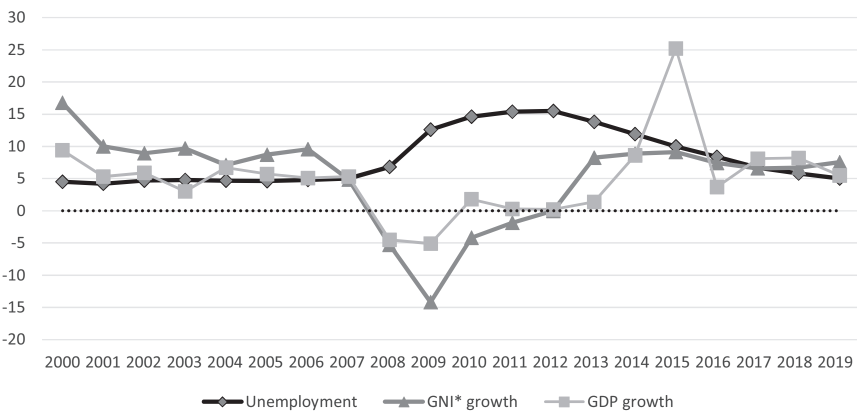


*Figure 7.1* Unemployment rate, GNI* and GDP growth (in %), Ireland, 2000–2019.

new National Wage Agreement *Towards 2016*. This included a pay pause for 11 months in the public sector and three months in the private sector, to be followed by a 6 per cent increase over 18 months. It also included a commitment by the government to improve collective bargaining rights, legislate employment rights, and conclude an EU directive on temporary agency workers (Regan 2012c). But not long after the agreement was signed, the full extent of the crisis emerged and the agreement was quietly scrapped. In September 2008, Ireland statistically entered a recession, and for the first time since the early 1980s, the Irish government and the social partners had to engage in serious *concession bargaining*.

The crucial moment in Ireland's economic crisis came in September 2008, when the Irish government provided a blanket guarantee to all the debt of its domestic banks (the Financial Stability Act). This was approved by the EC and premised on the assumption that the Irish banks faced a liquidity crisis, which was associated with the international credit crisis. It would subsequently emerge during 2009–2010 that the Irish banks were insolvent, with the implication that the 440 billion debt was now guaranteed by the Irish taxpayer (Whelan 2014). Bank debt became sovereign debt (see Figure 7.2). This led to an explosion in the debt-to-GDP ratio, and Ireland being priced out of the international bond market. As I will discuss in the following section, the implication of this merging of bank with sovereign debt was that Ireland had to seek financial assistance from the Troika during 2010–2013.

During 2009, however, it was not the banks that made national newspaper headlines. It was the collapse in tax revenue and the recent increases in public sector pay, which meant that the fiscal crisis was increasingly blamed on the social partners. Income tax as a percentage of the total tax take had declined from 37 per cent in 1997 to 27 per cent in 2007. In addition, the

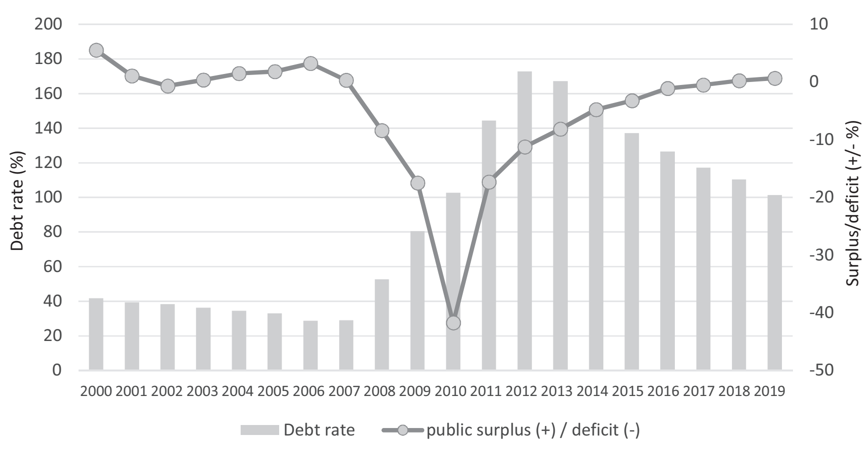


*Figure 7.2* Public debt and public surplus/deficit (% GNI*), Ireland, 2000–2019.

tax base was increasingly narrowed, with the net effect that 50 per cent of employees were taken out of the income tax net altogether (Regan 2012c, 2014). By 2008, Irish revenue was hugely dependent on domestic consumer spending (consumption taxes) and property-related taxes (stamp duty, value-added tax on new homes, and capital acquisition taxes). Property-related taxes went from 8 per cent of total tax revenue in 2002 to over 15 per cent in 2006. Hence, when the property market collapsed at the end of 2008, tax revenues plummeted. From 2008 to 2009, government revenues fell by almost €18 billion or almost 20 per cent of national income (see Department of Finance, budgetary and economic statistics, 2014).

In 2009, and in the context of significant electoral decline, the PD party disbanded, with their leader remaining in government as an independent. The FF-Green coalition was able to sustain the government majority through the support of a handful of additional Independent members of parliament. By the end of 2009, the *Towards 2016* agreement was effectively dead and largely irrelevant. In responding to the fiscal crisis, the FF-Green government was compelled to introduce three emergency unilateral budgets, which included a variety of new income taxes, including a special pension levy on the public sector. In total, the adjustment amounted to almost five billion in expenditure cuts and tax increases (Regan 2012c). ICTU responded to these unilateral adjustments through organizing a series of street protests, and increasingly called for a classical Keynesian-style fiscal stimulus and public investment plan to offset the worst effects of the unemployment crisis (Geary 2016).

In December 2009, and after these emergency budgets, the FF-Green government sought a negotiated adjustment with ICTU, aimed at reducing public expenditure by an additional four billion. This attempt to negotiate is precisely what the social pact literature would predict. The government had a weak parliamentary majority and needed legitimation for its adjustment. However, the negotiations failed. The ICTU proposed a variety of measures to achieve the four billion adjustment, including a short-time working scheme in the public sector. Though it appeared this strategy was accepted by the government, the leader of the largest public sector union, Irish Municipal, Public and Civil Trade Union, announced to the media that a social pact agreement had been reached.[2] However, this led to significant hostile media reaction and accusations that the government had capitulated to "public sector insiders". Public and elite opinion had clearly turned against the process of social partnership. Later studies would reveal that during this crucial negotiating period, almost 90 per cent of media coverage was hostile to unions (cf. Cawley 2012 and Mercille 2013).

Within 48 hours, the government responded to the hostile media reaction and declared that no social pact agreement had been reached, and that they would proceed to implement the adjustment unilaterally. The Minister of Finance introduced emergency legislation in parliament to override the Payment of Wages Act, which makes it illegal to cut public sector pay without agreement. The government then proceeded to cut public sector wages by an average of 15 per cent, depending on the income scale of employees. In total, from 2008 to 2010, the government would unilaterally cut public sector pay twice, whilst also introducing a public sector tax (see Hardiman and Regan 2013 for a detailed description). The IBEC subsequently made the unprecedented decision to withdraw from the private sector pay agreement of *Towards 2016*. For the first time in 25 years, trade unions, employers, and government were operating in the absence of a national social partnership agreement (Doherty 2011).

Despite a significantly weakened government, and despite a strong incentive to seek input legitimacy for harsh austerity measures, no social pact was signed in this crisis period. The argument of this chapter is that the reason for this is twofold. First, there was *nothing to trade* between the social partners, and the extent of concession bargaining required compelled government to act unilaterally. Second, and more fundamentally, the trade *union movement was too weak* to impose a cost on government. This weakness can be traced to the narrowing of trade union membership to the public sector. Elite opinion and the mass media framed the crisis as one of a profligate public sector. On this basis, the government increasingly treated the trade union movement as a public sector interest group, undeserving of privileged access to national policymaking (see Culpepper and Regan 2014 for a more detailed argument).

## 7.3 The crisis moment and beyond

### *7.3.1 The centre right* **Fianna Fáil**-*green coalition government*

The collapse of the failed social partnership negotiations in 2009 was soon followed by a succession of government policies to shut down tripartite committees in government, thereby closing off the remaining avenues for civil society to influence the adjustment.[3] The government also moved senior civil servants that were closely connected to the social partnership process out of the Prime Minister's office. From January 2010, the economic adjustment was highly centralized within the Department of Finance (Regan 2017). This centralization of decision-making would negate any future ability of the social partners to influence the process. The Finance Ministry had always been hostile to social partnership (and the increased role of the Taoiseach's office over economic policy), which it considered an undemocratic process that gave undue influence to trade unions over public policy (interview, General Secretary in Department of Expenditure and Reform (in the Department of Finance)).

However, despite centralizing the adjustment in the Finance Ministry, and despite implementing a unilateral fiscal adjustment that amounted to almost 20 per cent of national income, this did not satisfy international financial markets. In 2010, the Irish government was priced out of the international bond market and forced into an IMF-ECB-EC (Troika) financial loan, which equalled 85 billion, with a blended 5 per cent interest rate. The reason the bond markets panicked was twofold: first, the extent of the bank debt that had been turned into sovereign debt; and second, the absence of any clear signal from the ECB that it would act as a lender of last resort. Although it is contested among European policymakers, there is now an emerging consensus that the ECB effectively forced the FF/Green coalition government to sign a Memorandum of Understanding (MoU), which included guaranteeing the unsecured debt of senior bondholders in all of the domestic banks.[4]

The role of the Troika created a new external constraint for the minority FF government, which would shape and influence all successive Irish governments' approach to navigating the crisis. The Troika introduced strict conditions to the 85 billion loan, including a cut to the minimum wage and a liberalization of collective bargaining arrangements.[5] The governance of the domestic banks was left largely untouched, and the focus was almost entirely on fiscal policy. However, in 2010, a crucial event occurred *prior to the signing* of the MoU with the Troika, which would give public sector union leaders on the public service executive committee of ICTU some influence over the *industrial relations* reform process within the Troika adjustment. This event was the signing of a bipartite public sector industrial relations agreement, known locally as the *Croke Park* agreement.

This agreement was negotiated through the state-sponsored body for conflict resolution, the Labour Relations Commission. The resulting *Croke Park* agreement (formal title: The Public Service Agreement 2010–2014) was signed in June 2010, and was supposed to remain in place for four years. The core political exchange was that the government agreed to not impose further pay cuts on the public sector and to not impose compulsory redundancies, if public sector unions agreed to not engage in strike action. Hence, the fundamental objective for the government was to get a guarantee for industrial relations stability in the public sectors.

It is unlikely that the Troika would have tolerated long negotiations on cost savings with public sector unions. Their preference was to centralize decision-making in government and to ensure reforms were passed quickly through super majority governments in parliament (interviews, social partners who met with the troika during the period of the MoU). But once the agreement was in place, and as long as public sector unions guaranteed their side of the bargain, they accepted it. The fact that the FF/Green government were willing to negotiate with public sector unions might suggest they had a *partisan preference* for social partnership. But public sector union involvement was more a reflection of the reality that the government would not be able to *coordinate public sector reform* without their involvement. Union density in the public sector is over 60 per cent and bargaining coverage almost 90 per cent. Therefore, the extent of reforms required (e.g. moving workers into different organizations) would be unimaginable without public sector union agreement.

Soon after signing the MoU with the Troika, the FF/Green government collapsed. The subsequent 2011 election decimated the FF/Green coalition. The Green party lost all their seats, whilst FF experienced their worst ever election. They went from 71 to 21 seats, losing a total of 50 seats in parliament. The centre-right opposition party, *Fine Gael* (FG), went from 51 to 76 seats, winning 36 per cent of the popular vote. The centre-left Labour party experienced their most successful election in the history of the state, going from 20 to 37 seats and winning 20 per cent of the popular vote (see Gallagher and Marsh 2011). Within a few days, FG and Labour formed a new coalition government. The FG-Labour coalition had 113 seats, creating the largest parliamentary majority in the history of the state (Marsh, Farrell, and McElroy 2017). This super majority government – in addition to the public sector industrial relations agreement (Croke Park) – would give the government unprecedented stability to implement the Troika agreement.

### *7.3.2 The centre-right grand coalition between* **Fine Gael-*labour***

The FG/Labour coalition government was elected on a platform to renegotiate the Troika agreement. During the previous three years of austerity, the Labour party chiefly became the main voice of the opposition. However, from 2011 to 2013, the Troika adjustment was implemented in total, with little deviation from what was agreed with the previous FF/Green coalition government. The FG/Labour government did, however, renegotiate the interest rate and reinserted the minimum wage, which the Troika had cut. Crucially, from the perspective of social partnership, the new FG/Labour coalition created a highly centralized "emergency cabinet" government, tasked with implementing the Troika adjustment. This included the Prime Minister (Taoiseach), the Deputy Prime Minister (Tánaiste), the Minister for Finance, and the newly created Minister for Public Expenditure and Reform. It was this "emergency cabinet" that would coordinate the economic adjustment until 2015.

The Labour party in government arguably compensated for the absence of a union inclusive of social partnership process. This was reflected in the creation of a junior Ministry of Labour within the Department of Employment during the period of this government. The Labour party leadership are also closely connected to the leadership of ICTU and its largest affiliate union, the Services, Industrial, Professional and Technical Union (SIPTU). This meant that trade union leaders could bilaterally contact Labour Ministers in government. However, both FG and Labour were staunchly opposed to resurrecting anything that resembled the previous social partnership process, which they viewed as a FF construct. They associated both FF and the social partnership process with the economic policy choices that led to the fiscal crisis of the state. FG had always been particularly hostile to anything that resembled "corporatist politics", and always viewed parliament as the public forum for legitimating public policy.[6] The new Prime Minister Enda

Kenny, therefore, shut down anything resembling tripartism within the Taoiseach's office.[7]

A similar approach was adopted by the Minister for Enterprise, Jobs, and Employment Richard Bruton, who was tasked with implementing the three-year "action plan for jobs". Previously, labour market and employment policies would have involved formal social dialogue and a tripartite approach with the social partners. This action plan was highly centralized in the Department, with minimal input from either ICTU or IBEC. If there was input, it occurred on an informal lobbying basis, which tended to suit other employer lobby groups, such as the increasingly influential American Chamber of Commerce (interview, IBEC and civil servants in the Department of Expenditure and Reform). In response to the government's policy of shutting down tripartism, IBEC made the unprecedented decision to close the industrial relations and collective bargaining unit within its organization, and has since reoriented itself towards an American-style lobby group.

The super majority government in parliament meant that all policies and legislative changes during the FG/Labour government were made with relative ease and with minimal opposition. Parliament became the focal point for legitimating the economic adjustment and for making public statements about the crisis response. This, in addition to the Croke Park agreement, provided FG/Labour with unprecedented stability and legitimation to implement harsh austerity measures. Furthermore, the presence of the Troika allowed the government to externalize unpopular austerity reforms by effectively arguing they had "no choice". The promises made by FG and Labour, whilst in opposition, to renegotiate the Troika adjustment meant that they would pay a heavy electoral cost for implementing the MoU whilst in government.

However, it is important to note that the *government as an employer* did actively negotiate with public sector unions. The newly created Department of Public Expenditure and Reform was tasked with implementing the Croke Park agreement. This department was led by the Labour Minister Brendan Howlin and worked closely with the Public Service Executive Committee of ICTU. But in 2013, and under pressure from the Troika, the Minister made the unilateral decision to terminate and renegotiate the Croke Park agreement. In response, public sector unions threatened strike action. In 2013, a new agreement to replace Croke Park was negotiated but rejected by the membership of Ireland's largest trade union, SIPTU. The government then prepared emergency legislation to unilaterally cut public sector pay. This forced the public sector union leaders to negotiate a new public sector deal – the Haddington Road Agreement – which was subsequently approved by SIPTU members.

The super majority government of FG/Labour meant that the threat of unilaterally cutting public sector pay – unless public sector unions agreed to government policy – was very credible. It also demonstrates the clear divergence in the *relative bargaining power* of the actors involved. Large parts of the FG party were indifferent as to whether the government should seek the legitimation of public sector unions, given that the government could achieve the cost savings through legislation in parliament (interview, previous government minister). But absent the coordinating support of public sector unions, it is highly unlikely that industrial relations reforms such as flexible working, redeployment, the extension of the working week, and changes to pension provision could have been implemented. Government as an employer needed public sector unions. Crucially, public sector unions did secure one crucial concession from the government, which was getting agreement that the public sector pay cuts were "temporary" rather than permanent. This would prove to be quite important when the economy recovered from 2014.

In the private sector, and after the collapse of social partnership in 2008–2009, there was a qualitative shift away from centralized to enterprise-level bargaining. In unionized companies across the private sector, trade union activists began to negotiate without any input from either ICTU or IBEC. Absent national-level social partnership, neither IBEC nor ICTU had any role to play in collective bargaining among their affiliates. However, the shift to enterprise bargaining did not mean that there was no wage coordination. On the contrary, research would suggest that from 2012 onwards, the major private sector unions – SIPTU, UNITE, and MANDATE – began to adopt and coordinate a 2 per cent wage target, which was broadly followed by union activists across the private sector (Roche and Gormley 2017). This corroborates a core argument of this chapter – in those firms where trade unions are strong (i.e. unionized companies), unions were in a position to force themselves to the bargaining table. But where trade unions were weak, or not present, they could be effectively ignored.

Unlike other countries that were in the grip of the Troika, Ireland has minimal legal and formal wage extension mechanisms, which were one of the first things that the Troika wanted to liberalize under the banner of structural reform. Ireland's wage-setting regime stems from the common law and a voluntarist labour relations tradition. Collective bargaining is not legally and formally recognized, which means that a worker is only covered by a collective wage agreement if the firm they work in is unionized. Hence, trade union density is far more important in countries like Ireland, the UK, and the US than continental European countries. However, there are a few low-paid sectors in Ireland that are covered by sectoral wage agreements, which the Troika wanted to liberalize. During the crisis, these were declared unconstitutional, but reinserted by the Labour party in government in 2015 (see Fernandez, Bisello, and Maccarrone 2017; Tassinari, and Maccarrone 2017 for more detail).

In 2013, the FG/Labour government exited the MoU with the Troika, and re-entered the international bond markets. This was made possible by the 2012 statement by Mario Draghi that the ECB would do all that is necessary to save the Euro currency. From 2013 to 2015, the economy began to recover, made possible by strong export growth. This export-led growth was shaped by non-unionized firms in the FDI sectors, particularly firms in the tech sector. These firms were immune from the previous five years of austerity and private sector wage cuts (Brazys and Regan 2017; Regan and Brazys 2018). But even after exiting the MoU, the FG/Labour government stuck with the austere approach to fiscal policy, and continued to implement various structural reforms, including the controversial proposal to implement a water charge. It was this water "tax" that led to largest anti-austerity protests since 2008. These protests against the government would ultimately lead to the collapse of the Labour party, who had opposed local water charges in opposition.

### *7.3.3 Centre-right confidence and supply agreement of* **Fine Gael** *and* **Fianna Fáil**

The 2016 election decimated the Labour party, who lost 26 seats, and only managed to re-elect seven members of parliament. FG also fared badly, losing 26 seats, reducing their members of parliament from 76 to 50. This meant that the FG/Labour coalition went from a governing majority of 109 to 57 seats, which were nowhere near the 79 seats required for a majority. The opposition centre-right party, FF, increased their number of seats from 21 to 44. This, however, was their second ever worst election in the history of the state (after the 2011 election). The left nationalist party, Sinn Fein, went from 14 to 23 seats, with the remainder of parliamentary seats distributed amongst smaller leftist parties and independents. The outcome was that no party had a clear majority, leading to a hung parliament. As argued by Gallagher and Marsh (2016), it was an election that nobody won.

FG eventually managed to negotiate a coalition government with the support of nine independents and a "confidence and supply" agreement with FF. Whilst not as stable as the super majority FG/Lab coalition, this effectively locked in over 100 members of parliament into a quasi-grand coalition.[8] It was strongly welcomed by the externally observing Troika, and the onlooking European People's Party. Crucially, for the government, the Haddington Road agreement remained in place, and much like the previous public sector agreement (Croke Park), it was negotiated to remain in place beyond the electoral cycle. In 2015, the FG-FF government negotiated a new public sector industrial relations agreement to replace the Haddington Road agreement, called the Lansdowne Road agreement (2015–2019). This was the first public sector agreement since 2008 that moved beyond pure concession bargaining, as it allowed for a gradual restoration of the public sector pay cuts that had been implemented during the previous decade (MacCarthaigh 2017).

From 2015 onwards, there was a realization at the EU level that the Troika had made serious mistakes in pushing for a highly centralized adjustment, not least because of the massive increase in parliamentary and party fragmentation across eurozone countries. In response, the EC introduced "social dialogue" officers in each country to promote the use of social dialogue between government and civil society. The FG/FF government organized social dialogue forums in 2015 and 2018, and invited ICTU, IBEC, journalists, commentators, policymakers, and a variety of NGOs to participate in the conversation. These conversations or consultations were led by the Department of Finance, and primarily based around an informal information exchange (Guardiancich and Romo 2017).

The quasi-grand coalition lasted over four years and continued the trend of not formally involving the social partners in policymaking. In 2020, and at the time of writing, FG and FF were in negotiations to form a new (and formalized) grand coalition government. Contrary to what might be expected from the social pact literature, no government has tried to engage the social partners in pacting as a strategy to legitimate austerity and to manage the adjustment constraints of the EMU. Rather, the strategy has been to build large cross-party coalitions in parliament. This choice to not reach out to broader civil society has occurred despite strong electoral and economic incentives to do so. It has also not occurred when there are clear and obvious efficiency gains to be made in negotiating policy problems that need worker input (e.g. the apprenticeship system). However, public sector unions have been involved in the politics of fiscal adjustment – through bipartite industrial relations pacts – with the government as an employer. I will now discuss the post-crisis management response in Ireland, with reference to the broader theoretical literature.

## 7.4 Assessment of crisis management

There are four inferences on crises management to be drawn from the Irish case. First, from 2008 to 2018, the media and successive governments framed the economic crisis as a fiscal and competitive crisis. This meant the politics of adjustment was focused on cutting public sector pay as a strategy to simulate an internal devaluation. This narrative of the crisis was heavily shaped and influenced by the dynamics of German and European politics. Given the extent of the fiscal adjustment facing the Irish government, concession bargaining became the norm. This was qualitatively different from the previous 20 years of social partnership, where each social pact was based on increasing public spending and cutting income taxes. The extent of concession bargaining that was required during the crisis period meant that the government had little choice but to implement the adjustment unilaterally.

Second, the nature of the previous policy bargains of social partnership meant that the social partners were blamed for the fiscal crisis of the state. Trade union leaders were closely associated with successive centre-right FF governments. These governments integrated their tax-based income policies into the national social pact agreements, which were subsequently endorsed through trade union referenda. The fact that government policy was voted upon by trade unionists gave significant legitimacy to a populist policy regime based on high spending and low income taxes. In the good times, this meant that social partnership was associated with positive economic and employment performance. But in bad times, it meant that social partnership took the blame for what was, in effect, the impact of a FF/PD neoliberal policy regime. In the end, the brand of social partnership was damaged goods, such that no government wanted to be associated with it.

Third, whereas the tripartite social partnership process came to an end during the crisis, it was replaced by bipartite industrial relations agreements in the public sector. From 2008 to 2018, all three centre-right coalition governments in Ireland sought to negotiate with public sector unions. These industrial relations agreements were a serious form of concession bargaining that took place after two unilateral public sector pay cuts. They were based around a political exchange that ensured public sector pay was not cut unilaterally, in return for guaranteeing no strikes in the public sector, whilst coordinating cost savings through voluntary redundancies. These centralized collective bargaining agreements gave the government unprecedented stability to implement severe austerity measures, whilst demonstrating that centralized bargaining arrangements were better placed to ensure an internal devaluation. Given the extent of union density and coverage in the public sector, the government as an employer simply could not afford to ignore public sector unions.

Finally, the promise of social pacting has always been legitimation. Social pacts provided an avenue for government to get popular buy-in from both civil society and organized labour for unpopular policies. During the crisis, this demand increased rather than decreased. What we observe in the Irish case, however, was that the legitimizing effect of social pacts was replaced by quasi-grand coalition governments in parliament. Governments looked towards opposition parties to build cross-party consensus. This was in line with preference of the Troika, who made clear that the strategy of adjustment facing peripheral euro member states was a heavy dose of structural reform. This meant liberalizing the institutions of collective bargaining and weakening trade union influence. Grand coalitions in parliament offered a more effective means to deliver this than social pacts.

## 7.5 Conclusion

It is this weakening of the institutions of social partnership that is perhaps most striking in the Irish case, and which is most relevant for the broader comparative political economy literature. There are two competing and complementary ways to think about this institutional change. On the one hand, it could be argued that the weakening of social partnership was a *partisan choice* by centre-right parties who have a first-order preference to exclude trade unions from their adjustment strategies. But if this were the case, then all the centre-right coalition governments in Ireland from 2008 to 2018 would have sought to break public sector unions and decentralize public sector wage-setting. This did not happen. On the contrary, the government actively sought to negotiate with public sector unions as an employer, which increased political and industrial relations' stability.

The core claim of this chapter is that public sector unions managed to secure a seat at the table not because of a partisan preference by government, but because the public sector is *unionized*. Put simply, public sector unions could threaten government as employer with industrial instability, thereby wreaking havoc on parliament. But rather than wield the stick of protest, the public sector unions offered the carrot of problem-solving to the government. This meant becoming a partner in coordinating the adjustment through getting their members to agree to its implementation. Needless to say, this has created divisions within the union movement. But empirically, public sector unions secured a seat at the adjustment table because they were in a position to impose a serious cost on government. And in return for concession bargaining, they demanded a reversal of wage cuts in the period of recovery.

A similar process can be observed in the private sector. In firms where the workforce is unionized, they were in a position to cause serious adjustment problems for their employer. However, all the existing evidence would suggest that during the crisis, this disruption did not occur. Rather than resist and cause problems for employers, most unions offered the carrot of coordinating wage restraint and/or voluntary redundancies. In non-union firms, employers simply used their market power to cut wages and jobs unilaterally. When the economy began to recover, particularly after 2014, public and private sector unions used their same bargaining power to reverse the unilateral wage cuts. Hence, unions used their market power to coordinate downwards in hard times and upwards in good times. This coordination process was not a first-order preference of employers and/or a partisan preference of government. It is an outcome of trade union *power resources*.

Despite a weakened government, and despite a strong incentive to seek legitimacy for harsh austerity measures, no tripartite social pact was signed in this crisis period. This chapter has argued that this is because there was nothing to trade between the social partners, and the extent of concession bargaining required was too great to find agreement. It also argued that the narrowing of trade union membership to the public sector meant that the government only needs to deal with public sector unions as an employer and not as a representative social partner engaged in policy concertation. If trade unions were organized across the economy, in particular, across the high-tech export sectors of the economy, then one might assume that it would be simply too costly for government to ignore them, suggesting that it is trade union power resources that shape the trajectory of social concertation.

## Notes

1 Details of conducted interviews: ex-trade union leaders and senior civil servants at the time. Civil servant involved in the negotiations. Social partners in the process. General Secretary in Department of Expenditure and Reform (in the Department of Finance). Social partners who met with the troika during the period of the MoU. Previous government minister.
2 See page 4 of this public sector union newsletter June 2010: https://www.ahcps.ie/Newsletter_archive/Default.300.html
3 See in particular the reconfiguration and downgrading of the National Economic and Social Council (NESC).
4 See the now infamous "Trichet letter". https://www.independent.ie/business/irish/the-trichet-letter-forced-and-shaped-the-irish-bailout-31152446.html.
5 For all MoU's, see https://www.gov.ie/en/organisation/department-of-finance/?referrer=/what-we-do/eu-international/ireland.
6 See this parliamentary debate: https://www.oireachtas.ie/en/debates/question/2010-02-02/4/.
7 The Taoiseach, Enda Kenny, outlined in various parliamentary speeches and at a speech at the National Economic Dialogue in 2016 that his government would not return to social partnership. The main justification used was that parliament was considered the forum for policymaking. See https://www.irishtimes.com/news/politics/oireachtas/taoiseach-rules-out-return-to-old-model-of-social-partnership-1.2072856. This view dates back to 2007: https://www.irishtimes.com/news/reform-social-partnership-process-kenny-1.983446.
8 Contrary to many expectations, this cross-party majority between Ireland's two largest and competing parties did not collapse.

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