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**What is dead and what is alive in
the theory of corporatism**

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Abstract

This paper distinguishes between two dimensions of corporatism: as a particular structure of the interest representation system, characterized by monopolistic, centralized, and internally non-democratic associations, and as a particular policy-making process, also known as “concertation” or “social partnership.” While the former dimension of corporatism is more or less “dead,” having exhausted its predictive and explanatory capacities, the latter is very much “alive” and captures much of what is going on in various countries, mostly (but not exclusively) European. By focusing on the Irish and Italian cases, the paper shows that concertation is perfectly compatible with a non-corporatist structure of the interest representation system and that organizational coordination can be equally effectively achieved through alternative mechanisms relying on democracy and discussion.

What is dead and what is alive in the theory of corporatism

Introduction

In developing and studying Irish social partnership arrangements, we have tended to adopt ideas from countries with a longer tradition of partnership-type policy systems. One such idea concerned the very nature of a social partner. In international studies of neo-corporatist systems, there is a clear idea of what a social partner is. (...) One key idea is that to be capable of negotiating and delivering, an organization must have social closure or monopoly of representation of a given social group. For example, unions were seen as having a monopoly of representation of workers, and business associations a monopoly of representation of enterprises. This monopoly gave them an authorized jurisdiction or charter. (...) Each of the organizations which participated were hierarchically organized and concentrated. This gave them a clear peak organization, which was capable of both representing and disciplining a large number of individuals and sub-organizations. Consciously or unconsciously, this idea of the nature of a social partner has influenced our thinking in Ireland. (...) The traditional conception of the nature of a social partner has lost some of its relevance in Ireland. If we look carefully at the development of social partnership in this country in the past ten years, we get a very different picture. (NESF, 1997: 37-8)

For the past 30 years, scholars interested in the relationship between industrial relations systems and the political sphere have turned to corporatist theory as their main source of inspiration. In the last decade, however, the emergence of social pacts in countries with few, if any at all, of the institutional and organizational preconditions once deemed necessary for these pacts to succeed (e.g., Ireland, Italy, Portugal, South Africa, South Korea, Spain) has cast doubt on the relevance of this theory for understanding interest group incorporation in public policy-making (Fejertag and Pochet, 1997 and 2000; Katz, 2003; O'Donnell, 2001).

This paper distinguishes between corporatism as a particular structure of the interest representation system, characterized by monopolistic, centralized, and internally non-democratic associations, particularly on the union side, and corporatism as a particular policy-making process, also known as “concertation” or “social partnership.” While logically different, these two notions often blend into one another in the corporatist literature. The paper argues that while the former aspect of corporatism is more or less “dead,” having exhausted its predictive and explanatory capacities, the latter is very much “alive” and captures much of what is going on in various countries, mostly (but not exclusively) European.

This is not to say that intra- and inter-organizational cohesion and coordination – which figured prominently in the corporatist literature (Schmitter and Lehbruch, 1979; Berger, 1981; Lehbruch and Schmitter, 1982; Goldthorpe, 1984; Katzenstein, 1985, Visser, 1990) – no longer matter for the success of concerted policy-making. These are still important features. However, while the old corporatist literature focused on only one possible mechanism of coordination, namely hierarchy, the new wave of social pacts suggests that organizational coordination can also be brought about through fundamentally different mechanisms relying on democracy and discussion (Baccaro, 2002b).

As a result, concertation turns out to be perfectly compatible with a non-corporatist structure of the interest representation system. This has important consequences for policy-making. Attempts at imitating the organizational features of supposedly more “mature” countries may be not just unnecessary but perhaps even counterproductive. Social partnership can safely rest on a wider variety of organizational structures than previously believed. In addition, some of these alternative

structures are less at odds with fundamental democratic rights like freedom of association or freedom of expression than those associated with the traditional corporatist model (see Schmitter, 1983; Cawson, 1986; Streeck, 1994; Schreiner, 1994).

In the remainder of the paper, these claims are illustrated by focusing on what are arguably two of the most unexpected (as well as successful) cases of corporatist renaissance, Ireland and Italy. Section two contains a brief overview of corporatist theory. Section three reviews the trajectory of social partnership in these two countries. Section four analyzes the particular mechanisms through which the Irish and the Italian labour movements generated intra- and inter-organizational coordination. Section five articulates an agenda for future research.

1. An overview of corporatist theory

The early corporatist literature featured two different definitions of corporatism. The first, by Philippe Schmitter, emphasized the particular organizational characteristics of the interest representation system. The second, by Gerhard Lehmbruch, focused on the particular process through which public policy was formed.

Corporatism can be defined as a system of interest representation in which the constituents units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports. (Schmitter, 1979[1974]: 13)

Corporatism is more than a peculiar pattern of articulation of interests. Rather, it is an institutionalized pattern of policy-formation in which large interest organizations cooperate with each other and with public authorities not only in the articulation (or even ‘intermediation’) of interests, but – in its developed forms – in the ‘authoritative allocation of values’ and in the implementation of such policies. (Lehmbruch, 1979[1977]: 150)

This literature was aware that the two definitions covered different ground. Schmitter (1982), for example, proposed to call corporatism the first and concertation the second. At the same time, while logically distinct, the two definitions seemed to overlap empirically in the sense that one set of features, those related to the interest representation system, was considered to be the structural precondition for the other. In other words, without “monopolistic, hierarchically ordered, officially recognized, clearly delimited associations” concertation could not work properly. The failures of social contracts in Italy and the U.K. in the late 1970s, as well as in Ireland, neatly illustrated this last point (Regini, 1984; Hardiman, 1988). Similarly, the institutionalization of concertation also implied that the interest representation system was bound to move towards corporatization (Streeck, 1982; Schmitter, 1989: 65).

The basic argument behind the conflation of corporatism and concertation in a single concept was that concertation worked best, in the sense of internalizing various externalities, when the structure of the interest representation system approximated the organizational characteristics of the European corporatist societies of the 1920s and 1930s (when interests were not allowed to organize freely), i.e. when there was a limited number of actors (ideally one) on each side of the bargaining table and when these actors were able to impose their will on their lower level affiliates, both at the industry and more importantly, at the workplace levels.

The focus of the corporatist literature was, at least initially, overwhelmingly on trade unions.¹ In fact, the policies corporatism dealt with were such that workers were asked to give up sure benefits in

¹ The corporatist literature also devoted some scholarly attention to the party-composition of governments and to the strategic choices and organizational features of employers. The main conclusion was that successful wage restraint

exchange for uncertain future rewards. The unions' ability to deliver worker acquiescence or *compliance* with these policies was regarded as key.

The organizational characteristics of unions were examined from two different angles. One was horizontal coordination. Multiple unions were regarded as a problem because of their tendency to engage in *leapfrogging*, i.e. demand a bit more than the others had obtained. The other dimension was vertical coordination. Lower level structures with ample operational autonomy were also a problem because of their tendency to exceed (or worse, ignore) the terms negotiated by the peak levels. These dimensions of analysis made their appearance early on in the corporatist debate (Schmitter, 1979[1974]), but still inform recent attempts at operationalizing various institutional and organizational features of industrial relations systems in OECD countries (Lange et al., 1995; Wallerstein et al., 1997; Golden et al., 1999; Traxler et al., 2001).

In decentralized systems, the problems of horizontal and vertical coordination *de facto* coincided. In countries characterized by multiple union confederations and weak mechanisms of intra-organizational control, the problem of horizontal coordination manifested itself as competition among different peak-level actors (as well as competition among industry-level unions within the confederations), while the problem of vertical coordination (at multiple levels) coincided with the lower level structures' undoing of the national deals (e.g. through wage drift).

In practice, achieving coordination meant limiting two kinds of workers' freedoms, freedom of association and freedom of expression within associations (see Lange, 1983). The workers' right to join or found alternative associations (*exit option*) in case they were dissatisfied with the policies pursued by the organization with which they were affiliated (or, along similar lines, the right of a lower level affiliate to secede from the confederation) had to be curtailed. Hence, the corporatist literature emphasized monopolistic associations and compulsory or semi-compulsory membership as solutions to the problems of organizational fragmentation (Offe, 1981; Panitch, 1979). Also, the workers' ability to shape the associations' policies through the *voice option* had to be diminished. The assumption behind this thinking was that rank-and-file workers were more myopic and/or short-term oriented than their peak-level leaders (Streeck, 1982; Schumpeter, 1950: 260-1).

Given these theoretical premises, there is something puzzling in the new wave of social pacts in Europe and elsewhere. In fact, these pacts suggest an uncoupling of corporatism and concertation. Not only do these pacts surface but even seem remarkably successful in countries, like the Southern European countries, Ireland, and South Africa, where the structure of the interest representation system is much more fragmented and the disciplinary power of central echelons much more limited than would be expected.

Spain, for example, has recently experienced a renaissance of concertative policy-making. In 1997, an agreement between unions and employers increased the degree of coordination across bargaining levels and introduced important changes in labour market regulation, i.e. a reduction in the firing costs of permanent employees (Perez, 2000a and b). Previously, a 1996 peak-level agreement between government and the unions (translated into law in 1997) had introduced important modifications in the pension system, a key component of the Spanish welfare state (Guillén, 1999). Yet, with low unionization rates, politically competitive union confederations, and weak controls of the confederal centres over affiliate units, this country is quite distant from the corporatist model (Frayle, 1999; Martínez Lucio, 1998).

Portugal is another country where *concertação social* has recently emerged.² In 1990, for example, a social pact sought to link collective bargaining outcomes to the government's

appeared to require the presence of social-democratic or at least consociational governments (see Schmitter, 1981; Crouch, 1985). The argument was that once labour parties were brought into government, not only did labour organizations cease to seek the overthrow of the capitalist system, but also employers ceased to seek the overthrow of unions (Crouch, 1985). The organizational characteristics and strategic choices of business remained, with some notable exceptions (for example, Streeck, 1984), outside the main focus of the analysis. It was only later, and especially after the decision of the Swedish metalworking employers to break the pattern of centralized negotiations in Sweden in 1983, that employers were brought back into the picture (Swenson, 1991; Pontusson and Swenson, 1996).

² Compared with social pacts in other countries, however, the Portuguese pacts have been weakened by the intermittent participation of the CGTP, the largest union.

macroeconomic objectives. In 1996, another social pact set out an ambitious agenda of reform touching on virtually every aspect of economic policy (except wage dynamics). In particular, this pact established various economic targets. Portugal's interest representation system is, however, quite similar to Spain's and other Southern European countries. Portugal, therefore, appears an unlikely candidate for corporatist renaissance (Campos Lima and Naumann, 2000; Barreto and Naumann, 1998).

In South Africa, particularly labour incorporation in policy-making has been a key feature of the peaceful transition to democracy (Adler and Webster, 2000). In 1991, the old Manpower Commission (MPC), a tripartite institution established in 1979 to deal with labour market issues, was reformed to include black unions as well. The National Social Forum (NSF), another tripartite institution, was also established to deal with economic policy issues. In 1994, these two institutions were merged into the National Economic Development and Labour Council (NEDLAC). NEDLAC issues proposals concerning labour, economic, and social policies and has a legal right to be consulted prior to the passing of legislation (Gostner and Joffe, 2000). In spite of these developments, the gap between the organizational features of the South African labour movement and the corporatist idealtype is even greater than in the Spanish and Portuguese cases (Baskin, 2000; Schreiner, 1994).³

Ireland and Italy perhaps most clearly show that concertative arrangements can emerge and prosper, even for considerable periods of time, in countries with fundamentally non-corporatist organizational structures. Both of these countries are known to lack the kind of centralized structures generally associated with peak level bargaining (Hardiman, 1988; O'Donnell and O'Reardon, 1997: 85; Flanagan et al, 1983; Tarantelli, 1986). Yet during the 1990s, all major policy-making was processed through "social partnership" (to use the Irish terminology) or "concertazione" (in the Italian vernacular) in these two countries. The paper now turns to explaining this apparent paradox. The next section provides a basic reconstruction of events.

2. Social partnership in Ireland and Italy

Ireland

After a decade (the 1970s) dominated by centralized pay agreements and a period of decentralized, free-for-all collective bargaining, Irish social partnership started again in 1987 with the Programme for National Recovery (PNR). Government debt and deficit were skyrocketing, investments were stagnant, and, undeterred by emigration, unemployment was on the rise. This perceived sense of crisis played an important role in the coming together of Ireland's major social partners.

With the PNR, the Irish Congress of Trade Unions (ICTU) agreed to contain wage increases within limits negotiated at the national level. Also, the ICTU committed itself not to take industrial action that would result in additional cost increases for the employers. This latter clause signalled an important departure from the practice of two-tier bargaining that had characterized previous centralized agreements in the 1970s (Hardiman, 1988; Roche, 1997). In exchange, government agreed to increase take-home pay by reducing personal taxation. Government also agreed to maintain the real value of social welfare allowances.

Negotiation of the PNR was preceded by a wide-ranging strategy report prepared by the National Economic and Social Council (NESC), a tripartite consultative body (NESC, 1986). While falling short of explicitly advocating incomes policies, this report laid out the conceptual

³ "The South African labour movement is not controlled by the state. Indeed, its core component (the democratic, non-racial unions) arose in opposition to the apartheid state. And it is pluralistic: there are five national centres and individual workers can generally choose from a range of competing unions in each industry. 'Freedom of association' is entrenched in law and union leadership is chosen by membership through democratic constitutional structures. Financially, South African unions depend largely on membership subscriptions." (Baskin, 2000: 47).

architecture for the PNR. It underlined the importance of a stable macroeconomic framework, to be achieved by reducing public expenditures and through a stable exchange rate policy. It emphasized the need to enhance the competitiveness of the traded sectors by keeping average cost increases below the weighted average of Ireland's major trading partners. Finally, it underscored the need to simultaneously reduce personal tax rates and expand the tax base.

The NESC report was a consensual document, produced and signed by all the social partners. It signalled that at least at the peak level, all major socioeconomic actors had come to share the same analysis of the Irish economy (O'Donnell and O'Reardon, 1997). This was different from the past. In fact, previous centralized wage negotiations in the 1970s had been marred by lack of consensus on the main determinants of economic crisis. The employers and (to a lesser extent) the government linked unemployment to excessive wage demands that diminished the competitiveness of Irish tradable sectors in international markets. The unions entertained a different view, namely that unemployment was the result of insufficient domestic demand and was to be combated through public job creation (Roche, 1997: 189-90).

During the three years covered by the PNR (1988-90), the Irish economy performed very well. GNP grew strongly (3.6 percent per year) and led to improvements in virtually all other macroeconomic indicators. Interestingly enough, the combination of small nominal wage increases, low inflation, and tax reductions led to higher real disposable wages between 1988 and 1990. In the previous period of free-for-all collective bargaining between 1980 and 1987, real take-home pay had, instead, declined (NESC, 1993: 46).

After this encouraging beginning, social partnership became the backbone of Irish economic policy. Each three years, a new agreement was approved. These agreements contained both wage guidelines and a number of social and economic measures. Also, each new agreement was preceded by a NESC Strategy Report, which provided the analytical tools for discussion on specific issues. In 1991, the Programme for Economic and Social Progress reintroduced the notion of two-tier bargaining, which had been a characteristic feature of centralized agreements in the 1970s. In fact, it established that "exceptionally," wage increases up to three percent could be negotiated at the decentralized level in addition to the increases negotiated centrally. Not surprisingly, a sizeable proportion of local agreements implemented the 3 percent clause. However, the employers sought to link payments to workplace restructuring and productivity increases (Roche, 1997: 208).

The early 1990s were difficult years for Ireland as growth subsided and unemployment began to grow again. Social partnership, however, managed to overcome this cyclical contraction. The 1994 Programme for Competitiveness and Work (PCW) focused on employment creation. There were no major changes in strategy compared with previous years. With the PCW, the social partners agreed to continue the policy of wage moderation and further reduce the difference between gross income and take-home pay through tax cuts (NESC, 1993).

The 1996 Partnership 2000 (P2000) agreement centred on two distinct themes: the need to extend social partnership to the enterprise level and the need to reduce social disparities and exclusion. The focus on enterprise-level partnership was based on the belief that just as at the national level, at the workplace level, too, cooperative relationships could increase competitiveness and produce mutual gains. On these themes, however, the agreement was exhortatory rather than prescriptive. Perhaps for this reason, partnership at the enterprise level does not seem to have diffused widely in Ireland (Roche and Geary, 2000; Gunnigle et al., 1999).⁴

With the 2000 Programme for Prosperity and Fairness (PPF), social partnership shifted its emphasis from macroeconomic policy to more supply side-oriented policies. Unemployment was no longer the most pressing problem; labour and skill shortages were. The agreement contained a series of recommendations on issues like skill development, infrastructural

⁴ According to Roche and Ashmore (2001: 35), company-level partnerships are present in less than 20 percent of Irish companies. For different views on this theme, see O'Donnell and Teague (2000).

investments (e.g. roads and public transportation), the provision of more affordable housing, and the development of childcare facilities. Social policies were also devoted a significant amount of attention in the PPF agreement.

The wage portion of the agreement was similar to the past and continued the policy of wage moderation. In December 2000, however, the resurgence of inflation in Ireland led to an additional round of pay negotiations. These provided for additional wage increases at the national level. They also introduced the possibility for decentralized bargaining for amounts up to 2 percent of basic pay (plus a one-off lump sum increase of 1 percent).

From an economic point of view, the Irish social partnership has been a big success. In fact, it is held to have substantially contributed to the Irish economic miracle of the last few years by greatly increasing the competitiveness of the Irish exposed sectors in international markets, particularly in sectors dominated by multinational companies (O'Donnell and O'Reardon, 1997 and 2000; NESF, various years; Mac Sharry and White, 2000). So far, social partnership has proven remarkably resilient to changes in both business cycles and the political composition of governmental coalitions. It is unclear, however, how it will respond to the wage pressures that have recently begun to emerge.

Italy

At approximately the same time, Italian policy-making proceeded along similar lines to the Irish. The Italian concertation began again in 1992 after a few unsuccessful attempts in the late 1970s and early 1980s. In July 1992, government, the three major confederal unions (CGIL, CISL, and UIL), and the major employer association, Confindustria, signed an anti-inflationary agreement abolishing wage indexation. Other features of the agreement included a one-year moratorium on both firm-level wage negotiations and public sector collective bargaining as well as a freeze on industrial wages and salaries, government rates, and administrative fees for the rest of 1992.

The July 1992 accord stirred deep turmoil within the Italian labour movement. It had high symbolic significance. For 20 years, in fact, the wage indexation mechanism (the so-called *scala mobile*) had represented *the* symbol of union power in Italy. Significant portions of the unions, especially within the CGIL (the largest union), opposed the agreement. A wave of wildcat strikes emerged to contest the abolition of the *scala mobile*. These protests subsided, however, when a new tripartite agreement was signed in July 1993.

This new agreement confirmed the abolition of wage indexation and introduced national-level wage consultations (in May and September) to link wage increases to the government's macroeconomic targets as stated in the yearly budget law. Unlike the 1992 agreement, which temporarily banned plant-level bargaining, the 1993 agreement institutionalized decentralized bargaining. This clause represented an important victory for the union movement, since the employers had pushed for a single locus of collective bargaining. The agreement established that collective negotiations should take place at both the industry and the company (or territorial) levels, every two years in the former case, every four years in the latter case. Unlike the 1992 agreement, which had been introduced without consulting the Italian workers on its contents, the 1993 agreement was preceded (and perhaps, legitimated) by a large-scale worker consultation, which showed remarkable support for the accord. The agreement also included the reform of workplace representation structure, aimed at institutionalizing their regular renewal. Perhaps for these reasons, the 1993 agreement, unlike its 1992 predecessor, was more or less pacifically implemented.

In 1995, government and the three confederal unions (but not Confindustria) negotiated a reform of the pension system, the most sizable component of the Italian welfare state. This reform introduced important long-term modifications. Pension benefits were no longer set as a function of past income, but rather were determined in accordance with accumulated social security contributions. This reform aimed at reducing pension expenditures and thus, reducing

Italy's budget deficit. Similar to the 1993 agreement, the 1995 pension reform agreement was preceded by a large-scale consultation among the workers. This consultation showed that the majority of active workers supported the reform negotiated by the unions. Like the 1993 agreement, the 1995 reform was pacifically implemented.

In 1996, social partnership moved to another area of policy. The 1996 tripartite "Pact for Work" moderately increased labour market flexibility by introducing new forms of contingent work. It also sought to promote job creation in crisis areas by favouring the emergence of "territorial pacts" among local actors.

In 1997, government and unions agreed to another pension reform. In fact, the 1995 pension reform would become fully effective only after a long transition period. In the meantime, generous "acquired rights" would be maintained. The 1997 pension reform sought to accelerate the transition to the new regime. However, due to the opposition of a crucial component of the governmental coalition, the Party of the Communist Refoundation, the changes in eligibility rules could ultimately only be applied to white-collar workers.

In December 1998, the three confederal unions, government, and the Confindustria signed a so-called "Christmas Pact." This pact confirmed the structure of collective bargaining based on two levels, which had been introduced in 1993. It also confirmed and extended the practice of social concertation. For example, it introduced an obligation for government to consult with the social partners on all social policy issues and, in some cases, even to devolve decision-making authority to the social partners so that they could directly regulated certain issues with no need for government involvement.

While less economically successful than the Irish social partnership, the Italian concertation played an important political economic role. Thanks to concertation, in fact, the Italian political economic authorities were able to first, pull the country out of a difficult sociopolitical crisis and then, rally the necessary popular consensus needed to qualify for the second phase of the European Monetary Union (EMU) (Modigliani et al, 1996; Salvati, 2000).

Economic performance aside, it is surprising that concertation emerged at all in countries like Ireland and Italy. Due to its politically divided union confederations, lack of coercive control of the peak levels over the peripheral structures, and endemically high levels of plant-level conflict, Italy had constantly been ranked at the bottom of the various indexes of corporatism (see Dell'Aringa and Lodovici, 1992: 33). In Ireland, too, the organizational and political conditions leading to sustained neo-corporatist bargaining, particularly a strong and cohesive labour movement with a high degree of "authoritative centralization," were missing (Hardiman, 1988: 3; NESF, 1990: 459). Absent centralized organizational capacities of the kind aptly described by corporatist theory, both countries developed alternative (but equally effective) mechanisms of vertical and horizontal coordination. These mechanisms are analyzed in the next section.

3. The internal politics of social partnership

Ireland

In Ireland, the first social partnership agreement, the PNR of 1987, was the most politically contested.⁵ The employers feared a return to the ineffectual negotiations of the 1970s, which had proven unable to secure wage moderation since they were often followed by decentralized bargaining where wage rates negotiated centrally were generously supplemented with local wage

⁵ The following reconstruction of the Irish case draws on newspaper articles published in the *Irish Times* and field interviews. Many thanks to John Gibson and Irene Stevenson for granting me access to the Irish Times' archive.

drift (*Irish Times*, 8 Oct. 1987). The employers had to be dragged into the deal, particularly by the staunch determination of government to have a national agreement.

The Fianna Fail government was a minority government. In the general elections of 1987, the party had campaigned on a Keynesian platform of increases in public expenditures and the revocation of previous expenditures cuts (Collins, 1992). After the election, it found itself implementing the opposite program. In fact, the major opposition party, Fine Gael, had committed itself to supporting government's actions if they were in line with the party's own economic policy, which emphasized fiscal correction. Securing a tripartite deal with the employers and the unions was important for government as it reduced the risk of a political backlash against its austerity policies.

ICTU leaders were favourably inclined towards the PNR. They were afraid that a Thatcherite response to economic crisis might be brewing in the country. In this regard, the ICTU regarded the emergence of the new party of the Progressive Democrats, a split-off from Fianna Fail, and its surprising electoral performance (11.8 percent of the votes) as worrisome signs that Ireland might indeed follow the route of Britain and engage in a massive attack on union prerogatives.⁶ Public sector unions, in particular, feared that they would fare especially poorly in free-for-all bargaining, given the government's emphasis on cutting current expenditures.⁷ Also, ICTU leaders were dissatisfied with the outcomes of the previous phase of decentralized collective bargaining between 1980 and 1987, when they had chased inflation and wound up with lower real take-home pay due to the effects of fiscal drag on taxation rates. These leaders regarded the opportunity to negotiate both gross pay and taxation simultaneously as in their members' best interests.⁸

The various unions affiliated to the ICTU had, however, mixed feelings. The craft unions (representing mostly skilled workers in the private sector) were against the PNR as they thought free-for-all bargaining would be more advantageous for them. IDATU, at that time the largest union among distribution workers with about 20,000 members, also opposed the agreement. This union proposed to address the economic crisis by launching a massive job creation scheme sponsored by the state, by increasing taxation on companies, and by refusing to pay interests to foreign lenders (*Irish Times*, 9 Nov. 1987). Among general unions, both the ITGWU and the FWUI (140,000 and 60,000 members, respectively) supported the deal.⁹ The third largest general union, the British-based ATGWU (23,000 members), was adamantly opposed. Public sector unions generally favoured the agreement. However, the executive committee of the LGPSU (local government and public services) recommended rejection to its members (*Irish Times*, 19 Oct. 1987). Strangely enough, this same union had been instrumental in initiating the process that eventually led to centralized bargaining.¹⁰ This union seemed to feel that the PNR deal did not adequately protect public sector jobs and could even be construed as an authorization to cut (*Irish Times*, 2 Nov. 1987). About 60 percent of the LGPSU members voted, however, to ratify the PNR agreement.

The decision-making process is highly proceduralized within ICTU. Prior to engaging in national talks, the confederation summons a convention of all affiliate unions. These unions generally do not ballot their members at this point. Instead, the executive of each union reaches a decision and then votes accordingly in the so-called "Special Delegate Conference." The distribution of votes is biased in favour of smaller unions.¹¹ In other words, small unions have a

⁶ Interviews with Bill Attley, former General Secretary of the FWUI (first) and SIPTU (later), Bundoran: July 3, 2001, and David Begg, General Secretary of the ICTU, Bundoran: July 4, 2001.

⁷ Interview with Peter McLoone, General Secretary of IMPACT, Bundoran: July 4, 2001.

⁸ Interview with Peter Cassels, former General Secretary of the ICTU, Bundoran: July 4, 2001.

⁹ These two unions merged in 1990 and formed SIPTU, another general union.

¹⁰ At the 1986 Belfast conference of the ICTU, the LGPSU had proposed a motion calling for the return to tripartite bargaining (*Irish Times*, July 3, 1995).

¹¹ According to the electoral rules (last modified in 1991), a union with up to 2,000 members is allotted two votes,

higher number of delegates than their relative size would allow. Normally, unions have little problems authorizing the beginning of negotiations but might have greater problems authorizing approval. When negotiations are concluded, the confederation summons another convention to decide on ratification or rejection. Some of the smaller unions at this point specially convene a meeting of members. Other unions base their decisions on the vote of the executive council. Particularly the larger unions ballot their members.¹² The number of unions balloting their members increased over time. In fact, the ICTU encouraged its affiliates to do so.¹³ In case of ballot, the executive of the union may decide to send members a recommendation to vote in a particular way, favourable or negative. In some cases, however, no recommendation is made.

The electoral rule within ICTU is very similar to the procedure used to elect the American president, i.e. the electoral college. In other words, if 50 percent plus one voter in a union choose to support a particular option (endorsement or rejection of the agreement), all the delegates of that union vote for that option in the national convention. Similar to the American presidency, this rule implies that the confederation may democratically choose to pursue a policy that is supported by less than the majority of the workers if approval is by close margins and rejection by larger margins. This may have happened in 1987 (see *infra*). However, (and again, similar to the American case) this possibility does not detract from the legitimacy of whatever decision is reached within the union convention. Unions that lose do not normally secede from the confederation and pursue their own independent wage policy (as they would be free to do). Instead, they abide by the will of the majority.

Most of the 56 unions attending the special conference on PNR voted against the agreement. The ITGWU, the largest union, conducted a ballot among its members, to decide how to cast its vote. The result of the vote was very close but favourable.¹⁴ With 48 delegates, the vote of the ITGWU was decisive. In fact, the PNR was approved with a majority of 181 votes to 114. The second largest general union, the FWUI, also voted in favour and so did most of the public sector unions, including two out of three of the teachers' unions (*Irish Times*, 20 Nov. 1987). However, had the ITGWU members voted against, the PNR would have never been approved.

The losing faction decided to fight its battle inside the trade union congress rather than outside. In 1989, when the inflation rate surpassed the 2.5 percent increase included in the national agreement, the MSF (a skilled white-collar union)¹⁵ and the ATGWU, both British-based (i.e. with headquarters in Britain), called for a special ICTU conference. This would decide whether the confederation should withdraw from partnership (*Irish Times*, 26 Sept. 1989, 9 Oct. 1989, and 25 Nov. 1989). Since talks were already underway for a renewal of the PNR, this vote would *de facto* also determine whether or not the experience of national bargaining would be continued in the future. The motion to withdraw was rejected with 181 votes against and 141 in favour. Once again, the favourable vote of the general union SITPU and of the public sector unions was decisive (*Irish Times*, 9 Feb. 1990).

Approval of the other partnership agreements proved to be much less complicated than the PNR. As the economy got back on track, the combination of low inflation and tax cuts brought about benefits for most categories of workers. In February 1991, the PESP was ratified with 224 votes in favour and 109 against. In March 1994, the PCW was ratified with a 256 to 76 margin. Only eight unions voted against the PCW. Among these, some of the usual suspects like ATGWU and MSF.

while a union with up to 201,000 members is allotted 76 votes (see ICTU, 1997: Section 4, pp. 7-8).

¹² Based on an e-mail exchange with Donal Nevin, former General Secretary of the ICTU, July 10, 2002.

¹³ Interview with Patricia O'Donovan, former Deputy Secretary General of the ICTU, Geneva: April 9, 2001.

¹⁴ Bill Attley remembers that 97,000 votes were cast and the difference was 400 votes. The *Irish Times* (20 Nov. 1987) wrote that the ITGWU ballot "resulted in a very small majority in favour of endorsing the programme."

¹⁵ The MSF was the result of a 1988 merger between two British-based unions.

Ratification of the P2000 agreement turned out to be more difficult than might have been expected, since the economy was booming by 1996. The ICTU-wide vote was 217 for 134 against. Quite surprisingly, MSF, one of the staunchest opponents of social partnership, cast its votes in favour. For the first time, this union decided to ballot its members on the content of the agreement. In spite of a recommendation to vote against issued by the union's executive council, the rank-and-file approved by 60 percent. Apparently, they appreciated the sizable tax relief that was incorporated in the accord (*Irish Times*, 25 Jan. 1997).

With the P2000 agreement, the process of union ratification became integral part of the broader political game. When it became clear that P-2000 was in danger because SIPTU, the largest union, might be unable to deliver its votes, the government cut a last minute deal with one of the teacher's unions to secure its 17 votes. The deal involved promotions for 3,000 primary school teachers, the union's constituency (*Irish Times*, 28 Jan. 1997).

In the end, SIPTU voted for the agreement but the results of the union's internal ballot were quite tight, with 65,000 votes in favour and 55,000 against. Interestingly enough, this outcome seemed to have little to do with the content of the agreement and more with its process (or lack thereof). Because the agreement was finalized over Christmas and because the union leaders wanted the provisions contained in the pact to affect the Budget for 1996 (which was issued at the end of January), they had to hasten the process of ratification and were able to devote only three weeks to it. In other words, union leaders did not have enough time to explain the contents of the agreement to their members.¹⁶ This contrasted with a well-orchestrated Campaign Against Partnership 2000, which was particularly strong within SIPTU.

The SITPU leaders learned from their own mistakes, however. They entered into negotiations for the PPF with a very intense consultation process that directly involved the members in setting up the union's bargaining agenda. When time for ratification of the PPF came, they allowed the longest time ever for ratification, namely three to four weeks for the circulation of information and for consultative meetings, and then three to four weeks for the organization of the ballot.¹⁷ The consultative process relied extensively on the persuasive capacities of the shop stewards.¹⁸ As a result, almost 70 percent of the workers voted in favour, the highest score ever for the union. The PPF was approved by the ICTU as a whole with 251 votes for and 112 against.

Italy

The internal politics of the Italian concertation bear remarkable similarities to the Irish case. In this country, too, the unions used democratic procedures, namely nation-wide referenda, to bring about internal cohesion within their own ranks. When these procedures were not used (that is, in 1992), a grassroots mobilization ensued.

The 1992 tripartite agreement was an emergency agreement. Italy's macroeconomic conditions had deteriorated considerably in the late 1980s-early 1990s. As a result of both constant nominal exchange rates (linked with Italy's decision to join the narrow band of the European Monetary System) and positive inflation differentials between Italy and all other major international competitors, the country's real exchange rate had experienced constant appreciation. This had dampened exports and increased import-penetration. Economic crisis was accompanied by an equally serious political crisis. In 1992, the Milanese judiciary initiated the so-called *Mani Pulite* investigation on political corruption. This investigation soon escalated and implicated the top echelons of the major governmental parties. Eventually, the Mani Pulite investigation led to the dismantling of both the Christian Democratic and the Socialist parties, the two major governmental parties in post-war Italy.

¹⁶ Interview with John McDonnell, General Secretary of SIPTU, Dublin: September 6, 2001.

¹⁷ Ibidem.

¹⁸ Interview with Seamus Sheils, Editor of the SIPTU journal, Bundoran: July 5, 2001.

The 1992 agreement sought to stave off economic crisis. By abolishing wage indexation, Italy's policy-making authorities hoped to send a strong signal to international financial markets that the Lira's nominal exchange rate parity within the EMS would be easier to defend in the future. This agreement was, however, insufficient to prevent a major financial crisis. Misgivings about sustainability of the Lira's parity led to a run on the currency in September of 1992. The Lira had to be devalued and was forced to exit (temporarily) the EMS.

The 1992 agreement was well received by the Italian employers. It provoked, instead, a major crisis in the unions, especially the CGIL. The autumn of 1992 witnessed numerous demonstrations against the accord. Various factory councils in the North established a movement of the so-called *autoconvocati* (the self-summoned) to contest the abolition of the *scala mobile* and the suspension of plant-level bargaining rights. Prominent within these demonstrations were members of the militant metalworkers unions as well as employees of chemical and textile factories (generally considered to be more moderate union members). Interestingly enough, protesters focused their complaints not so much on the content of the agreement (which, of course, they rejected) as on the decision-making process. Because the agreement had not been preceded by a consultation among the workers affected, it was considered illegitimate and unrepresentative of the will of the working people by these dissenting groups. The timing of the accord – signed on July 31, that is, the day before the beginning of summer holidays in most industrial factories – was perceived as especially offensive by many workers, and even as a trick designed to pre-empt rank-and-file opposition.

Unlike its 1992 analogue, the July 1993 agreement was preceded by a binding referendum among the workers – a first in the history of the Italian labour movement. Remembering the grassroots mobilizations that had taken place one year earlier, the confederal leaders asked for and obtained from their bargaining counterparts sufficient time to organize a consultation of the rank-and-file workers. In fact, although the tentative agreement between government, employers, and union leaders was reached on July 3, 1993, the actual agreement was not signed until July 23. In the intervening 20 days, the confederal unions set up approximately 30,000 assemblies in the country's major plants and offices.

About 1.5 million workers participated in the vote and 68 percent of them approved the deal. The consultation identified large pockets of dissent. The employees of some historic automotive plants, like Alfa Arese near Milan, Mirafiori in Turin, and OM Iveco in Brescia, for example, voted against the accord (sometimes overwhelmingly). Two of the strongholds of the Italian labour movement, the cities of Milan and Brescia, rejected the accord. In Milan, the incomes policy agreement was voted down not only by industrial workers, but also by the white-collar employees of the Milanese City Hall and of the Palace of Justice.

In the recent past, the opposition and spontaneous mobilization of large industrial factories in northern Italy had quashed attempts at reform (see Golden, 1988). The recent history of the Italian labour movement features, in fact, several examples of rank-and-file mobilization against union policies that were perceived as too moderate by the industrial workers. These mobilizations (like that of the *autoconvocati*) were often spurred by claims of illegitimacy. In particular, the dissenting groups argued that the policies enacted by the confederal unions at the national level were unrepresentative of the will of the working people and only reflected the self-interests of top union bureaucrats.

This time, however, dissenting groups did not mobilize. Their inaction did not reflect approval of the agreement: the Essere Sindacato faction within the CGIL (a hard-liners' faction) declared well before the conclusion of the negotiation that the forthcoming compromise looked "awful" and that "it would be a mistake to reach an agreement" (*Il Sole-24 Ore*, 18 Jun. 1993). The Labour Chamber of Brescia publicly expressed its opposition to the agreement and promised "a new Hot Autumn" (*Il Manifesto*, 10 Jul. 1993). They chose not to mobilize, I argue, because of the peculiar mix of wage restraint and union democracy that was delivered to them with the 1993 accord. The agreement contained, in fact, two important responses to the

“methodological” criticisms previously raised by the autoconvocati movement and other dissident factions. First, it institutionalized the regular election of workplace representatives. Second, it was accompanied by a binding consultation among the workers. Although they clearly frowned on the agreement’s content, the dissident groups concentrated their energies not on organizing grassroots protest but rather on dissuading the workers in the assemblies from approving the agreement.

Some of these groups had, in the end, something to say about the process – a few, for example, complained that “in the assemblies, only union leaders who were in favour of the agreement [were] allowed to speak” (*Il Sole-24 Ore*, 23 Jul. 1993). Yet, none contested the outcome of the consultation, that is, the clear endorsement of the July 1993 agreement by the majority of the Italian workers.

Following approval of the 1993 incomes policies agreement, the Italian confederal unions continued to organize workplace referenda to secure compliance from their rank-and-file members and lower-level affiliates. Pension reform was a highly unpopular topic in Italy, just as in other advanced countries. For this reason, the Italian unions did not even try to negotiate with government behind closed doors but engaged instead in Italy’s largest worker consultation ever.

After elaborating their bargaining agenda, the unions organized a first-round of plant-level assemblies. These early consultations allowed them to distinguish between “legitimate” and “illegitimate” claims. The former were incorporated in the unions’ final bargaining agenda, and the latter were discarded. For example, the demand to retire before reaching statutory retirement age was justified when raised by workers engaged in strenuous or hazardous jobs, but not when raised by employees performing clerical tasks. Thus, the unions demanded (and obtained) special provisions for the former typology of workers.

After reaching a tentative agreement with government, the confederal unions completed the process of worker consultation with a new wave of workplace assemblies (42,000) and a binding referendum. Four and a half million workers and pensioners voted and 64 percent of them approved the reform. Pensioners voted overwhelmingly in favour of the accord (91 percent). Active workers approved the reform as well, albeit with a lower percentage (58 percent).

The largest area of dissent was in northern industrial factories. In Lombardy, Italy’s richest and most industrialized region, the majority of all active workers rejected the proposed reform. In Piedmont, all major industrial categories (metalworkers, chemical workers, and textile workers), as well as other worker categories, also rejected the accord. In the metalworking sector, the vast majority of plants with more than 500 employees rejected (often overwhelmingly) the pension accord, especially in Piedmont and Lombardy. Yet in these same regions, metalworkers employed in small firms (up to 50 employees) approved the agreement.

Just as in 1993, no mobilization of the industrial workers took place in 1995. The referendum clearly showed that the choice to engage in pension reform was not just a fiat by union bureaucrats, as had sometimes been claimed in the past, but was actually supported by a clear majority of the Italian workers, some of whom (like the public sector workers) were thus making much larger sacrifices than were the industrial workers. The process of worker consultation also gave union leaders an opportunity to influence the workers’ process of preference formation. Workers relied on union representatives to make sense of the general structure and distributional consequences of the 1995 pension reform and formed their opinions also based on the particular way (positive or negative) in which pension reform was presented to them in the assemblies. Factories in very similar structural conditions approved or rejected the pension accord based on the particular way the problem was framed. Interestingly enough, plant representatives were much more likely to influence workers than were national or regional leaders (Baccaro, 2002a).

The 1996 Pact for Work and the 1998 Christmas Pact did not have the same immediate distributional consequences as the 1992, 1993, and 1995 accords. They were prospective agreements. The first introduced new typologies of atypical workers; the second confirmed the

structure of collective bargaining introduced in 1993. Agreement among the peak leaders of the three confederations was sufficient to mobilize consensus from within the union ranks. The three confederal unions did not feel that they needed to organize worker consultations to stave off possible accusations of illegitimacy.

A new referendum was held in 1997 on the second pension reform. The outcome of this consultation was almost a foregone conclusion, since the reform only affected 35 percent of the workforce (due to the political constraints imposed by the Party of the Communist Refoundation). The confederations organized 39,000 assemblies followed by a referendum. This time 84 percent of the 3.1 million voters approved the agreement. Interestingly enough, sectors like banking/insurance and the public sector, predominantly populated by white-collar workers, voted in favour of the agreement. Yet the 1997 reform further delayed access to retirement for workers in these sectors.

Coordination through aggregative and deliberative mechanisms

The Irish and Italian industrial relations systems are quite different from one another. The Irish system evolved from the Anglo-Saxon model of voluntaristic collective bargaining between unions and employers, mostly at the company level. The Italian system, instead, has historically been characterized by much greater intervention of the state in defining basic worker rights and regulating working conditions as well as deeper involvement of the unions in the political sphere.

Both systems are quite distant from the corporatist model. With 52 unions affiliated to the ICTU and 59 affiliated to the CGIL, CISL, and UIL in 1995, the Irish and Italian labour movements are quite fragmented.¹⁹ In both countries, workers can choose among multiple unions, if they want to. Workplace representation structures are quite strong and based on elected representatives accountable to their members (as well as non-members in Italy).

The peak levels do not have formal coercive power over their affiliate unions, except threat of expulsion. In Ireland, authoritative centralization is made more complicated by the decentralized structure of collective bargaining. In other words, wage guidelines negotiated at the national level every three years have to be incorporated in collective agreements at lower levels (at the company level in the manufacturing sector) to become effective (Gunnigle et al, 1999: 188). The ICTU has no formal way of ensuring that these contracts comply with the general guidelines. In Italy, union structures at all levels are statutorily free to negotiate their own terms and conditions with the appropriate bargaining counterparts. Also, the right to strike is an individual right in the Italian legal system, to be exercised collectively. This implies that the decision to call a strike does not require any prior authorization, let alone the authorization of the unions' peak levels.²⁰

The corporatist literature would lead us to think that the structure of interest representation in these two countries is too weak and fragmented to allow the two labour movements to hold to their side of the bargain in national negotiations. Yet this literature only focused on hierarchy as coordination mechanism. Consistent with this premise, it concluded that countries where union leaders did not have the capacity to impose on workers a series of outcomes these would not necessarily subscribe to would be unable to engage in national pacts, except sporadically and by fits and starts.

¹⁹ In 1995, 15 additional unions were affiliated to the ICTU. These unions only had members in Northern Ireland. The ICTU is, however, less fragmented than suggested by these numbers. In 1996, ten unions with more than 15,000 members accounted for almost 80 percent of trade union membership (Gunnigle et al. 1999: 129-30). The largest union, the Services, Industrial, Professional, and Technical Union (SIPTU), accounted for 42 percent of total union membership in the first half of the 1990s (Roche et al. 2000: Table IR.12). Also, the ICTU reduced its internal fragmentation by promoting union mergers in the 1980s and 1990s (ICTU, 1989). There were 15 such mergers between 1985 and 1989, and 17 between 1990 and 1994 (Roche and Ashmore, 2001: Table 5).

²⁰ Since 1990, however, unions in essential private services have to abide by a number of legal provisions, like advance notice and minimal provision of services.

This literature overlooked the fact that hierarchy is one possible mechanism of coordination, perhaps even the most widely diffuse, but not the only possible one. Democracy is also a powerful mechanism of coordination and dispute resolution. Compared with hierarchy, democracy also produces legitimacy, i.e. a belief in the validity of a particular collective decision and a willingness to comply with it even in the absence of sanctions or material incentives (Weber, 1978: Ch. 10).

Both the Irish and Italian labour movements relied on democratic mechanisms of decision-making to generate coordination within their own ranks (see Table 1). Unions which disagreed with the policies of the central confederations decided to voluntarily comply with them because they corresponded to the will of the majority.²¹ From a functional perspective, this generated the same amount of internal cohesion as if a highly centralized association imposed its will on the branch-level affiliates. As to the reasons why unions decided to comply, the literature on social psychology has underscored procedural justice, namely the willingness to go along with unfavourable collective decisions when the process is perceived to be fair (Lind and Tyler, 1988). Also, unions refrain from violating the majority principle within confederations because they realize that if they did so, they would encourage similar behaviour from their own internal opposition.²²

In both Ireland and Italy, union leaders did not just ask workers to vote and then aggregated their preferences. They preceded the vote with workplace assemblies in which they sought to persuade their members that the solutions they proposed were in their best collective interests. The Italian unions paid a lot of attention to the communicative processes preceding the vote. Some dissenting groups complained that they did not have enough room to make their views known to the workers. One union leader argued that workplace assemblies had the capacity to shift about 20 percent of the vote.²³ In Ireland, too, union leaders spent a lot of time discussing the contents of the national deals with their members. They also noticed that when (like in 1996) they failed to do so, workers punished them in the sense that the results of the workers' vote were much less positive than they initially expected.

Table 1. Aggregative and Deliberative Mechanisms of Union Coordination

	Horizontal (Inter-Union) Coordination	Vertical (Intra-Union) Coordination
Aggregative Mechanism	Unions losing the vote accept the will of the majority	Plants or worker groups losing the vote accept the will of the majority
Deliberative Mechanism	(Unions influence the position of other unions through discourse) (Not observed empirically)	Leaders influence the position of union members through discourse

4. Concluding remarks

For many years, concertation has been believed to require a corporatist structure of the interest representation system. In line with this thinking, policy-makers in various countries have sought to reproduce the organizational features of supposedly more mature nations like Austria or the

²¹ Ben Kearney, Republic of Ireland Secretary of the ATGWU, a union that voted against all of the Irish social partnership agreements, argued: "We're very loyal Congress members, I'm afraid. We believe in the whole concept of Congress. We feel that whatever has to be done has to be done from within." (Bundoran: July 3, 2001) Other union officers expressed similar views (interviews Jerry Shanahan, Deputy National Secretary of the MSF, Bundoran: July 4, 2001; and Brendan Archbold, National Official with MANDATE, Bundoran: July 5, 2001).

²² Interview with Patricia O'Donovan, Geneva: April 9, 2001.

²³ Interview with Carlo Spreafico, Regional Secretary of the FIM-CISL Lombardy, Milan: June 16, 1997.

Scandinavian countries (for illustrations, see Locke, 1995: ch. 3; NESO, 1990: ch. 15). An interesting rehearsal of the old debate about structural preconditions is currently taking place in South Korea, where the late 1990s have witnessed attempts at implementing national social partnership. According to some observers, these attempts are unlikely to succeed unless a fundamental transformation of union structure is preliminary accomplished – one that moves the country closer to the Northern European model of interest representation, with a limited number of industry-based unions grouped under confederations having direct power of intervention in internal union affairs (Lee and Lee, 2001).

The findings of this paper speak to some of these policy-makers' concerns. Through an analysis of the Irish and Italian cases, this paper has shown that concertation or social partnership can perfectly co-exist with a non-corporatist structure of the interest representation system. In other words, monopolistic, centralized, and internally non-democratic associations are not necessary for the success of negotiated forms of policy-making. Both the Irish and Italian labour movements relied heavily on democratic procedures to mobilize consensus within their own ranks. These processes strengthened, not weakened the unions' capacity for intra- and inter-organizational coordination.

Ireland and Italy have oscillated between two very different types of policy-making in the last two decades, centralized and decentralized. Yet their interest representation structures have remained more or less the same during these years (Roche and Ashmore, 2001; Baccaro, 2002b). Clearly, the same organizational structures are compatible with very different policy processes. Once the actors agree on centralization, even relatively fragmented and decentralized labour movements find ways to coordinate in support of centralized institutional arrangements. Organizational democracy is one of these mechanisms. There might be others. It is the task of future research to discover what these alternative mechanisms (if they exist) might be.²⁴

Future research should also focus on the conditions under which concertation, different from corporatism, emerges and reproduces itself over time. Some of the corporatist literature can provide useful guidance with this kind of investigation. For example, Katzenstein's (1985) argument that perceived economic vulnerability provides a stimulus for domestic actors to cooperate with one another as well as Lehbruch (1979) and Pizzorno's (1978) remarks about the tendency of particularly weak governments to share responsibility for unpopular policies with mass organizations all resonate with various aspects of the Irish and Italian cases (as well as others).

In contrast with much recent literature that regards them as key (see, for example, Swenson, 1991; Thelen, 2002), organized employers do not seem to have played a very important role in the emergence of concertative arrangements in Ireland and Italy. In 1987, the Irish employers opposed re-centralization of bargaining. They believed decentralized bargaining would be more effective in ensuring wage moderation. Also, they disagreed on specific union demands, like the one-hour reduction in working time to 39 hours per week, or a minimal lump-sum increase for the low-paid. Government had to work hard to persuade them to stay at the bargaining table and sign the deal. The Italian employers were also not especially enthusiastic about concertation. For example, they did not agree with the two-tiered structure of collective bargaining that was introduced in 1993 and confirmed in 1998. In the case of pension reform, the employers pulled out early on in the negotiation process and then refused to sign the final agreement, which was therefore an agreement between government and unions.

While labour and the state are the key actors in the new social pacts, these pacts are very different from the old historical compromises of the 1930s, when the unions strategically chose to shift their power from the industrial to the political arena and in so doing, acquired the capacity to pursue broadly redistributive goals (Korpi and Shalev, 1979). Even though they are not designed by business, the systemic consequences of the new pacts are pro-business. In Ireland, for

²⁴ In South Africa, for example, union leaders seem to rely less on formally democratic procedures than on their charisma to secure compliance with centrally negotiated policies. In other words, rank-and-file workers spontaneously adhere to the leaders' proposals because of the legitimacy the latter have been able to accumulate during the liberation struggles. This mechanism is very different from leaders having the formal power to impose their decisions.

example, the wage share of GDP declined from 71 to 56.9 percent of GDP between 1987 and 2000 (European Economy, 2000: Table 32). The unions' role in the new social pacts is to participate in enhancing the competitiveness of the national economy. In exchange, the unions gain access to policy-making. This enables them to check the distributional consequences of policies and limit the impact on the weakest segments of society. Whether this is the best that labour can do at this point in time, given systemic constraints, is a question this paper cannot address, but one that unions and the left should seriously consider, as their future seems crucially dependent on it.

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