

South Africa Urgently Needs a 'Social Compact / Dialogue': Are There any Historical Lessons to Learn from Irish System of Social Compacts?

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Abstract

In the face of sluggish economic growth, debilitating triangle of unemployment, poverty and inequality the South African policy makers are at their wit's end. Recognisably, most stake holders are evoking the need to forge a 'Social Compact/ dialogue' if South Africa will make significant strides in solving its problems. The latest contested policy framework, the National Development Plan (2012), also revoke the need for "A social compact to reduce poverty and inequality, and raise employment and investment." Ireland provides some lessons for the needed social compacts in South Africa since it managed to pursue the route of policy negotiations when it was hit by an economic crisis in 1987. The Irish compacts were without problems and there is no consensus as to the real effects of the social compacts implemented in Ireland. This paper argues that Social compacts in South Africa are a possibility albeit with huge challenges to be overcome before they can be achieved and the Irish case illuminates such challenges.

1. Introduction

"In general there are two possible scenarios: a) the crisis provides an external stimulus for partners to come closer together, as partners share the understanding that only by close collaboration will they find solutions for their communities to weather the storm; or b) the crisis makes the existing and unresolved differences between partners visible, resulting in more complicated discussions, and difficulties in reaching agreements on new priorities" (OECD, 2010:05).

The above quote in some way explains well the paradox of social partnership in Ireland. Faced with a deep economic crisis in the early 1980s, there was an advent of a series of social partnerships starting in 1987 and many writers and Irish people in general believe that these social partnerships played a great role in what has become to be known as the *Celtic Tiger* (Baccaro and Simoni, 2004; O'Donnel 2001). What baffles one's mind however is the dissolution of social partnerships twenty years later in the face of the 2007 economic crisis when many believed the Irish economy had built an institutionalised platform to deliberately weather the crisis (Murphy, 2012; Donaghey and Teague, 2007).

There are great complementary views about the social partnership in Ireland with one camp arguing that the Irish partnerships were very crucial in the economic turnaround of Ireland (McGuinness *et al*, 2008; Walsh, 2003). O'Reardon and O'Donnell (2002), for instance argued that the country not only escaped from the profound economic, social and political crisis of the 1980s, but considerably addressed its long-term developmental problems of emigration, unemployment, trade deficits and weak indigenous business development. Hardiman (2002) also argued that the adversarial industrial relations were significantly reduced through social partnerships. Teague and Donaghey (2009) also contended that partnerships greatly complemented the extreme openness of the Irish economy to the Euro-global economy. With its openness, the Irish economy benefitted from influx of MNCs from abroad (especially US) because of the benign tax regime and a lax pro-voluntarism approach in industrial relations introduced through social partnerships (D'Art and Turner, 2003; Dorgan, 2006). The other camp in contrast is quite critical and view Irish partnerships with contempt especially on muting the equalitarian and egalitarian principles which would have made the Irish people benefit from *Celtic Tiger* boom (Allen, 1999 & 2000). According to Kirby and Murphy (2011:01), "There was a prioritisation of economic competitiveness over those of social cohesion and welfare hence Ireland only became an exemplar of how globalisation resituates the state so that it prioritises the needs of global capital over those of its own citizens".

The greatest victim of Irish partnership as the critics argue were trade unions as McDonough and Dundon (2010) argued that the political economy of Ireland reflected a 'delayed Thatcherism'. D'Art and Turner (2011:168) also argued that for Irish unions, partnership may well have turned out to be a 'Faustian bargain'. With globalisation undermining solidaristic national contracts, liberalization, deregulation, and privatization have not reduced the role of state intervention

overall but it just shifted it from “decommodifying bureaucracies to marketizing ones” (Murphy and Kirby, 2011: 07). The critics also emphasise the role of MNCs and EU membership (for markets access) in the Celtic Tiger boom hence downplaying the role of social partnership (Dorgan 2006; O'Donnell, 2001).

Polarising the debate and the prognosis of social partnership as reflected above or as espoused in Teague and Donaghey's (2009) argument of whether Ireland is 'closer' to Boston or Berlin, will only limit one's understanding of Irish partnership. As a result, concluding that Ireland is either a liberal or co-ordinated economy may not be enough because it has to some extent elements of both models or at least more of either as Watkins (2012) argued “Corporatism is an antidote to the twin dangers of the egalitarianism of the French Revolution and the laissez faire economics of Adam Smith”.

This section will proceed as follows: A detailed historical background of the Irish experience with partnerships and corporatism, as policy making processes, will be given; the next section will look into what positive role the partnership played in the Celtic tiger boom; the fourth section will critically consider the downside of the partnerships as observed in Ireland; the fifth section will be the concluding remarks and a brief look into recent proposals for the Irish partnerships.

1.1 Irish Social Partnership through the lens of European Corporatism

“The army of corporatists is so disparate that one is led to think that the word, corporation, itself is like a label placed on a whole batch of bottles which are then distributed among diverse producers each of whom fills them with the drink of his choice. The consumer has to look carefully” (Schmitter, 1974: 87)¹

“There are among corporatist theorists, not unimportant differences as to how they view the concept and what they regard as central elements of the theory because it covers complex and wide ranging issues and it is not unfair to say that it is a relatively inaccessible body of political and social theory” (Williamson, 1989: 04)

With the term used loosely and without unanimity, there is however a general consensus among many authors that it refers to the idea of organising the economy into major interest groups, the representatives of which settle any problem through negotiation and joint agreement (Baccaro, 2003; Siaroff, 1999; Watkins, 2012; Calmfors & Driffill, 1988: 24). Cawson (1982: 41) argued that the broadest meaning of corporatism is a pattern of articulation between the state and functional interests in civil society which fuses representation and intervention in an interdependent relationship. A distinction is made also of the use of the word corporatism as (a) a system of interest representation where corporatism is practised sporadically and (b) more often as an institutionalised pattern of policy formation (Lehmbruch, 1979; Woldendorp, 2011).

Major features of stable corporatism thus include co-ordination, co-operative mechanisms and systemic management of the economy by the state, unions (centralised) and employers (Siaroff, 1999; Bartolomeo, *et al* 2005; Baccaro and Fraile, 2010). The above features of corporatism are closely related to tripartism and perhaps this is what led Regini (2003) and Foster (2010) to argue that that the European model of concerted regulation of the economy has been called many things since it emerged (concertation, social partnership, social pacts/partnership, class compromise, tripartitism, social dialog, deliberative governance).

Recently, neo-corporatism is often used rather than corporatism to capture changes in the global economic conditions especially economic threats of recession and inflation (Williamson, 1989; McGrath and House, 2004; Jones, 2001). Woldendorp (2011: 49) also argued that neo-corporatism is used to “denominate any form of collaboration between the government and the appropriate socio-economic interest groups of employers' associations and trade unions, aimed at forging a consensus over the formulation and implementation of socioeconomic government policies.” As noted by (Siaroff 1999 and Wang, 2012) if all the features of neo/corporatism are true, the opposite will become pluralism which has less or no signs of co-ordination or co-operative practices in policy formation.

1.1.1 The Irish Social Partnerships

Conceptually, northern European corporatist experiments can be seen in retrospect as early forms of innovative governance, which in turn have influenced the emergence of the Irish social partnership (McGrath and House, 2004). Paradoxically, the widely attributed success of social partnership in enhancing the performance of the Irish economy in the 1990s, contrasts with the equally widely attributed failure of centralized tripartite pay bargaining in Ireland during the 1970 (Murphy, 2012; Roche 2007). The first concerted period of nationalized tripartite wage bargaining started in 1970 and lasted until 1981 (Teague and Donaghey, 2007). As widely acknowledged, this period was characterised by rising

¹ Schmitter (1974) was the secondary source since the primary source was not written in English.

inflation and falling employment (oil crisis of 1970 & 1979) when centralized income policies were aimed at moderating wage increases (McGrath and House, 2004; Roche, 2007; Walsh, 2003).

An important fact worth highlighting is that by mid 1950s economic nationalism was not sustainable and radical policy changes were introduced causing the previous protectionism to be abandoned in favour of openness (Dorgan, 2006). Ireland joined the European Economic Community, the predecessor of the EU, along with Britain in 1973, which marked the country's arrival on the global economic arena and by 1975, more than 450 foreign-owned industrial projects, covering a wide range of manufacturing sectors, accounted for two-thirds of Ireland's total industrial output (White, 2011). Such extreme openness and other hegemonic EU-global pro market policies turned Ireland towards becoming a liberal market economy (Murphy, 2012; Finn, 2011, Walsh, 2003). Dorgan (2006) also noted that Ireland had become a champion in openness in the early years of the 21st century:

"The Globalization Index study, compiled by international consultants from A. T. Kearney, named Ireland as the most globalized country in the world from 2002 to 2004 and commented that it has the highest degree of economic integration among the developed economies" (Dorgan, 2006: 02).

The above quote has also been recently supported by report by Ernst & Young in cooperation with the Economist Intelligence Unit (EIU) as they ranked Ireland the second in globalisation after Hong Kong (Finfacts, 2010). D'Art and Turner (2011:159) also argued that social partnership in Ireland happened to coexist with true neoliberal policies such as cutting social spending, taxes, reducing regulation of labour and financial markets, eliminating barriers to free trade, and privatising state companies.

The openness of the Irish economy has led to its inclusion in the puzzle of 'unlikely' countries (Baccaro, 2001, 2003 and 2006). This was because of the nature of interest representation and the political system (centre right ruling Fianna Fail government) inconsistent with those classically thought to have provided the necessary preconditions for neo-corporatist concertation (Hassel, 2003; Roche, 2007). Such a symbiosis among traditionally competing social and economic institutions even led to serious doubts about the 'agenda' of Irish social partnership in general (MacDonough and Dundon, 2010; Teague and Donaghey, 2009).

As noted by Hardiman (2002), social partnership in the Irish context refers to the processes of consultation between government and principal organisations representing employers, trade unions and farmers. It is also important to note that other groups like the community and voluntary sector became involved in the partnership process especially after seeing the success of the initial programme in 1987 (Murphy, 2012; Hardiman, 2002). Indeed as identified by many, Irish social partnership departs from traditional corporatism, as it goes beyond trade union and employer organizations bargaining hard to reach wage agreements; but also includes a number of civic associations engaging in deliberative problem-solving resulting in new social and economic policies (Teague and Donaghey, 2009; O'Donnell and Thomas 2002: 176–78; Baccaro 2006: 195).

1.1.2 *Towards the Programme of National Recovery (PNR)*

"Unemployment stood at over 227,000, or 17.4 per cent of the labour force, in 1986, and almost two-thirds of these were classified as long term unemployed. Emigration increased steadily, taking many of the 'best and brightest'. A sense of hopelessness reminiscent of the worst days of the depressed 1950s was widespread" (Hardiman, 2002: 08).

This gloomy period was preceded by the Irish golden age (1960-1970) as argued by O'Grada (1997) who argued that besides the triumph of the Celtic tiger in the late 90s, the Irish economy growth path since 1920s was a rocky road. The early 1980s saw the Irish economy labelled all sorts of names; economic quagmire, sick man of Europe, Irish Hare and the poorest of the rich, to mention only a few (Roche 2007; The Economist, 2010; Walsh, 2003; Honohan and Walsh, 2002). This was the period of instability in policy; national tripartite wage negotiation was tried in the 1970s and was abandoned in 1981 in favour of sector and firm level bargaining; it was a period of political instability and adversarial industrial relations (LRC, 2000; Murphy, 2012; O'Grada, 1997).

An important comparative study of unemployment in OECD countries estimated that the Irish equilibrium or natural unemployment rate had risen from 9 per cent over the period 1969-79 to 13.1 per cent between 1980 and 1988 (Walsh, 2003; Layard, Nickell, and Jackman, 1991). Murphy (2012) also contended that the post colonial political institutions and culture was immature and captured by market and vested interests with the state's capacity unbalanced.

Ireland's strong revival from the recession of 1974-75 was mainly driven by increased public spending and borrowing hence high levels of government borrowing for current expenditure created a ballooning foreign debt (White, 2011). However, in the 1980's the underlying weaknesses were harshly exposed (O'Donnell, 1998). Public debt was close to 120% of GDP and high tax rates choked growth yet could not produce enough revenue to finance a generous welfare state (The Economist, 2010).

1.1.3 The Programme of National Recovery

The re-emergence of national and tripartite pay bargaining in 1987 despite failed attempts earlier can be accounted for in terms of the acute economic and social crisis of the period (Roche, 2007; Bacaro and Simoni, 2004). The Program of National Recovery (PNR) was the culmination of almost a year of talks between the Irish Congress of Trade Unions and the then Fianna Fail government led by Charlie Haughey (Murphy, 2012). It signalled that at least at the peak level, all main socioeconomic actors had come to share the same analysis of the Irish economy (O'Donnell and O'Reardon, 1996) Table 1 shows the unanimously identified Irish economic problems by the PNR actors.

Table3.2: Crisis as identified by actors in the PNR.

(a) Per capita GDP was only 64 per cent of the European community average.
(b) A National Debt of over 225 billion (almost doubling GNP) and servicing of which required a third of the exchequer.
(C) Budget deficits ranking amongst the highest in the European community.
(d) High nominal and real interest rates hindering investments.
(e) 18.5% unemployment of (242000) workforce with 73000 under the age of 25- one of the highest unemployment in the European community.
(f) Declining agricultural employment at a rate almost twice the European community average.
(g) Net emigration close to 30000 (equivalent to the natural increase in population).
(h) No growth in equipment investment over the previous five years while the European community realised about 20% growth rates.

Sources: Programme of National Recovery (1987)

The reference to the 1987 PNR as the key partnership in Irish history is important as it acted as the bedrock of subsequent agreements as shown in table 3.2.1. This was supported by Visser and Van der Meer (2011) when they argued that partnerships may be different in each period, but actors remain the same from previous pacts and they carry the knowledge of previous successful or unsuccessful pacts with them into new pacts. Colombo *et al* (2010) studying pacts in Ireland also concluded that the PNR initiated a huge change in the economic prosperity and international standing of Ireland and increased the propensity towards compacting. For its importance, the PNR has been covered in more details (see Appendix) and the rest of the pacts will be referred to without substantial details. Table below shows the series of Irish social partnerships from 1987 to 2006.

Table 3.2.1: Irish Social Partnerships Since 1987

Program for National Recovery (PNR) 1987–1990.
Program for Economic and Social Progress (PESP) 1991–1994.
Programme for Competitiveness and Work (PCW) 1994–1996.
Partnership 2000 (P2000) 1997–2000.
Programme for Prosperity and Fairness (PPF) 2000–2003.
Sustaining Progress 2003–2005.
Towards 2016 (100 th anniversary of state) 2006

Sources: Murphy, 2012; Roche, 2007, O'Donnell, 2001.

While each subsequent partnership may have covered different issues, the linkages between Irish partnerships make it difficult to attribute the success of the Irish economy during the *Celtic Tiger* boom to a particular partnership. The next section will cover the positive contribution of the partnerships to the Irish economy as shared by many observers.

1.1.4 The Positive role of Social Partnership in the Celtic Tiger economic boom

"Economic performance over the past fifteen years has been nothing short of spectacular. Clearly it would be misleading to say that social partnership produced the so-called Celtic Tiger, but it was a contributing factor" (Donaghey and Teague, 2007: 39).

A general consensus exists amongst various authors interested in Irish partnership that the prognosis of Irish partnerships is at best mixed (Macdonough and Dundon, 2010). Murphy (2012) argued that various observers offer subjective evaluations with differing views on weighing the contribution of social partnership to the Irish economy. It is interesting that the social partnerships are viewed as magic bullets even by Irish people in general. For instance in 1999,

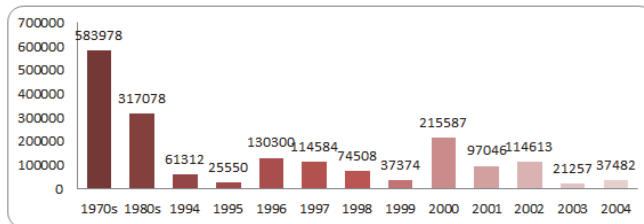
78 percent of poll respondents agreed that social partnership was important for Ireland's economic success (Baccaro and Simoni, 2004). Regardless of the recent collapse of Irish social partnerships as a policy making process, it is important to explore the reason why the partnerships have been highly esteemed in Irish economy.

1.1.5 Industrial Relations.

"The main impact of partnership lay in improved industrial relations, which significantly enhanced economic performance, and the fact that the partnership approach has also contributed to a more coherent approach to economic policy making" (FitzGerald, 2000: 42)

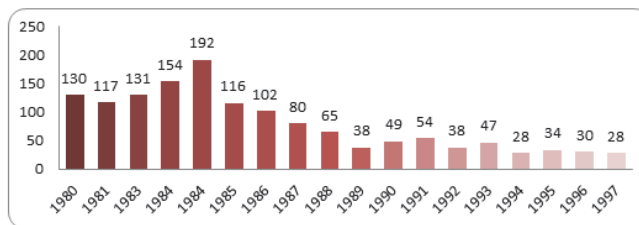
The adversarial industrial relations which plagued the Irish economy in the 1960s and 1970s were greatly curtailed by the system of social partnerships (see fig 3.). With the problem solving nature of Irish partnerships, the Irish economy as a whole has benefited, ever since the advent of partnerships, in having a stable labour relations climate (Hardmsn, 2002). The Labour Relations Commission also confirmed it when they argued that similar to many European countries, the 1970s saw a disarray in Irish industrial relations with recurrent unofficial disputes, inter-union disputes and strikes in essential services such as the Electricity Supply Board (ESB) and strike frequency during the period 1972-1976 was at its highest since the State was established (LRC, 2012)

Figure 3. Days lost to Industrial action.



Sources: Data from CSO and LRC.

Figure 3.1 Incidence of strikes in Ireland.



Sources: Data from CSO and LRC.

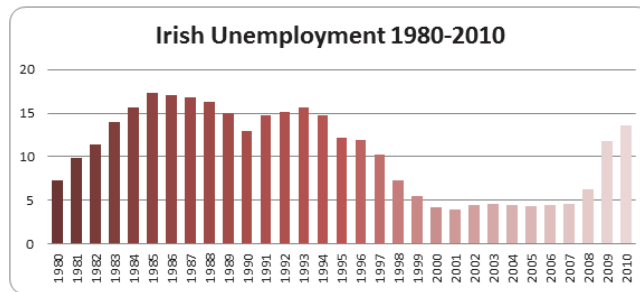
The trend depicted above by the incidence of strikes shows that bulk part of the 1990s saw the stable low incidence of strikes of which partnerships might have assisted significantly. From 1984 to 1987 there was a downward trend in the incidence of strikes and by virtue of the Irish partnerships taking a problem solving approach (early pacts), it is plausible that partnerships helped to reduce industrial conflicts. Another important issue noted by MacPartlin (2002) is that a series of mergers reduced the number of unions from 86 in 1981, to 48 in 2001, and the trend is still towards smaller unions being subsumed into the larger ones. This also meant that inter-union disputes were minimised hence contributing to reduction of strikes in long run.

1.1.6 Unemployment

Unemployment remained stubbornly high in the early years of social partnerships to the extent that many were worried by

such a jobless growth (McGrath and House, 2004). As clearly shown in (fig 3.2), about ten years (1987-1997) into social partnerships, unemployment was invincible. Baccaro and Simoni, 2004; O'Donnel, 2001) also noted that 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 (Baccaro, 2002). Centralised wage bargaining in 1987 played an important role in eliminating industrial disputes and moderating real wage growth and also deserves much of the credit for the exceptional decline in unemployment in the late 1990s. As shown in (fig 3.2); unemployment declined from about 17.5% in 1987 to 13% in 1990 but rose significantly to about 15.5 % in 1993 signifying the crisis of the early 1990s.

Figure 3.2: Unemployment.



Sources of data: World Development Index-World Bank.

As discussed in the previous section, decline in industrial disputes also brought confidence to potential employers hence social partnerships also contributed indirectly to the reduction in unemployment. Partly contributing to the decline of unemployment was the establishment of the EU single market in 1992. This establishment was welcomed by Irish's generous tax regime and Ireland became a tax haven for US or global companies who wanted to escape tax rates of 35% or more in the US or EU (Allen, 2009; Silke, 2009). The social partnerships had also indirectly made potential employers to consider investing in Ireland due to moderated wages hence reducing the unemployment in the late 1990s.

1.1.7 Multinational National Corporations (MNCs)

"For the best part of forty years, successive Irish Governments, irrespective of political hue, have followed a policy of promoting unbridled economic openness and perhaps the most decisive contribution the national social agreements have made is complementing the extreme openness of the Irish economy" (Teague and Donaghey, 2009).

Through social partnership, Ireland managed to create complementing institutional structures like openness and low tax regime that attracted MNCs. In section 3 of PNR in 1987 it was specifically stated that corporate tax reduction was important to incentivise investment see (Appendix) (PNR, 1987:11). Walsh (2003) for instance argued that the buoyancy of the global economy spilled over to Ireland through the increased flow of FDI from the US, as well as through strong demand in exports markets in Britain, Europe, and the US. By presenting a low corporation tax regime to manufacturing companies abroad, the Irish economy was well situated to benefit from these positive external developments thus the inflow of FDI to Ireland tends to be given much of the credit for the boom. In 1998 MNCs accounted for 72 % of gross output and between 1985 and 1998 and MNCs also performed much better than their local counterparts (Baccaro and Simoni, 2004). Many sources underscore the importance of multinational investment in accounting for the *Celtic Tiger's* remarkable boom but social partnerships created the conducive environment for such growth of MNCs investments (Baccaro and Simoni, 2004; Finn, 2011, Walsh, 2003).

1.1.8 Ireland's entry into the EMU.

"The early programs were focused on managing acute economic and social crisis and promoting economic recovery. Priority then shifted around the middle of the 1990s to satisfying the criteria for entry to European Monetary Union (EMU), promoting competitiveness and reducing the still high level of unemployment" (Roche, 2007:399).

Ireland's entry into the EMU is believed to have played a very subtle role by critics who argue that it led policy

makers into a false sense of security and an irrational exuberance (Roche, 2007; Honohan, 2009; Reagan, 2011). On the contrary others also argued that for small open peripheral countries like Ireland, defying Euro-globalisation would mean disaster hence the only option was to be “neoliberal or neo- idiotic” (Chang, 2007:27; The Economist, 2011). It is fair to argue that the entry into EMU caused the social partnership process to be altered towards austerity implicit design of EMU (Reagan, 2011), but the benefits of entering the union can be highlighted.

In general, Ireland like other EMU members, benefited from currency stability (more stable compared to individual currency), Tourism (less transactional costs like changing money), business benefits (no hedging costs) and lower interest rates (BBC, 1998). Ireland benefited from positive external shocks like the fast growth of the world economy, huge inflows of EU structural funds and FDI, favourable exchange and interest rate developments, and rising productivity (to some extent endogenous) (Walsh, 2003). According to (Donnell, 2002) the *Celtic Tiger* of the 1990s resulted from the interaction of partnerships with a set of supply-side features that improved international competitiveness and stimulated fast economic progress. He also gave credit to better infrastructure financed by both the EU and Ireland, an influx of leading US enterprises attracted by both Irish circumstances necessitated by partnerships and the deepening European market.

Dorgan (2006) also reiterated that EU affiliation has been very positive for Ireland, providing market access, boosting Ireland's national-political status. He added that despite transfers being made to other poorer EU states, such as Greece, Portugal, and Spain, none of these countries achieved similar growth. Arguably, social partnerships created a positive impression to the outside investors making Ireland one of the best destinations as Walsh (2003:26) noted that there was an element of a ‘beggar-my-neighbour’ in the use of a low corporation tax regime in Ireland.

1.1.9 Critical Analysis of the Irish Social Partnerships.

“The time has come when retrospective wisdom may assess it all as Aristotle said, we can learn the nature of anything only when it has reached - and passed - its maturation. Events and processes, theories and actions, appear in a new perspective and much that seems merely a bizarre is given a juster estimate” (MacIver, 1968: ix)²

Retrospective understanding of Irish social partnerships is worth exploring especially in light of the recent move by the Irish government to abandon partnerships in 2009 in the face of deep economic crisis. Why would the Ireland government drop partnerships which were by then part of the DNA of Irish policy making?; were these partnerships a mirage of policy making and an illusion of consensus (Gunnigle, 1997; Allen, 1999). If social partnership was ‘the only game in town’, it is also important to explore whether it was a fair game to all players and probably identify the losers (Murphy, 2002). Since at least for the recent crisis, partnerships were abandoned, it is worth bringing the entrenched hegemony of social partnership ideology in Ireland under scrutiny. While the previous sections have highlighted some of the real and perceived benefits of the Irish partnerships, this section seeks to identify the weakness of Irish partnerships.

1.1.10 Were the social partnerships beneficial to Unions?

As noted by Hardman (2002), the unions were set to understand that they could be, in the expression of a higher trade union leader, either part of the solution or part of the problem. Given the fact that wage bargaining was one of the central themes in social partnership negotiations; it may not be exaggerative to argue that unions played a very important role in the Irish partnerships just like in earlier tripartite bargaining system. Over the past two decades from 1987 to 2007, the main instrument that has determined public and private sector workers' wages has been the national pay agreements that have been negotiated under social partnerships (O'Donnell and Reardon, 2002; Kelly *et al*, 2008). Unions thus were a crucial partner in contributing to the Irish recovery since 1987 but it is worth noting as many have observed that for unions social partnership might have been the only ‘game in town’ (Murphy, 2002; McDonough and Dundon, 2010).

Faced with strong right wing Fianna Fail government and aware of the on-going *Thatcherism* in Britain in the 1980s, unions had to either become part of the partnerships or risk being wiped out (Murphy, 2012; Teague and Donaghey, 2007). Geary (2008) also noted that in such circumstances comparatively weak unions can increase their influence and reinforce their representative capacity by participating in partnerships. Walsh (2003) also highlighted that the role of unions was strengthened by the restoration and deepening of a centralised bargaining process that went outside wages to cover taxation and other facets of economic policies. It worth noting that union organisation was also improved especially in the latter partnerships since small unions were being subsumed into larger ones. Teague and Donaghey (2009) noted that a series of mergers reduced the number of unions from 86 in 1981, to 48 in 2001 making

² This was in the foreword in *The Great Transformation* by Polanyi (1964)

peak level representation (ICTU) an easier task and thus virtually reducing inter-union disputes. According to Teague and Donaghey (2007) social partnerships may have their limitations, but it is hard to imagine an alternative that makes the prospects for trade unions any better thus arguing that trade unions have fared relatively well though with mixed fortunes in the Irish case.

1.1.11 Union Recognition

“Social partnership in Ireland was rooted in the continuation of a tradition of a strong voluntarism with minimal employment rights. The labour rights that do exist were often begrudgingly legislated for only in response to European directives” (MacDonough and Dundon, 2010: 02)

With the Irish system of voluntarism in industrial relations, unions might have turned out to be the losers if the recent abandonment of partnerships by the government is considered. There was common agreement between employer and union leaders that a voluntarist method would serve their mutual interests and build up the tradition of collective bargaining better than any move towards a mandatory solution (D’Art and Tuner, 2003; Dobbins *et al*, 1999). As noted by Finn (2011) the Ireland lacks even a weak union-recognition act and the years of partnerships saw a considerable erosion of union density in private corporations.

Voluntarism places the workers or unions in a position to depend on the good will and preference of employers in a whole range of areas affecting wage negotiations and working conditions (D’Art and Tuner, 2003). Such good will from employers especially from private sector (dominated by MNCs) was difficult to observe. Even the 2001 Act did not introduce any new regulation on union recognition disputes and this caused a disappointment among unions (Teague and Donaghey, 2007).

In retrospect, D’Art and Tuner (2011) concluded that for Irish trade unions partnership might have turned out to be a ‘Faustian bargain’ as the government withdrew from discussions with the unions and declared a unilateral pay cut across the public sector. D’Art and Tuner (2003) argued that for the 39 cases taken since the 2001 Act came into operation, only in one case has the employer conceded union recognition. The emphasis was placed on procedural issues like the introduction of the right to bargain than the union recognition which unions expected (Teague and Donaghey, 2007). Roche (2001) also supported this when he argued that 85 percent of US MNCs established in Ireland from the late 1980s (partnership years) do not recognize unions.

Baccaro and Simoni (2004) observed that the centralised wage bargaining was dominated by public sector unions and this became counterproductive, as excessive wage agreements were undeservedly generalized to the rest of the economy. This was also reinforced by the fact that in the social partnerships the unwritten rules of the game implied that negotiations were to be done “through civil servants and only civil servants” (Murphy 2002:10). The uneven distribution of growth across all sectors had placed a significant strain on a ‘one-size-fits-all’ pay norm especially when union recognition was not similar across sectors (Hardman, 2002).

When considering Ireland as the home for MNCs (Teague and Donaghey, 2009) might have had a valid argument when they commented that “A fear that enterprise partnerships would be a conduit for the introduction of German-style works councils into Ireland was the reason why the Government shied away from using legislation on the matter”. Macdonough and Dundon (2010) thus were relevant when they argued that while an explicit Thatcherite-type ideological attack on unions was not evident, the State prevented unions from effectively defending pay and working conditions in the face of the economic crisis.

1.1.12 Irish Social Partnerships’ role on Inequality Reduction

“The wage bargaining component of partnership agreements have not arrested the shift in income distribution from labour to capital and based on a comparable set of household surveys across the EU Ireland’s Gini coefficient was the same in 1994 as in 1987” (Donnell and O’Reardon, 2002: 08).

The ability of social partnerships to address problems of poverty and inequality has been a persistent theme in the literature of Irish partnerships (Murphy, 2012). While it is argued partnerships managed to avoid that the bottom of the distribution fell too much below the median, partnerships could not counter the growing inequality (Baccaro and Simoni, 2004; Donnell and O’Reardon, 2002). The *Celtic Tiger* fruits have been phenomenal on the business front but on the social front societies have not been better and fairer despite reduction in absolute poverty (Allen, 2000). Teague and Donaghey (2007) noted that while the profitability of the corporate sector improved significantly, the distribution of earnings and income remained more or less unchanged.

Regan (2011: 02) argued that the pro-austerity design of European Monetary Union (EMU) “assumes that

economic adjustment can and should take place via downward pressure on wages and public spending". With the loss of control in monetary policy to the EMU, the Irish economy was left with fewer tools to manoeuvre towards a bigger welfare state. Regardless of the lost opportunity to resource the welfare state from the *Celtic Tiger* boom (White, 2010), the 2008 saw further cuts in public spending. Ruddock (2009) in the Guardian (2009) noted, "So Lenihan wielded the axe for the second time this year, cutting social welfare by 4%, public sector pay by up to 15%, child benefit by 10%, capital spending and the health budget"

The years of high growth in Ireland did not yield a generous welfare state but rather built a boom-bust phenomenon in the financial sector and property business (Hardson, 2012). Murphy (2010) also argued that recession required more rather than less of social policies but priority was given to 'economism' hence the term 'competition state' – due to emphasis given on remaining competitive on the global economy.

Despite the difficulties societies were going through because of austere practices of the Irish state even during the boom, the 2008 crisis caused further doses of hardships when banks had to be rescued. It was the so called 'socialisation of losses and privatisation of profits' as Kirby(2012) argued that what the government had done was to give Irish taxpayers the bill for the irresponsible practices of the putrid Irish banking sector during the economic boom. Hardson (2012:01) also noted "Yet the banks now browbeat governments – not by having ready cash but by threatening to go bust and drag the economy down with them if they are not given control of public tax policy, spending and planning".

Social partnerships thus could not do much to improve and extend the welfare state but rather could be seen as another variant of an 'insider compromise' (crony capitalism between Fianna Fail and Businesses).

"What all European governments must grasp, though, is that many of the policies espoused in the name of social cohesion do not promote compassion over cruelty. Rather, they encourage decline, entrench divisions and thus threaten the harmony they pretend to nurture" (The Economist, 2010).

Despite the societal pillar joining the social partnership, no substantial progress was made towards social policies hence Murphy's (2002) argument about 'insider-outsider'. Expectations on equality were not about making Ireland exhibit the trademark redistributive features of Northern European social corporatist models like Sweden but at least to make significant strides towards distributive policies (Teague, 1997; Baccaro and Simoni, 2004).

2. Concluding Remarks

This paper has displayed a narrative of the evolution of the Irish system of social compacts in search of whether there can be any 'hints' for the South African policy makers. This is very crucial because it surely takes more than declarations and claims such as 'we need to forge a social compact' to get the economy moving. The Irish compacts have demonstrated particular challenges. The first challenge is that there is no means of measuring causality between these compacts and economic recovery. In other words, it is hard to tell whether the Celtic tiger was born due to the system of Irish social compacts or because of other factors such as the role of the multinational corporations' rapid investment and Ireland's entry into the European Union. One very significant outcome of the Irish negotiations was the stabilisation of the labour unrests in the country which many argue that played a significant role in boosting the business confidence. In this regard, one may argue that maybe South Africa may learn from the Irish system that social compacts may help to calm down the current wildcat strikes in South African industries. As shown for Ireland however, Unions risk being the ultimate loser if they do not have a good strategy when entering into the compacts. The fact that unions in Ireland have been crippled by negotiations and have no real influence in the process of policy making is really alarming. In a young democracy like South Africa, the trade unions have and continue to play a pivotal role in making sure the state does not unilaterally impose policies which undermine union movement and thus affecting the consolidation of democracy.

Appendix: Ireland's Program Of National Recovery 1987.

Policy focus	Key discussions
European Community Dimension	<ul style="list-style-type: none">• Programme based on Ireland's full participation in the EU-global economy.• the Common Agricultural• Adjusting to the common agricultural policy which had adverse effects on Ireland.• Budget discipline and liberalisation of capital that meets local development needs.• Take advantage of the EU community policy coordination for local growth.
Macroeconomics Policies.	<ul style="list-style-type: none">• A tight fiscal policy which faces financial realities• Reduction government borrowing to about 7% of GNP• Exchange rates firmly linked to EMS for cohesion with EMS average.

Tax Reform	<ul style="list-style-type: none">• Low interest rate driven monetary policy.• Reduction of public service employee (voluntary) to meet budgetary targets• Tax reform (equity and collection), income tax reduction• Corporate tax reduction to act as an incentive.• Introduction of self assessment for corporation tax and for self employed.• Requirement to have a tax clearance certificate as a precondition for securing public contracts over £10000.
Greater Social Equity	<ul style="list-style-type: none">• To keep the value of social welfare within the available resources.• Changing the Social welfare appeal system to ensure fairness.• Review of health policy in consultation with all interested parties to determine future direction of health care delivery• Educational participation for the disadvantaged at all levels.• Improvement of vocational training ,employment subsidies etc.
Employment	<ul style="list-style-type: none">• Creating viable jobs in the legitimate rather than 'black economy'.• Developing local manufacturing and keeping the incentive system (low tax) to attract overseas manufacturing (20000 jobs per year for next 10 years).• Improvement of Agriculture, Tourism, Construction industry, Marine, forestry with major aim of creating employment.
Labour Legislation	<ul style="list-style-type: none">• Protective legislation aiming to improve working conditions, employment equality and worker participation.• Minister of labour to discuss with partners for a change in industrial relations which would provide a better framework for collective bargaining and dispute settlement and help to create conditions for employment-generating investment.

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