


## Shaping Change: Social Partnership

*Jelle Visser*

*Address at occasion of 50th birthday of Austrian  
Advisory Council for Economic and Social Affairs,  
Vienna, 31 March 2014*




Table of Contents	
1. What is (good about) concertation?	
2. Potential benefits and costs, results from an ILO study	
3. Social Pacts in Europe, outcomes of two (quantitative) studies	
4. Social Partnership, what is it and where does it exist?	
5. Wage Bargaining Institutions, the current crisis and reforms	



## What is (good about) concertation?

- ❑ *Beirat*: its specialised product is concertation
- ❑ “lies in fuzzy zone between reconciliation of purpose (learning to interpret reality in same way” and “reconciliation of interests” (agreeing to some distribution of costs and benefits (Ph.C. Schmitter)
- ❑ Helps solve “negotiators dilemma”, i.e. separating bargaining over state of the world (and identification of change), from bargaining over who pays/benefits
- ❑ informing each other of their intentions and capabilities; elaborating information provided to them by experts, and clarifying and explaining their assumptions and expectations (Visser: *Art of Making Social Pacts*, 1998)


2



## Social Partnership – benefits and costs

- ❑ Potential benefits
  - Shared understanding of key mechanisms and interdependencies in making and implementing policy
  - Problem-solving approach and concentration on solvable (joint) problems; politics of small steps
  - Greater sense of fairness in shouldering costs and sharing benefits; social and political sustainability of reform
  - Deepening of participation at all levels
- ❑ Potential costs:
  - Interest bias, decision delays and exclusion of outsiders
  - “excessive tendency to allow mediocrity and safety for insiders where calculated risk taking might reap harvest of excellence”

3



## The (limited) benefits of tripartism


ILO study (Fraile 2010): Slovenia, Poland, Singapore, South Korea, South Africa, Zimbabwe, Uruguay and Chile

1. Support for hypothesis that tripartism moderates pace of change, provides compensation for losers, and ... makes reforms more politically sustainable
 

“While helping .. to reconcile economic and social goals, tripartism did not change the fundamental thrust and content of reforms .. which retained their market orientation. Rather than constructing an alternative to neoliberalism, tripartism had effect of blunting it, taking out its sharper edges (5).”

“Not policy itself (was up for discussion), but its pace and particulars of implementation, and how to cope with adverse effects” (ibid).
2. No support for hypothesis that tripartism increases manoeuvring room for national policy makers vis-à-vis international actors, or that governments can leverage domestic consensus around policies that deviate from external recommendations and pressures.

4



## Social Pacts in Europe

- Social pacts: publicly announced policy contracts between government and unions (and sometimes employers).
- Typically, social pacts contain agreements over wage dynamics, indexation, welfare reform, pensions, labour market regulation (EPL, unemployment insurance)
- 54 pacts between 1990 and 2007, mostly in IE, FI, BE, SI (income policy agreements), and in NL, IT, PT, ES (reform pacts)
- No pacts, limited or rare, in UK, CEE, FR, EL, and in AT, DE or Scandinavia - pacts are sign of weak, unstable or changing corporatism (example Netherlands).

5

## (Quantitative) social pact research

Avdagic, Rhodes and Visser 2011  
Colombo, Tirelli and Visser 2013

- ❑ Rationale of social pact: government sees benefits from reform and wants to exploit preventive agreement with trade unions to overcome political difficulties in changing legislation.
- ❑ Resulting political exchange implies that reform benefits must be shared with trade unions (or costs must be compensated).
- ❑ Not just lobbying; pacts are public contracts; public-opinion reaction and political support key rewards for policymakers
- ❑ Pacts more likely when stakes are high, with economic adversity and socio-political instability, when unions are not too weak or too strong, and executive is weak (minority; divided coalitions)
- ❑ Likelihood of pacts increases when central union federation has power over affiliates and government has role in wage-setting.
- ❑ No pact has cost: Agenda 2010 (DE) or example of EL

6

## Social Partnership

- ❑ in AT: "system of institutionalized cooperation between labour, business, and the government, .. involved in all important aspects of economic and social policy (..and..) characterized by rather high degree of centralization, wide scope of policy involvement, cooperative mode of industrial relations, absence of direct government involvement, and informality." (Guger 2001:61,63)
- Two dimensions: Konzertierung+Akkordierung (Tálos/Kittel 2002)
- ❑ In NL:"extraparliamentary political process .... of ongoing negotiations ... between representatives of capital and labour ... facilitated by the state ... conditional upon substantive outcomes" (Visser and Hemerijck, 1997:66)
- Two dimensions: social support and institutional integration
- For effective functioning and to drive reforms, SP requires "strong" rather than "weak" state ("shadow of hierarchy")

7

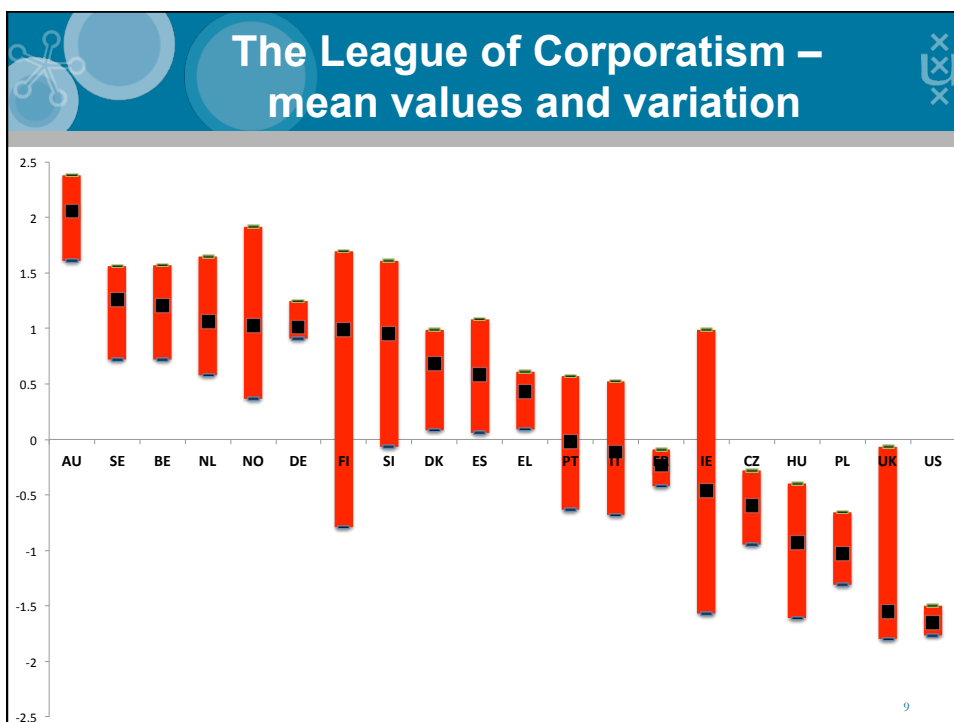
## Where Do We Find Social Partnership?

New Study (*Socio-Economic Review*): 50 years (1960-2010), 42 countries: comparative, time variant index of corporatism, based on 8 variables from my ICTWSS database, capturing

- i. organization and hierarchical ordering of interests,
- ii. interaction with the state, and
- iii. scope or inclusiveness of coordinated policies

1. Corporatism is not in decline (although it may be declining in the most corporatist countries: SE, AT);
2. Fairly stable division between corporatist and pluralist (market-based) democracies; variability in the middle —the social pact countries?


8



## Wage setting and industrial relations – three groups?

1. Germany and small corporatist states:
  - MEB (sector) prevails, but decentralisation (opening clauses)
  - Stable high coverage and employer organization (except DE)
  - Coordination stable or shored up (sector and above)
2. Aspiring corporatists (South), Ireland and France
  - Dualisation (large versus small firms), relatively centralised
  - Divided employers and large role of mandatory extension
  - Coordination relatively weak (social pacts, divisions)
3. Liberal Market Economies (UK, CEE)
  - Decentralised (enterprise bargaining)
  - Low coverage rates and limited employer organization
  - Restricted coordination (except state role in minimum wage)<sup>10</sup>

	Cov	ED	UD	Level	Coord
DE	58	61	18 (33)	3	4
AT	97	100	28 (67)	3	4
BE	96	76	50 (40)	4	5
NL	85	85	18 (39)	3	4
FI	90	69	68 (37)	3	3
SE	91	84	67 (66)	3	4
DK	75	63	68 (59)	3	4
FR	92	74	8 (20)	2	2
IT	88	60	35 (26)	3	3
ES	75	74	15	3	3
PT	78	62	19	2	2
EL	60	44	25	1	2
UK	29	35	26 (40)	1	1
IE	44	60	31 (49)	1	1
PL	25	20	12	1	1
CZ	42	35	14	1	1



## WBI reforms – away from corporatism

1. Legal reforms concentrated in Euro-periphery (South and program countries) under pressure of crisis and EU/ECB/IMF
2. Quick wage adjustments in large firms whose bargaining power increases substantially; bring relief in short term (with pay freezes and public sector pay cuts) but longer-term effects on productivity and growth doubtful.
3. Changes point in direction of less coverage (limits on extension), lower bargaining levels (preference for enterprise bargaining; suspension or inversion of 'favourability principle'; ending union monopoly on bargaining), and less (need for) coordination
4. In *Corporatist and Dualist Tendencies in Modern Western Economies* (1984) Goldthorpe characterized such reforms as "restoring market control by making the basis for organised interests smaller and more exclusive", and as a choice against societal (macro)corporatism.
5. So, it seems that the "brave old world" of social partnership (corporatism) will become smaller – whether it will also become less successful is to be seen and probably much depends on the future course of events in Germany