

A Discursive Institutional Approach to Understanding the Changes to the Irish Social Partnership Policy After 2008

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Abstract: Employing the critical juncture theory (CJT), a discursive institutionalist approach, this paper examines the nature of the changes to social partnership policy at the end of the decade of the 2000s. Did these changes constitute a transformation in social partnership policy, or were they a continuation of a previously established policy pathway? The CJT consists of three elements – economic crisis, ideational change, and the nature of the policy change – that must be identified for us to be able to declare with some certainty if the changes to social partnership policy constituted a critical juncture. In this context, ideational change is very important, constituting the intermediating factor between a crisis and the subsequent nature of the policy change. Our findings will help explain the nature of the changes to social partnership policy at this time.

Keywords: Crisis; critical juncture; ideas; social partnership; policy.

JELs: E61, E65, H12

1. INTRODUCTION

This paper examines the nature of the changes to social partnership policy after 2008. Social partnership itself can be seen from a wide variety of perspectives, giving rise of a range of different definitions. For us, in the interest of simplicity, we see social partnership as comprising ‘co-operation between key players in the making of economic and social policy’ (Casey & Gold, 2000, p. 9) and, as such, social partnership constitutes a neo-corporatist model for social concertation (Roche & Cradden 2003, p. 75).

The economy, after years of stagnation during the 1980s, performed exceptionally well in the following decades, particularly during 1997-2007, what Timoney (2010) refers to as the peak of the Celtic Tiger. However, this prosperity ended in 2008, leading to a questioning of extant policies, including social partnership.

Sudden policy discontinuities are often attributed, in a cause and effect manner, to economic crises (see punctuated equilibrium (Jones, 2001)). However, crises are often followed by policy continuity, not change. Thus, it is important to acknowledge that policy change is a complex process and that to understand it we need to take account of political circumstances, recognising that crises can be a necessary, but insufficient, condition for policy change. The CJT has been used to examine a range of policy changes (see Hogan & Cavatorta, 2013; Hogan & Doyle, 2007).

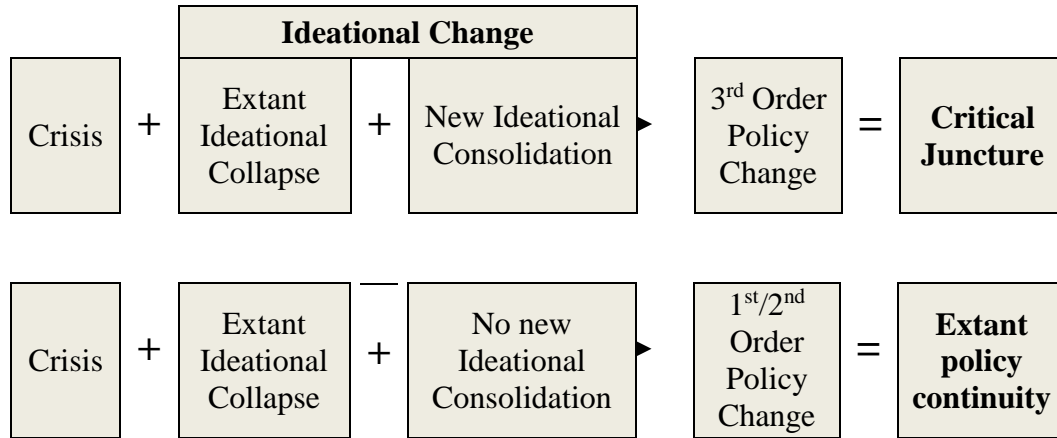
According to Hogan’s (2006) CJT, a critical juncture is a multi stage event. A crisis can create a situation where extant policies and associated ideas are called into question by change agents. Subsequent displacement of the extant paradigm, by the consolidation of a new set of ideas on how policy should operate, can lead to radical policy change. But, without ideational change, policy change will likely be first or second order, not third order (paradigmatic) change.¹ The presence, or absence, of ideational change links a crisis to the subsequent nature of the policy change. Here we use the CJT to investigate the nature of the changes to social partnership policy after 2008.

¹ Here the model borrows from Hall’s (1993) concept of first, second and third order change.

2. THE CRITICAL JUNCTURE THEORY

According to Hogan and Doyle (2007), a critical juncture consists of discreet, but interconnected elements: crisis, ideational change (extant ideational collapse, new ideational consolidation) and radical policy change (see Figure 1).

Figure 1: Critical Juncture Framework



Thus, CJT uses ideas in a form of “discursive institutionalism” to overcome the limitations of “traditional” new institutionalist approaches, particularly historical institutionalism, in explaining policy change – specifically their static and overly determinist nature (Schmidt, 2010). Historical institutionalism has followed March and Olsen’s (1984) suggestion about de-emphasizing micro processes and focuses on explaining complex processes and inefficient histories. Of particular importance to historical institutionalism is macro processes of path dependency (Pierson, 2000), a concept that borrows heavily from economic history (see Arthur, 1994; David, 1985; North, 1990). While historical institutionalism can explain continuity – it has difficulty explaining change – hence the initial development of CJT in the context of historical institutionalism.

Hogan and Doyle (2007) argue that, in the wake of a crisis, outside influencers (public, media, NGOs etc), policy entrepreneurs (civil servants, technocrats, academics, economists, interest groups) and political entrepreneurs (elected politicians) act, in the words of Kleistra and Mayer (2001), as either carriers, or barriers, to policy change. Discursive interaction (exchange of ideas) between these policy elites and the general public generates the alternative ideas that may lead to collective action (Schmidt, 2008). This attention to entrepreneurial agency and the role of discourse constitutes an effort to ‘endogenize’ policy change (Schmidt, 2010) – making the exogenous shocks, so important to historical institutionalism’s understanding of policy change, less crucial.

Testing for a Crisis

A crisis implies extant policies are failing to address a problem (Boin, ’t Hart, Stern, & Sundelius, 2005). Hogan and Cavatorta’s (2013) CJT, recognising that defining a macro-economic crisis is contentious, involving subjective and objective deliberations, uses 12 quantitative and qualitative observable implications that draw upon the works of Kaminsky, Reinhart, and Végh (2003) and Pei and Adesnik (2000, p. 139). These observables identify changes in nominal economic performance and perceptions of economic health (See Appendix A).

Testing for Ideational Change

Understanding how ideas influence policy is challenging. Keynes (1936) emphasized the power of ideas, both when they were right and when they were wrong, suggesting that ideas were ultimately more important than vested interests. Blyth (2002) suggests that economic ideas provide agents with an interpretative framework, which describes and accounts for the functioning of the economy by defining its constituent elements and interrelations. The failure of extant policies to resolve a crisis provides a window of opportunity for change agents to contest the viability of the underlying paradigm (Kingdon, 1995). These agents can gain support for their ideas, by setting the agenda for reform in the policy sphere (Schmidt, 2010).

To understand how ideas underlying failing policies are sometimes replaced, resulting in radical policy change, whereas at other times they are merely altered, resulting in minor policy change, Donnelly and Hogan (2012), drawing on Legro (2000), Dahl (1963) and Hogan and Feeney (2012), argue that significant policy change depends upon a range of change agents - outside influencers (media, OECD, IMF) and policy entrepreneurs (civil servants,

technocrats, academics, economists and think tanks) - perceiving the extant paradigm as inadequate (collapse) and then coalescing (consolidation) around a set of new ideas, championed by a political entrepreneur (a senior politician). Political entrepreneurs act as a bridge between coalitions advocating new policy ideas and the institutions implementing them. Thus, once the new policy idea becomes accepted amongst policy entrepreneurs and the political elite a new policy monopoly, and stasis, is instituted (Meijerik, 2005). As Blyth (2002, p. 37) argues, ideas may provide alternative narratives through which certain situations can be understood, and facilitate the reduction of ... barriers and the building of coalitions amongst agents who attempt to resolve the crisis. The presence, or absence, of ideational change constitutes the intermediating factor between a crisis and the subsequent nature of policy change. Based on Donnelly and Hogan's (2012) CJT framework, we set out nine observable implications for identifying extant ideational collapse and new ideational consolidation (See Appendix B).

However, 'even when ideational collapse occurs, failure to reach consensus on a replacement could still produce continuity, as society reflexively re-embraces the old orthodoxy' (Legro, 2000, p. 424). In the wake of a crisis, policy failure and ideational collapse, there is no guarantee new ideas will become policy. This is because, in addition to policy viability, ideas must have administrative and political viability (Hall, 1989).

Testing for Policy Change

The CJT leads us to expect significant policy change after political entrepreneur-led consolidation around a new idea (ideational change) in the wake of a crisis. Thus, the CJT's final stage employs Hall's (1993) concepts of first, second and third order change to develop observable implications enabling us to identify and differentiate, normal and fundamental shifts in policy (See Appendix C). The observables incorporate Hogan's (2006) notions of swift and enduring change. This addresses the problem in policy dynamics of defining and operationalizing the scope and timing of policy change (Howlett, 2009). As Capano and Howlett (2009) argue, when a policy is regarded as fundamental it is usually based on a multi-year perspective. These observables enabled differentiation of policy changes, from minor adjustments, to the setting of policy instruments, to paradigm changes in policy goals (Hall, 1993).

Evaluation of the Findings

To evaluate the evidence, the findings for each observable implication are appraised independently by each author and assigned a score to indicate strong (3), medium (2), weak (1) or no support (0). The stronger the inter-coder agreement, the more confidence we can have in the results. As interpretation plays a part in divining meaning from codes, the reporting of findings involves thick description of categories and contexts (Polgar & Thomas, 2008, p. 248). We found inter-coder agreement to be above 91 per cent; and Krippendorff's alphas above 0.8, which Krippendorff (2004, p. 241) deems reliable (see Appendix D).

3. CASE STUDY CONTEXT: SOCIAL PARTNERHSIP

From the 1950s, as the government sought to attract foreign investment, 'the institutional setting soon became largely tripartite, with the representatives of business, of labour and of government discussing employment, output, prices and trade' (Pratschke, 1979, p. 43). 'A new pattern of participation by Congress in government institutions emerged between 1959 and 1965' (Girvin, 1994, p. 127). 'From the countless tripartite meetings of these bodies, trade unionism was drawn inexorably into the framing of social and economic policies' (Lynch, 1994, p. 169).

The national agreements of the 1970s precipitated the dismantling of the boundary separating politics and industrial relations (Roche, 1989, p. 121). With active state involvement in industrial relations came trade union involvement in policy making. Fiscal instability in the late 1970s resulted in a sustained phase of economic stagnation (Lane, 2011). This led the Fine Gael/Labour Party coalition government, elected in 1981, to prioritize the public finances, curbs in spending and permit national pay bargaining end (Cox, 1983). The social partnership of the 1970s was a weak neo-corporatism (Hogan, 2010).

By 1987 there was need for an alternative economic approach, as continuation with extant policies was no longer an option (NESC, 1986, p. 303). The new minority Fianna Fáil administration, in a vulnerable position and with an economy at nadir, pursuing the advantages of industrial peace and trade union acquiescence to severe spending cuts, initiated negotiations on a new centralised pay agreement with the social partners. The abandonment of centralised agreements between 1981 and 1987 limited the influence of the union movement, weakened though membership losses (NESC, 1990) and declining militancy (Brunt, 1988, p. 39). In this context, the union leadership recognised their strategic weakness. The prospect of agreement on a moderate pay rise, combined with tight control over second-tier bargaining, drew the employers into the national agreement. The new social partnership approach provided a strong consensus behind a cooperative effort to rebuild the economy on a pro-business platform (Lane, 2000). Consequently, the social partnership arrangements of the late 1980s grew out of economic demoralization and the strategically weak positions of all parties.

‘Beyond the issues of pay and tax, the partnership programmes [ultimately] contained agreement on an ever-increasing range of economic and social policies’ (O’Donnell & O’Reardon, 2000, p. 237). According to NES (1996, p. 20), unlike the 1970s, the agreements from the 1980s, were based on a shared and pragmatic understanding of the problems facing the economy, society, and the trade unions and the policies required to address them. However, from 2008 onwards, Irish society, policy makers and the social partners again experienced severe economic difficulties. Was social partnership to be relied upon to revive the economy? Or was there to be a change in social partnership policy, as in the early 1980s?

4. APPLYING THE CRITICAL JUNCTURE THEORY

Identification of Macroeconomic Crisis: The Irish economy in the late 2000s

During the late 1990s, and first half of the 2000s, the economy performed strongly. Growth rates were some of the highest in Europe, averaging 6.27 percent between 1999 and 2007 and unemployment, which had historically afflicted the country, reached 3.9 percent by 2001 (see Table 1). The creation of almost one million new jobs doubled the workforce.

On the fiscal front, all seemed well. Both the 2006 and 2007 budgets registered surpluses of 2.9 and 0.1 per cent of GDP, the debt to GDP ratio had fallen below 25 per cent, and the Irish authorities continued to receive congratulations for their commitment to sound fiscal policies. (Donovan & Murphy, 2013, p. 171)

Table 1 Main Economic indicators (percentages) 1999-2014

	Growth Rate of GDP	Unemployment rate	Inflation	General Government Balance/GDP	National Debt/GNP ratio	General Gov Debt/GDP ratio	Economic Openness ²
1999	10.2	5.5	1.6	2.4	50.2	46.7	160.1
2000	9.5	4.3	5.6	4.8	39.2	36.1	175.2
2001	5.3	3.9	4.9	0.9	35.2	33.2	175.1
2002	5.8	4.4	4.6	-0.3	32.4	30.6	163.8
2003	3.0	4.6	3.5	0.4	30.3	29.9	146.3
2004	4.6	4.5	2.2	1.4	28.4	28.2	146.7
2005	5.7	4.4	2.5	1.6	26.2	26.1	148.5
2006	5.5	4.5	4.0	2.8	22.2	23.6	150.0
2007	4.9	4.7	4.9	0.2	22.1	23.9	153.4
2008	-2.6	6.4	4.1	-7.0	31.2	42.4	159.8
2009	-6.4	12.0	-4.5	-13.8	53.3	61.8	173.7
2010	-0.3	13.8	-1.0	-32.2	66.9	86.8	190.2
2011	2.8	14.6	2.6	-12.4	84	109.3	184.5
2012	-0.3	14.7	1.7	-8.0	96	120.2	197.2
2013	0.2	13.1	0.5	-5.6	114.4	120.0	194.0
2014	4.8	11.2	0.2	-4.0	111.9	107.5	209.1

(Sources: UN, 2016 ; CSO, 2016a ; CSO, 2016b ; CSO, 2016c ; IMF, 2016 ; NTMA, 2016)

However, ‘during the latter part of the boom, the acceleration of wages eroded international cost-competitiveness’ (OECD, 2011, p. 8). From 2000 onwards, economic activity became increasingly dependent upon the construction industry, with residential investment amounting to 13 per cent of GDP in 2006, double its historical level (Ahearne, 2010). In 2004, 80,000 new homes were built, half as many as in the UK, which has 15 times Ireland’s population (Kitromilides, 2012). The declining level of economic openness from 2001 onwards (see Table 1) indicates both falling international competitiveness and the economy’s bloated size – impelled by a property bubble.

² Exports plus imports as percentage of GDP.

For years, economists (see Barrett et al. 2005; Duffy, 2002; Kelly, 2007) had warned of a property bubble, an oversized construction industry, and the danger of a hard landing. However, the government's finances (and to an extent its popularity) were tied to the property market and construction industry (O'Rourke and Hogan, 2014). The stunning economic growth and buoyant property-related revenues (stamp duties, VAT, and capital-related taxes), largely transaction charges which masked the growing structural deficit, prompted tax reductions and the expansion of public expenditures. This was despite warnings from the International Monetary Fund (IMF) (2009) and the Department of Finance "on the risks of pro-cyclical fiscal action" (Wright 2010, p. 21). Well before the crisis hit, public finances developed serious structural weaknesses.

From 2007, as the seriousness of the subprime crisis in the United States (US) became clearer, international credit tightened. By 2008, it was obvious that the crisis was not confined to subprime mortgages, but had permeated the entire financial system (Chari and Bernhagen, 2011). As the global crisis took hold, international trade volumes contracted and the large economies of Europe slipped into recession. Although the international financial crisis inflicted substantial damage on many economies, in Ireland the impact was particularly severe (Conefrey & Fitz Gerald, 2010, p. 91). As the Irish house price bubble (ESRI, 2014) burst the decline in residential investment is "estimated to have directly reduced the level of real GDP by 8 percent" (Ahearne, 2010, p. 4.). Stamp duty and capital gains tax collapsed leaving a gaping hole in the state's finances (Barrett *et al.* 2009, p. 19).

From 2003, the banks began offering 100 per cent mortgages, large loan to value ratios, together with a more relaxed approach to assessing credit worthiness (Honohan, 2010, p. 25). 'The share of bank assets in property-related lending grew from less than 40 per cent before 2002 to over 60 per cent by 2006' (Honohan, 2010, p. 26). 'At end-2003, net indebtedness of Irish banks to the rest of the world was just 10 percent of GDP; by early 2008 ... [it] ... had jumped to over 60 per cent of GDP' (Honohan, 2010, p. 26). As bank shares began to fall in value it was evident the markets knew something was fundamentally amiss in the economy (Donovan and Murphy, 2013).

In 2008, the economy entered a deep recession (ESRI, 2014). That September the banks found themselves dependent on short-term international loans and facing a liquidity crisis. Once the property bubble burst, the banking system, over-extended, would have been insolvent without state support (OECD, 2011, p. 8). In response, the government provided a guarantee for all monies lent to the six main banks (Schweiger, 2013). The cost of the guarantee came to 225.2 percent of GDP (European Commission, 2009, p. 62). Suddenly, a country with one of the lowest national debts in Europe was potentially on the hook for enormous private debts. Unlike in previous crises, Ireland had less control of its currency and interest rates, whilst being constrained by Maastricht and Lisbon targets for public finances.

The National Economic and Social Council (NESC) (2009, p 6), declared that Ireland was experiencing a five part crisis: banking, fiscal, economic, social and reputational. The IMF (2009, p. 1) predicted that Ireland, due to its overextension in construction and financial intermediation, along with falling competitiveness, would see a cumulative contraction of GDP by 13½ percent by the end of 2010 "the largest among advanced economies." The National Asset Management Agency (NAMA), established in late 2009, effectively transferred public resources to the banks while socializing the risks associated with their private assets (O'Toole, 2010). The state eventually nationalized the notorious Anglo-Irish Bank and effectively nationalized Allied Irish Banks (AIB). Since 2008, the cost to the state of rescuing the banks is estimated at between €64 and €70 billion (Carswell, 2011, p. 20).

The budget deficits in Table 1 (general government balance) reflect the problems in the banks and wider economy. According to the ESRI, the general government balance stood at -31.2 percent of GDP in 2010, due to the government support for the banks (Duffy et al., 2012, p. 12). But, the budget deficit also reflected the widening gap between revenues (as tax incomes waned) and ongoing spending commitments, with the added burden of supporting a rising level of unemployment (see Table 1). The compounded costs of economic stagnation and the bank bailouts are reflected in the rising debt ratios in Table 1. In response, eight consecutive austerity budgets followed as the government scrambled to correct the massive budget deficit (The Economist, 2013).

In the Central Bank's 2007 annual report, the word "crisis" appears twice and only in relation to procedural matters (Central Bank of Ireland, 2008). In the three subsequent annual reports the word "crisis" appears on average 30 times and refers to the economy (Central Bank of Ireland, 2009; 2010; 2011). By late 2010, as the state guaranteed banks faced massive bond repayments, the effect drove Irish bond yields above 7 percent (The Irish Times, 2010). The international media pointed out that Ireland faced an insolvency crisis as speculation over an EU backed bailout pushed borrowing costs to unprecedented levels (Sharrock, 2010). Despite the Fianna Fáil led government's initial denials, in November 2010 it sought a €67.5 billion "bailout" from the European Union (EU), other European countries and the IMF (Minihan and O'Regan, 2010, p. 7). When, in December 2010, the IMF

(2010) announced approval of a three year, €22.5 billion, lending arrangement, it referred to the Irish economy as in crisis. Between 2008 and 2010 Ireland had to contend with an interlocking banking/sovereign/real economy crisis (IMF, 2012, p. 4). The banking crisis, in becoming a sovereign debt crisis, posed a threat to the liquidity of the state.

Early in the crisis the opposition claimed that the government was incapable of dealing with the situation (O'Regan, 2008). Finance Minister Brian Lenihan admitted in May 2009 that the government "did overheat the economy, I have always accepted that and I made that clear in my last budget speech" (Regan, 2009). By mid 2009 the Taoiseach was forced to admit unemployment could exceed 500,000 (Collins and Slattery, 2009). The government's denials, in the face of mounting evidence of economic collapse, led people to disbelieve what they were told (Hourihane, 2010, p. 12). Fine Gael TD Kieran O'Donnell's remark in the Dáil on the EU-IMF bailout, "our economy is fundamentally sound but the banking crisis is dragging it down", captures the sense that the economic reversal appeared to come out of nowhere (Dáil Debates, 2010). Casey (2010, p. 94) observed at the time that the lack of economic experience at the top echelons of government and the public sector, "combined with lack of patriotism and political cronyism at all levels, has contributed to the present crisis". Speaking in Washington, DC, in 2012, former Taoiseach Cowen admitted that his government should accept "some blame" for the crisis (Cowen, 2012).

There was a perception that the crisis, in bringing about the bailout has resulted in the loss of economic sovereignty (real or imagined) and a national humiliation (Ferriter, 2013). The public's anger was manifested in large street protest. Opinion polls in 2009 showed only 10 percent of voters had confidence in the government (Coll, 2009). Eurobarometer (2010) discovered that 95 percent of those polled felt the economic situation was bad. The OECD (2011, p. 8) described the economy as being "hit by a severe crisis."

Table 2 – Identification of Macroeconomic Crisis in Ireland during 2008-2010

Identification of Macroeconomic Crisis	Coder 1	Coder 2
O1. Stagnant or negative GDP growth	3	3
O2. Unemployment above 10 percent	3	3
O3. Inflation rates above 10 percent	0	0
O4. National debt, as a percentage of GNP, increasing at more than 10 percent, annually	3	3
O5. The level of economic openness declining	3	2
O6. Public perceives economic crisis	2	2
O7. Media perceive economic crisis	3	3
O8. Economic/political commentators perceive economic crisis	3	3
O9. Central bank perceives economic crisis	3	3
O10. OECD & IMF perceive economic crisis	3	3
O11. Elected representatives perceive economic crisis	3	2
O12. Government pronouncements consistent with crisis management approach	3	3
Score out of possible maximum	(32/36)	(30/36)
Macroeconomic Crisis	Strong	Strong

(3) strong support | (2) medium support | (1) weak support | (0) no support | (N/A) not available

From Table 2, we see that both authors felt the majority of observable implications support the argument that Ireland, during 2008-2010, experienced an economic crisis. The following sections test for ideational change underling social partnership policy and the subsequent nature of the policy change.

Indication of Extant Ideational Collapse: The ideas underlying social partnership policy

The Programme for National Recovery (PNR), agreed in 1987 as part of a strategy to right the economy, was the first in a series of three-year neo-corporatist agreements. The social partnership deriving from these agreements was one of the reforms that produced a transformation in public finances in the 1990s. It became the cornerstone of a sustained period of economic growth. Ireland had embarked on a tripartite approach to incomes policy (von Prondzynski, 1992, p. 82). Doherty (2011) notes that the nature of the agreements changed from the mid 1990s, as the economic context shifted from crisis and the requirements to meet EMU, to the boom that became the Celtic

Tiger. These agreements came to emphasize macroeconomic stability, industrial relations peace, wage moderation, greater equity in the tax system, welfare reform, enhanced social justice and put in place a framework for formal consultation on high-level national policy issues (OECD, 2008, p. 19).

The neocorporatist social concertation model was developed as a means for overcoming an economic crisis (Hyeong-ki, 2012). According to ESRI researchers, wage increases under social partnership, particularly between 1987 and 2002, were sufficiently modest to boost international competitiveness (McGuinness et al., 2010) and particularly the competitiveness of multinational corporations (MNCs) based here – even though many were not parties to the partnership agreements (Baccaro & Simoni, 2007). However, prosperity presented a challenge to partnership – how to distribute the increasing wealth of society (Nolan et al, 2000). The community platform included in the partnership process from 1996 never seemed imbedded. There was also the issue that tax and social spending decisions were made by the government outside of partnership (Hardiman, 2000) and the state's commitment to welfare was weak, leading to the conclusion that the state's commitment to social partnership was partial. This was different from the codetermination pacts in other European countries, as this partnership was rooted in continuation of strong voluntarism, with minimal employment rights (McDonough & Dundon, 2010). Irish social partnership policy can be seen as a competitive neo-corporatism. Not surprisingly, this arrangement survived as long as the economy was doing well (Roche, 2007).

When the economic crisis hit in 2008 social partnership came under increasing criticism. At the beginning of 2009, the Taoiseach said the partnership process was to be used as a means of recovery (Collins, 2009a, p. 7). The government and private sector employers sought to renegotiate the 2008 social partnership agreement. However, opposition party Fine Gael argued that public service increments should be withheld and the pay pause under social partnership extended (Hennessy & Hayes, 2009, p. 8). By March 2009 Fine Gael deputy leader Richard Bruton argued that the crisis should be used as an opportunity to reinvent social partnership. That month saw the government end renegotiation of the 2008 wage agreement and introduce public sector pay reductions through an emergency budget (O'Kelly, 2010). This marked the end of the social partnership process begun in 1987.

The OECD (2009) recognised that union coverage was unbalanced between the private and public sectors. Studies by Kelly, McGuinness and O'Connell (2009) and Geary and Murphy (2011) identified a significant public sector wage premium and that this had increased dramatically between 2003 and 2006. There was therefore a danger from extending public sector pay deals to the whole economy. Consequently, the OECD (2009) questioned whether the social partnership remained useful for wage setting. The OECD (2010) also noted that social partnership was slow to adapt to societal developments. According to Lane (2010), writing for the NESC, the cumbersome and multi-annual nature of the large-scale negotiations associated with social partnership inhibited rapid adjustment in the event of a sudden shift in macroeconomic conditions, a necessity in the context of monetary union. The OECD (2010, p. 91) pointed to growing concerns that social partnership had become inward focused – which benefitted insiders to the detriment of the wider stakeholders. This echoed O'Cinnéide's (1998) concern that the process was anti-democratic, sidelining the Oireachtas and other interests from the policy making process, in favour of insiders – the social partners. Fine Gael (2010, p. 23) argued that social partnership should be scrapped as it “has become a tool to protect vested interests” (Fine Gael, 2010, p. 23).

Towards the end of 2009 *The Irish Times* reported that the future of social partnership seemed uncertain (Wall, 2009, p. 4). In early October 2009 the minister for finance, Brian Lenihan, revealed that the government had unilaterally decided not to honour social partnership pay agreements (Beesely, 2009, p. 1). This move by the government sought to reduce the public deficit and support a failing banking system (McDonough & Dundon, 2010). By December 2009, *The Irish Times* (2009, p. 15) argued that it might be too much to ask public service unions to agree to €1.3 billion in cuts involving pay, pensions, leave days etc, and that the social partnership model may not work during a crisis. Roche (2011) notes that the print media was particularly hostile towards social partnership, to the point of seeding disaffection.

In spring 2010, the four year Croke Park Agreement was struck under which public sector pay would not be further reduced in return for reductions in public sector numbers and increased efficiency. By late 2010, Lenihan, assuming the role of a political entrepreneur (Hogan & Feeney, 2012), blamed social partnership for damaging the economy. He argued that “a self-serving social partnership system eroded our competitiveness, beggared our State coffers and busted our banks” (Coleman, 2010). Lenihan further remarked that “social partnership caused “enormous damage” to the Irish financial system” (Wade, 2010). Writing in the *Irish Independent*, Phelan and Sheahan (2010) felt that social partnership constituted the biggest threat to economic recovery.

Economist O'Brien (2009) argued that the partnership process had become outmoded and was a force for inertia. According to Ó'Riain (2014, p. 64) the "bubble even reached into the socio-political domain as social partnership agreements were 'hollowed out', focusing increasingly on the cash nexus". Teague and Donaghey (2009) point out that the pacts relied heavily on economic growth. For Regan (2012a) the constraints of the crisis, EMU and the imposed austerity based on neoliberalism ruled out an egalitarian approach and made it impossible to continue with social partnership.

Regan (2012b) felt that the state had been willing to engage with organised interests to ensure political stability. This approach conformed with the demands of the market in a neoliberal polity, but eventually exhausted itself. Hogan (2005; 2010) found that something similar happened during the economic crisis of the early 1980s, when the Fine Gael led coalition ended centralised agreements as it considered them incompatible with reduced spending. When the 2008 crisis struck, the government and social partners behaved as if they had learned nothing from the mistakes of the 1980s (Collins, 2010, p. 15). Contestation of the orthodoxy underlying social partnership, by agents agreed on its inadequacy, resulted in its collapse.

The Irish Business and Employers Confederation (IBEC) formally withdrew from the national pay agreement on 25 November 2009 and warned it would withdraw from social partnership entirely unless an agreement could be reached (Collins, 2009b, p. 9). IBEC reiterated that there should be no pay rises before 2011 and said it would take unilateral action if no agreement was reached with the ICTU. It was IBEC's view that circumstances were radically different from when the pay agreement was reached.

In the context of economists, other commentators and elements in the media criticising social partnership, Lenihan, acting as a political entrepreneur, championed ending the approach. Not a political actor untainted by old failures, having been at the heart of government, he came to advocate the ending of social partnership to rectify the problems created by those failures. In this respect, he was acting in a manner not necessarily at odds with the attitudes of some of his predecessors at finance, nor officials in the department (Roche, 2011; Ward, 2015). In an interview in December 2010, Minister Lenihan said that, due to social partnership, the Department of Finance had lost its influence on the administrative machinery of the state, and that he was pleased to have restored quite a lot of that influence (RTÉ, 2010). In fact, a report on strengthening the Department of Finance emphasised how it was 'overwhelmed' by Social Partnership (Wright, 2010). It is also the case that Taoiseach Cowen, unlike his predecessors (particularly Ahern), was unwilling to expend political capital on efforts to preserve what now seemed to be a widely criticized social partnership (Roche, 2011). Thus, the Department of the Taoiseach's central role in the development and coordination of the social partnership process ended.

This move by Lenihan, Fianna Fáil and the coalition government it led, was mirrored by Fine Gael. When it comes to social partnership it is important to note that the government (a strong and centralized executive) always retains the capacity to act unilaterally, ultimately prioritizing its electoral interests (Hardiman, 2006). Thus, social partnership existed as long as there was government support for it, this contingent on economic prosperity.

We see here ideational collapse (see Table 3), as change agents critiqued social partnership, and its underlying ideas, in the context of an economic crisis. The Department of Finance, IBEC, economists and media commentators together constituted policy entrepreneurs. Lenihan was the political entrepreneur they rallied around as he, and his government, championed their ideas for ending social partnership. In Ireland, and elsewhere, as shown by Kickert (2012), the banking crisis resulted in the centralization of decision-making in the hands of the prime minister and finance minister. In earlier years likeminded politicians dared not dismantle social partnership for fear of electoral suicide. However, context is everything, and the economic crisis, combined with falling union density and declining militancy (Donaghey & Teague, 2007), provided the opportunity to end social partnership. That Lenihan was a senior politician fits with argument that change is more likely if the political entrepreneur commands significant resources (Campbell, 2004).

Table 3 – Indication of Ideational Collapse

Indication of Extant Ideational Collapse	Coder 1	Coder 2
O13. Media questioning efficacy of current model	3	3
O14. Opposition critiques current model and propose alternative ideas	3	2
O15. Policy entrepreneurs critique current model and propose alternatives	3	3
O16. Civil society organizations critique current model	2	3
O17. Widespread public dissatisfaction with current paradigm	0	0
O18. External/international organizations critique current model and actively disseminate alternatives	3	2
Score out of possible maximum Extant Ideational Collapse	(14/18) Strong	(13/18) Strong

(3) strong support | (2) medium support | (1) weak support | (0) no support | (N/A) not available

Indication of New Ideational Consolidation and Third Order Policy Change: Changes in social partnership policy

For Casey (2010, p. 94) “social partnership, combined with populist governments resulted in excessive wage growth and increases in government spending, funded by unsustainable property-related taxes.” “The change of Taoiseach (Prime Minister) in May 2008 and the onset of the global credit crisis later that year were seen as two precipitating factors in the expiration of social partnership” (Carney et al. 2012, p. 500). Nevertheless, the trade unions were eager for the creation of a ‘social solidarity pact’ that would involve them agreeing to a combination of wages and public expenditure cuts alongside tax increases in return for a concerted government program on employment creation” (Roche et al., 2013, p. 11). However, the government, its policies driven by Lenihan as minister for finance, instead opted for its own recovery plan involving large-scale cutbacks in public-sector pay and expenditure.

As IBEC also wished to end the partnership process this meant two of the three parties to the agreement wanted out. Consequently, firms were free of institutional constraints when they started to devise strategies to deal with the recession. “The government opted to simply impose many fiscal measures, while the wide variation in conditions in the private sector meant that employers withdrew from a common approach to wage determination in favour of firm-by-firm settlements” (Lane, 2014, p. 73). On 23 December 2010 IBEC’s director announced its withdrawal from private sector pay agreement, and stated, ‘we are entering a period of enterprise-level bargaining in unionised employments. Given the unprecedented scale of job losses in 2009, and the prospect of further losses in 2010, it is clear that we need to restore competitiveness” (Industrial Relations News, 2010, p. 3).

Many commentators from the right supported the end of social partnership. Donovan and Murphy (2013, p. 133) argued that social partnership placed an excessively high price on avoiding outbreaks of industrial strife, resulting in the loss of competitiveness, and the expansion in the public sector payroll bill contributed to the fiscal collapse. This was because the social partnership agreements set public sector salaries soaring above the private sector and counterparts abroad. For Byrne (2009, p. 14), social partnership and embedded vested interests undermined considerations of the general interest. Yates (2014) argues that “social partnership had become almost entirely discredited as a byword for powerful vested interests screwing the system for their own selfish gains.”

During the Celtic Tiger, social partnership “became an indisputable part of the narrative of success of the Irish model of development” (Mullally, 2012, p. 158). As Baccaro and Simoni (2004) point out, in the Celtic Tiger period social partnership survived many changes of government. However, it was not resilient enough to survive the first serious economic crisis it encountered. Withdrawal of political support, and the creation of a social climate that viewed it as part of the problem, prompted the reframing of social partnership as a model for better times (Mullally, 2012). Key partnership institutions – National Economic and Social Forum (NESF) and the National Centre for Partnership and Performance (NCPPE) were dissolved in 2010.

Up to 18 years ago, Allen (2000) and O’Hearn (1998) warned that Irish social partnership was nothing but disguised neoliberalism – with business dominant and unions co-opted. Doherty (2011) found that social partnership was, from the government’s perspective, a pragmatic political choice rather than any commitment to socio economic governance. Roche (2011, p. 29) commented that political maneuverings within government ranks diminished the legitimacy of social partnership:

Social partnership was obviously less central to Cowen’s political identity and record than to those of his predecessor ... having told the unions in private that social partnership was ‘no longer fashionable’... a powerful axis developed in government around Finance Minister, Brian Lenihan, which was much less well disposed towards the kind of compromises associated with social partnership and more inclined towards direct measures to cut public expenditure.

Culpepper and Regan (2014) believe that governments have changed strategy, because employers no longer have anything to gain from negotiating centralized pacts with trade unions. In this sense, social partnership was facilitated by the government, but the main interests driving the process were MNCs and export employers. Thus, Irish social partnership collapsed not only because of global economic crisis, but also because, its ‘foundations rest on sand’ (Begg, 2008, p. 55). Culpepper and Regan (2014) point out that the unions have neither the carrots with which to attract governments to incorporate them into policymaking, nor the sticks with which to compel their inclusion. The unions are incapable of striking fear into the heart of government, or the employers, through industrial action; and they cannot develop and sell broad reforms to their members. Union density in Ireland fell from 46 percent in 1994 to 31 percent in 2012³, while distrust of the unions reached 53 percent (Culpepper and Regan, 2014). Thus, social partnership is not as stable, or impressive, a cooperative regime as was often believed. The unions could do little to help the government such as restraining wages.

While social partnership contributed to the Celtic Tiger, it was dependent for its longevity on the resources generated by rapid economic expansion (Rittau & Dundon, 2010). Ultimately, it lacked many of the institutional underpinnings of regulated arrangements in other European/Nordic countries, most of which have suffered less as result of the global-local interplay of crises (Donaghey & Teague, 2005). In the face of economic crisis, social partnership, successful in part in distributing the spoils of growth, proved unable to negotiate retrenchment. “Once the crisis struck ... the Government ultimately made the ‘hard’ decisions and took little account of the advice of partnership institutions or the social partners themselves” (Doherty, 2011, p. 382). The abandonment of social partnership has, arguably, been central to the government’s strategy for dealing with the crisis.

It is ironic that one of the first consequences of the crisis was the disintegration of that element of the social structure which distinguished Ireland from the overall pattern of global neo-liberalism (McDonough & Dundon, 2010). Social partnership was conceived during the difficult times of the late 1980s as a practical response to the mess the country found itself in and in that context as a means of engendering a more cooperative national culture (Dobbins & Dundon, 2011). The social partners’ commitment to the process endured as long as there was prosperity (Rittau & Dundon, 2010). While the government found social partnership to its advantage in imposing pay restraint and cutbacks in the late 1980s, it did not after 2008. Ironically, the cost of financial mismanagement saw the ending of the social concertation model (Hyeong-ki, 2012). Once the political benefits of engaging in social partnership were no longer obvious to the government it pulled the plug on the process. Ultimately, given its weak ideological foundations, it was easy for the collective mindset to disengage from the corporatist model – constituting a third order policy change.

³ <http://www.worker-participation.eu/National-Industrial-Relations/Countries/Ireland/Trade-Unions;>
<http://www.cso.ie/en/media/csoie/releasespublications/documents/labourmarket/2012/TableS11b2012.xlsx>

Table 4 – Indication of: (i) Ideational Collapse; (ii) New Ideational Consolidation; (iii) Level of Policy Change

(i) Indication of New Ideational Consolidation	Coder 1	Coder 2
O19. Clear set of alternative ideas	3	3
O20. Political entrepreneur injecting new ideas into policy arena	3	2
O21. Political entrepreneur combines interests to produce consensus around a replacement paradigm	3	2
Score out of possible maximum New Ideational Consolidation	(9/9) Strong	(7/9) Medium
(ii) Indication of Level of Policy Change		
O22. Policy instrument settings changed	3	3
O23. Instruments of policy changed	3	2
O24. Goals behind policy changed	3	2
Score out of possible maximum Critical Juncture in Policy	(9/9) Strong	(7/9) Strong

(3) strong support | (2) medium support | (1) weak support | (0) no support | (N/A) not available

From 2008, a wide range of change agents, from academia, business and the media, put forward alternative ideas to neo-corporatism. From Table 4 we see that Lenihan, acting as a political entrepreneur, championed these ideas in the policy making environment, around which change agents consolidated. These ideas involved ending the neo-corporatist approach to economic policy making. The observable implications support the belief that the ideas underpinning social partnership policy weakened, collapsed and were replaced; they also support the argument that the new approach to dealing with interest groups, implemented by Lenihan and his Taoiseach Cowen, altered the settings, instruments and hierarchy of goals behind partnership policy – a third order policy change (Hall, 1993). As the agreements were voluntary in nature unilateral withdrawal by any party was always a possibility and the government’s commitment seems always to have been contingent on economic and political calculations. This radical change in social partnership policy, preceded by a macroeconomic crisis, extant ideational collapse and new ideational consolidation, constituted a critical juncture.

Of course, this might not be the end of social partnership. As in the past, it may return.

As the economy recovers and momentum builds for pay increases across the economy, the potential value of a new wave of social partnership agreements may be recognized in addressing the risk that decentralized wage bargaining may lead to excessive loss in international competitiveness. (Lane, 2014)

5. CONCLUSION

According to the CJT, a critical juncture consists of crisis, ideational change and radical policy change, with ideational change linking the crisis and policy change. Following a crisis, policy failure and extant ideational collapse, significant policy change depends upon actors (policy entrepreneurs), led by a political entrepreneur, reaching consensus upon, and consolidating around, new ideas. It is in the discursive interaction between the various actors that ideas are generated, along with the potential for radical policy change.

Employing a range of observable implications, we found a critical juncture in social partnership policy. The economy was in crisis and undermining confidence in social partnership. Both of the main political parties, Fianna Fáil in government, and Fine Gael in opposition, were willing to challenge the status quo. Following ideational collapse, in the wake of economic crisis, policy entrepreneurs from the right put forward alternative perspectives on social partnership, while questioning the benefits for the economy of a reliance on pay deals that, while perceived as benefitting the non-competitive public sector, rendered the exposed private sector moribund. A political entrepreneur, willing to champion these alternative ideas on social partnership, emerged in the form of the minister for finance, Brian Lenihan. The result was that extant policy orthodoxy was supplanted - ending social partnership.

In Ireland, since the 1950s, various governments either adopted, or abandoned, a neocorporatist approach to policy making - depending largely on how they perceived it would impact upon the economy and their electoral priorities. Invariably, the moves from corporatism to pluralism, and back again, occurred in the context of economic crises (late 1950s, early 1980s, late 1980s (see Hogan, 2005 for details) and with the short term objective of regaining economic competitiveness, absent any deeper commitment to social partnership. The economic crisis that began in 2008 provoked another rethink of social partnership policy. As a result, the neo-corporatist approach to governing the economy ended in 2010 as the government imposed severe pay cuts across the public sector, and reductions in social welfare benefits, in an effort to reduce the public sector deficit and prop up the banking system. This sidelined the trade unions from the policy making process, while IBEC also withdrew from social partnership.

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APPENDIX A

01. Stagnant or negative GDP growth (Pei & Adesnik, 2000).
02. Unemployment above 10 percent (Pei & Adesnik, 2000).
03. Inflation rates above 10 percent (Pei & Adesnik, 2000).
04. National debt, as a percentage of GNP, increasing at more than 10 percent, annually.
05. The level of economic openness declining.
06. Public perceives an economic crisis.
07. National/international media perceive an economic crisis.
08. Economic/political commentators perceive an economic crisis.
09. Central bank perceives an economic crisis.
010. Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund perceive an economic crisis.
011. Elected representatives perceive an economic crisis.
012. Government pronouncements on economy consistent with a crisis management approach.

APPENDIX B

Indication of Extant Ideational Collapse

013. Media question efficacy of the current model and/or specific policy areas.
014. Opposition parties critique the current model and propose alternative ideas – at election time their platform will be built around these alternatives.
015. Civil servants, technocrats, academics, economists (policy entrepreneurs) critique the current model and propose alternatives.
016. Civil society organizations, e.g., labor unions, employer organizations, consumer groups (policy entrepreneurs), critique the current model, reflecting Hall's (1993) coalition-centered approach.

- O17.** Widespread public dissatisfaction with the current paradigm, observable through opinion polls, protests, etc.
- O18.** External/international organizations (policy entrepreneurs) critique the current model and/or actively disseminate alternative ideas.

Indication of New Ideational Consolidation

- O19.** A clear set of alternative ideas, developed by policy entrepreneurs.
- O20.** The political entrepreneur combines interests, including policy entrepreneurs, to produce consensus around a replacement paradigm
- O21.** A political entrepreneur injecting new ideas into the policy arena.

APPENDIX C

Indication of Level of Policy Change

- O22.** Policy instrument settings changed (swiftly and for longer than one government’s term of office)
- O23.** The instruments of policy changed (swiftly and for longer than one government’s term of office)
- O24.** The goals behind policy changed (swiftly and for longer than one government’s term of office)

APPENDIX D

Inter-coder agreement scores

	Ireland	
	Krippendorff’s α	% Agreement
Crisis	0.836	93.75%
Ideational Collapse	1	93.33%
Ideational Consolidation	*	66%
Policy Change	*	77%

* Both coders attained 100 per cent agreement and both selected the same value for each observable. Under this invariant values scenario, Krippendorff’s alpha is undefined.

FIRST VOTE OF THANKS PROPOSED BY DAVID BEGG, ICTU

This paper is welcome as an important contribution to a somewhat underdeveloped literature on social partnership in Ireland. However, like the proverbial Kerry man when asked for directions, I don't think I would start from here in the first place. My starting point would be to completely reject any suggestion of a causal link between social partnership and the 2008 financial crisis. Ireland had a banking crisis in 2008, it did not have a fiscal crisis that might have been influenced by social partnership. Secondly, social partnership is not a unique Irish phenomenon and a critique of its rise and fall should be located I suggest in the context of comparative political economy.

Peter Katzenstein's (1985) study of industrial policy in Europe is relevant here. His focus was on seven small open economies and their institutional capacity to handle market pressures while maintaining social cohesion. In this he wrote, they exhibited 'The strength of the Weak' by remaining close to the international pyramid of success.

Katzenstein identified democratic corporatism as the enabler of this strength. He defined it as a combination of:

- An ideology of social partnership;
- Strong peak organisations of employers and unions;
- A constant process of elite bargaining.

These institutions are deeply embedded and have roots in the 1930s. Effectively they constitute social market economies. Ireland, by contrast, is described in the literature as a Liberal Market Economy, albeit with countertendencies (O’Riain, 2004; Smith 2005). The countertendencies being social partnership and an interventionist industrial policy. It is important too to understand that social democracy influenced the polities of Katzenstein's comparators in a way that was never possible here. The Civil War produced a profile of political representation in which two centre-right parties dominated and where issues of public importance were defined more in terms of the independence question than of class interest (Breen et al, 1990). Lijphart (1999) argues that political institutions have a strong influence on the evolution of institutions for consensus building in society.

Against this background it is fair to argue that an ideology of social partnership did not really exist in Ireland and accordingly its institutions were planted in shallow soil. Thus it is easy to understand why social partnership was vulnerable to the exogenous shock of the 2008 crisis, which, we must remember, wiped 13 per cent off global production and 20 per cent off global trade (Mason, 2015).

That said, I do not believe that what happened in respect of social partnership in 2009 was a critical juncture or the emergence of a new ideational paradigm. More plausibly it was the confluence of deep seated political, administrative and media hostility in circumstances of a multifaceted exogenous shock. Specifically, I agree with Roche (2011) that it might have been possible to save social partnership via concession bargaining as in many micro-economies of firms severely affected by the recession, were it not for other factors. One of these was the rejection of the agreement, negotiated by the public services employers and unions, by the Fianna Fail parliamentary party. It was panicked by erroneous media reports about Civil Servants getting extra annual leave which was in reality no more than a simple proposal for work sharing (Cawley, 2012; Doherty, 2011; Roche, 2011). Ironically, six months later this was reheated as the Croke Park Agreement.

Nevertheless, Roche (2011) is also correct in observing that a further critical factor was the absence of any agreed approach to achieving economic recovery. Certainly this exposed an ideational conflict, which had been kept in check by hitherto favourable economic conditions between those who believed in concepts like efficient markets hypothesis and new classical macroeconomics, and those who did not (Donovan and Murphy, 2013: Chapter 2). It is certainly true that the late Brian Lenihan was quite orthodox in his economic views and would have assimilated a Department of Finance deflationary mind-set. The first evidence of this came in an interview he gave to RTE at the MacGill Summer School in 2008 wherein he raised questions about the level of the minimum wage. This was at a time when nobody was talking about it and I don't believe IBEC ever asked for the 12 per cent cut he subsequently introduced. Interestingly, this was not what Brian Cowen wanted either.

It was a most regrettable development and I suspect history will accord it a place alongside Ernest Blythe's cut in the old age pensions in the 1930s. At the very least it will inhibit Micheal Martin's current efforts to reposition Fianna Fail on the centre left (Kelly, 2016). In any event Brian Lenihan's influence ceased in 2011 due to the fall of the Government and his untimely death. Accordingly, I have difficulty accepting the suggestion in the paper that a coalition of policy entrepreneurs introduced a new ideational paradigm. Neither do I think that a discursive institutionalist analysis tells the full story.

I would suggest that a thicker explanation is obtainable by looking at social partnership through the additional lens of rational choice, historical, and sociological institutionalism. Mark Blyth (2002) is cited in the paper as suggesting that ideas provide agents with an interpretive framework. Accepting this one has to also consider Colin Hay's (2002) reflection that the role accorded to ideas in political analysis is highly contested and tends to reflect assumptions about the role of theory, the value of parsimony and whether ideas should be accorded a causal role independent of material factors.

Space does not permit me to delve too far into the material factors which might be considered by the different categories of institutionalism. But consider this. From a sociological institutionalist perspective, actors do have to sometimes make compromises and accommodations. For example, it is not unfair to him to suggest that John Bruton would be held to epitomise conservative Fine Gael values. Yet this is what he had to say about one of the main criticisms levelled at social partnership:

'My view would be that policy should be made in the Dail and not outside the Dail with people who haven't been directly elected. But I think, with the benefit of hindsight, we can see that, in any event, policy isn't actually made in the Dail. In the Irish system the government makes policy and the Dail approves it, or disapproves it, and if it disapproves it there is a General Election.' (Cited in Hastings et al, 2007: 205).

If, on the other hand, you apply the lens of historical institutionalism you can see strong evidence of path dependency in the current industrial relations landscape. Even since the formal demise of social partnership the following has happened:

- Minimum wage cut rescinded
- Increase in NMW to €9.15/hr.
- Croke Park and Haddington Road collective Agreements negotiated.
- Private Sector Negotiating Protocol agreed.
- Private Sector Wage Norm of 2-3% established.
- Legislation on collective bargaining.
- Major pensions disputes resolved on tripartite basis.

Social partnership enjoys a kind of 'undead' status. No one has yet driven a stake through its heart. But yet nobody in government will speak well of the undead. The reason is not hard to understand.

The political narrative of the government is that Fianna Fail ruined the country. Anything associated with that party is toxic and because social partnership is most closely associated in the public mind with Bertie Ahern, even though Fine Gael worked it well when in government, social partnership is also toxic. Or at least it will be until after the Election.

I believe Ireland will eventually have to fully rehabilitate Social Partnership. Unless there are labour market institutions to mediate centralised policies in an increasingly integrated Eurozone then governments will have no levers to guide wage policy. Pent up wage pressures in a recovering economy and tightening labour markets - unemployment is now down to 8.8 per cent- constitute a risk to that recovery. The only way moderation can be expected is in the context of social pacts that can offer workers progress on the social wage - health, housing, education, social protection etc. - as well as the money wage. Free collective bargaining in a tightening labour market and competition between unions will tend to push up wages. The inequality that springs from a declining wage share of national income is likely to exacerbate these pressures. Put another way, if social cohesion was threatened by water charges, it indicates that we need a better way of handling distributional issues.

Social partnership was integral to the National Strategy of Adjustment to EMU in the first place insofar as it was a mechanism for handling distributional issues. My argument is that the requirement continues to exist. If social partnership does come back it will be by rational choice of all the Actors.

Colin Crouch suggest that there is something of a Sisyphus dimension to this question:

'Something about labour markets in many European countries seems to destine their major participants to keep returning to the task of constructing neo-corporatist agreements even though just as the tiring work seems almost complete something goes wrong and it crashes again.' (Crouch, 2000: 212).

This he points out, may be because of the impossibility of the opposite task of achieving pure free labour markets and the refusal of neo-corporatist policy attempts to obey predictions of their final demise.

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SECOND VOTE OF THANKS PROPOSED BY DANNY MCCOY, IBEC

It is a pleasure to second the thanks to Nicola and John on their paper to the Society. Given the great historical tradition of the Society, I'm very pleased that it addresses a period in our contemporary history - even if our current generation may see it as raking over old ground – which will be important to future historians. While David Begg and I, along with our respective colleagues in ICTU and IBEC, were players on the pitch during this “critical juncture”, it is welcome that we get to reflect upon that time with the remove of over half a decade. I'm reminded of Milton Friedman's “what if” comment that billiard players may not know the laws of physics but they certainly use them. In that fashion my comments here are as a player rather than a theorist on the critical juncture that Timoney and Hogan address.

The nature of any paper on such a complex and extended period is that it will be partial and highly subjective. The authors use a literature review, however, that I believe is very unbalanced and the authors were probably selective in finding the most critical references to the Social Partnership process at the time of the crisis. For instance, the choice of the Brian Lenihan quotes that social partnership 'busted our banks' and 'caused enormous damage to the Irish financial system' were clearly unbalanced and the author should probably have explored this issue in more detail. Both Fianna Fail and to a lesser degree Fine Gael attempted to shift the blame for the crisis to the Social Partnership process from the political system and it would have been useful if the author had explored this issue in a more balanced way. It seems that they were mainly focussed on assembling references that fitted with the model.

The authors argue that changes to social partnership policy in 2008 can be explained by Critical Junction Theory (CJT). This comprises three elements – economic crisis, ideational change and subsequent policy change. While we can't deny the first element, I am not sure whether there was ever really an 'ideational' change in the way it is described. Momentous events were unfolding at high speed between September 2008 and March 2009 and the future of social partnership as a policy concept wasn't really on many people's radar. Indeed the absence of any reference to the need to address the 2008 rejection of the EU Lisbon Treaty with a second referendum in October 2009 is notable. This referendum process and the need to secure a positive result was in my experience a significant factor in why there was not a faster ending of the Social Partnership process during 2009.

I am not familiar with CJT model, but most of the inputs and findings seems sound but are highly bounded by the parameters set by the authors. I am not certain that either the external organisations or the 'political entrepreneur' presented alternative policy options and certainly there was not a 'consensus around a replacement paradigm'.

The Social Partnership model clearly was incapable of providing a solution to the crisis and it was the correct policy decision to abandon it but this does prove that it was on balance negative for the economy over its entire life span or that it would not be appropriate in the future. Indeed, the decision to abandon the Social Partnership process must be seen in the context of the sheer scale of the crisis; it may well have been an appropriate model through which to address a less severe crisis. We did not, however, emerge from the crisis with a 'replacement paradigm' - the existing policy was merely abandoned to address a crisis of unprecedented scale.

The central actor in CJT narrative is the 'political entrepreneur' – in this case Brian Lenihan who is quoted as saying that “a self-serving social partnership system eroded our competitiveness, beggared our State coffers and

busted our banks". The late Brian Lenihan had many admirable qualities but consistency and idea generation would not spring to mind from my direct experiences with him during this period.

Indeed, the CJT narrative may be more appropriate for the first partnership agreements – not the policy's eventual demise. After the initial agreements (and particularly the pay-tax trade-offs), the process wasn't the critical element of economic success that its advocates suggested. Similarly, it has attracted unwarranted opprobrium for a whole range of barely related issues (property bubble, banking crisis etc).

There are contradictions in the paper. It acknowledges that the State's commitment to social partnership was 'partial' and that the model was different than the 'codetermination pacts in other European countries' but then argues that 'the abandonment of social partnership has been central to the government's strategy for dealing with the crisis.' In fact the biggest problem with the paper (and indeed most of discussions on this subject) – it doesn't really offer a definition of social partnership in an Irish context.

For instance is it:

- A national pay agreement?

No, apart from using the agreements to benchmark minimum increases, most private sector companies paid what the labour market demanded. And in some instances this was significantly higher than the public sector increases. In terms of private wage formation, it served more to validate the results which market forces had made inevitable and help anchor wage as myself and Conal MacCoille pointed out in a paper "Smoothing adjustment through modified wage bargaining" in the *Irish Banking Review* in Winter 2002.

- A public sector pay agreement?

Yes. Interesting apart from 2000-2002, the annual increases only reached 3% in two instances. Benchmarking exercises both I and II were separate processes though involving social partners. Here, the real damage wasn't the increases themselves but that nothing significant was given back in terms of productivity/public service efficiencies and certainly nothing addressing the true benchmarking of pensions. To the extent that most people really gave social partnership a second thought it was this public sector 'fat cat insider' narrative that attracted most media interest. Indeed, the terms 'social partners' and 'public sector unions' became almost synonymous. Arguably Croke Park, Haddington Road and Lansdowne Road are really just an extension of public sector social partnership.

- An industrial relations framework?

Yes. These remain and continue to evolve without national partnership agreements. As an aside, I am puzzled by the authors' assertion that 'the main interests driving the process were MNCs and export employers'. That is certainly not my recollection. In fact, many multinational leaders at the time blamed the process for 'regulation creep' – slightly unfairly, given that most social legislation emanated from Ireland's EU membership obligations.

- A conduit for the government's obligation to engage in consultations and 'social dialogue' arising from national membership of the European Union, the UN and other bodies?

Yes. But this still happens. Even the Troika met the social partners on a quarterly basis. They heard but whether they actually listened is another matter.

- A more coherent approach to policy development?

Perhaps. Despite the absence of a super structure, this still happens. It may happen more bilaterally and relationships are developed on individual pieces of policy, but there are many bodies and advisory groups with social partner representation. Are the partners any more or less influential. That may be for others to judge given my own bias but Ibec has continues to have a strong influence on the public policy agenda – too much if our critics are to be believed. It could be argued that the trade union missed the opportunity to mobilise presented by the crisis and their internal critics would argue it was because they had become too 'tamed' by social partnership or their ongoing decline was continuing anyway.

The view espoused by my IBEC colleague Tony Donohoe with which I agree is that Social Partnership is more closely related to the context of a small intimate country which, traditionally, has had fewer of the left-right

ideological divisions that used to characterise other European economies. At the heart of the process is a web of both formal and informal links between influential people, their social partner bodies and government, which has been described as a 'social capital network'. Despite the demise of social partnership posited in this paper, this still exists and, it could be argued, was one of the reasons that Ireland came through the crisis without deep social discord.

Thanks to Nicola and John for a stimulating paper and I would encourage them and others to continue to explore the lessons of that critical juncture in light of what didn't change as much as what did.

DISCUSSION

Frank Barry: Paddy Teahon, former Secretary General of the Department of the Taoiseach, made the following point about social partnership in a paper in *Administration* in 1997. He saw the process as having promoted "a shared understanding among unions, employers and the government of the key mechanisms and relationships that drive the economy". I wrote in a post on the irishconomy website back in 2009 that "the Teahon view will be seen to be of validity if some agreement can be reached to reduce public-sector pay until the current crisis is overcome". That this outcome was secured without industrial strife seems to me to have been a striking achievement, and one that sets us apart from the other troubled eurozone periphery economies. It is indicative to me of path dependence, even after the partnership process itself had been switched off.

Robert Watt: I agree with the view that Social Partnership played an important role in securing economic recovery in the late 1980s and was a positive development. It enabled a consensus to be built around the management of economic policy that was beneficial in addressing systematic weaknesses in the economy such as the on-going failure to generate sufficient employment. Centralised pay bargaining allowed trade-offs to be made between pay and taxation which underpinned competitiveness gains. This recognised the "insider-outsider" characteristics of the labour market at the time where powerful insiders set wages that were too high to sustain sufficient employment growth. Coordinated pay bargaining seemed successful at addressing this.

As Social Partnership evolved I believe it became less successful. Too many actors became involved and it started to encompass too many aspects of public policy. This damaged its focus and led to concerns around democratic legitimacy and the role of the Oireachtas. Social Partnership, at a local level within the public sector, also made it difficult for the public sector to reform and manage services in the best interests of taxpayers and service users. Producer interests were given too much influence and a de facto veto over reform. I believe that this helped to weaken public sector management and led to a relatively high cost, low productivity service which had fallen behind many of its peers in critical areas. Many of the reforms initiated since 2010 are seeking to address these weaknesses.

The end of Social Partnership, which is the subject of the paper, was not a planned or coordinated policy decision. Its collapse arose out of the exceptional consequences for policy as the economic crisis developed. In effect, Social Partnership could not hold given the difficult decisions required to reduce the unsustainable fiscal deficits that arose from the banking bust. A critical challenge for policy is whether the current pay arrangements can sustain economic and employment growth. Collective arrangements continue to be the norm in the public sector and are delivering pay restraint with a commitment to on-going reform. Decentralised and local bargaining is the norm in the private sector. Ensuring sustainable pay developments, as unemployment continues to fall, will be a major challenge for policy-makers.

Stephen Weir: I believe that the authors' research question could be much better served by using the broader theories of punctuated equilibrium theory or advocacy coalition theory. These theories either used individually or in conjunction with one another could provide a deeper and more insightful analysis of the research question. I also feel that the theories would point to the need for a broader collection of data.

Paul Sweeney: I congratulate the authors on an interesting paper on Social Partnership. I would take issue on a two points. First, on the issue of ideational change around the idea for the cuts in public service pay from "policy entrepreneurs", I don't want to sound anti-intellectual but there was no deep thinking on the pay cut. The government simply cut the pay of all public servants unilaterally. I was in government buildings in the talks as Chief Economist with the Irish Congress of Trade Unions and there was no discussion of the decision by government with the unions. It was a take it or leave it. We left. The Congress position was untenable.

We had a clear understanding of the depth of the crisis and understood the immense pressures the government was under. However, in the years before, Congress had long argued against the shift in taxation away from direct to indirect taxation. While initially our argument was around the more regressive nature of indirect taxes, we had become worried about the dependence on such taxes. We had not been impressed by the deep cuts in direct taxes, including for our own members and on corporations. The government was undermining a much more solid tax base by such tax shifting from profits and incomes. I recall advice from a colleague in SIPTU against putting any numbers in one Budget submission for increased tax allowance/credits for workers as the Minister, Mr McCreevy had given us even more than we sought in a previous year.

In a paper “Tax Cuts did not create the Tiger” http://www.ictu.ie/download/pdf/tax_cuts_did_not_create_celtic_tiger.pdf we pointed out that tax cuts came after the Celtic Tiger and were very generous. We pointed out that the effective tax rate on the average industrial earnings fell slightly from 1994, the start of the real Celtic Tiger, but the rate was cut from 19 per cent in 1999 to just 11 percent in 2002. It was our subtle way of saying don’t cut direct taxes too much and that the trade-off for pay moderation for tax cuts should have ended years ago. After about 1998, income tax cuts were a subsidy to employers and were pro-cyclical.

Congress made numerous attempts to get the Dept. of Finance to undertake cost benefit analyses of the numerous tax “incentives” which were undermining the direct income tax base. These requests were eventually acceded to with the Indecon Reports on tax incentives, which found most were unproductive, but it was too late.

John FitzGerald: Research has shown that in Ireland wages are set through bargaining where employees bargain in terms of the real after tax wage rate (See FitzGerald, J., 1999, “Wage Formation and the Labour Market”, in F. Barry ed., *Understanding Irish Economic Growth*, London: Macmillan). Because of labour mobility, the elasticity of labour supply is very high so that the incidence of taxes on labour falls heavily on employers. The early social partnership agreements, in trading off tax cuts for wage moderation, were reflecting what the labour market would have delivered any way. However, the benefit of the partnership agreements was that the labour market probably adjusted more rapidly and with much less strife than would have been the case in the absence of partnership.

The partnership process played a very important role in developing a shared understanding of how the economy worked across all the partners. This contributed to the success of policy in the 1990s. However, no such shared understanding was present when the crisis hit in 2008-9. The situation developed too rapidly for the partnership process to develop a shared understanding. That might have taken quite a number of years to develop. As a result, the partnership process broke down under the strain as the government had to act very rapidly to prevent the economy breaking down in chaos.

Partnership was a form of consultation on policy formation, consultation which could produce better decision making. Because many of the then important interest groups were corralled into the process in the 1990s it probably facilitated consultation. However, today policy formation and interest in the policy making process is much wider than the traditional interest groups. Consultation on policy formation has taken new forms making the old partnership model rather outmoded.

Frances Ruane: I would like to thank the authors for their paper and to make three points. What struck me about the presentation of the events that led up to the end of social partnership was that it was very much in the interests of three of the major parties involved for it to end. In effect, ICTU found that it could not sign up to what were the necessary reductions in public sector pay and conditions which it knew government had to impose, and which were supported by IBEC on the grounds of competitiveness in the face of the crash. So it suited them for it to end. That said, I think that the existence of social partnership over a long period prior to the crash did help to ensure the acceptability nationally of the changes required by the Troika and by international markets.

Another aspect of the crisis which struck me when listening to the presentation was the statement at the time that Ireland should not ‘waste the crisis’. So, in terms of the public sector, have we really got as much from the crisis in terms of reform as we might? It is true that there have been some changes to pay and conditions in the public sector but there are many other issues that should be addressed if we are to have a sector which is efficient and which attracts the calibre of people we need to run it. I believe that there is a strong danger that as the crisis recedes, these will not be addressed.

Finally I think it is now becoming obvious that we need a new framework, involving possibly several fora, to discuss the big issues that face the country. I have in mind here the long term issues that had, of necessity, to be put to one side in the fact of the urgency of dealing with short term macro issues. Many of these issues are more complex than can be reasonably considered by a generalist body like NESC and are probably not suited to the structure of social partnership as previously conceived. So while I do not think that the old model of social partnership meets our needs for thinking and developing policies in relation to longer term issues (e.g., pensions, multi-cultural society, education and skills, population growth and planning, climate change), I think that we do need to recognise that some framework is needed for these discussions to take place.