Social pacts and changing systems of interest intermediation in Europe

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This chapter examines the different ways in which the interests of workers are represented in their relations with governments and, to a lesser degree, with employers. In the 1970s, trade unions bargained extensively with employers over wages and conditions, but also increasingly engaged in national negotiations with governments over a range of social and economic issues. The tripartite structures of interest representation that emerged at that time were analysed as forms of ‘corporatism’ and were thought to reflect the shifting balance of power between strong, militant trade unions and governments (Schmitter and Lehmbruch 1979). Despite the widespread declines in trade union membership and strike activity since the early 1980s, tripartite negotiations have continued throughout much of Western Europe, but have been less prominent in Eastern Europe. The resulting agreements, generally known as social pacts, have emerged in a variety of countries, including some with poorly developed tripartite structures.

In order to understand the significance of social pacts, this chapter first provides an overview of trends in the principal forms of worker representation, focusing on indicators of trade union strength and collective bargaining. The next section turns to social pacts as the main form of union–government interaction over the past three decades, looking first at Western Europe and then at Eastern and Central Europe, where social pacts have been much less common. Numerous indicators point towards a decline in trade union strength in the workplace, which clearly has implications for unions’ bargaining power in the marketplace. At the same time, however, unions have continued to play a political role through their inclusion in social pacts. No consensus has emerged in the existing literature with regard to the factors that best explain the variation in the use of social pacts across countries and over time. We conclude by discussing directions for further research.

Trade union membership and influence

Trade unions, together with employers’ organizations, form the basis of systems of interest intermediation in Europe and are also one of the main partners in social pacts. To understand the role of unions in these evolving systems of interest intermediation, we first discuss trends in union strength and influence since the 1980s.
The state of the trade union movement is conventionally measured along a number of discrete dimensions: membership, collective bargaining coverage, collective bargaining outcomes and political influence (Behrens et al. 2004). In some countries, these measures are highly correlated: both union density and bargaining coverage are very high in Denmark, Finland and Sweden, and both are low in the UK, the USA and the Baltic countries (Estonia, Latvia and Lithuania; see Table 42.1). In many other countries, however, these two variables are not clearly related.

In France, for example, union density is approximately 8 per cent, but bargaining coverage is 92 per cent; Spain’s union density is low, at 20 per cent, while bargaining coverage lies between 70 and 80 per cent.

After rising during the 1960s and 1970s, union density across Western Europe has declined since the early 1980s in almost every country. In Eastern Europe, membership decline only began after the collapse of communism in 1989–90 but then proceeded at a rapid pace. This trend has evidently continued into the twenty-first century, as ‘after 2000 union density rates fell in all 27 EU member states, with the possible exception of Belgium’ (Bryson et al. 2011: 98). More fine-grained analysis suggests that the rate of density decline is much steeper in the private sector in comparison to the public sector, despite the fact that private sector density was typically much lower to begin with (Visser 2006: 46). Countries with larger public sectors, such as the Scandinavian countries, therefore tend to have lower overall rates of density decline (Schmitt and Mitukiewicz 2012; Scruggs and Lange 2002: 144). In attempting to account for the variation in union density decline, recent research has focused on two interlinked issues: the role of ‘globalization’ and the role of institutions in moderating the impact of global economic forces. Additional research has concentrated on the attitudes of workers and employers towards unions and on union strategies.

The term ‘globalization’ covers a range of economic, social and political processes, although most of the research on trade unions has focused on the economic dimension. Studies usually measure trade openness, financial openness and inward and outward investment, either separately or through composite measures. The theoretical reasoning is that in a more globalized economy, capital mobility shifts the balance of power away from the unions, reducing their ability to raise wages and protect jobs. This weakness makes them less attractive to new workers, and density therefore declines steadily over time. However, the main research finding is that there does not appear to be a strong, direct link between measures of economic globalization and changes in trade union density (e.g. Dreher and Gaston 2007; Sano and Williamson 2008; Scruggs and Lange 2002). Individual cases illustrate this point: the most open economies in Europe include those with high and stable density, such as the Scandinavian countries, as well as those that have experienced dramatic falls in density, such as Austria and Ireland.

In response to these findings, researchers have begun to examine the role of institutions in moderating the impact of globalization. Some interesting findings show that, first, where workers are obliged or encouraged to join unemployment insurance funds administered by trade unions – the so-called ‘Ghent system’ found in Belgium, Denmark, Finland and Sweden – union density remains high and decline is modest (van Rie et al. 2011). Second, where unions have an organized presence in the workplace or have good access to workplaces, density is higher than in the absence of these conditions (Sano and Williamson 2008; Schnabel and Wagner 2007). Third, the impact of trade openness varies with the existing level of union density: it has little impact in high-density countries, where unions are protected by institutions such as the Ghent system, and little impact in low-density countries, such as France and the USA, where the scope for further decline is limited. The greatest impact has been observed in countries that used to have modest levels of density, but where trade openness has produced dramatic declines, such as Austria, Australia, Germany and the UK (Sano and Williamson 2008).
Evidence on worker attitudes has proved inconclusive. An analysis of data provided by the 2002–3 European Social Survey (ESS) suggests that an individual’s self-defined left–right political orientation is associated with union membership in Sweden but not in Denmark or Finland (Schnabel and Wagner 2007). However, the 2006 ESS shows that political orientation is linked to union membership in all three countries (van Rie et al. 2011). The large-scale commitment of union resources to organizing in non-union workplaces has produced only modest membership gains, in both the UK and the USA (Bronfenbrenner and Hickey 2004; Simms et al. 2012). Research on American employers has found that their deep-seated hostility to trade unions and collective bargaining has played a significant role in discouraging workers from joining unions, despite the well-documented preference for union representation among a sizeable minority of US employees (Boxall et al. 2007).

The contribution of employers in Europe to union decline is under-researched; this is puzzling, because across much of Western (but not Eastern) Europe the coverage of collective bargaining remains high, despite the long-term decline in union density. For 13 West European countries (the EU15 plus Norway, minus Luxembourg and the liberal market economies of Ireland and the UK), bargaining coverage averaged 81 per cent in 1980, rising to 85 per cent in 2000 before falling back a little by 2008–11 (see Table 42.1). Linking these data with the figures for union density reveals a growing gap between the proportion of workers covered by union representation through collective bargaining and the proportion who actually belong to trade unions: the gap was 32 per cent in 1980, rising to 47 per cent by 2008–11. For the most part, high levels of bargaining coverage are maintained because many employers in Western Europe belong to an employers’ organization that bargains across an entire sector. Once a collective agreement is reached, its terms are applicable to all members of the employers’ organization. In some countries (namely, Austria, Belgium, France, Germany, the Netherlands, Portugal and Spain), a legal mechanism extends these industry-wide collective agreements to employers outside the employers’ organization (European Commission 2000: 41). There has been a marked shift in the level at which collective bargaining is conducted, with a growing number of issues now regulated by collective bargaining at the company level (Flanagan 2008: 413–16). However, this decentralization of bargaining has not thus far been accompanied by any sustained or widespread moves by West European employers to abandon collective bargaining or attempt to regulate the employment relationship unilaterally, without any union involvement. It is only in the liberal market economies of Ireland, the UK and Eastern Europe (except for Romania and Slovenia) that we see evidence of a substantial shift away from collective bargaining on the part of employers.

The stability of West European bargaining coverage in the context of union decline is puzzling. Why have so few employers sought to extricate themselves from bargaining relations with unions? Three reasons can be suggested. First, the employers with the greatest exposure to global competition have been able to secure their competitive position by relocating some production facilities to Eastern Europe, or by threatening to do so unless workers agree to major concessions on wages and working conditions (Bohle and Greskovits 2012: 210). For instance, in early 2004, Philips, Samsung and SEAT announced plans to transfer production from their Spanish plants to Poland and Slovakia in order to cut labour costs (EIRO 2004). Second, collective agreements have become increasingly flexible, allowing employers to avoid some of their terms. In Germany, for example, collective agreements have for some years included ‘opening clauses’ that can be triggered by firms in serious economic difficulties, allowing them to reduce salary increases below the minimum levels specified in the agreement (Behrens 2013; Streeck 2009: 40–1). Third, not only have unions agreed to such clauses, but they have also often agreed to far-reaching changes in work practices, coupled with relatively modest wage
increases. Between 1995 and 2007, productivity rose by 16.9 per cent in the Euro area, but real wages negotiated between unions and employers rose only 6.8 per cent (Keune 2008). Figures on the distribution of national income between labour and capital suggest that even high levels of bargaining coverage have not prevented a significant decline in the labour share. After increasing in the early 1970s under the influence of union militancy, the labour share of national income in the EU15 has declined ever since (see Table 42.2).

Table 42.1 Trade union density (UD) and collective bargaining coverage (CBC) in Europe (1980–2008)

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Notes: – Data not available. * 1993 ** 1995 *** Data from different years between 2008 and 2011 for different countries.

Table 42.2 Labour share of national income, EU15 (1960–2010, percentage)

<table>
<thead>
<tr>
<th>Year</th>
<th>Labour share (%)</th>
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<tr>
<td>1960–70</td>
<td>71.5</td>
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<tr>
<td>1971–80</td>
<td>72.9</td>
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<td>1981–90</td>
<td>70.2</td>
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<td>1991–2000</td>
<td>67.6</td>
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<td>2001–2010</td>
<td>65.8</td>
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Sources: Glyn (2006); Keune (2008); Employment in Europe 2010.
This body of evidence on the outcomes of collective bargaining is consistent with the claim that declining union density has eroded union power. It also offers some explanations for the continued willingness of employers to engage in collective bargaining.

**Social pacts and interest intermediation**

**Systems of interest intermediation and social pacts in Western Europe**

According to the indicators discussed above, union power has eroded in many workplaces across Europe. At the same time, however, unions have played a perhaps curiously prominent role in negotiating policy adjustments with governments in many countries in Western Europe (but less so in Eastern Europe). Union involvement in national-level politics in and of itself is nothing new. In post-war Western Europe, union inclusion became rooted in national-level politics through corporatism (among other practices). In this section, we focus on systems of interest intermediation present at the national level, in particular in bi- or tripartite systems including the government, unions and (sometimes, though not always) employers; these include corporatism and social pacts, sometimes also referred to as ‘concertation’.

Corporatism has been the subject of numerous studies. Since the 1980s, much of the debate has focused on whether corporatism is in decline, or whether indications of its decline are merely temporary. This debate is complicated by the fact that the term ‘corporatism’ (sometimes also referred to as ‘neo-corporatism’) has been used to denote both ‘a particular structure of the interest representation system, characterized by monopolistic, centralized and internally non-democratic associations, and “concertation” or “social partnership”, as a particular policy-making process’ (Baccaro 2003: 683; see also Siaroff 1999). Siaroff (1999) notes that corporatism as an analytical concept has been employed to describe systems of interest intermediation and institutionalized processes of national policy formation, as well as to describe centralized wage bargaining. Instead of relying on corporatism scores, he develops an ‘integration’ measure for 24 OECD countries from the late 1970s to the late 1990s, finding that the overall mean has increased, although there is some variation across countries.

Explanations for the rise, decline and resurgence of corporatism include a turn towards tripartite interest mediation as a consequence of Europeanization and domestic economic problems. Schmitter and Grote (1997: 12) identify the cyclical re-emergence of corporatism on a 20- to 25-year cycle, but argue that the reasons for the most recent wave of corporatism do not parallel those that motivated earlier waves; they assert that a simple, monocausal explanation for the emergence, decline and re-emergence of corporatism does not exist. Katzenstein (2003: 24), in turn, identifies ‘random, exogenous shocks and historical crises’ that ‘activate deeply seated institutional memories and practices in small states with an indigenous tradition of corporatist politics or encourage processes of imitation in states lacking such a tradition’. These explanations certainly offer some reasons that may underlie the larger patterns of tripartite interest intermediation, but fall short of explaining patterns of variation across countries and over time. For example, why do some countries choose to imitate the corporatist practices of small states, while others opt to ignore these practices? Why do different governments choose different processes to address similar exogenous shocks over time and across countries? Cyclical explanations and theories that point towards historical patterns are well equipped to rationalize the relevance of these patterns over time, but they are less effective at accounting for variation. Furthermore, the literature tends to conflate different concepts related to peak-level bargaining and union involvement in national-level policy-making, and the distinction between corporatism, concertation and social pacts is not always clear. Consequently, the analytical purchase of these competing explanations is, at times, difficult to assess.
More recently, the discussion has moved towards a view of interest intermediation through social pacts as discrete, though occasionally institutionalized, events that contrast with the embedded, regular, predictable corporatist practices. Social pacts have become a visible form of interest mediation at the national level across Western Europe, particularly since 1980. They are the outcomes of negotiations between governments, unions and sometimes employers (although some studies include bilateral agreements between unions and employers as well). Social pacts are one of the avenues by which the social partners and the government can negotiate specific agreements of relevance to organized labour. The majority of pacts address wage reforms, labour legislation and the welfare system (Hamann and Kelly 2011); however, many studies focus exclusively on national wage agreements (e.g. Hassel 2006). Social pacts have been signed in most countries in Western Europe (with the exception of the UK), but they have also emerged in several countries in Eastern Europe. These countries exhibit considerable differences in terms of their welfare systems, organization of industrial relations and corporatist structures; thus, they cannot easily be grouped into existing typologies, such as welfare regimes or varieties of capitalism. Social pacts are sometimes used to address certain economic problems, but governments by no means always resort to pacts in times of economic crisis. In fact, European countries have displayed considerable variation in their use of social pacts over the last three decades. This section focuses on countries in Western Europe; we analyse interest intermediation in Eastern Europe (including social pacts) in the following section.

Existing explanations for the emergence of these pacts emphasize varying combinations of three main sets of variables: economic problems, such as inflation, public deficits and unemployment, for which wage restraint represents a potential solution; institutional variables, such as collective bargaining coordination and centralization, the existence of tripartite institutions and trade union density; and governmental variables, especially governmental weakness. Many scholars have suggested that certain economic problems stemmed from, and were reinforced by, the 1992 Maastricht criteria for European Monetary Union and the 1997 Stability and Growth Pact (e.g. Avdagic et al. 2011; Baccaro and Lim 2007; Hassel 2006). This approach, grounded in explanations based on political economy, provides significant insights into why countries as varied as Spain and Ireland have engaged in social pacts. However, it cannot satisfactorily explain why pacts pre-dated the EMU criteria, why governments continue to engage in social pacts, and why there is no correlation between pacts and the existence of tripartite institutions. Nor can it adequately account for the substantial non-wage components of most pacts. Finally, it is striking that although social pacts have occurred with some frequency in many European countries, they have certainly not become the sole or primary policy-making mechanisms for dealing with economic pressures. In fact, in many cases governments have resorted to the legislative process to pass reforms in response to economic pressures instead of privileging social pacts as the preferred modus operandi. Thus, if it is economic pressures alone that prompt governments to seek out negotiated solutions with unions and employers, it is unclear why a number of governments in both Western and (especially) Eastern Europe have opted for unilateral policy implementation when the context would seem to have favoured some form of concertation.

A related approach emphasizes the role of institutions, especially wage-bargaining institutions, as important factors mediating competitive pressures. For example, Traxler and Brandl (2010) find a correlation between social pacts and centralized bargaining processes. Hassel (2006) argues that industrial relations institutions are closely correlated with governments’ preferences for social pacts to moderate wages. These studies can account for some variation in the incidence of social pacts across countries, although they are limited by their primary focus on wages and relative neglect of pacts on welfare reform or labour legislation.
A third body of research on social pacts focuses on the motivations of the bargaining partners to enter into pact negotiations, and specifically on the power of the government and unions. Baccaro and Lim (2007) and Baccaro and Simoni (2008) illustrate that weak governments and moderately strong trade unions have been the most likely to sign social pacts. Avdagic et al. (2011), Meardi (2006) and Molina Roma (2005, 2006) also base their arguments on the power of the government and unions, but deviate by concentrating on the balance of power between unions and the government. This body of work finds that where the government has a relative advantage in power over organized labour, pacts are more likely. Park (2009), however, examining a different set of cases, concludes that strong union movements increase the likelihood of pacts.

Yet another set of explanations, under the heading of governmental variables, focuses on shared perceptions and understandings on the parts of the government and the social partners. This shared understanding includes the acknowledgement that a crisis exists, that it can be addressed by negotiations between the government and the social partners, and that agreed-upon policies can be implemented (see Compston 2003; Menz 2011).

Another approach in this category understands social pacts as the result of electoral pressures on governments. Ahlquist (2010) highlights the public nature of social pacts as a core characteristic that renders them a useful electoral strategy, especially for governments that have lost autonomy over fiscal and monetary tools to influence economic outcomes, such as EU countries under the Maastricht criteria. Analysing pact data from 20 OECD countries from 1974 to 2000, Ahlquist’s results support his expectations that social pacts become more likely closer to the end of an electoral cycle. He also finds a party effect, in that leftist governments are more likely to sign pacts, as well as an economic effect: high unemployment is related to social pacts in countries aspiring to meet the Maastricht convergence criteria. Similarly, Hamann and Kelly (2007, 2011) argue that governing parties forge social pacts not only to deal with economic problems but also in response to electoral pressures as they seek to secure votes and access to office. These pressures stem from increased electoral volatility, linked in particular to declining partisan identification and the emergence of new parties. Social pacts are attractive when party leaders perceive them as helpful in reducing the potential electoral costs of labour and welfare reforms and wage restraint. Under certain conditions, parties will opt to impose such policies unilaterally if they believe that this approach will yield electoral gains or minimize electoral costs. Analysing only those social pacts initiated by the government that address contentious issues (cutting benefits in the area of welfare, including pensions, labour rights and wages), Hamann and Kelly (2011) study social pacts in 16 countries (EU15 plus Norway). Their data show that pacts are more likely to be offered by minority governments, unconnected coalitions and centrist governments (Christian Democratic or Centre Party) in fragmented legislatures. In contrast, rightist governments are less likely to offer social pacts to unions. Although social pacts are more likely to be found in countries with low union density, such as Spain, other economic and institutional variables are not significant. They conclude that variations in the incidence of social pacts over time and across countries are therefore best explained by political variables.

Thus, existing studies show no consensus on the factors that might explain the prominence of social pacts or their variation across time and countries. To a large extent, this is likely the result of differences in the definition and operationalization of social pacts, as well as the case selection and time period under investigation. In addition, the theoretical assumptions underlying these studies have resulted in the selection of different variables, making it difficult to compare findings across studies.
Trade unions, tripartism and social pacts in Eastern Europe

One immediate legacy of the East European communist regimes was a remarkably high level of trade union density. The party-controlled unions had typically ‘organized’ almost 100 per cent of the workforce, and in the early years of post-communism density levels remained high. Reliable data are available only for the 10 EU members: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. These figures indicate that in 1990 union density stood at 83 per cent in Hungary, 81 per cent in Bulgaria and (in 1991) 80 per cent in Romania (Visser 2013). By the mid-1990s, median union density in these ten countries was hovering around 60 per cent. But over the next 12 to 13 years density fell dramatically throughout the entire region (see Table 42.1): by 2009, median density was just 17 per cent, and in two countries (Estonia and Lithuania) it had fallen to 10 per cent or below. The only countries with density levels comparable to the 2010 West European median of 28 per cent were Romania (33 per cent) and Slovenia (24 per cent) (Visser 2013; figures for 2008–11).

On the basis of their high density levels, East European trade unions were initially able to secure what appeared to be significant institutional breakthroughs in the form of national tripartite consultative bodies covering a wide range of policy areas. In the 1990s, tripartite institutions were created in all ten of the EU ex-communist states: Bulgaria (in 1993), the Czech Republic (1990), Estonia (1992), Hungary (1990), Latvia (1993), Lithuania (1995), Poland (1994), Romania (1997), Slovakia (1990) and Slovenia (1994) (EIRO 2013; Gardawski and Meardi 2010; Jensen 2003; Ost 2000).1

Many of these tripartite committees were explicitly intended by governments to be consultative, not negotiating, bodies, although they have been regularly used in a number of countries to negotiate periodic improvements in the minimum wage (e.g. Poland and Romania; see, for example, Jensen 2003). They do appear to be quite resilient: in 1994, an attempt by the Slovenian government to bypass the tripartite council was vetoed by the parliament (Stanojević and Krašovec 2011). In 1997–8, the two main Polish union confederations withdrew from the Tripartite Commission for a few years in protest at decisions they disliked (Gardawski and Meardi 2010), and in 1998 Hungary’s tripartite council was abolished by a newly elected right-wing government, only to be re-established after another change of government in 2002 (Bohle and Greskovits 2010). Although many of these institutions were still in operation in the late 2000s, the drastic post-2008 cutbacks in public spending were introduced almost everywhere with little or no involvement from trade unions (Bohle and Greskovits 2012).

The spread and longevity of these tripartite institutions stands in marked contrast to the paucity of tripartite agreements, or social pacts, negotiated between governments, unions and employers. Across Eastern Europe, Slovenia stands out as the only country with a succession of social pacts: between 1994 and 2009, the social partners negotiated and signed eight social pacts (in 1994, 1995, 1996, 1999, 2001, 2002, 2003 and 2007). While the early pacts focused exclusively on wages, later pacts also covered employment, training, welfare and pensions (EIRO 2002; Stanojević 2010: 325). Social pacts were agreed upon in certain other countries, but relatively infrequently: Bulgaria (2006), Czechoslovakia (1991), Hungary (1993), Poland (1993), Romania (2001 and 2005) and Slovakia (2008) (Bohle and Greskovits 2010, 2012; EIRO 2004, 2013; Keune and Pochet 2010: 400). Additional social pacts were repeatedly offered in Poland – in 2002 (employment, public spending, labour law reform), 2006 (economic policy) and 2008 (early retirement) – but were just as regularly rejected by the unions (Gardawski and Meardi 2010). A Hungarian government proposal in 2003 for wage moderation met with a similar union response (Bohle and Greskovits 2010). There have been two social pacts signed in the...
Baltic States, both in Estonia: in 1995, on the upgrading of the minimum wage, and in 1997, on the creation of a fund to compensate workers affected by employer insolvency. There is no evidence of tripartite social pacts in Latvia or Lithuania (Jensen 2003).2

Reliable data on the effectiveness of these institutions or the resulting pacts are scant. Cerami (2010) argues that governments in the Czech Republic, Hungary and Slovakia used tripartite bodies to consult with both unions and employers on contentious reforms of welfare and pensions in the early 1990s; unfortunately, he does not provide any evidence for this claim. Avdagic (2005) reports that unions in Czechoslovakia (before it split into the Czech Republic and Slovakia) were able to secure collective bargaining rights and employment protection measures in exchange for wage restraint. In many other countries, however, the weight of evidence suggests that an imbalance of power has prevented unions from exerting any significant influence within tripartite bodies on issues such as wages, pensions and welfare (e.g. Avdagic 2005; Ost 2000). However, other authors have come to a different conclusion, arguing that tripartite concertation during the transition years contributed to the stabilization of the nascent democracies. Katzenstein (2003: 22), for example, reasons that ‘[t]ripartism did help elicit popular support for shaky regimes seeking to affect a wrenching transition from socialism to capitalism’, thus pointing to the importance of symbolic action in times of crisis.

Explaining social pacts in Eastern Europe

How can we explain the very low frequency of social pacts across Central and Eastern Europe in comparison to Western European countries? The literature offers three main lines of explanation for the emergence of social pacts: a high ‘problem load’ challenging the government (Pochet and Fajertag 2000); the existence of appropriate institutions, particularly union and employer organizations; and governmental variables, including the balance of power between the government and unions (Avdagic et al. 2011; Baccaro and Lim 2007) and party politics, viz. electoral pressures, party competition, partisanship and governmental weakness (Hamann and Kelly 2007, 2011). The problem load hypothesis suggests that when governments are confronted with serious economic problems they will opt for social pacts in order to protect their legitimacy in the face of unpopular policies. However, this argument cannot account for the rarity of social pacts in Central and Eastern Europe; as measured by unemployment, inflation, inequality or slow growth (see Kaser 2010), the ‘problem load has been enormous throughout the CEE’ (Keune and Pochet 2010: 400).

Governmental weakness is conventionally measured by governmental type: minority governments and majority coalition governments are assumed to be weaker than single-party majority regimes, since minority governments must negotiate with opposition parties in order to pass policies, while coalition governments may collapse if a coalition partner resigns. For the period 1990–2008, the most prolonged periods of minority government occurred in Romania (1992–6, 2000–8), the Czech Republic (1996–2002 and 2006–8) and Poland (1991–3, 2000–1 and 2003–6) (Conrad and Golder 2010). However, there was only one social pact in Romania, none in the Czech Republic and three rejected pacts in Poland during this period. In contrast, the country with the most sustained record of signing social pacts – Slovenia – was ruled for most of 1990–2008 by majority governments (Conrad and Golder 2010). Many of the minority governments in Eastern Europe ruled as coalition governments, this being the most common in Estonia (1992–2008), Poland (1991–2001, 2003–8), the Czech Republic (1993–2008), Romania (1992–6, 2000–8) and Slovenia (1994–2000, 2002–8) (Conrad and Golder 2010). It is clear that while some coalition governments have offered and signed social pacts, notably in Slovenia but also in Poland, most have not done so. Moreover, the incidence of minority and
coalition governments since 1990 has been significantly higher in Eastern Europe than in Western Europe (Keman and Müller-Rommel 2012: 9), yet the frequency of social pacts has been substantially lower. In other words, while governmental weakness as measured by minority or coalition status may give some insight into social pacts, this variable provides only a partial explanation at best.

The balance of power hypothesis suggests that weak governments – minority and/or coalition governments – and weakening unions, as measured by rapidly declining density, will frequently enter into pact negotiations but will rarely succeed in reaching agreement (Avdagic et al. 2011). This does not appear to be the case, as 15 of the 19 pact offers made by coalition governments to unions with declining density have been accepted. Moreover, because union density has declined rapidly since the early 1990s, one might expect the frequency of pacts to decrease over time, but there is no evidence that it has done so: ten pacts were agreed upon in 1990–9, and nine between 2000 and 2010. However, if we conceive of the balance of power in terms of union capacity to impose costs on governments, this argument has more validity. Slovenia, the one country with a strong history of social pacts, features a high level of union density and, almost uniquely in Eastern Europe, it has a union movement that has backed up its bargaining position in social pact negotiations with general strikes (in 1992 and twice in 1996) (Crowley and Stanojević 2011; Stanojević 2010; Stanojević and Krašovec 2011).3

The institutional argument also appears to have some purchase: Slovenia is the only East European economy that has developed the hallmark features of the Coordinated Market Economy rather than the Liberal Market Economy attributes that seem to pervade the rest of Eastern Europe and the Baltics (Kaser 2010; King 2007). Union density (24 per cent), employer organization density (almost 100 per cent until the mid-2000s) and collective bargaining coverage (over 90 per cent) in Slovenia are amongst the highest in Eastern Europe; moreover, its employment protection legislation is the strictest in Eastern Europe, and its welfare state is relatively generous (Armingeon 2012: 132–3).

Before addressing the party competition hypothesis, some comments on party and electoral systems in Eastern Europe are in order. In the immediate post-communist years, elections were contested by large numbers of parties, quite a few of which were new, short lived, dominated by charismatic individuals and/or prone to splits (Bakke 2010). Consequently, the effective number of parties in East European legislatures is significantly higher than in Western Europe (Webb and White 2007a). Since that time, the party systems have crystallized around recognizable party families – social democrat, liberal, centre/agrarian, Christian democrat, conservative and far right – and the left–right cleavage has become more salient in party competition (Webb and White 2007b). However, in comparison to Western Europe, East European parties are typically smaller and more centralized; electoral turnout is significantly lower and is declining more rapidly; and electoral volatility is approximately twice the West European average (Keman and Müller-Rommel 2012; Webb and White 2007a).

If the variable of electoral competition is measured by mean level of alternation in governing parties (1990–2008), party competition was most intense in Bulgaria, Hungary, the Czech Republic and Lithuania (countries with a total of just three pact offers, 1990–2010) and least intense in Latvia, Slovenia and Romania (ten pact offers, mostly in Slovenia) (Bértoa and Mair 2012). Whereas party competition does not seem to correlate with pact offers, government partisanship offers more promising insights. Post-communist East European governments have been dominated by conservatives and pro-market liberals. Data from Müller-Rommel et al. (2004) for the period 1990–2003 show that these two party groups were in power for the majority of this time in Bulgaria, the Czech Republic, Hungary, Latvia and Slovakia. Such parties are known in Western Europe for their antipathy to social pacts. Social democrats were in power for most
of this period in Lithuania, Poland and Romania, but in these and other countries they displayed little enthusiasm for social pacts (Avdagic 2005). The most pro-pact party families in Western Europe have been the centre and social liberals, and these two party families dominated the governments of Estonia (in the 1990s) and Slovenia (for the whole period). Estonian governments signed two social pacts in the 1990s, whereas Slovenian governments have signed eight pacts since the mid-1990s. Partisanship does therefore appear to be associated with success in signing social pacts, although the relationship is curvilinear rather than linear on a one-dimensional, left–right party spectrum.

The balance of power, the institutional environment and the attributes of governments and parties all seem to influence the dynamics of social pacts in Eastern Europe. Underpinning the party political and government weakness arguments is the concept of blame avoidance, the idea that governments seeking to enact unpopular policies will delay, obfuscate and/or attempt to divide and co-opt their critics in order to avoid electoral punishment. In the light of the waves of welfare cuts, wage reductions and unemployment that have marked post-communist economies, one might have expected parties and governments in unstable party systems to be more responsive to voter discontent and to show more interest in social pacts as a mechanism of blame avoidance. Bonoli (2012) suggests two reasons why the logic of blame avoidance has not played out this way. First, governments have been able to assign blame to other agencies, such as previous communist governments, multinational corporations, the EU Commission and the IMF. Second, a significant number of governments have tried to turn austerity policies into a virtue, claiming they are essential in order to secure admission to the EU or the Eurozone. Rather than blaming others for such policies, they have sought to claim credit for the modernization of their economies in a manner reminiscent of socialist governments in the Southern European economies in the 1980s.

Conclusion and directions for future research

Systems of interest intermediation across Europe have been both stable and in flux in various dimensions. One of the intriguing features of West European employment relations is the persistence of high levels of collective bargaining coverage alongside low and declining levels of trade union density. In the Scandinavian, Benelux and Southern European countries (N = 13), mean bargaining coverage was 83 per cent in 2008–11, whereas union density averaged just 37 per cent. This pattern contrasts dramatically with the liberal market economies of the UK, Ireland and most of Eastern Europe, where low union density is reflected in low bargaining coverage. Moreover, the distribution of union membership in most countries is heavily and increasingly skewed towards the public sector; union density in private manufacturing and private services is typically only a fraction of the levels found in the public sector. At the same time, however, unions in many countries in Western Europe have remained engaged in national-level policy-making through bi- or tripartite agreements; these social pacts have featured less prominently in Eastern Europe. These patterns suggest several avenues for future research.

One important objective for future research is to map and explain the degree to which West European employers continue to support collective bargaining with declining trade unions as the primary mechanism of pay determination. It could be the case that many large employers believe that collective bargaining confers a degree of legitimacy on unpopular measures (such as wage freezes and layoffs) and is therefore worth preserving. In economic terms, it may be the case that weak unions extract such limited concessions on wages and employment that collective bargaining has become a ‘hollow shell’, an institution that delivers few gains but imposes almost no costs on employers.
A second issue on the research agenda is the impact of the economic recession on the incidence of social pacts. Preliminary evidence suggests that the countries that signed relatively large numbers of pacts pre-2008 have continued to do so. Social pacts were signed in Portugal and Spain in 2008, in the Netherlands in 2009, in Italy and Spain in 2010, in Finland and France in 2011, and in Belgium and Italy in 2012 (EIRO, various issues). Similarly, those countries without social pacts since 2008 generally had very few pacts before 2008, e.g. Austria, Germany and Greece, although Ireland and Norway are exceptions in this regard: governments in both of these countries signed numerous social pacts before 2008 but have signed none since then. It would thus be interesting to examine whether the explanations for the frequency and geographic distribution of social pacts pre-2008 are equally applicable to the social pacts signed during the recent global economic and financial crisis.

This issue is connected to a third under-researched area: the substantive outcomes of social pacts. On the one hand, unions weakened by recession and high unemployment may be unable to extract significant concessions from governments; as a result, the recent social pacts may provide unions with a voice in policy-making discussions but little or no influence. On the other hand, governments have also been weakened over the past few years. Austerity policies have sparked popular discontent, culminating in electoral defeats for governing parties in a number of countries: the UK (2010), Denmark, Ireland, Portugal and Spain (2011), France and Greece (2012) and Italy (2013). Governmental weakness has been exploited by trade unions in some countries, especially where pact negotiations have been accompanied by general strikes. It remains an open question, however, to what extent the negotiations and general strikes of the past few years have resulted in concessions from governments committed to various forms of economic austerity. Given these patterns, it would also be intriguing to further explore whether the resilience or collapse of governments in response to the economic crisis is in any way related to their willingness to include unions in the policy reform process through social pacts.

In addition, future research should investigate whether the reforms broadly negotiated and agreed to in social pacts have a different impact on economic problems from those imposed by governments through the legislative process without the approval of organized labour. It would also be useful to analyse any changes in pact outcomes before and after the economic crash of 2008. And finally, it would be interesting to trace the impact of the continuing decline in union density on governmental willingness to engage in pact negotiations.

In sum, systems of interest intermediation are conditioned by numerous factors, in particular the strength of the social actors, the historical experiences of interest intermediation, and economic and political trajectories. These factors help explain why systems of interest intermediation differ significantly over time and across countries.

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Notes

1 Tripartite bodies were also created in most of the former Yugoslav republics, namely Croatia (1994), Kosovo, Macedonia (2010), Montenegro (2001) and Serbia (though not Bosnia). There is no evidence of social pacts in any of these countries (EIRO 2013).

2 Curiously, the ICTWSS database lists a total of 29 social pacts in these ten countries, including four in the Czech Republic, four in Lithuania, four in Romania and three in Slovakia (Visser 2013). We can find no evidence in the research literature of any of these pacts; in response to our inquiry, Jelle
Visser acknowledged that while there might be legitimate questions about some of them, they could nonetheless be construed as ‘understandings’ even if they were not full-blown agreements (personal correspondence, 8 February 2013).

3 General strikes have been called in recent years in other East European countries, including Bulgaria (2004), the Czech Republic (2008), Estonia (2009), Hungary (2007) and Slovakia (2003) (EIRO, various issues).

4 East European liberal parties are often classified as ‘rightist’ and grouped with conservative parties (e.g. Armingeon 2012: 117). Müller-Rommel et al. (2004), however, offer a more subtle classification that distinguishes the social (or centre-left) liberals found in Romania and Slovenia from the rightist (or market) liberals that have had success in countries such as Latvia.

Bibliography


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Social pacts and interest intermediation


