

**Anke Hassel**

Hertie School of Governance, Berlin, GERMANY

## **Policies and Politics in Social Pacts in Europe**

**ABSTRACT • This article develops our theoretical understanding of social partnership in Eastern and Western Europe, focusing on two aspects. First, it considers the reasons why both governments as well as social partners sustain social partnership even in the context of tight monetary policy, liberalization and globalization. Second, it explains the differing dynamics of negotiated policies in Eastern and Western Europe. It concludes that the interest constellations of the actors involved, rather than institutional or organizational issues, are the primary explanatory factor for differences in social partnership.**

KEYWORDS:

### **Introduction<sup>1</sup>**

Social partnership as a system of institutionalized cooperation between trade unions, employers and governments has always been primarily a phenomenon of continental western Europe. Though trade unions in Britain and North America acquired a strong position on the labour market and in the political process in the first postwar decades, this was only temporarily accepted by governments. Only in continental Europe and Scandinavia did the class conflict of the first decades of the twentieth century characterize the party systems and political institutions to such an extent that the social partners gained a

---

<sup>1</sup> I am very grateful for the comments I received from Sabina Avdagic, Klaus Armingeon, Ferdinand Karlhofer, Richard Hyman and two anonymous reviewers and would like to thank Richard Hyman for a superb editing job. All remaining errors are my own

unique status as private interest organizations. They were 'incorporated' into political decision-making processes and could, in cooperation with governments, protect their members while at the same time strengthen their own position (Streeck and Hassel, 2003).

In the second half of the twentieth century, west European countries were faced with profound economic and social challenges. They had to cope with the consequences of the oil shocks in the 1970s, were exposed to a far-reaching process of economic liberalization and deregulation linked to European integration, suffered from the increasing financial strain of developed welfare states as well as decreasing employment rates, and had to deal with the constantly increasing internationalization of markets, in particular financial markets.

Yet neither the changing economic framework, the renunciation of Keynesianism, nor the political turn of the early 1980s initiated by the governments of Reagan and Thatcher put an end to the tradition of negotiated politics in most of western Europe. There was no aggregate decrease in the intensity of negotiations between governments and social partners (Baccaro and Simoni, 2008; Hassel, 2006); despite differences across countries, western Europe as a whole still displays a high degree of integration between governments and social partners (Armingeon, 2005; Hassel, 2006). This also applies at the level of the European Union (EU), and in central and eastern Europe (CEE).

At EU level, a negotiation-oriented political style has developed, with the 'social dialogue' regarded as an integral part of the European social model. The social partnership prevailing in the member states has been Europeanised by instituting sectoral and cross-sectoral dialogue processes, leading to 'negotiated legislation' in some political fields (Falkner, 1999). In addition, the importance of social partnership was emphasized by European directives on European Works Councils and on internal information and communication within companies. In the new member states of the CEE, forms of concertation were developed by which the social partners participated in political decision-making processes through tripartite institutions. These were initiated by governments after 1989 in order to avoid social conflicts and were later strongly supported by the EU Commission during preparation for accession (Kohl and Platzer, 2004).

The resurgence of social pacts in the 1980s and 1990s has sparked off new research. Much of the literature has placed the re-emergence of social concertation in the context of economic crises, the

pressure of the Maastricht convergence criteria, the quest for international competitiveness and exogenous economic shocks (Fajertag and Pochet, 2000; Hassel, 2006; Rhodes, 2001). More recently, the literature has taken into account the scope of the pacts, the processes of institutionalization and the interaction between different policy fields (Avdagic et al., 2005; Baccaro and Simoni, 2008; Hancké and Rhodes, 2005; Hamann and Kelly 2007). There is however still disagreement over the different types and classifications of social partnership (Avdagic et al., 2005).

This article suggests an analytical approach towards understanding social partnership in Europe, based on the interests of the actors involved. It focuses on three aspects: first it deals with the reasons why both governments and the social partners sustain social partnership despite weakened incentives as predicted by changed economic conditions. Second, it claims that the motivations of the two sides when seeking negotiations are of crucial importance for the type of social partnership that emerges. Third, it thereby provides explanations for the differing dynamics of negotiated policies in eastern and western Europe: the crucial explanatory variable is the underlying preferences of the actors on both sides. These preferences are partly, but not completely, shaped by the organizational capacity of the unions and the type of government. Another influential factor is the economic situation confronting the government, which in turn strongly influences the strength of the unions. This claim is a theoretical advance on neo-corporatist literature.

The article differentiates between policy interests and power interests. None of the political actors simply represent policy interests and disregard interests of power: these are always dominant. However, the actors can have different priorities in defining their interests, depending on the problems posed, and may give priority to either problem-oriented or power-maintaining strategies. The priority-setting of individual actors can be explained by factors of classic corporatism research, such as the organizational structures of associations, as well as by the political problems the governments are facing. A comparison of social partnership in western Europe and the new member states can help illustrate the theoretical distinction and show that similar processing mechanisms for political problems are used despite quite different starting positions.

The first section provides a theoretical classification of social partnership, applicable to both western Europe and CEE. The second analyzes concertation processes in western Europe in the 1980s and

1990s. The third contrasts these with developments in CEE countries. The final section suggests the scope and limits of comparative analysis of eastern and western Europe.

## **Interest Constellations between Associations and Governments**

According to the assumptions of neo-corporatist literature, the relations between governments and trade unions in social partnership arrangements are based on political exchange. Unions represent employees' interests, and are capable of mobilization to block governments' policy goals. In political exchange with the government, however, the unions waive their mobilization capability in order to achieve and maintain their own policy goals, and in return receive legal and political protection for their members, as well as benefits for their own organizations within the political system (Molina and Rhodes, 2002, Pizzorno, 1978; Streeck, 1984). Moreover, they communicate the governments' policy goals (such as wage moderation) to their members and thereby legitimize them.

The exchange moderates the trade unions' policy interests (from radical wage demands to labour law) and ensures their continued institutional power by way of an increase in tasks performed by them in the implementation of public policy (for instance in labour market and social policy). As an effect, immediate policy interests (such as higher wages) are translated into long-term policy interests (such as employment protection) and into the pursuit of power interests in the form of trade unions' institutional participation in political decisions (in advisory boards and tripartite institutions).

[Figure 1 about here]

Taking this still valid insight into the relationship between governments and trade unions in classic corporatist political exchanges as a starting point, we can systematically distinguish between policy interests and power interests as the two driving forces on both sides. The interaction between a 'logic of influence' and a 'logic of membership' (Streeck, 1987) is indicated in Figure 1. Since no policy can be implemented without power and power is regularly used to pursue policies, the differentiation is

purely analytical and only describes the relative weight of both aspects. In practice, both interests are naturally combined. However, in a specific situation where governments face the choice whether to deal with unions or not, the relative weight of both interests becomes important.

Thus when dealing with trade unions, governments can have two different motivations: they either opt to convince unions to give up veto positions in order to solve economic or social problems, or choose to incorporate trade unions into governmental policies in order to use them for their own political support in election campaigns or other issues of legitimacy. In the latter case, governments use trade union cooperation for reasons other than policy interests.

On the other hand, both motives can also be observed on the side of the unions, which have to protect their members' interests in political disputes, for instance by pushing for higher wages. At the same time, they have to defend their own status in the political system by preserving their participation in corporatist institutions. Policy and politics are thus also linked on the side of the trade unions. Institutional protection (power interest) is often a prerequisite for the enforcement of further-reaching policy interests; on the other hand, trade unions must also pursue policy interests. Actors' interests with regard to *policies* and *politics* are not mutually exclusive; on the contrary. The argument is that the combination of actors' interests in social partnership can lead to different constellations that are primarily responsible for different outcomes. We can distinguish four different types of social partnership, among which the classic corporatist type is only the best researched version (see Figure 2).

[Figure 2 about here]

The basis of *classic corporatism* is a combination of strong government policy interests (a) and union power interests (c). During the high-inflation period from the mid-1960s to the mid-1980s, most governments depended on trade union cooperation in policy terms so as to achieve more or less voluntary wage restraint. Even after Maastricht and EMU there were clear policy reasons for many governments to engage in talks with unions. If unions accede to the policy requests of the government and ask for institutional security in exchange, we can observe classic corporatist exchanges.

When power interests of the government (b) meet policy interests of the associations (c), we observe a *tactical alliance* in which governments reward unions with policy gains in exchange for electoral support. This model reverses the logic of corporatist interaction: governments have no strong policy interests, because the unions either cannot help the government to solve policy problems or are already committed to long-term wage restraint without being compensated by the government. While governments try to involve the unions to keep them on their side for electoral reasons, unions ask for policy favours in exchange for electoral support. An example is the failed *Bündnisse für Arbeit* in Germany between 1995 and 2003.

In *pluralist* settings, the government does not seek unions' electoral support, while the unions do not seek institutional security from government. Both sides pursue their policy interests independently. An example is the relationship between trade unions and the government in the UK after 1979.

*Illusory corporatism* (Ost, 2000) takes place if governments involve trade unions in policy-making for reasons of vote-seeking and legitimacy, while the unions seek institutional security rather than policy rewards. No policy gains are traded but power interests dominate the exchange. Examples are a number of CEE countries during transition.

It is important to note that these constellations do not result from a purely strategic choice over which the actors have full control: Rather, actors have only limited capacity to choose one preference over the other; in most cases they are reacting to pressures that derive from their *environment* (in particular their *economic* and *political* environment) and their organizational constraints. At the same time they also have an informed understanding about what the other side might be able and willing to deliver, since these political exchanges develop over long periods of time.

The government's policy interests are dominated by considerations of macroeconomic management. Being confronted with inflationary pressures, economic downswings and changes in the world economy, governments can be more or less dependent on unions' wage-setting behaviour. The more serious the economic situation, the more governments have to focus on immediate policy concerns; conversely, the better the economic conditions, the less dependent are they on unions' wage-bargaining behaviour. A similar argument can be made about budgetary pressure on governments when reforming the welfare state. However, while unions are players in welfare reforms, they are usually not veto players

in the parliamentary process, though indirectly they can influence the government's chances of re-election.

In a mirror image, the power of trade unions is determined by the degree to which the government depends on their contribution to wage restraint when fighting inflationary pressures. If governments are dependent on trade union support for economic policy, the power of unions to pursue their own goals is enhanced; otherwise it is considerably weaker (Scharpf, 1991).

As a consequence, the relationship between governments and trade unions is characterized primarily by the interest constellation on the side of governments and only to a lesser extent by the organizational structure of trade unions and wage bargaining arrangements. Corporatist interaction and strong social partnership are not institutionally driven phenomena but are dominated by the macro-economic context in which the interaction takes place. In other words, there are two necessary conditions that make social partnership work: government dependence on trade union cooperation determined by the macroeconomic context, and union capacity to cooperate, largely influenced by organizational and institutional factors.

The differentiation between contexts in which social partnership takes place also makes clear that, depending on the constellation of problems and interests, the practice of social partnership and its success can be quite different. Even if the institutional and organizational structures remain unchanged, the interactions between governments and unions in social partnership can vary, as the German example shows. While the structures of unions and political institutions have been stable for nearly fifty years, the change in problems led to completely new dynamics in the social partnership discussions between government and unions in the late 1990s.

Concertation efforts are built on former experiences that frame expectations. In particular if they have been successful in the past, they lead to patterns of negotiations which can be remobilized and reused in new situations. Failures, conflicts and modified constellations of interests can, at the same time, also lead to new patterns of behaviour which can challenge concertation processes.

Thus, in this theoretical framework social partnership is no Sisyphean task, neither is it subject to cyclical developments as presumed by Schmitter and Grote (1997). There is no natural regularity in social partnership negotiations. Rather, social partnership is one of several political instruments in western

European political economies, and also recently in CEE, to which actors with different constellations of interests can, but may not, resort. Depending on the problems and the perception thereof, better alternatives than those negotiated are available to the actors. If they engage in political concertation, the success --- in the sense of problem solution --- of the social partnership negotiations is contingent on how dependent governments are on trade unions with regard to their problem solutions and on the extent to which unions can act strategically (Hassel, 2003).

In the following two sections, social partnership in western and eastern Europe is contrasted. This is not to imply that one can easily generalize across countries in either east or west. Nevertheless, the economic and political context of social partnership in postwar western Europe contrasts strongly with the that of CEE in the 1990s, which makes the comparison viable. The different trajectories of social partnership in both regions can illustrate the crucial impact of the economic context for the interaction between the two actors, which is then further defined in different institutional contexts.

## **Western European Social Partnership**

The origins of institutionalized negotiations between governments and trade unions in western Europe lie in the new balance of powers between capital and labour established during and after the Second World War. Employees were granted far-reaching political rights to pursue their interests and at the same time governments had to accept responsibility for full employment. Tripartite administration of social policy and newly established economic and social councils were institutions reflecting the strengthened role of trade unions.

This new power structure had consequences for economic policy. Free collective bargaining and full employment raised high wage expectations on the side of the trade unions. Yet governments had committed themselves to a Keynesian economic policy, precluding a restrictive monetary and fiscal policy in order to reduce the pressure of inflation. Therefore in the 1960s governments in most industrialized countries --- including the USA and the UK --- resorted to arrangements with the social

partners on wage increases to alleviate wage inflation without provoking negative employment effects (Armingeon, 1983; Braun, 1975).

In the economic debate, centralized wage bargaining was the most promising instrument for fighting inflationary tendencies (OECD, 1962). In this respect, the mainly tripartite bodies and other institutions of social partnership were the arenas in which these arrangements were made. These procedures varied, depending upon the quality of the institutions and the actors involved. In countries with weak and fragmented trade unions such as Italy and France, there was a tendency for company-level rather than central wage arrangements. In Austria, incomes policy had been practised by way of wage and price agreements as early as the late 1940s, and was later further institutionalized. Other countries experimented with different types of incomes policy. In Germany, the government established the *Sachverständigenrat* and *konzertierte Aktion* in 1964, but this form of incomes policy failed because wage guidelines were not observed and inflation increased rapidly (Braun, 1974). Most countries had relatively full employment employees had a strong position in the labour market, whereas wage restraint led to a clear decrease in real income and eventually could not be enforced in any country.

In economic policy the prevailing tone also changed. Because of increasing conflicts with the unions, themselves exposed to the pressure of disaffected members, governments were less and less willing to engage in incomes policy. In 1974, the *Bundesbank* reacted to high wage settlements by raising interest rates. In Britain, the OECD country with the most extensive experience of incomes policy, a radical rejection of such policies was adopted by Thatcher in 1979. In the USA, the newly elected Reagan administration withdrew the half-hearted incomes policy of the Carter administration and replaced it with a restrictive monetary policy. In France, the new Mitterrand government of 1982 failed to achieve 'Keynesianism in one country'. Approaches which considered inflation as a problem stemming from the expectations of economic actors became more and more accepted in economic theory.

However, not all forms of cooperation between governments and social partners became obsolete. The increasingly restrictive monetary policy had a disciplining effect on the union wage policy. At the same time, there were further attempts by governments to alleviate the welfare losses created by restrictive monetary policy. This was not the case in countries where cooperation with the social partners was either rejected in principle by government, such as the USA and Britain. In the early 1980s,

governments in countries such as Denmark and the Netherlands first rejected negotiations, but later tried to resume cooperation. Generally, social pacts were concluded on a new basis in countries in which communication with the trade unions had not been discontinued. In these countries, new agreements were concluded which, beside wage agreements, also dealt with a number of other policy fields.

As in the 1970s, wage bargaining was at the centre of negotiations in most of these pacts. However, the context of economic policy had shifted. Unlike during the 1960s and early 1970s, a restrictive monetary policy was now used to maintain monetary and exchange rate stability. But a moderate wage policy can also reduce the negative effects of restrictive monetary policies. In addition, it alleviates the increasing pressure of indebtedness by dampening wage costs in the public sector. Since wage replacement benefits are coupled with collective bargaining agreements of the private sector in many countries, wage restraint decreases social expenses. In addition, moderate wage agreements can increase the competitiveness of companies in increasingly globalized markets. Thus, an incomes policy can be advantageous to the economic policy of governments also under the conditions of a restrictive monetary policy (Ebbinghaus and Hassel, 2000; Hassel, 2006).

The second difference pertaining to the old forms of incomes policy is the fact that the new social pacts went beyond wage arrangements and included institutional reforms of the labour markets and social security systems. In particular financing and costs of social policy became an issue for tripartite negotiations. But also questions of temporary employment, part-time employment and protection against dismissal were regulated in the new pacts. Since the beginning of the 1990s, an increased employment rate has been seen as the main goal of employment policy. This clearly deviates from the 1970s and 1980s when there was a tendency to reduce unemployment through measures such as early retirement.

Meanwhile, trade union participation in the economic and labour market policies of western European governments in the 1980s and 1980s was still based on the basic postwar power structures. The fact that wage restraint tended to fail in the second half of the 1960s and at the beginning of the 1970s did not reduce the unions' importance: it failed because the unions could not contain the wage expectations of their members, whose number increased in all western European countries. The crisis of social partnership led to a further strengthening of the trade union power, and social democratic governments which were under pressure by the unions to extend the welfare state. While industrial employment was

declining and unemployment became a problem for the first time after the end of the war, demands on the welfare state were clearly increasing.

Trade unions reached the peak of their influence in the late 1970s and early 1980s in most countries, with the exception of Scandinavia, where the process lasted far into the 1990s. In the 1970s, debates between governments and unions involved calls for enhanced industrial and economic democracy, while at the same time unemployment severely increased.

While union influence continued to increase, the global economic situation changed radically, with a dramatic deterioration of the competitiveness of many European countries. Union-friendly governments, as for example that of Mitterrand in 1982, also had to recognise that the benefits of an expansionary wage and fiscal policy were dissipated to other countries. The European Monetary System, which pegged the EU currencies together, was meant to prevent further competitive devaluation but raised the pressure on collective bargaining policy. Thus in the 1980s the peak of trade union influence coincided with economic restrictions which were introduced, at least in part, to discipline the unions. The wage conflict thus shifted to social and labour market policy. If no margin existed for improvement of employees' position as far as money and wages were concerned, and at the same time employees were increasingly threatened by unemployment, then their protection through welfare provisions should at least be maintained, if not extended.

For the majority of the trade unions, this phase of social pacts during the 1980s and 1990s was characterized by alliances formed to overcome economic crises against the background of a powerful starting position. In many countries, social pacts were created only after massive government crises and new elections (the Netherlands 1982, Ireland 1986 and Italy 1992) (Hassel, 2003). Nevertheless, the unions' expectations were directed at dealing with crisis at short notice and at the same time maintaining, if not extending, the welfare states. It became obvious only after a period of time that the adaptation processes of the European welfare states would be more profound than originally expected.

On the government side, policy interests once again took precedence in most countries. Several social-democratic governments --- as for example in the Netherlands in the late 1970s --- failed because the constraints of the economic and budgetary situation and the expectations of the mostly unionist base of their party. It was only with the advent of conservative governments in many west European countries

in the 1980s that the scope of action for governments became wider because they were not directly dependent upon trade union interests. Under the pressure of high budgetary deficits the governments were in the position to conclude new social pacts with the trade unions. In the 1980s, right-wing governments concluded new pacts, especially in countries with a strong tradition of social partnerships (Hassel, 2006). These governments had no power-maintaining interest in these pacts, as the trade unions tended not to support them in electoral campaigns. Rather, they had strong policy interests which could also be implemented in a political exchange because of their relative independence from the trade unions.

Judging the effects of these negotiations depends mainly upon the choice of criteria in evaluating them. It is clear that wage agreements in the framework of social pacts led to a more rapid adjustment of inflation rates in western Europe during the preparation phase for EMU (Hancké and Rhodes, 2005; Hassel, 2006). It is not clear whether the pacts also eased reforms in social policy: Siegel (2004: 22) points out that the majority of pension reforms were not negotiated within the scope of tripartite concertation processes. In Bismarckian welfare states, Schludi (2001) also argues that the competition between parties plays just as central a role as the veto position of the social partners. Other studies refer to the role of veto positions of transfer recipients or the role of recriminations (Pierson, 1994). Simple patterns of explanation by multidimensionality are not confirmed by the empirical reality in this case (Siegel, 2004).

## **Asymmetrical Social Partnership in Central and Eastern Europe**

The transformation of the CEE societies and economic systems was and still is all-embracing. Political institutions and party systems; property rights and the organization of societal interests were all affected by the transition from socialism to market economies.

The western European discussion on corporatism proceeds from the assumption that trade unions are highly formalized, centralized and have membership monopolies. Therefore, they are in a position to form and influence their members' interests and to establish long-standing cooperative relationships with governments (Schmitter, 1974 and 1981). Trade unions in CEE have originated from a situation of

political upheaval in which societal power structures were completely redefined and when the market economy was still being established. Interests and identities were less clearly defined in the transformation process; they originated in the process of organization by the unions and conflict with the government (Stark and Bruszt, 1998: 135). Therefore there could be no clearly defined exchange of policy and power interests between governments and trade unions, as both sides had first to establish their own interests.

In addition, trade unions had a different role in the political process of transition. They played a central role only in Poland, where *Solidarność* can be regarded as the main agent of change. In the former Czechoslovakia the general strike of November 1989 dealt the communist system the final blow (Stark and Bruszt, 1998: 183). In the other CEE countries, however, unions were only marginally if at all involved in the end of the communist systems. In these cases, the unions did not emerge from the peaceful revolution of 1989 as winners but as organizations compromised by state socialism.

Trade unions in CEE had a high degree of organization, since union membership in socialist countries proved advantageous to everyday life. But their proximity to the government system largely discredited the old unions during the transition phase. With the transformation, oppositional trade unions were founded in competition with the old unions (except in Estonia, Lithuania, the Czech Republic and Slovakia), bringing greater trade union pluralism than in much of western Europe. The CEE trade unions lost much of their membership during the course of the 1990s, and on average today have far lower unionization rates than in western Europe (Carley, 2004; Kubicek, 1999).

The compromised status of the trade unions during the era of socialism and later political upheaval, combined with massive changes on the labour market, lost them employee support (Ost, 2000: 519). Most employees failed to define their interests as opposed to those of their employers: rather, their welfare depended upon that of the company. At the same time, only a minority of unions had a classic conflict-oriented union identity: most rejected strikes as a means of dispute with the employers (Ost, 2000). Their focus was on the public sector, in particular the companies which had not yet been privatized; they aimed to maintain these industries or at least to slow down privatization through political lobbying.

In addition, private manufacturing, traditionally a trade union stronghold in western countries, was rather weak in CEE. Those countries, as in the west, were affected by de-industrialization and the growth of private services (Bohle and Greskovits 2007), a sector which is everywhere more difficult for unions to organize.

Anti-union attitudes were actively or tacitly supported by many governments, which deliberately distanced themselves from the trade unions. The negotiations for International Monetary Fund loans and with the EU over accession required commitments to privatization and to wage moderation, positions which were contrary to union interests in most cases. Industry-wide wage negotiations were not seen as a part of the European social model but as an infringement on entrepreneurial freedom, as for example by the Klaus government in the Czech Republic from 1992--1997 (Bluhm, 2005: 8; Stark and Bruszt, 1998).

This pluralistic setting further weakened social partnership, since there were few sectoral wage negotiations and in many cases no industry-wide employers' associations. Only in Slovakia and Slovenia did the sectoral and national level play a major role in collective bargaining, while a weak form of industry-wide collective bargaining existed in Hungary. Elsewhere, collective bargaining took place only at plant level (Kohl and Platzer, 2004: 174). Both upward and downward deviations from central guidelines were great, even in the countries in which wage guidelines existed in national pacts (Carley, 2004).

A similar picture applies to the observance of labour law regulations. Prior to 1989, labour law was very formalized and extensive. Following 1989, new laws on the freedom of association, collective agreements and the freedom of strike were introduced into the transition countries, in no respect inferior to union rights in western European countries (Bluhm, 2005). In addition, in many areas, as for example with regard to protection against dismissal and working hours, restrictive formal regulations remained in place. However, large deviations from the legal regulations existed both prior to 1989 and during the transition period (Bluhm, 2005; Weiss, 2004). The requirements of the European social model regarding employment protection were formally fulfilled in national legislation but circumvented by the lack of implementation at company level.

Against this background, the status of social partnership in CEE differed from corporatism in western Europe. Indeed, all EU accession countries introduced tripartite consultation boards in the late

1980s and 1990s, and also had recourse to social pacts (see Table 3). However, this was not a reflection of trade union power. In the case of Hungary, they had already been established by the communist government in order to broaden the latter's legitimacy in the implementation of difficult political decisions. In CEE more generally, the motivation to involve the unions in political decision-making processes was based primarily on the intention to ensure the political and social peace in the face of existing and foreseeable economic hardships (Avdagic, 2005). Ost (2000: 508) argues that tripartite institutions were created by 'real-socialist' party reforms in order to defer their own loss of power or in order to make such loss more bearable. In his words, they were 'institutions of system legitimation instead of arenas for conflict solutions or class compromises'.

[Table 3 about here]

Similarly, tripartism in CEE was characterized as 'pre-emptive corporatism' by Wiesenthal in 1995. According to his analysis, tripartite consultations have been established by the governments 'to monitor the transition from planned economy to market economy integrating potential veto players without the intermediary organizations invited thereto being developed enough on the programmatic or organizational level or even regarding their social basis, to claim such a position on their own initiative' Others also warned against using the terms social partnership or corporatism for the CEE institutions at too early a stage (Tatur, 1995).

In contrast to the social partnership relations in western Europe, CEE governments had only minor policy interests in tripartite negotiations. Given the existing institutional and ideological framework conditions, trade unions were hardly in a position to regulate or enforce labour relations or wages independently of the priorities of the government and companies. Therefore, their contribution to the economic reform processes was only marginal, from the government's point of view, and consisted merely of occasional protests against economic hardships. The consultation boards had been installed by the governments through considerations of political power; this was done, on the one hand, in order to accommodate the expectations of the European Commission and the ILO; on the other, these boards provided a broader basis of legitimization for the necessary reform processes (Iankova and Turner, 2004:

78). Another indication thereof is that in extreme cases, concertation bodies were temporarily suspended. In Hungary (1995) and in Slovakia (1997) consultations were suspended in order to carry out drastic economic reforms which involved wage decreases (Tóth and Neumann, 2004). In such situations, the governments did not need trade unions in order to pursue their own policy interests. They only needed them to cushion the discontent of the population for a certain period of time.

In this context, the trade unions had no distinct influence on policies. The most important issue in the tripartite negotiations often consisted in fixing minimum wages, since no industry-wide collective bargaining on wages took place. However, trade unions were not able to prevent wage reductions during the transition period. At the same time, there were barely any offers for institutional integration in exchange. The lack of procedural regulation in the scope of tripartite consultation rather shows that these institutions were not taken seriously by the governments (Kohl and Platzer, 2004: 231). Thus, the trade unions were unable to pursue effectively either their policy or their power interests.

Compared to the social partnership as practiced in the western European countries with a traditionally high potential of influence on the part of the trade unions, social partnership institutions established in CEE following the political transformations increased their own basis of power by formally integrating interest groups, instead of serving the governments' policy interests. However, formal integration does not mean that the unions can effectively pursue their own interests.

Does this mean that social partnership in CEE is an illusion (Ost, 2000)? Compared to the standards and expectations of the social partnership established in the west, that equated strong unions with social-democratic policy, the relations between unions and governments in CEE were incomparably more fragile and unilaterally determined by the government (Heinisch, 1997).

Nevertheless, tripartite consultation boards can at least potentially constitute a framework for the promotion of participation in civil society and thus offer an opportunity for the further development of societal organizations and interest representations (Kohl and Platzer, 2004: 231). In the view of some authors, the existing forms of institutionalized consultation, even though based on a weak foundation, have today made a partial reconciliation of interests possible and ensured that a consensus on economic reforms could be reached (Iankova, 2002). For Stark and Bruszt (1998: 190), the coherence of economic reforms depends in the first place on the political integration of trade unions in political networks.

'Expanding network ties beyond industrial elites and extending accountability beyond intrastate institutions to include a broader range of interests and intelligence in decision-making centres, we argue, further contributes to the coherence of reform policies'. In their view, the weakness of the social and economic associations in CEE is a deficiency of the transformation process.

While according to classic western criteria of corporatism, social partnership in CEE as practised today shows clear deficits, its contribution to the transformation process could be judged more significant than is often assumed. For example, the negotiations on and transfers of minimum wage norms in tripartite institutions are of significant importance for the establishment of industry-wide wage agreement structures. If they did not take place, any further development towards the regulation of wages on an industry-wide level would be hardly possible.

## **Conclusion**

Varying forms of social partnership are embedded in and largely determined by their macro-economic contexts. This article has argued that it is the macroeconomic context which prompts both sides of the partnership to define their motivations and guides their interactions. Variance between countries which look superficially similar can be traced to different problem constellations, while similar institutions might produce different outcomes in different problem settings.

In classic corporatism, policy interests on the side of the governments meet power interests on the side of the unions. If unions pursue pure policy interests, this will either lead to pluralistic competition or to traditional lobbyism, if the government can win their support for its electoral campaigns. In Germany, the *Bündnis für Arbeit* developed into a lobby forum with which the federal government adorned itself and in which the unions could formulate their interests. When the government became serious about its reform policy, it suspended the concertation. However, if primarily power interests come together, then what is called illusory corporatism in CEE countries will arise: social partnership becomes a façade.

The unions were not a major actor during the transformation phase in CEE for several reasons. They were often discredited as a result of their proximity to the communist regime, their acceptance by

employees was weak and they had no institutional basis for the regulation of the labour market. Their participation in political decisions was based on interventions by the European Commission and ILO, and was meant to serve as an instrument to prevent social disturbances. Under these conditions, however, governments had little reason to provide security for the unions in exchange for their policy interests, but could pursue their own projects to a large extent without being obstructed. The consultation processes in this case did not generally lead to substantive regulation.

The comparison between eastern and western Europe can be used to illustrate the general mechanisms of the relations between governments and unions. Institutionalized or more informal relations between governments and unions in the framework of social partnership are political instruments that can be used to regulate different objectives, depending upon the interests of the actors involved. While governments in CEE directly following 1989 had a power maintenance interest in tripartite structures, their policy interests in corporatist structures were rather insignificant because of the weakness of the trade unions. Therefore, policy interests were often regulated outside the social partnership institutions. Corporatist institutions were seriously used for negotiations only in response to concrete mobilization pressure by the unions. In contrast, social partnership in western Europe regained importance following the deep economic crisis in the 1970s and when the convergence of wage movements in the European economic area became a central target of the governments in preparation for monetary union.

This distinction can explain the fundamental difference between the development of corporatism in western Europe and CEE, by indicating the differences in governments' dependence on trade union cooperation for economic policy-making, which served as the trade unions' basis of power in classic corporatism. In western European countries, unions had real political power in the postwar era, which they obtained because they could control the level of wage increases, while at the same time governments had taken responsibility for full employment. Since the convergence of inflation rates was of importance for the preparation for EMU, unions still wielded significant influence during the 1980s and 1990s, though their broader political influence and membership density had both decreased.

## REFERENCES

- Armingeon, K. (2005) 'Probleme des Übergangs vom Korporatismus zum Pluralismus' in F. Karlhofer and E. Tálos (eds);: *Sozialpartnerschaft: eine europäische Perspektive?* LIT-Verlag: Hamburg:135-158.
- Armingeon, K. (1983) *Neo-korporatistische Einkommenspolitik. Eine vergleichende Untersuchung von Einkommenspolitiken in westeuropäischen Ländern in den 70er Jahren*. Frankfurt/M., Haag + Herchen.
- Avdagic, S. (2005) 'State-labour relations in East Central Europe: Explaining variations in union effectiveness', *Socio-Economic Review*, 3(1):25–53.
- Avdagic, S., Rhodes, M. and Visser, J. (2005) 'The Emergence and Evolution of Social Pacts. A Provisional Framework for Comparative Analysis', *European Governance Papers*. No. 05-01. <http://www.connex-network.org/eurogov/pdf/edp-newgov-0501.pdf>.
- Baccaro, L. and Simoni, M. (2008) 'Policy Concertation in Europe: Understanding Government Choice', *Comparative Political Studies* 41(10): 1323-48.
- Bispinck, Reinhard. and Schulten, T. (2000) 'Alliance for Jobs – is Germany following the path of competitive corporatism?' in Giuseppe Fajertag and Philippe Pochet (eds) *Social Pacts in Europe – New Dynamics*. Brussels: OSE – ETUI: 187–218.
- Bluhm, K. (2005) *Permissive Arbeitsbeziehungen in Mitteleuropa – Mythos der deutschen Flexibilitätsdebatte*. Inaugural lecture, Friedrich-Schiller-Universität Jena.
- Bohle, D. and Greskovits, B. (2006) 'Capitalism without Compromise: Strong Business and Weak Labor in Eastern Europe's New Transnational Industries', *Studies in Comparative International Development*, Spring 41 (1):3-25.
- Bohle, Dorothee and Greskovits, B. (2007) 'Neoliberalism, Embedded Neoliberalism and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe', *West European Politics* 30 (3):443 – 466.
- Braun, A. R. (1974) 'The role of incomes Policy in Industrial Countries Since World War II' IMF Staff Papers.
- Carley, M. (2004) 'Trade union membership 1993–2003', <http://www.eiro.eurofound.eu.int/2004/03/update/tn0403105u.html>.
- Clegg, H.A. (1979) *The Changing System of Industrial Relations in Great Britain*. Oxford: Basil Blackwell.
- Ebbinghaus, B. and Hassel, A. (1999) 'The role of tripartite concertation in the reform of the welfare state' *Transfer* 1-2: 64–81.

- Ebbinghaus, B. and Hassel, A. (2000) 'Striking Deals. The role of concertation in the reform of the welfare state', *Journal of European Public Policy*. 7(1'): 44–62.
- European Foundation for the Improvement of Living and Working Conditions (2004a) 'National Level Tripartism and EMU in the new EU member states', Dublin.
- European Foundation for the Improvement of Living and Working Conditions (2004b) 'Social Dialogue and Conflict Resolution in the acceding countries', Dublin.
- Fajertag, G.- and Pochet, P. (Eds) (2000) '*Social Pacts in Europe – New Dynamics*' Brussels, Belgium: European Trade Union Institute/Observatoire Social Européen Pages??
- Falkner, G. (1998). EU Social Policies in the 1990s. Towards a corporatist policy community. London: Routledge.
- Flanagan, R., D. W. Soskice and L. Ulman (1983) *Unionism, Economic Stabilization, and Incomes Policies. European Experience*. Washington D.C.: Brookings Institute Press. Pages??
- Hamann, K. and J. Kelly (2007) 'Party politics and the re-emergence of social pacts in Western Europe', *Comparative Political Studies*, 140(6):971-994.
- Hancké, B. and M. Rhodes (2005) 'EMU and Labor Market Institutions in Europe: The Rise and Fall of National Social Pacts', *Work and Occupations*, 32(2):196-228.
- Hassel, A.(2003) 'The Politics of Social Pacts', *British Journal of Industrial Relations* 41(4):707–726.
- Hassel, A. (2007) *Wage setting, social pacts and the Euro. A new role for the state*. Amsterdam: Amsterdam University Press.
- Heinisch, R. (1997) 'The state of Corporatism in a Central Europe in Transition', in Irwin Collier, Herwig Roggemann, Oliver Scholz and Horst Tomann (eds) *Welfare States in Transition. East and West*. London: Palgrave Macmillan: 50–89.
- Iankova, E. A. (2002) *Eastern European Capitalism in the Making*. Cambridge: Cambridge University Press.
- Iankova, E. A. and L. Turner (2004) 'Building the New Europe: western and eastern roads to social partnership', *Industrial Relations Journal* 35(1):76–92.
- Kohl, H. and H.-W. Platzer (2004) *Arbeitsbeziehungen in Mitteleuropa. Transformation und Integration. Die acht neuen EU-Mitgliedsstaaten im Vergleich*. Baden-Baden: Nomos.
- Kubicek, P. (1999) 'Organized Labour in Postcommunist States: Will the Western sun set on it too?', *Comparative Politics* 32(1):83–102.
- Molina, O. and M. Rhodes (2002) 'Corporatism: The Past, Present, and Future of a Concept', *Annual Review of Political Science* 5:305–331.
- OECD (1962) *Policies for Price Stability. A report to the Economic Policy Committee by its Working Party on Costs of Production and Prices*. Paris.
- Offe, C. (1995) 'Designing Institutions for East European Transitions', in Jerzy Hausner, Bob Jessop and Klaus Nielsen (eds), *Strategic Choice and Path-Dependency in Post-Socialism. Institutional Dynamics in the Transformation Process*. London: Edward Elgar Publishing: 47–66.

- Orenstein, M. A. and L. E. Hale (2001) 'Corporatist Renaissance in Post-communist Central Europe?', in Christopher Candland and Rudra Sil (eds) *The Politics of Labour in a Global Age: Continuity and Change in Late-industrializing and Post-socialist Economies*. Oxford: Oxford University Press: 258–282.
- Ost, D. (2000) 'Illusory Corporatism in Eastern Europe: Neoliberal Tripartism and Postcommunist Class Identities', *Politics and Society* 28(4):503–530.
- Pierson, P. (1994) *Dismantling the Welfare State? Reagan, Thatcher, and the politics of retrenchment*. Cambridge: University Press.
- Pizzorno, A. (1978) 'Political Exchange and Collective Identity in Industrial Conflict', in Colin Crouch and Alessandro Pizzorno (eds): *The Resurgence of Class Conflict in Western Societies since 1968*. London: 277-298.
- Regini, M. (1984) 'The condition for political exchange: How concertation emerged and collapsed in Italy and Great Britain', in John Goldthorpe (ed) *Order and Conflict in Con-temporary Capitalism*. Oxford: Oxford University Press: 124–142.
- Regini, M. (2000) 'Between Deregulation and Social Pacts: The Responses of European Economies to Globalization', *Politics and Society* 28(1):5–33.
- Rhodes, M. (2001) 'The Political Economy of Social Pacts: 'Competitive Corporatism' and European Welfare Reform', in Paul Pierson (ed.) *The New Politics of the Welfare State* Oxford: Oxford University Press: 165-196.
- Rhodes, M. (2003) 'National Pacts and EU Governance in Social Policy and the Labour Market', in Jonathan Zeitlin and David M. Trubek (eds) *Governing work and welfare in a new economy*. Oxford: Oxford University Press:129–179.
- Scharpf, F. W. (1991) *Crisis and Choice in European Social Democracy*. Ithaca NY: Cornell University Press.
- Schludi, M. (2001) 'The Politics of Pensions in European Social Insurance Countries', MPIfG Discussion Paper 01/11, Cologne.
- Schmitter, P. C. (1974) 'Still the Century of Corporatism?', *Review of Politics* 36:85–131.
- Schmitter, P. C. (1981) 'Interest intermediation and regime governability in contemporary Western Europe and North America', in Suzanne Berger (ed) *Organizing interests in Western Europe, Pluralism, corporatism and the transformation of politics*. Cambridge:Cambridge University Press: 285–327.
- Schmitter, P. C. and J. Grote (1997) 'Der korporatistische Sysiphos – Vergangenheit, Gegenwart und Zukunft', *Politische Vierteljahresschrift* 38(3):530–554.
- Siegel, N. A. (2004), 'Social Pacts Reconsidered: Competitive Concertation, Confirmative Action and Confirmatory Case Studies', paper presented to the ECPR Joint Sessions, Uppsala April 14-18.
- Stark, D. and L. Bruszt (1998) *Postsocialist Pathways. Reforming Politics and Property in Central Europe*. Cambridge: Cambridge University Press.

- Streeck, W. (1987) 'Vielfalt und Interdependenz. Überlegungen zur Rolle von intermediären Organisationen in sich ändernden Umwelten', *Kölner Zeitschrift für Soziologie und Sozialpsychologie* 39:471–495.
- Streeck, W. (1984) 'Neo-corporatist Industrial Relations and the Economic Crisis in West Germany', in John Goldthorpe (eds) *Order and Conflict in Contemporary Capitalism* Oxford: Oxford University Press:291–314.
- Streeck, W. (2003). 'No Longer the Century of Corporatism. Das Ende des „Bündnisses für Arbeit“', MPIfG Working Paper 03/4, Köln.
- Streeck, W. and A. Hassel (2003) 'Trade Unions as political actors', in John T. Addison and Claus Schnabel (eds) *International Handbook of Trade Unions* London: Edward Elgar Publishing: 335–365.
- Tatur, M. (1995) 'Towards Corporatism? The Transformation of Interest Policy and Interest Regulation in Eastern Europe', in Eckhart J. Dittrich, Gert Schmidt and Richard Whitley (eds) *Industrial Transformation in Europe: Process and Context*. London: Sage Publication:135-158.
- Tóth, A. and Neumann, L. (2004) 'National-level tripartism and EMU in the new EU Member States and candidate countries', <http://www.eiro.eurofound.eu.int/2004/03/study/index.html>.
- Trampusch, C. (2004) 'Das Scheitern der Politikwissenschaft am Bündnis für Arbeit. Eine Kritik an der Problemlösungsliteratur über das Bündnis für Arbeit', *Politische Vierteljahresschrift* 45(4):541–562.
- Visser, J. and H. Anton (1997) '*A Dutch Miracle*' *Job Growth, Welfare Reform and Corporatism in the Netherlands*. Amsterdam: Amsterdam University Press.
- Weiss, M. (2004) 'Enlargement and Industrial Relations: Building a New Social Partnership', *International Journal of Comparative Labour Law and Industrial Relations* 20(1):5–26.

**ANKE HASSEL is Professor of Public Policy at the Hertie School of Governance, Berlin.**

ADDRESS: Hertie School of Governance, Friedrichstraße 180, 10117 Berlin, Germany.

**FIGURE 1. Interest constellations in social partnership negotiations**

	Policy Interests	Power Interests
Governments	a. Solutions for economic problems	b. Electoral support by unions; legitimization of government actions
Unions	c. Membership interests in higher wages and generous social policies	d. Institutional security

**FIGURE 2: Types of social partnership interaction**

		Governments	
		Policy interests	Power Interests
	Policy interests	Pluralism (UK 1979-- )	Tactical alliance (Germany 1998--2003)
Unions	Power interests	Classic corporatism (Western Europe 1950-- )	Illusory (pre-emptive) corporatism (Eastern Europe 1989-- )

**FIGURE 3. Structure and legal basis of national tripartite councils in CEE**

Country	Designation	Employer seats	Union seats	Legal basis
Estonia	Economic and Social Council ( <i>Eesti Sotsiaalmajandusnõukogu</i> )	1	2	Law 1998
Latvia	National Tripartite Cooperation Council ( <i>Nacionālās trišpusējās sadarbības padome</i> )	1	1	Tripartite agreement 199
Lithuania	Tripartite Council ( <i>Lietuvos Respublikos trišale taryba</i> )	2	4	Tripartite agreement 199
Poland	Tripartite Commission for Social and Economic Affairs ( <i>Trójstronna Komisja do Spraw Społeczno-Gospodarczych</i> )	2	9	Law 2001
Czech Republic	Council of Economic and Social Agreement ( <i>Rada hospodářské a sociální dohody</i> )	2	2	Tripartite agreement 199
Slovakia	Council for Economic and Social Agreement ( <i>Rada hospodárskej a sociálnej dohody</i> )	1	1	Law 1997
Hungary	Council for the Reconciliation of Interests ( <i>Országos Érdekegyeztető Tanács</i> )	9	6	Tripartite agreement 200
Slovenia	Economic and Social Council ( <i>Ekonomsko-socialni svet</i> )	5	5	Tripartite agreement 199

Source: Kohl and Platzer, 2004: 228.