

# Social Partnership in Ireland

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*The Irish 'Social Partnership' is the way that corporatist accommodates the trade unions, farmers, community and voluntary sector of organisations. It was the foundation for a period of rapid growth, so-called 'Celtic Tiger', but now most of us have little doubt that social partnership has been a key factor in the economic success of the Republic of Ireland. This simple 'tripartite' model became a platform for negotiations between groups of various interests and aspirations. Now 'Social Partnership' is open to criticism on ground of effectiveness but it would be a mistake to renounce to it. The important question is how democracy may be deepened within social partnership and other similar model as a potential successor. What has developed may contribute to the theorising of 'Social Partnership' as a new form of 'multi-level' and 'flexible' governance and is considered as an instrument of direct participatory democracy. Social Partnership became an important process in Europe since the 1990's and each country had surprisingly different experiences. This paper examines the origins and significance of the social dialogue in relation to a financial, fiscal and social crisis and also a distrust of legitimacy for the political elite in Ireland.*

## Introduction

Social dialogue in Ireland, also known as the 'Social Partnership' began as a national tripartite agreement, between the Government, group of employers and the trade unions. The process was initiated in 1987 and affected a number of Irish laws and policies. During that time, Ireland experienced a boom in which it was transformed

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from one of Europe's poorer countries into one of its wealthiest and the financial crisis was partly responsible for the country falling into recession. The 2008 'Global Financial Crisis' is considered by many economists to be the worst since 1929–1933. It was a shock for the financial world and resulted in the collapse of large financial institutions, the bailout of banks by national governments around the world. Economies worldwide slowed during this period, and this had an impact on global stock markets.

Looking for solution became an imperative and a challenge for the economists. Governments and central banks responded with unprecedented fiscal and monetary policy expansion. In the opinion of some politicians, the financial crisis itself ended sometime around 2009. But as we know now the impact will be reflected on public finances and employment for much longer in many countries, including the Republic of Ireland. Usually discussions began in such situation, which leads to the correction of the economy. It did happen previously, after the crisis's occurred in the 1930s (Keynesian economy) and in the 1970s (neo/post-liberalism). Maybe it's time to introduce alternative solutions for the present relations between the economy and the democratic system. Why exactly democracy and economy? In my opinion, the weakness of the democracy lies at the heart of the present crisis. Lobbyist groups exercise sometime significant influence on the Government and legal regulations. Due to democratic procedures taken earlier, Central banks lost control over commercial banks. This also happened in the USA and in many countries around the world. Following this, no State will be able to manage the crisis. Governments in European Union and in the United States often use short-term solutions for tackling public debt, mainly for the purpose to fulfil current obligations and to postpone the problem in time. This means that the crises will have consequences on financial situations for many years to come. Often rampant capitalism and human greed are the main reason for these crises as 'the right to be rich' triumphs over the value of 'equality and sustainable development'. All those aspects have to be considered in to developing a proposal for a new model of economy, as in my opinion reforming the economic process it not possible without changes to the model of democracy. We can take for example the transformation of the Irish economy over the last 20 years which has played an important part in the key point of understanding the current issues. Ireland has experienced an extraordinary rate of development but as a consequence had a severe economic downturn brought the introduction of austerity measures by doing that they have allowed the reform of the model of the State. Such changes had already been introduced in many European countries and around the world. The first 'negotiation model of the state' has appeared in Sweden in the 19<sup>th</sup> century and it is

now perceived as a social welfare state. From Poland's point of view, it is important to learn from those experiences, how to adopted and developed this similar model like in Ireland.

## Origins

Before 1987 Ireland was far removed even from having a vision of improving its economic position. Inflation, unemployment, a difficult financial and social situation (Bacon, Durkan, O'Leary 1982) started strikes, demonstrations and forced Ireland's young to immigrate; those elements did not provide an optimistic forecast for the years to come. The Government and all the successive administrations were aware of the necessity to introduce drastic economic measures. However, in the 1980's, each of the successive governments had only a small majority in the Parliament. Any proposed reforms met with fierce reaction from the opposition and this threatened the collapse of the Government. Long-term fatigue and dissatisfaction with the situation led to a general belief in society that reforms must be made, even if those are very painful changes. As a result, both of the unions and the opposing parties gradually changed their strategy to abandon the populist politics and fierce criticism of ruling government. All this was in order to participate in the debates to construct a new development of a program that would cover not only economic matters, but all the aspects of the development of the society. The first attempt for an agreement that was not only between the major opponents: trade unions and employers, but also within political groups took place in the early 1970's. Thanks to those meetings, debates and various conferences this actions initiated the process of consolidation, reunification and development of common position on key issues (Mac Sharry 2000). It is a very good example indicating how difficult it is to lead to an agreement and to start negotiations between all the stakeholders. However, it is worth noting that social dialogue in Ireland had its roots far earlier, in the past and has emerged from several ideological trends.

Without a doubt the strongest impact on the social development of the policy was the Catholic Church, traditionally deeply rooted in Ireland. The position of the Church in social matters was outlined in the encyclical 'Rerum Novarum' from 1881 (O'Leary 2000). In the first half of the 20<sup>th</sup> century an interest of the Catholic Church for social reform was subject to the papal encyclical *Quadragesimo Anno* from 1931. This

included the Vatican's position relating to an increase in the activity of independence, socialist movements and birth of democracy in Europe, which took place in the 19<sup>th</sup> and at the beginning of the 20<sup>th</sup> century. In both above-mentioned proposals were included for solving the conflict in society, class clash and reconciliation of interests of various social forces within the earned system of settlements of corporatism. For Irish people, being mostly of the Catholic faith, the position of the Church was very important (Been, Hannan, Rottman, Whelan 1990: 31–35). Christian movements and organisations in Europe as a matter of fact also participated in the development of people's democracy at its early stages, as well as to the socialist and liberal movements formed after the French Revolution. A good example of such process was the activity of Daniel O'Connell<sup>1</sup>, who in the first half of the 19<sup>th</sup> Century led the Movement of Catholic Emancipation to strive for cooperation of Catholicism and of the modern democracy (Mac Carthy 1980).

In this respect it can be said, that the history of Ireland brought around the second credo: the socialism and trade unions. This is directly reflected in the position of Irish people in the social structure of the British monarchy in the 19<sup>th</sup> century and in earlier time, as where Irish people were seen mainly as a working class, which naturally organised itself into a labour movement among the Irish population. There were influences from both sides, the social democratic tradition of Irish trade unions and as well from the Labour Party.

For the Labour Party, among its key problems was the constant conflict with the Church, but in controversies the trade unions on the other hand, grasped very well the ideas of the Catholic Church as well as the national liberation movement. In the history of this union, there were visible strong traditions of strategic thinking as an example in 1913, during 'The Dublin Lockout' – the general strike in the capital. It saw one of his leaders – J. Larkin<sup>2</sup> – collaborating with the British Asquith Commission, which at that time was responsible for the reconciliation agreements mechanisms, in the course of disputes and conflicts arising from employment relationships (Yates 2000). Trade unions were able to cooperate both with the national liberation movement and the church institutions. In Ireland until the 1970s, the institution in which the activists of the national trade unions were trained, was created in 1951 by the order of the Jesuits, the College of Industrial Relations in Dublin. This university

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<sup>1</sup> Daniel O'Connell often referred as The Liberator or The Emancipator – was an Irish political leader in the first half of the 19<sup>th</sup> century

<sup>2</sup> James Larkin was an Irish trade unions leader and socialist activist .

was intended for the Catholic workers, and so it was later called (Catholic Workers' College)<sup>3</sup>.

Third and perhaps the most essential philosophy, was the national liberation movement and the ideology of national development, promoted by the political party Fianna Fáil. Both, political parties and radical organizations were repeatedly forced to find a way of dialogue, in the struggle for independence against stronger opponent. The 1916 Easter Uprising<sup>4</sup> and armed struggle were significant; however the independence was achieved as a result of dialogue and negotiations with the British Government. It is not surprising though, that the establishment of social partnership institution was achieved by the Fianna Fáil party, which in the 1980s had the majority in Parliament and Government.

So we have three main strands, which were strongly rooted in the consciousness of the Irish people - the ideas of agreement, negotiation and compromise. Strangely enough the history of Ireland in some respects resembles to the history of Poland. All the problems that were faced by this country before 1987, recall the problems we had to face upon Vistula in the 1990s and earlier. In Poland and in Ireland the Catholic Church is deeply connected with the events of history and national identity. The influence of church is visible in social, cultural and political aspects of life in both of the countries. National liberation organizations have rebuilt both countries in the beginning of the last century, after long period of occupation, and political, social, cultural and economical dependence, imposed by foreign 'sovereign' state. The trade union in Ireland during the period between the world wars referred to socialism and was rather similar to Polish Socialist Party directed by Józef Piłsudski<sup>5</sup> – many people consider his personality and the role he played in history was comparable to the one of Michael Collins<sup>6</sup>. Similarities will be noted also later, in the 1980s, when the Irish trade unions consolidated in order to find a common position in the period before negotiations, like it was in Poland while Independent Self-governing Trade

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<sup>3</sup> Official website [www.ncirl.ie](http://www.ncirl.ie) (present National College of Ireland)

<sup>4</sup> The Easter Rising (24–30 April 1916) was an Irish insurrection against the British Monarchy. It was the most significant uprising in Ireland since the rebellion of 1798, unfortunately it was suppressed after seven days of fighting, bringing physical force republicanism back to the forefront of Irish politics.

<sup>5</sup> Józef Piłsudski was a Polish statesman and leader of the Second Polish Republic. Early in his political career, he became a leader of the Polish Socialist Party. His conclusion was that Poland's independence would have to be won by force of arms, as a consequence he created the Polish Legions in the first World War.

<sup>6</sup> Michael Collins was an Irish revolutionary leader, Minister of Finance and Member of First Parliament in 1919 for Cork South, Director of Intelligence for the IRA and member of the Irish delegation during the Anglo – Irish Treaty negotiations.

Union 'Solidarity' was created. Irish social movement scene was yet not ideal. Trade unions despite good relation with the Church, referred to the so-called Catholic social teaching with some reserve. On the other hand, until 1970s, there was developed a philosophy of coherent national development. It was the main part of independence movement and its main party called Fianna Fáil. This way of thinking also referred to socialism, which was developing in the trade union movement between the world wars and after World War II. Once again we see that all the factors that were the roots of Irish dialogue, appeared also in the historical experience of Poland and its current capabilities. This means that social dialogue in Poland is possible and needed, even if it is difficult (Gardawski, Meardi 2010). Therefore, it is encouraging that Tripartite Commissions are functioning, and that the so-called public consultations take place.

Poland and many other countries that wish to find more about the Irish social dialogue system, should take a good look at the development NESC (National Economic & Social Council). It was founded in the late 1950s and it was the first experiment with the social dialogue. Just after the crisis of 1981 NESC published in 1982 national plan: 'The Way Forward', which was continued in 1986 under the name 'A Strategy for Development 1986–1990' (Mac Shary 2000). In those documents, were identified the main problems, which had to be solved. Most of the propositions contained in the documents published by NESC, became subject of negotiations of the first social partnership from the year 1987 (Programme for National Recovery 1987)<sup>7</sup>. By examining those documents, one can conclude: That the publication of the NESC reports was the starting point in the partnership negotiations. Later, this Council became the primary platform for dialogue in the entire system of social dialogue and serves in this role still today. Each agreement was preceded by a comprehensive report on national economic and social development drawn up by the NESC, itself representative of the social partners (Kirby 2010). This is where dialogue and debates took place under the supervision of the economists. The discussion about the future of the country, a lack of involvement from them, could have disastrous consequences. The primary aim of such debates is to achieve a detailed analysis, proposals and solutions made by the experts of the field, with consideration of the interest of all the stakeholders. The forum is chaired by a representative designated by the Prime Minister's Office. The active role of the Government is visible here; it does not wait passively for the effects of agreement, as in the process of dialogue the Irish Government plays a crucial role. Because of strong political determination and pursuit of a particular socio-economic aim, the partnership process was started and

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<sup>7</sup> Programmes for National Recovery – 1987 – First programmes of the social dialogue

was continued. In Ireland it was mainly thanks to a central party on the political scene, history of which dates back to the fight for independence from the early 20<sup>th</sup> century, and which transformed the philosophy of its actions from a fight for freedom to the national development strategy. Among the political leaders, who in the 1980s began this process, a prominent place should be given to the Prime Minister previously mentioned, the charismatic and controversial Charles J. Haughey<sup>8</sup> and then Minister of Finance Bertie Ahern<sup>9</sup>. Later, Bertie Ahern became the Prime Minister of Ireland through all the period of the 'Celtic Tiger'. Those two politicians during that time show positive attitudes, but at the end of their careers, both leaders were repeatedly accused of corruption, and this was among the main reasons that they retired from their political careers. Both knew about successfully operating systems of social partnership in Scandinavia, in France and in Germany and were aware of the socially harmful politics of confrontation with the unions in Great Britain ruled by Margaret Thatcher<sup>10</sup>. Mechanisms of social dialogue launched in 1987 led to formulation of the first social pact named the 'Programme for National Recovery' and helped Ireland to step out of closed circle of economic crisis. In order to achieve this, the Department of the Prime Minister was made of the centre of whole system, so it could manage the process and facilitate reaching an agreement between social partners. Success of the system extensively depended on this political commitment, which even now is constant and central element.

## Partners

In the 1980s the Irish Government repeatedly tried to lead to economic reforms, having the aim to overcome the economic crisis. Yet having only a small majority

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<sup>8</sup> Charles Haughey was an Irish Prime Minister who was serving three times in the office between 1979 up to 1992. He was also many time Minister of many different Departments between 1961–1992 including Minister for Justice, Agricultural, Finance, Health, Social Welfare, Gaeltacht.

<sup>9</sup> Bertie Ahern, Teachta Dála (Member of Parliament), Minister of State (1982), Minister for Industry and Commerce (1993), Minister for Art and Culture (1994), Tánaiste (Deputy Prime Minister) (1994); Minister for Labour (1987–1991), Minister for Finance (1991–1994), Taoiseach (Prime Minister) (1997–2008).

<sup>10</sup> Margaret Thatcher, British politician and Prime Minister of UK in 1979–1990, during her time she was nicknamed „The Iron Lady”, she implemented conservative, uncompromising policies, that have come to be known as „Tchatcherism”.

in Parliament and with strong objection from the opposition, this was beyond its grasp. Trade unions were afraid of lost of jobs and their previously achieved guaranteed minimal remuneration rates. On the other hand the employers unions were taking steps to introduce more liberal solutions, as it became clear that the only way to implement the reforms mentioned above, was a nationwide agreement of the major economic and social powers. From the 1970s until the mid 1980s the model of state, ruled by the negotiated agreements between the main social groups, was contemplated by many countries. In Europe, 'the negotiated model of state' functioned well in the Scandinavian countries, and also in Germany, France, Great Britain, the Netherlands and Switzerland (Osinski 2008). In this model, the citizens are the first of all members of the organisations representing various groups of interest. 'The rivalry is not between the State and organised interest groups' such as trade unions, consumers or employers associations, etc. *'because it is the State that is conglomerate of interests groups of various entities'* (Osinski 2008: 22). In the 1970s – thanks to traditionally good contacts with Germany, the Chancellor and SPD leader Helmut Schmidt<sup>11</sup> presented the 'German model of work relations' to the Prime Minister of Ireland. He was fascinated with this model, however success of the project depended on commitment of the union members and they had to propose the concept for negotiations, otherwise the unions could reject other ideas, that were imposed administratively. Eventually the party ruling at that time in Ireland, organised and send a group of analysts and observers from trade unions activists to the Nordic countries and Germany, to give them an opportunity to see from the inside the method of management of the country only based on agreement between various groups of the society. This group of union members and all those affairs were supervised by the minister of finance, in order to authenticate intentions and desires of the Irish Government. After the return this group participated in the internal discussions of individual unions and associations. Particularly important was the cooperation with the union ICTU (Irish Congress of Trade Unions), which announced its strategy 'confronting the crisis on the labour market'. In general, at the beginning of system of social partnership, were recognized internal discussions of the leaders of the trade unions in the 1980s, the result of which brought the publication of the above mentioned document 'Confronting the crisis on the labour market'. There were presented arguments for agreement, in the form of achieving a tripartite accord between trade unions, employers and the Government. At that time the unions supported the development of corporate system of centralized

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<sup>11</sup> Helmut Schmidt, West German Chancellor, politician of Social Democratic party.



negotiations, for the creation of a national public programmes. Those ideas were often discussed in the trade unions and over time, got supported by the increasing members in groups. The aforementioned document from the year 1985, was formed first to emphasize the importance of common employment strategy. But at the same time, the process of cooperation and coordination begun between specific trade unions, uniting and creating union central offices. At that time in Ireland there were functioning 95 various trade unions that were united in 25 central offices and those later became ICTU. This was a natural way of preparation of the union movement for one of the most important social agreements in the country. The idea of corporatism in trade unions was necessary to build a homogeneous central national strategy and programme for the process to be well understood by the leaders of unions and his members. Motivation for cooperation and unity was strong and this was the reason for voluntary unification of the union members.

The employers also were undergoing the process of preparation for negotiations. In the 1980s the employers being members of two organizations: FUE (Federated Union of Employers) and CII (Confederation of Irish Industry), they began to cooperate and soon developed a common position. However, they did not united in one organisation as the trade unions, but during the first dialogues both of the organizations appeared independently. Only later – before the second ‘Social Partnership’, they united their organizations into one central office named (IBEC), it had educated and efficient negotiators, analysts and structures capable of decision-making and representation covering all sectors of business. This organization acted in the interests of corporations, but also for small and medium-size companies. The government was trying to exhaust all possibilities to achieve successful negotiations between the antagonists, which were the union members and the employers and had facilitated the previous meetings and discussions. Thanks to the initiative of the Ministry of Industry and Trade, a number of tripartite institutions were created to make preparations for tripartite agreements. One of them was the ‘Employers-Labours Conference’ ELC) in which ICTU and the Federation of employers – FUE participated (Adshead, Millar 2003). This experience helped both parties to learn, how to cooperate while respecting the position of the opponent.

The last group of negotiators consisted of farmers and agricultural workers organisations. This group played an important role, as before 1987 Ireland was an essential agricultural country. Consolidation of the agricultural organisations was not so much a necessity, because of the small number of agricultural organisations and a lack of any opposing party during the negotiations. In addition, agricultural organisations were at that time making similar demands as union members.

The participation in the negotiations of farming interests in the Social Partnership was necessary due to the importance of agriculture in the Republic of Ireland and in order to make sure, that no important decisions are taken without agricultural organisations.

When the opposing parties agreed to perform national reforms, the way to negotiations was opened. Finally at the table of negotiations of the first agreement of social partnership published in October 1987 named 'Programme for National Recovery 1986–1990' the following organizations and institutions were present (Programme for National Recovery 1987):

- Representatives of the Government of the Republic of Ireland,
- ICTU – Irish Congress of Trade Unions,
- CII – Confederation of Irish Industry
- CIF – Construction Industry Federation,
- FUE – Federated Union of Employers,
- ICOS – Irish Co-Operative Society (Farmers Association),
- Macra na Feirme,
- IFA – Irish Farmers Association.

This first historic agreement was only the beginning for the new system of social dialogue for the country and it contained important and urgent matters from the point of view of unions and employers. The subsequent agreements of social partnership were established on average, every 3–4 years and referred to broader and wider issues. The current agreement, that has been in place since 2005, is Towards 2016 (T2016), however it was concluded in June 2006 with pay terms due to run to early 2008 and renegotiated later for crisis reason.

The past and present agreements are:

- 1987–1990 – Programme for National Recovery (PNR)
- 1991–1994 – Programme for Economic and Social Progress (PESP)
- 1994–1996 – Programme for Competitiveness and Work (PCW)
- 1997–2000 – Partnership 2000, for Inclusion, Employment and Competitiveness (P2000)
- 2000–2003 – Programme for Prosperity and Fairness (PPF)
- 2003–2005 – Sustaining Progress (SP)
- 2005–20015 – Towards 2016 (T2016).

Also a much greater group of organisations and associations participated and as a consequence each subsequent agreement was concluded by much larger number of negotiators. As well business, trade, social, religious, and various kinds of voluntary associations joined the process of social dialogue and in later agreements

the number of participants was steadily increasing in the social organisations. By extending the scope of the agreement, this brought new aspects for the social life such as environment protection, education, healthcare etc. (O'Donnell, Thomas 1998). Presently the social partnership is a constant element of the Irish socio-economic life and it is a type of institution of liquid structure.

## Subjects

The first partnership agreement did contained the most important elements concerning the point of view of the employers and unions areas of negotiations. Those were also the most important areas of the economy, which required reformation due to the crisis and social dissatisfaction. The program of the National Revival consisted of the following seven points:

- 1) European Community Dimension
- 2) Macroeconomic Policies
- 3) Tax Reform
- 4) Greater Social Equity
- 5) Employment
- 6) Labour Legislation
- 7) Review and Monitoring Committee.

The strategy included in those points allowed radical economic changes, within each point represent a number of sections by imposing on the Government some specific obligations and rights. It is not a surprise that the Social Partnership refers also to the labour law, employment policy and social solutions. This document also contains important elements of national economy, like macroeconomic policy, the tax system, or foreign cooperation with the EU institutions. This is not an ordinary area of negotiation for the trade unions. However, this clearly shows the concern about the situation of the country, not only by the Government, but also by all the organizations and social groups, those including workers, farmers and entrepreneurs. For the union members mostly associated to SIPTU there were important solutions concerning labour law, wages amount, working conditions but also the overall economic and political situation in the country. Polish 'Solidarity' in the 1981 started the negotiations for the economic situation of workers, but finally extended it by fighting for political, national and social rights.

One of the most important aspects was a reform of the tax system and as a result the Corporation Tax was reduced to only 10%. This represented the lowest tax in Europe and also around the world (Allen 2000). Because of the lower tax level in Europe, Ireland became an attractive place for investments for major American transnational corporations. Such a low tax system raised extensive criticism from the other European countries (Clinch, Convery, Walsh 2002). Therefore a decision was made to raise the tax, up to 12.5 per cent from 1<sup>st</sup> of January 2003 (Allen 2009) nonetheless, it was still the lowest tax level all over Europe. According to many critics, such a low tax was the only reason why Ireland was able to attract such vast amounts of foreign investments. It is true that in the scale of an International Investment Market, Ireland was becoming more and more competitive, however, the low tax system was not the only trigger. Apart from the low corporation tax, numerous training programmes were introduced for Irish workers and this was also a good opportunity for international corporations.

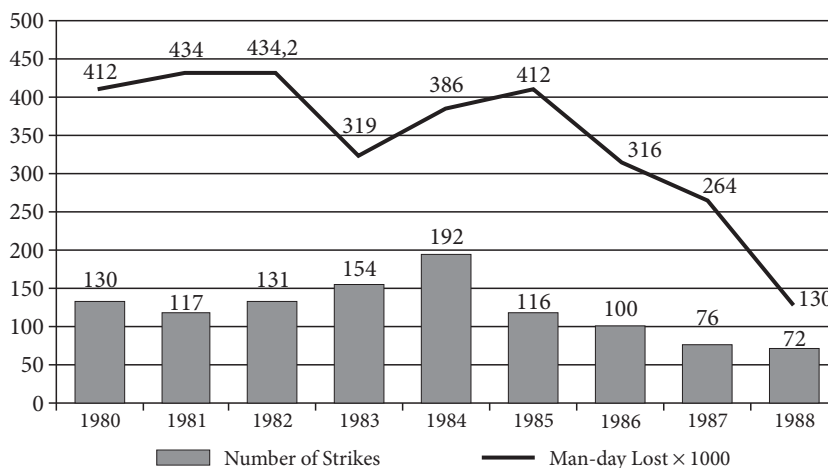
Another important element was the Irish education system as details in the section of the chapter 4 of the: 'Improving the Social Welfare System'. This way Irish people obtained access not only to an official education system, but also to advanced vocational training. This resulted in the growth of skilled human resources, which strongly increased attractiveness of Irish people as future employees in advanced technology related professions (Durkan, Fitz Gerald, Harmon 1999). In addition, it helped to reduce structural unemployment. Thanks to subsidies from the EU, educations became a strong service industry, contributing significantly to the total revenue stream of the national budget.

Also it is worth mentioning the last point of the first 'Social Partnership', participants of the agreement decided to establish a unique way of supervision during the phase of development and implementation of negotiated agreement points. In order to ensure achievement of the targets, without unwanted modifications by existing administration or legislative processes, they introduced a monitoring system in key areas of the social contract. This is a specific type of public control over the Government and bureaucratic system. In certain situations, creation of law is highly influenced by the pressures from various lobbying groups, which often results in the final version of specific acts, being very different from the initial intentions of the proposers. Such situations are quite common in democratic countries, when a strong lobby or group, have a greater influence on creation of law than others. To prevent such issue, the 'Social Partnership' developed its own way of supervising the proceedings of Government and of the entire legislative process.

## Effect

Negotiations led to many radical changes in the method of management of the state (Teague, Donaghey 2009). The changes were applied to legislation and functioning of the public institutions (Been, Hannan, Rottman, Whelan 1990). The essential agreement which was reached between trade unions and employers organisations stopped for many years, the demanding attitude of union members and limitation of the number of strikes. By accepting the contract of social partnership, unions could not start strikes or demonstrations, since their requests were to a greater or lesser extent accepted during the course of dialogue. Despite the fact that personal financial situation of employees did not improve from day one, it was important that they had been heard and this gave hope for an improvement in general social situation. Trade union organisations were criticised for this by their members and internal factions started. Decrease in a number of strikes and their intensity after the first agreement of social dialogue as showed on the graph 1.

**Graph 1. Strikes and lost days in Ireland 1980–1988**



Source: Kelly, Brannick 1989.

After several years, when as a result of the economic growth, the standard of living of Irish citizens improved, the number of members of trade unions increased, but on the other hand their activity on internal meetings and trade unions disputes declined. This might be due to the fact that improved personal financial circumstances do not lead to an increase of dissatisfaction of the workers, who are potential members of the

unions but on the contrary. Actually there were situations when at unions meetings no one was present in the basic unit at the place of work. However, this is not due to the Social Partnership as the critics might like to see it. Social dialogue through a series of successive agreements rooted in the Irish social system and economic management, became stronger than its creators expected. Like observers noted, the partnership developed beyond the system of national social agreements. For instance, various industry and sectoral partnership structures became itself the mechanisms of resolving conflicts and problems, as well as for the future planning. However, some opinions are sceptical about 'grand – theoretical portrayals' of social partnership and its influence on the economic growth of the 'Celtic Tiger' (Larragy 2004). Although the development of dialogue had to deal with various obstacles, and that there were highs and lows, nonetheless there was a change of way in which public and private sector operated. The level of participation and involvement of employees in the whole economy also increased. This was a great success at the time, while in many Western countries; union movements were defensive and were losing their influence. What is more, in the process of decision-making and development, a movement away from the centre of power was taking place. This was due to a creation of partnership solutions at the public and private entities and creation of a variety of partnerships across the social system of Ireland. The aforementioned National Economic and Social Council (NESC) supported an extension of this process, for the entire multi-level decentralised system of management, in decision-making on the matters related public policies. Such development is much easier to obtain by influence of social partnership structures, as it expands in many areas of society (Allen 2000). System partners at the national level, led to energetic modernization programmes in the civil and national service and took an ambitious initiative, to help to rebuild the state of welfare. Of course, such a concept was possible only through the use of first 'fruits' of an economic growth. An intensive debate was conducted around issues of the future structures of state of welfare and this related in particular to a project called 'developing welfare state'. This concept was based on the approach of social services and participation in the social development, it was introduced by talented intellectuals Rory O'Donnell and Sean O'Riain during their work at NESC (Sweeney 2008). 'Social Partnership' was also brought at the local level, when the system of local partnerships was developed in a difficult period of 'growth without new jobs' at the beginning of the 1990s. They took care of socially disadvantaged people and were deeply involved in a development of local strategies to fight against long-term unemployment, educational disadvantage, drug addiction, poverty, etc. This required convincing of the local national administration, to initiate cooperation with local

communities, in order to identify joint solutions for those problems. In general, this was not an easy task to do and at the same time, the Prime Minister tried personally to persuade people in charge of the national development agencies and the private sector, to take care of local partnerships management, to provide them with the resources they needed. One of the most successful local initiatives was the so-called 'The North-side Partnership' and 'The Tallaght Partnership', which became one of the strongest and most successful initiatives of this kind. A similar enthusiasm reached leaders of the banking sector and main activists of IMPACT – the trade union of the public sector, playing an important role in negotiating early agreements. Leaders of the radical party Sinn Féin, took managerial roles in partnerships, in the districts of such area as Dublin-Ballyfermot. Initiatives to establish local partnerships had such a spectacular successes, that after research performed by OECD (Sabel 1996), their further formation and development, was recommended and spread in the other regions of Europe.

## Economy

The immediate effect of the 'Partnership' facilitated radical steps in an economic sphere. Corporate taxes were reduced, facilitations for conducting sole proprietorship introduced and support measures of the International Monetary Fund were used. Series of investments took place, in which a significant role was the construction sector. The role played by the government agency IDA (Industrial Development Authority) in an economic management and in attracting foreign capital was also crucial (Clinch, Convery, Walsh 2002: 60). They made various investments in order to ease the business start up process in Ireland for international companies. Ireland' industrial policy from 1960s to the 1980s concentrated almost exclusively on encouraging high-productivity foreign manufacturing companies (Barry 1999). IDA as the general institution of that policy, was shifting towards greater selectivity in grant giving and greater focus on marketing and technology firms (O'Riain, O'Connell 2000). The Irish software industry in that time had been hailed as perhaps the most spectacular success story of the recent Irish development experience (Breathnach 2007). The state changed its attitude from neutral arbitrary entity to an active negotiator with transnational corporations and this activity was not limited only to legislation, but also to organizing investment processes for foreign companies in the Republic of

Ireland. All those factors initiated in 1987 were the reason of fast economic growth between 1991 and 2008, and led to industrialisation and modernisation of the entire country. The first half of the 1990s saw a return to high growth rates and low inflation (Leddin, Walsh 1995, 2003). This specific model of management of the state, did not protect Ireland from the effects of the world crisis, but was also not its cause. Social Partnership developed and reached the size of public institution and give this new type of pay agreement a single title, however, this does not mean that the same kinds of institutions are in evidence in diver's countries in Europe (Hardiman 2006). National level agreements gave way to deals in different sector in Denmark (Nelson, Zadek 1997) and Sweden as company – level, in Germany sectoral agreement (Crouch, Streeck 1997). Traditional model of neo-corporatism institution features later group of countries as Spain, Italy, Finland, Belgium and Ireland (Hardiman 2006). Social dialogue in Poland also known as a 'Tripartite Commission'<sup>12</sup> is in the similar stage like in Ireland in 1987 (Zalewski 2011).

## Criticism

In Irish partnership, the typical mechanism for large government institutions, started to take place. We could observe growing number of institutions entering or applying for participation in negotiations and broadening scope of issues, but details during negotiations complicates the efficient of management during those processes. Thus, development of internal bureaucracy becomes more and more important. Due to the growing number of institutions and their representatives, a democratic election of representatives became necessary. This caused rotation of positions and problem of remuneration. This process created a group of elite between the representatives. Membership in the 'Social Partnership' became a sort of 'trampoline' for a fast start in a political career. Even elements of nepotism were noted. All those problems diluted the initial idea of partnership and because of this, it did no longer resemble to the antecedent model of tripartite negotiations from the 1987.

The crisis which started in 2008 was particularly painful for Irish economy. This country being strongly linked with a global economy and in particular, with the United States, could not avoid problems. After a period of rapid growth, so-called

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<sup>12</sup> Opinion about Polish Social Dialogue are in few Paper/research of SGH by J. Gardawski and J. Hausner.



'Celtic Tiger' the time has come for Ireland to experience recession. However, it is worth noticing that Ireland used its opportunity during 1987–2008 by modernisation of its economy and infrastructure. Before 1987, despite many efforts, the country could not find its own way out of poverty, and was generally seen as typical agricultural country. Now it belongs to highly developed group of countries, with a prevalence of advanced manufacturing technologies. Ireland's position on the world stage has been elevated (Bartley, Kitchin 2007). Despite difficulties related to the present crisis, Ireland belongs to the countries with the highest level of wages in Europe. This means that the standard of living there is also relatively high. Among many causes of an economic transformation of the country, was the impact of social partnerships on economic processes and increase of economic awareness of the society. Current problems of Ireland, are no longer the same as in the past, it is now a highly developed country affected by the crisis, and this makes a colossal difference.

That model had led to peaceful mood of the population, eliminating strikes and stopping the wave of violent demonstrations. In effect of this phenomenon trade unions partially lost their respect. This became evident during the first protests which took place between 2008/2009, which for the first time show that protesters were not supported by unions. The tension generated by the integration into the global economy, was also reduced through social partnership (Allen 2007). This was at the base for economic success of the 'Celtic Tiger' and later during the recession.

## Democracy

First spontaneous and simple roles of negotiations, is to give to the people hope for changes and because of this, people were feeling fully represented and respect the negotiated terms. The period of prosperity increased the number of organizations taking part in negotiations of subsequent 'partnerships', yet their popularity among society declined. Nonetheless, role of associations of trade unions remained important. However, extension of the field of negotiations by new organizations and associations, led to a weakening of the important issues relating to the working conditions and salaries, while other aspects of social life, such as: ecology, health, education, transport, etc. gained interest (Towards 2016; 2006). Social Partnership became a platform for negotiations of groups of various interests and aspirations. The information collected during negotiations highlighted to the Government the need

of the society for changes, including aspirations and expectations of the Irish people. From that moment parliamentarians were no longer authorised to decide about all aspects of the country and to take decisions on behalf of the tax payers. Now only the electors will give them the position and right to sit at the negotiation table, and the right to represent these agreements during legislative process. This is an effect of expansion of democracy to other areas of life in the society.

Practically it is not possible though that one man – an parliamentarian – could become an expert on each field of action of the society, be able to understand and find solutions for every sector of the economy and also to represent interests of all the social groups from a specific electoral district. Therefore, the best option is to find people directly related and interested in a particular profession, action, or other situation, so that they can participate in solving issues known to them. Social partnership provides an ability to represent smaller groups of interests, like workers, environmentalists, construction workers, small entrepreneurs, administration and public services, etc. Further model of society, contributes significantly to the development and evolution of democracy. Being a member of parliament does not grant them right to making any independent decision, but only give them access to the negotiations table.

The largest and the most important experience of Ireland is, new understanding and responsible society, new type of democracy based on the social partnership and the modern model of economy related with it. Apart from the basic right of democracy (the will of self-determination in the nation), was introduced the right of professional groups, interest groups, social groups, volunteers and associations, to cooperation on the legislation process. The experiences of Ireland are important also for other countries, wishing to introduce the so-called social dialogue. The development of democracy in this direction established, yet unnamed but actually functioning ‘Third Chamber of Parliament’. That shall reduce the risk of appearance of the phenomenon of corruption. Participants of social partnership negotiations will not be willing to make non-beneficial decisions for them, due to lobbying pressures – as it usually is the case in a parliamentary system. Enacting laws in a specific field by representatives of the interested parties, will improve the quality of legislation. Scope of legal regulations, will eliminate possibility of supporting only one, dominating group of interests, by the legal system. This will contribute to a far more just legal system and equality of the citizens. The crisis from 2008 was a result of impact strong, financial lobbying on credit regulations. This was beneficial for banks and financial institutions but as we all know, it lead to a disaster with bitter economical consequences in the United States and around the world. Law-making by specialists of specific field will be well represented if the subject goes toward their interests or

a problem that concerns them, this will improve the quality of the legislation. It is important in all negotiations, that parity of esteem is maintained and that a fair balance is struck between the often conflicting interests of opposing groups. It is crucial in order to ensure, that the views of all the stakeholders are taken into account. Poor balance of power of stakeholders, could lead to an unfair legislation. Therefore it is vital to achieve good representation of members, from variety of interested parties. It should lead to an elimination of a possibility of unjust exercise of advantage, by only one group of interest, over other stakeholders – citizens or organizations. In the long term, this may result to reduced concentration of resources and control it, in the hands of a small group of population. That problem was also under discussion in Ireland during 2001<sup>13</sup>. National level partnership arrangements, cannot be effective, if they are premised on an out-dated view of the power of central government. They will not assist in solving their problems if they rely on central government decision. Social dialogue will not retain its relevance if the partners monopolize the representation of the groups of citizens (O'Donnell 2001).

The current economical crisis is very troublesome for many people and not only in Europe, but also in the world. But yet, it showed how highly 'toxic' are relations in the financial sector. Despite financial difficulties, managers of large companies and banks experienced only slight cuts of their enormous bonuses. Theirs salaries are many times over the amount of the President or Prime Minister of any country, which not surprisingly raised controversy. The present system of democracy does not permit government interference in financial matters of private companies or banks, but the public reaction is clear and regulations in this area are definitely needed. The crisis therefore could be seen as an opportunity for change of economy-democracy systems. There are some studies made on possible changes in the currently prevailing regulatory model, and also criticism of the present economic system (Sztaba 2002).

## Conclusion

The crisis resulted in social dissatisfaction and numerous demonstrations and disturbances on the streets of many cities across the world. Waves of protest in particular affected Greece, Portugal, Spain, and the USA. On the other hand, Ireland, despite the crisis and social dissatisfaction, did not experience such drastic unrest,

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<sup>13</sup> A Discussion Paper Prepared for The National Competitiveness Council in 2001 (R. O'Donnell).

as it was the case in other countries. It is important to highlight the fact, that in Irish history there were numerous militant protests and strikes, but surprisingly in the current situation of deep crisis and the austerity process, Irish people remained relatively calm. In 2008/2009 in Dublin, few demonstrations took place, but these were not supported by the main union centres and this became a subject of extensive criticism. The model of Social Partnership might account for this, as it aims to help solve disputes through negotiation rather than conflict. It is said also that the Social Partnership, weakened the union movement.

The other cause also derives from the model known as ‘economic awareness of citizens’ – the citizens who have extensive interest, in finding effective solutions to existing problems. This is an argument for the development of true democracy and search for a better model of state. Social dialogue in Ireland underwent a long evolution and developed to the dimensions, which could not have been predicted by its creator. This became a model of action for unions and employers, but also it is an open discussion platform for any organizations or associations, wishing to make changes in legislation, in which they have particular interest. Social dialogue is growing in importance in more and more countries all around Europe. This leads to the conclusion, that people in the virtue of democracy and wish to participate in the field of regulation they know or can contribute to – not only through their representatives. Although this does not apply to the entire society, but only to a small group of people active in the unions, associations and organisations. Law is being continuously changed and improved, by participation of professionals from a specific field, what is highly desirable. In Poland for instance, in the legislation process there exists a sort of social consultation, where professionals and various interest groups of interest, can express their opinions in the matters affecting them or where they have specific knowledge. Nonetheless they have no influence on what shape or form the final version of legislation will take. This changes the original meaning of participation in creation of legislation and causes many legal faults.

Finally, I would like to give several examples, showing how social dialogue can solve problematic situations, as sometimes it is best to show the concept by using specific examples:

Example 1. Law and regulation of the press, radio and television affect indirectly all the citizens, despite being the key area of their interests. Parliamentarians are the ones, who directly decide about the final shape of legislation and it is usually done in accordance with their personal understanding of the matter. It is not necessarily with a thorough knowledge of the industry, whose often results in a poor legislation. Also frequent are situations, when political party discipline applies for the sake of the

whole party politicians are forced to vote in accordance to the position of the party, rather than based on their own will or assessment. And it is not so surprisingly, that as long as the matter does not affect a politician personally, he/she is likely to agree to the party's interest. This provides the possibility of manipulation and misinterpretation, and consequently leads to corruptive situations and unfair legislation. On the other hand, journalists and companies related to the mass media, who were the key stakeholders and were directly affected by decisions of politicians, had limited say in the process of legislation. Therefore it triggered an incident of interference in the legislative process in Poland, known as 'Rywin Corruption Affair'. Needless to say, that it was detected by the journalists.

Example 2. Most Internet users probably would have had never found out about 'ACTA', if not the protest actions of certain popular portals and protests of internet users, on the streets of many cities in Poland and in Europe. It was clearly visible that social consultations, which took place during formulation of important Act, were highly desirable but not sufficient. It took mainly in to consideration interests of only one group – the conglomerates involved in the production and distribution of products, to which they have exclusive rights in the form of licenses.

Those examples show the situation, where the law is created without the full participation of professionals or all interest groups, which the law directly affects. This leads directly to dissatisfaction and frustration in the society, who has no influence on decision making. Existing arrangements of direct participation of citizens in the procedure of law creation are simply deficient. While it is clearly visible that one only but strong group, with significant financial backing, are capable of promoting legislation convenient to them. This interference usually occurs in the form of 'lobbying' or through introduction of series of concessions, to practice particular profession or activity.

Example 3. A strong group of professionals usually seek to introduce licenses, privilege systems or certification of their knowledge and skills. This in order to ensure high quality of service but on the other hand, to control access to practice the profession. This results in increased services prices as well as surge of wages of protected professions. It also limiting the free market mechanisms. Knowledge and skills are needed now in every profession but within the financial and legal sectors, control were introduced specifically to limit access, to practising the professions.

Example 4. The aforementioned financial environment in the USA, Great Britain, and many other countries, before the financial crisis in 2008, worked against states participation in the ownership of banks and financial institutions. However in the face of difficulties and possible bankruptcy, banking and financial lobbyist were

among the first to plead for Governments to redeem ‘toxic’ assets and recapitalise banks with public funds<sup>14</sup>. Those actions, their methods, and speed of implementation in a slow process of legislation, known as Paulson’s act<sup>15</sup>, are evidence of high influence power of the financial environment, which is capable to exercise on governments of the USA, Europe and in the whole world.

Democracy in the present form suggests, that legal arrangements do not manage to follow changes in the society and progress associated with it. The system is based on representatives chosen from a specific region (electoral district), who are supposed to represent the interests of their electors. The modern economy has led to the emergence of new disciplines, technologies and social interest groups, which were not previously known when the modern parliamentary system democratic was developed. Thus, a politician is not able to represent interests of all social or professional groups from a specific region/social district. Social dialogue is also not an ideal solution, but it gives citizens an ability to participate and affect the shape of legal regulations, in which they might have particular concern or which affect them directly. This reduces the amount of conflicts, social tensions and reduces the phenomena of corruption. It is encouraging that social dialogue is being increasingly appreciated in Europe and gains importance in the modern world.

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<sup>14</sup> Timothy Geithner – economist, central banker and since 2009 US Secretary of the Treasury,

<sup>15</sup> Henry Paulson – An American banker, CEO of Goldman Sachs (Bank) (1999–2006), served also as the 74<sup>th</sup> US Secretary of the Treasury (July 2006 – January 2009). He proposed the ‘Emergency Economic Stabilization Act of 2008’ during the financial crisis.

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