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Economic Crises and the Changing Influence of the Irish Congress of Trade Unions on Public Policy

By John Hogan

Abstract

This chapter examines the dramatic changes in the Irish Congress of Trade Unions' (ICTU) influence over public policy during the latter half of the twentieth century. The chapter focuses upon the impact economic crises have had on the ICTU's role in policy-making. The chapter concentrates, in particular, upon four periods, the late 1950s, 1970, the early 1980s and 1987, when the ICTU found its influence over public policy radically transformed. By the late 1950s the trade union movement was invited into the policy-making process by a government desperate to revive a sclerotic economy. During the following decade the ICTU played an integral part in the development of economic and social programmes. In 1970, due to concerns over inflation and the increasing level of industrial disputes, the ICTU, initially under government pressure, became a party to centralised bargaining. The National Wage Agreements that the ICTU was a party to during that decade were marked by their integration with government budgetary policy. With active state involvement in industrial relations came ICTU involvement in policy-making. However, by the early 1980s the Irish economy was in serious difficulties again. This, combined with trade union and employer disillusionment that the centralised agreements were not achieving their respective objectives of full employment and low inflation and a new collation government determined to remove the unions from the corridors of power, led to the collapse of the national agreements and ICTU finding itself shut out of the policy-making process. The years afterwards saw the economy continue to stagnate and the ICTU marginalised as a policy-making influence. By 1987, with Ireland teetering on the brink of bankruptcy, a new Fianna Fáil government came to power seeking to promote a three year national pay agreement with the unions and employers, in the hopes of reviving the economy. The ICTU, weakened through marginalisation and membership losses, favoured a return to centralised pay agreements. However, these agreements ultimately came to encompass a wide range of economic/social policy commitments that went far beyond the agreements of the 1970s.

INTRODUCTION

Over the last half century, there has been a series of dramatic changes in the influence of the Irish Congress of Trade Unions (ICTU) on public policy. This chapter examines those changes, highlighting the circumstances under which they occurred and the kinds of influence the ICTU gained and lost, as a result of its fluctuating fortunes.

By the late 1950s, the Irish economy was in serious difficulty and a mood of despair pervaded society. Into this environment came Seán Lemass, the new Taoiseach and leader of the largest party, Fianna Fáil. Lemass introduced new ideas on how to manage the economy and how to reform the country's relationship with the world. His ideas and influence transformed economic policy and had a profound influence on the role of trade unions in the formulation of public policy.

The growing economic openness of the 1960s produced incentives for new patterns of collective bargaining. Ireland had come to rely on foreign direct investment (FDI) to promote industrialisation and employment. In response, from the 1970s onwards, public policy was directed towards minimising strikes and restraining pay increases: 'the then Fianna Fáil government of Jack Lynch brought the trade union movement into the policy-making process as a way of ensuring economic stability' (Murphy and Hogan, 2008: 578).

However, by the early 1980s, the economy had deteriorated. Although centralised agreements between the employers, the government and the ICTU were the hallmark of industrial relations during the 1970s, they were not achieving the unions' objectives. This led to reluctance on the part of the ICTU to continue participating in these agreements. Irrespective of the unions' attitude, they were excluded from the policy-making environment by the Fine Gael and Labour coalition government (1982-1987) as economic decline gathered momentum.

By 1987, the economy reached a historic nadir. In response, a new Fianna Fáil minority administration sought a centralised pay agreement with the ICTU and the employers, bringing the unions' influence directly back into the corridors of power. This was to be the first of a series of such agreements. The social partnership born of these agreements contributed to the transformation of society over the following decades.

The chapter is divided into four sections, each one of which deals with a particular period – the late 1950s–mid 1960s, mid 1960s–late 1970s, the early 1980s and the late 1980s – that saw the ICTU's influence on public policy transformed. Each section begins with a discussion on the economy at that time and the impact that this had upon government thinking. Thereafter, the section moves on to examine how economic circumstances impacted upon the relations and interactions between the government and the trade union movement.

THE TRANSFORMATION OF THE TRADE UNIONS' ROLE IN SOCIETY (1950s – MID 1960s)

The trade union movement expanded with industrialisation in the 1930s (Boyd, 1985: 108). However, with industrialisation came inter-union rivalry. During the 1940s Seán Lemass, then Minister for Industry and Commerce, sought to encourage trade union rationalisation (McCarthy, 1973: 42). However, efforts to rationalise the unions created tensions that fissured the movement. In April 1945, 15 Irish-based unions withdrew from the Irish Trades Union Congress (ITUC) and established the Congress of Irish Unions (CIU) (Nevin, 1994: 94). The existence of two rival congresses weakened the movement's efforts, dissipated resources and rendered a common front against employers impossible. However, in 1956, a Provisional United Trade

Union Organisation was set up to co-ordinate the activities of both congresses, with a view to reunification.

The general election of 1957 resulted in a Fianna Fáil victory, and saw its 75-year-old leader, Éamon de Valera, form his final administration. The year '1957 is conventionally thought of as the end of an era, marking the final exhaustion of the ideas of the first generation of political leaders' (Garvin, 1982: 37). Two years later, de Valera was succeeded as Taoiseach by Seán Lemass. Lemass, although almost 60, and a lifelong follower of De Valera, was nevertheless to stand for a clean break with the policies of the past and was to oversee the opening of the country's economy. The transformative impact of his innovative leadership, upon a then poor and insular Ireland, was to constitute the foundations upon which modern Ireland is built.

The Economic Stagnation of the 1950s

From the late 1940s onwards, the Irish economy stagnated (Hillery, 1980: 46). Ó Gráda and O'Rourke (1995: 214) argue that 'in the 1950s, Ireland's relative [economic] performance was disastrous, poorer than the European average'. The benefits from protection had been reaped by the industrial expansion of the 1930s. The post-war economic boom petered out at the end of the 1940s (Ó Gráda, 1997: 23). By the 1950s, Irish industry was supplying as much of the domestic market as it could.

OECD (1961: 8) analysis showed agricultural production was abnormally low, while industrial output was faltering. Per capita GNP grew at 2.4 per cent throughout the 1950s, but only because of 'the exceptional demographic experience during this period when net migration averaged forty-one thousand persons a year' (OECD, 1962: 6). Yet, even this growth rate was among the lowest in the OECD (OECD, 1962: 6). Although employment in the economy was falling, the cost of living was still high (*The Irish Times*, 1959a: 9A). The impact of these disastrous figures upon the populace at large cannot be underestimated.

> By the middle of the 1950s a serious crisis of confidence developed, caused by widespread anxiety that the performance of the economy was so poor the country was falling behind Western European standards, not only in productivity, but in the social benefits that productivity might confer. (Lyons, 1973: 618)

In 1957, manufacturing output was no higher than in 1953, while building activity declined. Between 1951 and 1958, GDP rose by less than one per cent per annum, employment declined by 12 per cent, unemployment rose and half a million people emigrated (Haughton, 1995). By the late 1950s, the outlook for the economy was depressing, while Europe was achieving strong and sustained growth (MacSharry and White, 2001: 14-19).

The Government's Response to the Economy

Upon his appointment as Minister for Industry and Commerce, in the new Fianna Fáil government of 1957, Lemass began implementing policies opening the state to foreign investment (Girvin, 1994: 125). Despite fears over the competitiveness of protected Irish industry, the pressure for change increased (Department of Finance, 1958a). By the end of the decade, both the government and opposition recognised the crisis facing the country. During the Dáil debate on Lemass's nomination as Taoiseach, Daniel Desmond of the Labour Party argued that it was time for the political establishment to realise that solving the problems with the economy superseded their own struggles for power (*The Irish Times*, 1959b: 9A). On becoming Taoiseach in 1959, Lemass stated that the task was to consolidate the economic foundations of independence (*The Irish Times*, 1959c: 1). He brought to government vigorous entrepreneurial leadership (McCarthy, 1973: 22).

The crisis in the economy prompted a fundamental reappraisal of the policies pursued up to that time. Into this pessimistic environment came T.K. Whitaker's report, *Economic*

Development, in 1958. Whitaker, then Secretary of the Department of Finance, was committed to export-led growth. He advanced a strategy within the finance department of more planning, fewer tariff barriers and greater emphasis on productive investment: 'It was in the atmosphere of a new government and a more active and interventionist Department of Finance, that *Economic Development* was born' (Murphy, 2003: 61).

This document was 'a watershed in the modern economic history of the country' (Lyons, 1973: 628). It proposed the gradual transition to free trade, stimulation of private investment, the reorientation of government investment towards more productive uses, the introduction of grants and tax concessions to encourage export orientated manufacturing and the inducement of FDI oriented manufacturers (Department of Finance, 1958b). The document advocated abandoning the protectionism Fianna Fáil had pioneered since the 1930s. These measures were incorporated into the *First Programme for Economic Expansion* in November 1958. This White Paper, based on Whitaker's document, 'was drawn up by Charles Murray of the Department of Finance, supervised by a four-member Government subcommittee headed by Lemass' (Horgan, 1997: 177). The fact that Lemass was involved in the White Paper ensured that the essence of *Economic Development's* recommendations remained intact:

> While there were some significant differences between *Economic Development* and the [*First*] *Programme for Economic Expansion*, which arose out of their different parentage, such differences were for the most part cosmetic as the main thrust of both documents was the same. (Murphy, 2003: 72)

The ICTU Brought in from the Cold

The ITUC and CIU eventually reunited after 15 years apart. The absence of ideological and organisational differences between the congresses made the process of reunification easier. Additionally, the existence of two separate congresses had only weakened the trade union movement as a whole. Thus, February 1959 saw the ITUC and CIU unite to form the ICTU

(Nevin, 1994: 96). Trade union unity provided Lemass with an opportunity to embark on national bargaining on wages policy, as there was now a chance that the unions and employers could be brought together in a new framework to achieve industrial progress without disputes (Horgan, 1997: 190).

Soon after Lemass became Taoiseach he sought a meeting with the ICTU to discuss the challenges facing the economy and how co-operation might be fostered between the various economic interests (Girvin, 1994: 125). The number of meetings between the new Taoiseach and the unions increased thereafter (ICTU, 1960), whereas there had been little interaction with de Valera (ICTU, 1959). These meetings covered a range of issues, from the economy to the prospects of Ireland joining the European Economic Community (EEC). This development was in line with the calls for consultation between state, unions and employers contained in the *First Programme for Economic Expansion* (Department of Finance, 1958c).

The Fianna Fáil government's 1958 and 1959 budgets reflected a change in fiscal policy (OECD, 1961: 12). Lemass's speeches in 1959 often paralleled the positions adopted by the ICTU (Girvin, 1994: 125). These included the need for state involvement in development and the expansion of the state sector (Dáil Éireann Debates, Vol. 176, 21 July, 1959). The ICTU argued that the government should pump-prime the economy for growth and that capital investment should not be pursued to the detriment of social spending (ICTU, 1959). Within a year of Lemass becoming Taoiseach, budgets began expanding (Department of Finance, 1960, 1961, 1962), with increased investment in areas identified by Congress (Department of the Taoiseach, 1959). By 1961, the reshaping of public capital expenditure, to give increased emphasis to directly productive investment, something the trade unions had argued for, stimulated economic growth. A policy of grants and tax exemptions attracted foreign capital

(OECD, 1961: 10) and the government also pursued an increasingly liberal trade policy (OECD, 1962: 12).

The Unions and Their Role in Policy Development

Until the 1950s, the unions' influence was largely indirect (Allen, 1997: 181). However, during the late 1950s, the government's policies began to reflect those of the unions. Lemass's perspective on economic development was close to that of Congress. In June 1959, Lemass remarked on the need for change in industrial development policy (Dáil Éireann Debates, Vol. 175, 3 June, 1959). The government began to regard the trade union movement in general, and the united Congress in particular, as both an ally and supporter of its programme for national development (McCarthy, 1980: 32). The task of adjusting industries to competition led public policy into the realms of labour practices, industrial relations and pay bargaining. In return, Lemass was prepared to offer the unions an integral part in the development of economic and social programmes (McCarthy, 1980: 32):

> He [Lemass] clearly understood that the government would have to play a more active, even hegemonic, role in the Irish economy, but he also realised that the success of government strategy assumed a new partnership with different interest groups, which would (in time) become players in the policy game. (Murphy, 1997: 58)

In 1961, the ICTU and the Federated Union of Employers (FUE) reached agreement on the formation of the Employer-Labour Conference (ELC), which the government subsequently facilitated (ICTU, 1961). This body became central to corporatist control (Lalor, 1982: 80). The unions' increasing influence was visible in all areas of government policy. For instance, the 1961 budget saw increases in social welfare payments at the behest of Congress (Department of Finance, 1961; ICTU, 1961).

Lemass argued that social progress would follow from economic development (Bew, Hazelkorn and Patterson, 1989: 83). With the move towards the liberalisation of trade and economic planning, Lemass was instrumental in creating consultative bodies involving the unions and employers (Lee, 1989: 401). This was government recognition of the import of unions to economic management and provided the ICTU with more avenues through which to influence policy.

Union membership, declining throughout the 1950s, increased after 1959 and would go on rising for the next 21 years (see Appendix A). After 1959, the number of committees on which the ICTU was represented expanded. The Irish National Productivity Committee (INPC) was a joint consultative body charged with improving productivity (ICTU, 1963). The Committee on Industrial Organisation (CIO) was set up in 1961 to examine the ability of Irish industry to compete within the EEC (Murphy, 1997: 62). The National Industrial and Economic Council (NIEC) was established in 1963 as a consultative body in economic planning (ICTU, 1964). These bodies, paralleling 'the state's commitment to economic planning as contained in the first two programmes for economic expansion' (Girvin, 1994: 127), permitted the unions to co-operate with the state on a range of problems posed by economic expansion. Thus, the period between 1959 and 1965 was to witness a new pattern of Congress participation in state institutions (Girvin, 1994: 127), such that '[t]he institutional setting soon became largely tripartite, with the representatives of business, of labour and of government discussing the issues of employment, output, prices and trade' (Pratschke, 1979: 43).

THE MOVE TO CENTRALISED BARGAINING (MID 1960 – LATE 1970s)

In the 1960s, the economy performed well, real Gross Domestic Product (GDP) increased by 4.4 per cent per annum, economic openness grew by 23 per cent, while unemployment averaged

5.05 per cent (Mitchell, 1993). Economists attribute this success to export-led growth based upon trade liberalisation and FDI.

The Institutionalisation of the ICTU/Government Relationship

Congress's attitude to EEC entry was initially cautious, but by 1962 it was willing to support Lemass's plans. Congress, recognising free trade as inevitable, decided to embrace it from a position of influence with the government through membership of the CIO and NIEC (Murphy, 1997: 65). Dialogue between the state and major socioeconomic groups acquired an institutional character (Peillon, 1995: 370). However, the limitations of relying on a web of collaborative bodies to oversee economic adjustment, while collective bargaining remained unregulated, became clear (Roche, 1994: 155).

The government's attitude towards collective bargaining was influenced by its increasing economic significance (Roche, 1994: 199). As more workers became unionised (Appendix A), bargaining exerted a major influence on macroeconomic policies. Industrial development's pride of place in national policy influenced the government's stance towards centralised collective bargaining.

Lemass had urged a corporatist strategy towards industrial relations following the Second World War. Corporatism (or as it is sometimes called neo-corporatism) is an inclusive bargaining approach involving the unions, employers and government (Schmitter and Lehmbruch, 1979). However, the employers' and unions' preference for the status quo – free collective bargaining – prevented corporatism's introduction. As Roche (1994: 220) puts it 'The eventual move towards some form of neo-corporatist accommodation with unions and employers was influenced initially by the policy of industrialisation in the context of an open economy'

The pay-rounds of the 1960s prompted attempts to again centralise collective bargaining. Growing trade union power, rising industrial conflict and wage pressures impelled governments to adopt a more interventionist stance. The dangers of economic crisis from industrial unrest and an unprecedented pay-round increase in 1969 were the catalysts for the move towards corporatism. This resulted in the unions' influence over public policy increasing substantially. Throughout the following decade, pay determination became increasingly politicised and public policy was directed towards minimising strikes and restraining pay.

Economic Stagnation at the Beginning of the 1970s

Economic expansion and decentralised collective bargaining were viewed as incompatible in the NIEC's (1970) *Report on Incomes and Prices Policy*. To compound matters, economic growth slowed (OECD, 1971: 5). Statistics for output, employment, imports and sales all indicated a stagnating economy (ESRI, 1970: 1). Industrial production and construction activities were affected by strikes, while investment was depressed by a six-month bank strike (Central Bank of Ireland, 1970: 5). Inflation was running at 8.5 per cent, its highest level since 1952 (*The Economist*, 1970: 80). The OECD (1971: 5) argued that the high level of inflation was partly due to the labour disputes. The Central Bank warned that the penalty for high and prolonged inflation would be declining sales, followed by a fall in production and employment (Central Bank of Ireland, 1971: 7). The improvements in living standards in the 1960s were in danger of being lost to inflation (Devine, 1970: 7). At this time, economic openness declined, while the total number of days lost through economic disputes peaked at over one million (Mitchell, 1993).

The Government's Deepening Relations with the Unions

'The chief lesson emerging from the operation of collective bargaining in the 1960s was that decentralised wage rounds were by their nature unstable and prone to inflation' (Gunnigle, McMahon and Fitzgerald, 1999: 193). The government's economic policy, traditionally geared to long-term growth and industrialisation targets, from 1969, became increasingly concerned with inflation (OECD, 1971: 15). Demand and output were depressed by the government's anti-inflationary policy and the recession in the United Kingdom (OECD, 1973: 5). The combination of relatively slow growth, inflation and a large external deficit in 1970 presented a dilemma. As prices became a primary concern, budgetary strategy was aimed at moderating government spending so as not to contribute to inflation (OECD, 1972: 15). In response, the government's policies towards organised labour changed.

The NIEC (1970) viewed economic expansion and decentralised collective bargaining as incompatible. The 1970 budget argued 'the principle need at present is for a more orderly development of incomes if we are to bring the present inflationary situation under control' (Department of Finance, 1970: 12). Another lesson from the 1960s was the need for a joint body to administer national pay agreements (NIEC, 1970). It was against this background of industrial strife and economic difficulties that the NIEC prepared its *Report on Incomes and Prices Policy*. A consequence was the reconstitution of the ELC in May 1970 (which had become defunct during the early 1960s), a significant event in restructuring the adversarial approach to industrial relations (McGinley and Filby, 1997: 202). The government became a participant in the ELC with the intention of influencing wages. Then Minister for Finance, George Colley, stated that the economy could not afford wage increases unrelated to productivity increases (*Irish Independent*, 1970: 11). Following the collapse of talks at the ELC in the autumn of 1970, the government threatened statutory controls on wages and salaries with a Prices and Incomes Bill (OECD, 1971: 16).

The threat of the Bill resulted in the first national agreement for six years in December 1970, this in spite of the ICTU's opposition to being coerced into a deal and its advocacy of free collective bargaining (Weinz, 1986: 98). However, it should be noted that the ICTU refused to ratify the agreement until the government withdrew its Prices and Incomes Bill (ICTU, 1971). The 1970 agreement marked the beginning of a decade of engagement in centralised collective bargaining, a significant change in the politics of pay determination (Department of Finance, 1971). Between 1972 and 1978, six National Wage Agreements (NWA) were reached through bipartite negotiations between the ICTU and employers. A further two agreements reached in 1979 and 1980, referred to as National Understandings (NU), were arrived at through tripartite negotiation with the involvement of the government.

By the mid-1970s, the new collective bargaining was marked by *quid pro quo* arrangements on taxation between the unions and the state and the integration of government budgetary policy into national pay determination. The linkage between the national pay agreements and government budgetary policy was 'the most profound change in the nature, functions and prerogatives of democratic government in the history of the state' (O'Brien, 1981: 144). With active state involvement in industrial relations came union involvement in policy-making. The relationship between the ICTU, the FUE and the government had changed significantly.

Trade Union Representation and Government Policies

According to Roche (1989: 121), following the 1970 agreement, the boundary between politics and industrial relations was dismantled by the state and unions. ICTU representation on government committees, in the economic and social fields, expanded. All centralised pay agreements were drafted and concluded by employer and trade union representatives in the reconstituted ELC and thereafter adopted as state policy (Hardiman, 1988: 53). Membership of the ELC consisted of an equal number of representatives from the employers and unions. The institutionalisation of pay bargaining through the ELC enhanced the political leverage of Congress. The government's task was maintaining conditions for the observance of the agreements (OECD, 1972: 15).

The 1970s saw union membership expand (see Appendix A). Throughout that decade the unions' and employers' federations became major actors in policy formulation. Meetings between representatives of the social partners (as the unions and employers came to be called) and ministers were commonplace. From 1970 onwards, there was a marked change in the level of ICTU policies incorporated into the government's policies. The Industrial Relations Act of 1971 largely followed the proposals of the ICTU, and the National Prices Commission was established by the then Minister for Industry and Commerce in line with Congress's proposals (ICTU, 1972). The NWA of 1975, although concluded without establishing the principle of a trade-off between pay and public policy commitments, created a degree of expectation that the NWAs and budgets to follow would be linked. By the end of the 1970s, formal tripartite agreements were concluded. The government went from using budgetary policy to underwrite national pay deals, to placing a range of policy issues on the negotiation table. The ICTU, through dialogue with the government, gained influence over the most important economic policy instruments in the state (Roche, 1994: 165).

Industrial relations difficulties - attributed to the wage round system and free collective bargaining - along with inflation, the loss of competitiveness and industrial conflict, impelled the centralisation of collective bargaining (Roche, 1994: 177). With the conclusion of the NU in 1979, the government acknowledged a new role for pressure groups in an important sector of economic policy-making and incurred commitments to them; they, in turn, incurred reciprocal obligations involving the conduct of their members (Chubb, 1992: 127). However, by 1978, the ICTU had grown strong due to the state's willingness to grant it concessions. This became clear in 1980, when the main decisions concerning the second NU were taken by the ICTU and government and communicated to the employers (Weinz, 1986: 99). This left the employers disgruntled and questioning their place in social partnership.

THE COLLAPSE OF CENTRALISED BARGAINING (EARLY 1980s)

By the close of the 1970s, centralised agreements had become policy agreements. However, by the time the second NU expired in 1981, the unions and employers were disillusioned. The sought after economic stability had not materialised. Unemployment continued to rise, despite commitments to full employment. The national debt was growing at an unsustainable rate, while the onset of another international recession offered the prospect of worsening conditions.

The Economy Crisis and Economic Policy

The centralised agreements, implemented as solutions to the economic and industrial relations problems of the 1960s, were increasingly relied upon to address the problems of the 1970s (Hardiman, 1992: 329). The late 1970s saw the economy recover from the downturn following the 1973 oil crisis. Inflation and unemployment began to fall, while strong growth returned (Leddin and Walsh, 1998: 26). Real GDP increased by 5.3 per cent annually from 1976 to 1979 (OECD, 1982: 8). However, the Fianna Fáil government of 1977 employed an expansionist fiscal policy when the economy was already growing unsustainably (OECD, 1982: 10). Strong pro-cyclical policies led to deterioration in fiscal balances, with the public sector borrowing requirement (PSBR) rising from 13 per cent of GNP in 1976 to 17 per cent by 1979. The structural problems highlighted by the first oil crisis remained unresolved when the second crisis struck in 1979 (OECD, 1983).

Adjustment to the European Monetary System (EMS), entered in 1979 after severing the link with Sterling to reduce inflation, proved problematic and inflation fell more slowly in Ireland than the UK. The average rate of consumer price increase in 1980 was 18.25 per cent (Central Bank of Ireland, 1981: 15). Although high levels of current expenditure produced a budgetary over-run in 1979, the government continued its expansionary policies due to the worsening international economic climate resulting from the second oil crisis, increasing unemployment and emigration (OECD, 1982: 50).

Following rapid growth in the second half of the 1970s, demand fell in the early 1980s. 'The second oil shock, the protracted international recession and the failure to achieve the fiscal policy of retrenchment led to a worsening of [economic] imbalances' (OECD, 1983: 10). With a slowdown in growth, unemployment rose to historic levels (OECD, 1982: 10). The increase in fiscal deficit, intended to be temporary, became impossible to eliminate as the economy declined. By 1981, the national debt reached £10.195bn (Leddin and Walsh, 1998: 155-6). The PSBR peaked at 20.1 per cent of GNP, while the current budget deficit stood at 7.3 per cent (Leddin and O'Leary, 1995: 167). Government spending was so high that the total amount budgeted for 1981 had been used by June (Bacon, Durkan and O'Leary, 1982: 6).

The Unions and the Ending of the National Agreements

Taoiseach Haughey, who came to power after winning a divisive party leadership contest within Fianna Fáil in December 1979, needed to prove his authority to a divided party with an election victory (Murphy and Hogan, 2008: 591). In this context, the government was reluctant to adopt measures that could prove unpopular. In September 1980, as talks on a second NU entered their final stages, they collapsed, resulting in government intervention. ‘The Taoiseach managed to press the FUE national executive into resuming negotiations by pledging guarantees on the content of the 1981 budget’ (Lalor, 1982: 83). The second NU was subsequently ratified, but the FUE resented the pressure brought upon it (O’Brien, 1981: 154).

Centralised bargaining was not meeting the FUE’s objectives. For employers, particularly in indigenous companies in exposed sectors, the agreements imposing similar wage norms across the economy undermined competitiveness. For the unions, the agreements were not transforming pay restraint into jobs at a sufficient level to meet the labour supply, nor were they reducing social inequality. The state looked to the agreements to restrain pay increases, preserve competitiveness and deliver economic growth. However, these objectives were compromised by extensive bargaining below national level. The result was a second tier of pay determination developed in the 1970s (Fogarty, Egan and Ryan, 1981: 32). Although the agreements had procedures for containing industrial conflict, this was historically high during the 1970s (Brannick and Doyle, 1994: 260-161).

Irish governments have tended to appease interest groups through *ad hoc* policy concessions. This worked against enduring agreements between the state and interest groups found in continental neo-corporatism. Additionally, close ideological affinity between the unions and government, a feature of stable neo-corporatist arrangements, was absent in Ireland. The social partners’ failure to share comparable views on the policies needed for tackling economic problems compounded difficulties. Employers warned that spiralling wages fuelled inflation and contributed to rising unemployment. The unions argued unemployment was a consequence of deficient demand. Their solution was expansionary fiscal policy. Employers resisted the demands for public sector job creation on grounds that it would have a crowding out effect. These divergent approaches complicated the process of reaching a national pay agreement. Although talks opened on a new NU in 1981, an impasse on pay was soon encountered (ICTU, 1981).

Political and Economic Instability

The general election of 1981 saw a minority Fine Gael and Labour coalition government come to power. At a most inopportune time, Ireland was condemned to a period of unstable government (*The Irish Times*, 1981: 12).

Prior to the election, the Central Bank (1982: 8) stated the 'fundamental problem is that the community still does not realise that it must adjust its living standards and expectations downwards in the face of deteriorating terms of trade and the need to commit resources to servicing the increased external debt'. The new coalition government was determined to bring order to the public finances. According to the National Economic and Social Council (NESC) (1986: 43), a spiralling current budget deficit, PSBR and national debt precipitated a new approach to economic management. Regaining control of the public finances would entail constraining public service pay (FitzGerald, 1991: 385). The supplementary budget, in July 1981, sought to reduce the central government borrowing requirement and the balance of payments deficit (ESRI, 1981: 15).

Government ministers saw little merit in tripartite agreements (Redmond, 1985). When discussions on a new NU broke down, the government was unwilling to intervene to save the talks. It considered the terms under consideration incompatible with economic correction. Unrealised expectations and undelivered commitments ended national bargaining. From late

1981 onwards, with worsening economic conditions, wage rounds became decentralised (Cox, 1983). By 1982, all political parties were committed to curbing public spending, which was incompatible with the terms of the NUs. Union influence on public policy was drastically reduced during the first half of the 1980s, as the ICTU was pushed out of the policy-making process. The Fine Gael wing of the coalition decided social partners had no right to influence policy (O'Brien, 1982: 1).

Political and economic instability peaked in 1981-1982 (Mjøset, 1992: 381). With the national debt and budget deficit spiralling out of control, a coherent policy approach was essential (Central Statistics Office, 1986: 298). However, the governments of 1981/1982 lasted such a short time that no clear policies emerged. When the second Fine Gael-Labour coalition came to power in November 1982, the national debt was almost on par with GNP (Leddin and Walsh, 1998). By then, all the parties agreed on the need to stabilise the debt/GNP ratio (Mjøset, 1992: 381).

The state's strategy for much of the 1980s was to exclude the unions from the policy-making process (Roche, 1994: 172). State policy changed from focusing on employment to balancing budgets, export growth and international competitiveness. Persistent turbulence over public service pay, and government disinclination to return to tripartism, meant meetings between the government and the ICTU were formal, tense and unproductive (FitzGerald, 1991: 454).

The Changed Influence of the Unions

After expanding for two decades, union membership peaked at 545,200 in 1980 and then declined thereafter (see Appendix A). During the late 1970s, the unions' polices had been finding their way into legislation. However, by January 1982, the ICTU was at loggerheads with the Fine Gael-Labour coalition over their budget. Determined to cut government expenditures, the subsequent Fianna Fáil government ignored ICTU proposals (Dáil Éireann Debates, Vol. 363, 6 February, 1986). From mid-1982, in the face of an unsustainable national debt, all political parties committed themselves to curbing public expenditure as a precondition for economic recovery (Munck, 1993: 38). The Fine Gael-Labour coalition budget of February 1983 saw the tax burden on pay-as-you-earn (PAYE) workers increase and social welfare cut (Department of Finance, 1983). Thereafter, it was clear that on taxes, wages and welfare, the government and ICTU were in disagreement. Between 1982 and 1987, the ICTU's relations with the Labour Party grew strained (Collins, 1993). The party's shared responsibility for government spending cuts distanced it from the ICTU.

The coalition government of November 1982 to February 1987 experienced considerable difficulties in righting the economy (O'Byrnes, 1986: 219). As McCarthy (1999: 5) put it 'an attempt to achieve fiscal correction and disinflation through increased taxation, rather than expenditure reduction, completed the economic picture'. However, the stabilisation of the debt required sharp cuts in borrowing and, consequently, in current spending. Control over current spending proved difficult to achieve with high unemployment and population growth. Government spending on social services jumped from 28.9 per cent of GNP in 1980 to 35.6 per cent in 1985 (Leddin and Walsh, 1998: 302). As noted by Kennedy (1981: 140) 'the inescapable consequence of sustained heavy borrowing to finance expenditure which does not contribute adequately to developing productive potential is that the service of past borrowing absorbs a large and growing proportion of tax revenue.' With investment and productivity capacity depressed by high taxes and interest rates, the economy entered a downward spiral.

THE REINSTITUTION OF CENTRALISED BARGAINING (LATE 1980s)

The 1980s saw a stagnating economy, deteriorating public finances and unprecedented unemployment. By the mid-1980s, the level of unemployment was being offset by emigration (OECD, 1986: 12). Between 1981 and 1986, 75,000 people left the country (NESC, 1986: 304), and, for the first time in a quarter of a century, 1986 saw the population decrease (Munck, 1993: 37). By 1987, the economy reached its lowest point ever.

The State of the Economy

By 1986, most economic indicators had reached historic lows, while national economic and political commentators, the media and domestic and international organisations, all regarded the economy as in crisis. The policies introduced to shelter the economy from the oil shocks of the 1970s led to unsustainable macroeconomic imbalances. Between 1982 and 1987, the national debt doubled to over 130 per cent of GNP (Jacobsen, 1994: 161). The government borrowed to spend on welfare services that could be sustained only by more borrowing (*The Economist*, 1987: 53). Economic commentators advocated debt repudiation (*The Irish Times*, 1987a: 10). Although inflation had fallen, the borrowing requirement stood at 13 per cent of GNP in 1986 (Jacobsen, 1994: 160). Unemployment reached 17.7 per cent in 1987 (Daly, 1994: 122), with 254,526 people out of work (Central Statistic Office, 1991). The numbers in work had fallen from 1,145,000 in 1979 to 1,095,100 by 1986 (Leddin and Walsh, 1998: 320), shrinking the tax base.

The Central Bank (1987: 7) viewed the situation with pessimism, as it would not permit for improvements in welfare benefits to the needy (O'Morain, 1987: 8). The business community was extremely concerned and leading businessman and entrepreneur Tony O'Reilly warned of the dangers of International Monetary Fund (IMF) intervention in the economy (Keenan, 1987: 8). If the IMF were to intervene in the operation of the Irish economy, it would signal to the international financial community the diminution of Irish economic sovereignty and be widely perceived as confirmation that the Irish government was incapable of righting the economy on its own.

The NESC Report: A Strategy for Development

In this context, the government became interested in building support among the economic and social interests for a national recovery strategy. Through the involvement of the major economic interests, the NESC acted as a forum for discussing the crisis. In the autumn of 1986, it produced a report *A Strategy for Development, 1986-1990*, in which it noted that '[t]he argument against a continuation of present policies is based on the consideration that discretion over economic and social policy would ultimately be removed from [Irish] control' (NESC, 1986: 304).

The NESC report emphasised a plan, requiring an integrated medium term strategy that would command acceptance throughout society to tackle the crisis in public expenditure. The report was conceived as a means of supporting the coalition government's recovery plans. While still in opposition, Fianna Fáil proposed building on the NESC's report and its 1987 manifesto, *The Programme for National Recovery*, absorbed much of *A Strategy for Development* (Breen et al., 1990: 220).

The 1987 General Election

By 1986, Fianna Fáil, in opposition, was aware that the unions were disillusioned with the government, especially the Labour Party (Allen, 1997: 169). In the absence of political links, the union movement faced the prospect of continued marginalisation from policy debates. Spotting an opportunity, Fianna Fáil sought to woo the unions through its willingness to involve them in policy discussions if elected to government. It did not regard the arms length dealings with the unions, employed by the coalition government, as ideal for imposing fiscal discipline upon the troubled economy. Haughey (1986) also denounced the Thatcherite policies of the Fine Gael-Labour government, supporting the calls of union leaders for a return to social partnership.

Labour Party ministers struggled in cabinet to maintain social benefits (NESC, 1990: 199), imposing considerable strains on the coalition (FitzGerald, 1991: 640). Yet, the Labour ministers' stance had not made their relationship with the unions easier (Collins, 1993). The coalition government collapsed in 1987, when Labour resigned in disagreement over budget cuts (Mjøset, 1992: 382).

The election of 1987 saw all party leaders proposing fiscal rectitude (Ford, 1987: 2). Haughey, leader of Fianna Fáil, stressed that the election was about economic recovery (Cooney, 1987: 7). The Fine Gael election manifesto, *Breaking out of the Vicious Circle*, proposed reduced public spending and borrowing (Fine Gael, 1987). Fianna Fáil campaigned on a platform of opposition to cuts in social spending and advocated a return to centralised pay agreements.

The election saw a shift of urban working-class support towards Fianna Fáil, in protest at the harshness of the measures proposed by the coalition (Laver, Mair and Sinnott, 1987: 104). The new Fianna Fáil minority administration was considered likely to want to avoid the risks of implementing severe spending cuts. However, after Haughey visited the Department of Finance for a briefing on the national finances, Fianna Fáil recanted on its manifesto promises (O'Halpin, 1993: 202), making clear it proposed little modification to the outgoing government's plans (Carnegy, 1987: 2). The budget introduced in March 1987 sought greater fiscal adjustment than was achieved in preceding years. This was a marked shift in policy emphasis and a determination to reduce the deficit (OECD, 1989: 16). Expenditure was reduced by £250m, while tax revenue increased by £117m (OECD, 1987: 21).

The Unions and the Programme for National Recovery

The new government's actions appeared unpromising from the ICTU's perspective. However, Fianna Fáil wanted to avoid confrontation with the unions, especially in the public service. Within a few months of assuming office the government promoted talks on a national pay agreement – The Programme for National Recovery (PNR) – in accordance with the principles in the NESC report (Jacobsen, 1994: 177). The administration was interested in securing a three-year tripartite agreement throughout the economy (Allen, 1997: 170). 'The Taoiseach invited the unions, along with the other social partners, to take part in an effort to spur recovery by means of consensus' (Mjøset, 1992: 383). To facilitate agreement, the government was willing to modify its stance on public service pay and discuss tax concessions, job creation and welfare (Coghlan, 1987: 1).

By supporting a centralised pay agreement for industrial peace and union commitment to spending cuts (*The Irish Times*, 1987b: 6), Fianna Fáil revealed a preference for defusing, rather than inflaming, industrial conflict and for seeking union support, rather than excluding them from policy deliberations (Hardiman, 1988: 237). By 1987, the unions favoured a return to centralised pay determination (Roche, 1994: 180). The prospects of agreement on a moderate pay rise, combined with tight control over second-tier bargaining, also drew in the employers.

The union movement entered negotiations in a weaker position than in the 1970s. Although the unions had not been consulted on policy by the coalition government, they still possessed leverage in the Dáil with the Labour Party and Fianna Fáil. However, with Fine Gael now in opposition and operating under its Tallaght Strategy of not opposing the government's measures to revive the economy, many of which had ironically been proposed by Fine Gael in the run up to the election, the unions had few options besides doing a deal (MacSharry and White, 2001: 75).

Talks built on the NESC (1986) report. The ICTU executive argued that the PNR would prevent Ireland going down the Thatcherite road, where the UK Trades Union Congress (TUC) had been utterly marginalised (Allen, 1997: 170). Thus, the PNR restored social partnership, as well as brining considerable benefits for capitalism (Allen, 1997: 169). The PNR resembled the NUs in scope, but not content. The central issue was an agreement on wages in the public and private sectors for three years. However, the PNR, and its successor agreements, also encompassed a wide range of economic/social policy commitments on job creation and welfare benefits. Unlike the 1970s, these agreements were based on shared understanding of the problems facing the economy and the policies required to address them (NESC, 1996: 14).

The Unions and Policy Developments

Following the recommendations of the NESC (1986), the government's objective was to reduce the debt/GNP ratio to a sustainable level. The change in government economic policy, first encapsulated in its March 1987 budget, as a determination to reduce the deficit, was elaborated in the PNR. In contrast with earlier attempts, the targets for 1987 were achieved. Subsequent budgets were designed in harmony with the PNR and the agreements thereafter (Department of Finance, 1988, 1989, 1990) and they provided for implementation of policies over which the unions had direct input.

Three joint government-ICTU working parties on Employment and Development Measures, Taxation and Social Policy were established and chaired by the Secretary of the

Department of the Taoiseach. More committees were formed following subsequent national agreements (ICTU, 1988). A Ministerial-ICTU group also met monthly to review progress (ICTU, 1988). The unions had secured input into policy-making through their position as an essential constituency with rights of representation on state boards, committees and policy fora

From 1987 onwards, Congress policies on pay, tax and social welfare found their way into government policy. Ireland had embarked on a tripartite approach to income policy (von Prondzynski, 1992: 82), marking 'a fundamental change in [the] approach to social partnership between that practised up to the early 1980s and that practiced from 1987 onwards' (Teahon, 1997: 53). The agreements of the 1980s and 1990s were not confined to wages, but encompassed a range of socioeconomic policies. The focus of these agreements was economic stability, greater equity in the tax system and enhanced social justice, with the result that, 'in the decade after 1987, interest group activity in Ireland attained centre stage, with the tripartite agreements of the 1990s cementing social partnership' (Murphy, 1999: 291). Ireland's political economy shifted from a British, towards a European, mode of consensus between social partners. 'These arrangements re-established a reciprocal relationship between Congress, the government, and employers on a much stronger institutional footing than heretofore' (Girvin, 1994: 130).

Social partnership arrangement continued to function up until the collapse of talks on a new national agreement in 2008, as a new economic crisis took hold. It remains to be seen whether Ireland will witness a return to the decentralised collective bargaining of the early 1980s, or if the social partnership arrangements can be revived. In this respect, the current situation in some ways mirrors conditions in 1981. The decision on this issue will have huge implications for the role of trade unions in Irish society, and for the performance of the economy, over the coming decade.

CONCLUSION

This chapter examined the four periods in which the trade union movement's influence over Irish public policy changed dramatically during the latter half of the 20th century. In each of these cases, extant economic circumstances had a significant role to play. Thus, the unions' changing influence was examined in the context of the broader Irish political economy.

The 1950s was a depressing decade. However, after Lemass came to power in 1959, the Fianna Fáil administration sought to open the economy to competition and FDI. Lemass regarded trade union involvement as critical in this attempt to revive the economy. As a result, ICTU access to the Taoiseach, representation on government committees, government economic policies and policies towards organised labour, changed in the unions' favour.

Fear that industrial unrest might frighten off FDI led to centralised collective bargaining between the state, unions and employers throughout the 1970s. The NWAs and later NUs, provided the ICTU with unprecedented access to government, its policies, and their formulation. These centralised collective bargaining arrangements were linked to government budgets. Thus, the state came to play a role in industrial relations, in return for which the unions gained influence over economic policy. By the end of the 1970s, wage agreements were being concluded in a tripartite context.

The early 1980s were a time of economic turmoil and political instability. The national agreements of the 1970s, a solution to the industrial relations problems of the late 1960s, were no longer addressing the needs of the economy. The employers' had become disillusioned with the agreements' failure to control wage inflation, while the unions felt pay restraint was not resulting in job creation. In 1981, the government abandoned centralised bargaining, as it sought to bring public spending under control. As a consequence, the ICTU was excluded from directly influencing policy.

By 1987, with the country on the verge of bankruptcy and unemployment at almost 20 per cent, the political establishment recognised the need for a new consensual approach to the economy (Tansey, 1998). A new Fianna Fáil administration, building on an NESC (1986) report and determined to impose fiscal discipline, sought to involve the unions in policy consultation to avoid the dangers of open confrontation. For the weakened ICTU, fearful of permanent marginalisation, the prospect of reinstituted centralised bargaining was a welcome lifeline. The unions saw this as an opportunity to regain influence over taxation, unemployment and social welfare policy. From 1987 onwards, a tripartite approach to managing the economy developed, wherein the social partnership agreements encompassed a range of economic and social issues. The ICTU, through involvement on numerous committees and working parties, secured an input into state policies that endured up to 2008.

However, with the collapse of social partnership in 2008, a large question mark hangs over the whole process. If the impact of current recession was sufficient to collapse the social partnership process, this raises questions as to the underlying strength of the agreements. Did Irish social partnership hold together from 1987 onwards because of an underlying societal commitment to what the agreements represented? Or, did partnership exist primarily due to a very favourable set of economic circumstance that, once ended, made it an unsustainable proposition? The answer to these questions will determine the future of Irish social partnership, and that of the wider economy and society, over the next decade.

APPENDIX A

Level of Trade Unions' Membership (1957-1961; 1968-1972; 1979-1983; 1985-1989)

Year	Membership	Annual Rate of Change (%)	Employment Density (%)	Workforce Density (%)
1957	308,200	-2.5	46.5	42.3
1958	306,800	-0.4	46.9	42.4
1959	313,700	+2.2	47.9	43.7
1960	325,500	3.8	50.2	45.8
1961	335,600	+3.1	52.4	48.2
1968	389,800	+3.2	55.1	50.8
1969	409,200	+5.0	57.0	52.9
1970	424,100	+3.6	59.1	54.2
1971	427,100	+0.7	59.2	54.5
1972	433,900	+1.6	59.5	54.4
1979	534,200	+4.2	63.9	57.8
1980	545,200	+2.1	63.5	57.4
1981	542,200	-0.4	62.9	54.9
1982	536,900	-0.9	62.4	53.2
1983	530,400	-1.1	63.5	52.1
1985	501,500	-3.1	62.5	48.8
1986	482,700	-3.7	59.0	46.1
1987	468,600	-2.8	57.5	44.8
1988	470,500	+0.40	57.7	45.4
1989	476,800	+1.3	58.8	47.1

(Sources: Bean (1989); DUES (2004); Ebbinghaus and Visser (1999))

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