Growth models, industrial relations institutions and labour market policies in Ireland, Portugal and Slovenia

Marko Hočevar

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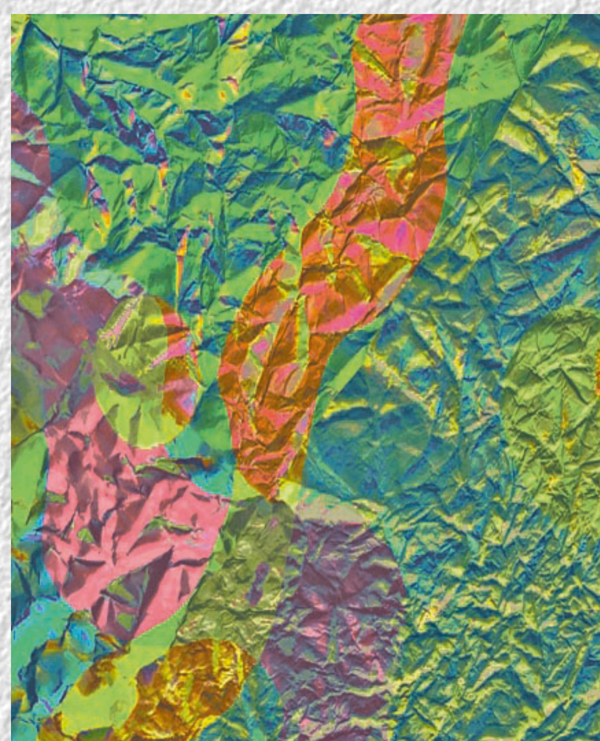

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List of Abbreviations

ALMP	Active labour market policies
BE	Bloco de Esquerda (the Left block)
CEECs	Central and Eastern European Countries
CGTP-IN	Confederação Geral dos Trabalhadores Portugueses - Intersindical Nacional (General Confederation of the Portuguese Workers)
CPCS	Comissão Permanente de Concertação Social (Permanent standing committee on social concertation)
CPE	Comparative political economy
ECB	European Central Bank
ECS	Economic-Social Council
EEC	European Economic Community
EMU	European Monetary Union
EPL index	Employment protection legislation index
EPSR	European Pillar of Social Rights
EROs	Employment regulation orders
EU	European Union
EWSS	Employment wage subsidy scheme
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GZS	Gospodarska zbornica Slovenije (Chamber of Commerce and Industry of Slovenia)
IBEC	Irish Business and Employers Confederation
ICTU	Irish Congress of Trade Unions
ILO	International labour organization
IMF	International Monetary Fund
JRS	Job retention scheme(s)
LDS	Liberalna demokracija Slovenije (Liberal democracy of Slovenia)
LEEF	Labour Employer Economic Forum
OECD	Organisation for Economic Co-operation and Development

PCP	Partido Comunista Português (Portuguese Communist Party)
PEV	Partido Ecologista "Os Verdes"
PS	Partido Socialista (Socialist Party)
PSD	Partido Social Democrata (Social democratic Party)
PUP	Pandemic Unemployment Payment
REAs	Registered employment agreements
SDS	Slovenska demokratska stranka (Slovenian democratic party)
SEO	Sectoral Employment Orders
SIPTU	Services, Industrial, Professional and Technical Union
TWSS	Temporary Wage Subsidy Scheme
UGT	União Geral de Trabalhadores (General Union of Workers)
VoC	Varieties of Capitalism
WB	World Bank
ZSSS	Zveza svobodnih sindikatov Slovenije (The association of free trade unions of Slovenia)

About the Author

Marko Hočevar is an assistant professor of Political Science and a post-doctoral research fellow at the Centre for Political Science Research, Faculty of Social Sciences, University of Ljubljana. His research interests include political theory, history of political thought, theories of the capitalist state, Marxist political theory, and comparative political economy. Between May 2019 and June 2023, he was secretary general of the Slovenian Political Science Association and since June 2023 he is the president of the Slovenian Political Science Association.

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This book was written as part of my post-doctoral research project entitled *The Changing Role of the State: State and Employment Policy in the Context of the COVID-19 Crisis* and published with the support of the Slovenian Research and Innovation Agency (project code – Z5-3221). As indicated by the title of the project, the research initially began with a narrow focus on employment policy and labour market regulation during the COVID-19 crisis in three different countries: Ireland, Portugal and Slovenia. The COVID-19 crisis was just beginning as I was writing the application for the project. The research lasting 2.5 years has, however, posed new challenges, opened new research streams and broadened the initial research topic. Namely, if one intends to understand and explain the specific COVID-19 measures and policy responses in the three countries, and what and why has changed compared to the pre-COVID-19 period, it is necessary to also consider at least the 2008 crisis and the particular mechanisms then implemented in each of the three countries. However, the crisis of 2008 only marked the culmination of a much longer policy path the three countries had been implementing long before the crisis.

Therefore, the decision to provide a comparative account of three national policy trajectories with a focus on a longer historical comparison seemed to be the only way of unfolding the peculiarities of the COVID-19 crisis and providing a multi-layered explanation of the reasons for the policy choices made in the three countries. If we seek to understand the impacts and extent of the COVID-19 crisis management and policy responses, it is essential to look back at the history of the three countries and understand the interests and power capacities of the different classes and political parties, while also contemplating the importance of the EU in these processes. Only this more holistic, institutionalist and historical-materialist approach is able to reveal similarities or dissimilarities in the policy trajectories or ruptures in the path dependency of each country.

I owe a great deal of gratitude to many of my colleagues who helped and advised me and commented on my work. Colleagues from the Centre for Organisational and Human Resources Research, the Centre for Political Theory, and the Centre for Political Science Research (all at the Faculty of Social Sciences, University of Ljubljana) have had a valuable impact on my research over the last decade.

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1 Introduction

The topic of specificities, convergence, differences and varieties in capitalism and diverse national contexts and settings has been an especially vibrant academic field in recent decades. The exploration of capitalism, the changes and crises of capitalism along with policy choices as part of the specific, historically, structurally and spatially determined contexts is always a challenging task. When it comes to comparing national trajectories and policy similarities/differences, this task becomes even more difficult. What and when to compare, which elements to focus on, and how to make empirically informed theoretical conclusions have been an ever-present challenge in the field of comparative political economy (CPE).

This book is focused on the developmental trajectories of capitalism within a globalised accumulation cycle and the specific features of national capitalisms over a longer period. The possibility of someone claiming that the presented analysis amounts to a simplified explanation always exists because it does not focus solely on institutional and ahistorical analysis, nor on specific sectors or industries, but instead takes the more general picture into account. Nevertheless, we believe that only a complex macro, meso and micro-analysis concentrated on policy content paths and changes as well as institutional changes or stability can provide valuable insights into the nature, development, changes, ruptures and continuities in nationally organised capitalisms and industrial relations. Crucially, only this can provide a solid starting point for comparative analysis and making empirically informed, more general theoretical conclusions.

The book looks at different growth models, industrial relations, labour market policies and policy outcomes, power relations, global and regional political and economic processes, a range of national and international developmental strategies, path dependency, junctures, and diverging/converging trajectories of national capitalisms in the last 40 years. This longer perspective is considered to capture the various breaks, convergence and divergence apparent in the framework of the end of the Fordist growth regime and during the strong push towards liberalisation and marketisation under the banner of neoliberalism.

To explain these specific policy developments and policy convergence/divergence in the last 40 years, we provide a cross-country longitudinal comparative analysis. The book analyses three EU member states from the mid-1980s onwards: Ireland, Portugal and Slovenia. In the book, the various policy choices and reasons for them in different national settings are explicated while similarities and differences in their growth models, industrial relations and labour market policy trajectories are identified. Specific attention is devoted to the impact of two distinct crises on three nationally organised capitalisms – the global financial crisis of 2008 and the COVID-19 crisis – as part of analysis of the particular policy choices, changes and similarities between the two crisis periods.

The book is structured as follows. Chapter 2 presents this volume's theoretical and methodological foundations. After an overview of various theoretical approaches to explaining commonalities and divergence in capitalism, an explanation is given of the approach used in this book, which is based on Marxist and neo-Marxist political theory and neo-Marxist comparative political economy.

Chapter 3 deals with the individual growth models of the three examined countries. Certain demand components of GDP and their contribution to GDP growth are considered while also analysing the importance of inward FDI. Continuities and changes in the three countries are detected and the quite dissimilar nature of the three growth models becomes apparent.

Chapter 4 concentrates on quantitative data from the OECD/AIAS ICTWSS database. We analyse the critical variables found in the dataset for Ireland, Portugal and Slovenia regarding their industrial relations systems. Comparative analysis of the data is undertaken in which certain processes in these three countries are in focus, parallel to sketching the similarities/differences observed in the data and the direction of the respective institutional changes.

Chapters 5, 6 and 7 explore the politico-economic processes in the three countries. In each chapter, attention is paid to the creation of national industrial relations institutions over the last 40 years. We analyse the precise nature of the creation, existence and change in the tripartite institutions, levels of collective and wage bargaining, the power relations between the unions and employers' organisations, and political changes in the mentioned national contexts, while also considering the labour market policies in place. The changes and processes in the industrial relations systems and labour market policies are connected to the growth models used by the three countries and the observed changes in this respect, and at the same time the impact of the EU's policy directions is described. We also explain the changes seen during the crisis of 2008 and the recovery period, with special attention devoted to COVID-19's impact on the industrial relations and labour market policies in these countries.

Chapter 8 presents the analysis and a comparison of various aspects of economic inequality in the three countries in the last 40 years, tracing the changes in inequality to certain changes in their growth models, institutional design and policy choices.

A comparison of the main findings and in-depth analysis of the importance of the empirical data is provided in Chapter 9. The concluding chapter of the book, Chapter 10, reflects on the importance of analysing policy changes, industrial relations and growth models along with specific policy outcomes and policy goals, while adopting a broader perspective on power relations, the role of structures (institutions, ideologies), and the agency of the central national and supranational actors.

The goal of this book is to explain the reasons for the differences and commonalities in the three different national trajectories. A macro-historical, state-centred, political-economy analysis is presented because, as Perry Anderson argued, the "secular struggle between classes is ultimately resolved at the political – not at the economic or cultural – level of society. In other words, it is the construction and deconstruction of States which seal the basic shifts in the relations of production, as long as classes subsist" (Anderson, 1974: 11).

2 Capitalism and the neoliberal shift: Institutional divergence or policy convergence?

When it comes to understanding industrial relations, labour market policies as well as social and economic development, two different aspects are present in the field of comparative political economy (CPE): 1) the emphasis on institutional differences in relation to varying policy outcomes in different countries; and 2) the focus on policy outcomes within the specific institutional designs in place, while also considering the similarities or differences in institutions. These two different theoretical streams possess a different ontological, epistemological and methodological structure, while also understanding the very basic element of contemporary life – the capitalist mode of production – in quite dissimilar ways. Before turning to an outline of the theoretical and methodological foundations of our analysis, it is necessary to provide an overview of the various dominant approaches within CPE today.

2.1 Different approaches to understanding convergence, divergence and change in comparative political economy

Many different epistemological and methodological approaches have emerged in the field of CPE. Not-prone to ideological and political battles, since the end of the Second World War the field has also been used to justify the superiority of one particular way of arranging capitalist production and capitalist relations. In contrast, comparative and institutional approaches has gained wider recognition from the early 1970s onwards. Although certain scholars have devoted themselves to strict institutional analysis, others have highlighted the importance of power, agency and history. In the last decade, the growth model perspective has become ever more important, while less attention has been paid to industrial relations systems than in previous decades.

2.1.1 The changing focus of comparative political economy: from Modernisation theories to Varieties of Capitalism

Following the end of the Second World War, the dominant theory in the social sciences was the modernisation theory. Pluralist industrialism[1] (Kerr et al., 1960) – a modernisation theory approach in the field of industrial relations – was primarily based on the assumption that converging towards the politico-economic model of the USA was inevitable, focusing the future capitalist development on the technocratic managerial mode of governance.[2] The idea of the end of ideology (Bell, 1965) was the theoretical/ideological twin of this way of thinking.

The basic presumption of modernisation theory was that, even though it was certain that there are differences among countries, if different nations and world regions wished to become as developed as the USA they would have to embrace the same modernisation trajectory (Streeck, 2010a; 2010b; 2010c; 2012; 2016): "Differences between countries obviously existed, but to the extent that they mattered, they could safely be assumed to be eliminated in the course of the world's consensual pursuit of the American way" (Streeck, 2010a: 11). The entire project was built on the assumption that market expansion would lead to similar policy outcomes everywhere, and that only economic growth based on structural similarities with the politics of the USA would provide beneficial economic, social and political outcomes (see: Rostow, 1959a; 1959b; 1971; Lipset, 1959; Black, 1966; Black et al., 1975; Bernstein, 1971; Brown, 1976; Brugger and Hannan, 1983).

On the other hand, orthodox Marxist assumptions were largely based on the idea that capitalism will sooner or later decline and collapse due to the specific class power relations as well as the success of capitalism itself. In this sense, they often had very little to offer regarding the differences/similarities between capitalist economies (Streeck, 2010c).

Institutional political economy was sceptical of these assumptions: 1) the modernisation theory completely disregarded the agency of various actors and

1 Kerr et al. (1960: 2) argued that "a society where diversity and uniformity still struggle for supremacy and where managers and managed still carry on their endless tug of war; but where the titanic battles which mark our period of transition have already passed into the pages of history".

2 The other possibility being predicted was that either the USSR would also follow the industrial development of the USA, or that the distinct socialist industrial relations would converge with the USSR model (see: Streeck, 2010a; 2010c).

the influence of politics on the institutional and policy outcomes; 2) the orthodox Marxist theories were also rejected since the institutions of capitalism had proven to be much more resilient and adaptable than initially expected, and the state showed much stronger capacity to balance the contradictions of capitalist accumulation than was foreseen. The political and economic changes and ruptures in the 1960s and 1970s opened the way for a more nuanced view of political, economic and social developments in various parts of the world. Instead of convergence under the banner of modernisation (or the influence of the USSR), diversity and even the need for different political and economic models and developments were seen as inherent elements of capitalism (see: Streeck, 2010a; 2010b; 2010c; Baccaro and Howell, 2017).

Instead of US-style pluralism, different modes of organising antagonistic interests in societies were (re-)discovered. Corporatist arrangements were viewed as being compatible with liberal democratic political institutions, while these arrangements also frequently managed to include the interests of those who were disregarded in pluralist arrangements (Schmitter, 1974; Schmitter and Lehmbruch, 1979). In 1976, Helmut Schmidt ran and won his political campaign in Germany promoting *Modell Deutschland* as a superior institutional, political and economic arrangement (Streeck, 2009). In the 1970s, it appeared that countries in which the trade unions held institutional power to influence policies had managed the stagflation crisis better than the USA and the UK had (Streeck, 2010a; 2010b). Moreover, the OECD began to issue various reports and tables where countries with different politico-economic and institutional arrangements appeared to have different positions in these tables and scores (Thelen, 1999).

From the late 1960s and early 1970s onwards, the exploration of differences in national political and economic systems became the new norm in the study of capitalism. National differences were viewed as being inherent to the capitalist mode of production while looking at different segments of what were assumed to be crucial aspects of capitalism. Andrew Schonfeld (1965) published his book *Modern Capitalism* containing an empirically rich analysis of the diverse rise of interventionist nation states and their very different approaches to planning economic activities. In 1973, Ronald Dore issued his seminal work *British Factory, Japanese Factory*, which was a very extensive and important comparative study of British and Japanese capitalism. Katzenstein edited the volume *Between Power and Plenty* (1976), where the main attention was paid to case studies and analysis of the varying responses to the oil shocks in the early 1970s. Schmitter focused on the design of corporatist institutions (Schmitter, 1974), Cameron on the role of the organised working classes (Cameron, 1984), whereas Zysman (1983) analysed the role of different financial institutions. Soskice (1990) and Swenson (1991) explored the importance of employer institutions and their coordination. The research of the Scandinavian model, where strong socialist parties were working closely alongside the trade unions to secure social and economic welfare for the many, was noticeably different from the US model and the presumed rise of catch-all parties (Korpi, 1978; 1983).

Piore and Sabel focused in their book on flexible specialisation and post-Fordist production, while often giving examples from the industrially developed Northern Italy (Piore and Sabel, 1984). Sorge and Streeck (1988) looked at the competitive advantages of German products and industrial output, claiming that "diversified quality production" existed in Germany. In the USA, Dertouzos et al. (1989) published the book *Made in America: Regaining the Productive Edge* where they argued for a non-neoliberal attempt at restoring competitiveness and learning from Europe and Japan.

After the collapse of the real-existing socialism in Europe, scholars interested in political economic institutions also began looking at the new capitalist states and revealing important differences (Blanchard et al., 1991; Sachs and Woo, 1994; Amsden et al., 1998; Eyal et al., 2001). Besides the focus on Japan and the Asian Tigers, China and its rise started to attract considerable attention (see: Lin et al., 1997; Sachs and Woo, 2001).

Even though many analyses were based on single case studies or limited comparisons, they all pointed in the same direction – that politico-economic regulations in different countries around the world had important differences. In the 1990s, a vast literature on the diversity of comparative capitalism emerged (Albert, 1993; Stallings, 1995; Berger and Dore, 1996; Hollingsworth and Boyer, 1997; Crouch and Streeck, 1997a; 1997b; Kitschelt et al., 1999; Coates, 1999; 2000; Iversen et al., 2000).

Nonetheless, the comparative institutional framework overlooked two important aspects: 1) historical dynamics; and 2) the concept of capitalism and the changes within capitalist mode of production (Streeck, 2010c: 661). The specific case studies generally focused on institutional designs with very little historical understanding of the establishing of different types of capitalism and industrial relations. Moreover, they all appeared to be quite static and stable, without invoking the changes within the capitalist mode of production.

Despite the already neoliberal (r)evolution underway in most of the world, and neoliberalism being today understood as a strong converging policy and institutional framework, Streeck thus argued that by the "early 1990s, all the core elements of what was to become the 'varieties of capitalism' paradigm were in place and waiting to be assembled into a general framework for macro-level political economy and economic sociology, beyond single-case country studies and the comparative analysis of select economic institutions such as collective bargaining" (Streeck, 2010a: 15).

2.1.2 Varieties of Capitalism and its limitations

The book with by far the biggest impact on the study of similarities and differences in capitalism appeared in 2001, entitled *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, and edited by Peter Hall and David Soskice (2001a). This work became a crucial reference point in comparative political economy and the research of the differences within capitalism.

Their approach was a "firm-centred political economy" in which companies and employers are the "key agents of adjustment in the face of technological change or international competition whose activities aggregate into overall levels of economic performance" (Hall and Soskice, 2001: 6). The core argument made in the book was that employers and their choices to focus on comparative advantages and their policy choices to support their interests are the most important for understanding the differences in nationally organised capitalist economies. Namely, the differences that exist are due to the variations in the institutional choices made by employers seeking complementary institutional designs for the better functioning of the economies.

Hall and Soskice identified five elements that lead to the complementarity of national institutions: 1) industrial relations, as a sort of institutional arrangements for bargaining between employers and trade unions over wages and labour conditions; 2) vocational training and education, which is an important element since it is critical for employers to promote the upskilling of their workforce, while it is also crucial for employers' decision to invest; 3) corporate governance as an institutional setting that is essential for the investment and financing of firms; 4) inter-firm relations are relations between companies – suppliers, clients – where a certain level of coordination is needed for securing supply chains; and 5) employees as an institutional arrangement was introduced to concentrate on the cooperation of employees about the functioning of the firm and for ensuring the firm's best interests (Hall and Soskice, 2001b: 7).

These five elements were used to explain the formation of specific institutional designs within nation states and to the coupling of those institutions and mechanisms that promote, within the given economic context, greater efficiency: "firms may pressure governments to foster the development of institutions complementary to those already present in the economy in order to secure the efficiency gains they provide" (Hall and Soskice, 2001b: 18).

The VoC literature assumes that the reasons for the varieties of market economies are purely technical-economic in origin. Namely, it is claimed that the pursuit of efficiency is the main element that leads various actors to adopt specific strategies. Since it is a firm-centred approach, it presupposes that firms adopt strategies as they want to increase their efficiency and comparative advantages:

> *The basic idea is that the institutional structure of a particular political economy provides firms with advantages for engaging in specific types of activities there. Firms can perform some types of activities, which allow them to produce some kinds of goods, more efficiently than others because of the institutional support they receive for those activities in the political economy, and the institutions relevant to these activities are not distributed evenly across nations. (Hall and Soskice, 2001b: 37)*

The edited volume by Hall and Soskice, containing the initial theoretical reflection and empirical case study analysis, argued that different "market economies" exist – this conceptual innovation was used instead of national capitalisms – with two main types: liberal market economies (LMEs) and coordinated market economies (CMEs). The prototype of LMEs was to be found in the USA and UK, while the concept of CMEs was built on the example of Germany, with other examples also being provided by European countries (Belgium, Austria, Netherlands, Scandinavian countries) and Japan. It is notable that some countries were referred to as a third type, being more ambiguous, and not fitting either ideal type. These countries were France, Italy, Spain, Greece and Turkey, sometimes also known as the 'Mediterranean' type.

From our perspective, there are two general problems with the VoC theory. The first one is the institutional functionalist assumption and the second, related to the first, is the complete disregard for the concepts of class, interest, power, conflict and crisis.

To start with, the problem with functionalism in social sciences is an old topic. The VoC literature seems to completely overlook any objection to the problem of the functionalism of institutions and the power capacities of agents. That is, the literature here does not offer mechanisms to explain the specific 'institutions' and their (non-)change over time nor the influence of agents on institutional change or stability. The authors involved simply take them for granted and argue that in specific societies – specific market economies – some institutions work better than others, and accordingly they are producing better coordination and cooperation within the technocratic functioning of capitalism. Crucial political actors and firms are seen as being rational, efficiency-maximising actors: "Economic institutions have only one function, to increase efficiency, which makes them easy to design and redesign /…/" (Streeck, 2010a: 22–23).[3]

Institutional analysis of the VoC type tends to promote very static, ahistorical and a-theoretical reasoning concerning the internal logic and dynamics of the capitalist mode of production: "a focus on institutional forms is likely to miss the malleability of institutions – the degree to which a set of institutions can appear largely unchanged but in fact come to perform in quite different ways from before – and thus the extent of institutional convergence" (Baccaro and Howell, 2011: 525–526).

Second, and relatedly, VoC completely disregards any aspect of politics and class struggle and puts the question of efficiency and institutional complementarity at the forefront. Namely, VoC treats the capitalist totality "as an economy, and society and economy as happily unified in a joint search for economic efficiency" (Streeck, 2010a: 31). Crucially, reconceptualised as a market economy, capitalism seems to be "a political technology for cooperative wealth creation, where the pursuit of efficiency is identical with the pursuit of profit and where political conflict results, if at all, from misunderstandings and insufficient

3 Crucially, the level of analysis is that of the nation state, while VoC focuses on the national institutions that underpin the national varieties of capitalism. Any sort of a more global or world perspective is absent (Howell, 2003; Streeck, 2010c; Lučev, 2021). Becker (2007; 2009) and Blyth (2003) argued that considerable variety can also be found among the ideal types of CME and LME.

knowledge of economic 'laws'" (Streeck, 2010a: 27). The questions of class conflict, crises and different interests become "not just technocratically sterilized but also de-historicized, as the conceptual schema of capitalism-as-market-economy has no systematic place for the possibility of capitalism-as-political-economy reaching historical limits to its sustainability" (Streeck, 2010a: 27).

Therefore, when explaining capitalist variety VoC completely disregards the basic elements of the capitalist mode of production and any sort of conflict, while also placing very little, if any, stress on history and more local or more global historical trajectories. As Pontusson noted, "the VoC literature has a great deal to say about 'varieties', but surprisingly little to say about 'capitalism' /…/ [and] theoretically privileges considerations pertaining to efficiency and coordination at the expense of considerations pertaining to conflicts of interest and the exercise of power" (Pontusson, 2005: 164). The VoC analysis "privileges regime stability over crisis, institutional continuity over discontinuity, internal coherence and equilibrium over internal contradiction and crisis, coordination and mutual accommodation over conflict and contention /…/" (Howell, 2003: 121).

Instead of history and changes, or even some more macro-elements of social reality, VoC analysis only focuses on particular elements, which could be a good and useful element for understanding certain specific moments but can provide very few social scientific explanations of the creation or destruction of institutions[4] (certainly, besides structural/functionalist explanations) (see: Streeck, 2009; 2010a; 2010b; 2010c; Baccaro and Howell, 2017). Therefore, Streeck claimed that the comparative institutional approach had become a "pseudo-universalistic 'variable sociology'"[5] (Streeck, 2010c: 661).

4 Streeck also pointed to a much deeper problems with contemporary social sciences research, claiming that "the search by much of current social science for historically universal, invariant principles governing social organization reflects the model of the physical sciences, which feel most comfortable assuming that they are dealing with ahistorical, invariant nature. Another explanation may be identification with that powerful disciplinary aggressor, modern economics, which in mimicking nineteenth-century mechanics has long ceased to add indices of time and place to the supposedly universal principles it claims to be able to discover" (Streeck, 2009: 7).

5 When historical institutionalism attempted to overcome the static institutional approach, they were largely focusing on path-dependency and not even so much on the historical and structural contexts and conditions influencing specific policy choices and outcomes (Streeck, 2010a: 661).

The pursuit of efficiency and rational choice underlying it has made "the theory of capitalist variety to be functionalist and voluntaristic-rationalist at the same time" (Streeck, 2010a: 23).

2.1.3 More dynamism, history and changes: expanding and deepening the Varieties of Capitalism theory

At the turn of the millennium, prior, parallel to or after the publication of the VoC seminal work, many different typologies of capitalism were developed that all devoted considerable attention to the differences between various world regions/countries, while also being sensitive regarding history and the importance of understanding the dynamics of capitalism.

Coates developed a distinct theory in which he argued for a new typology of capitalism: market-led, negotiated-consensual, and developmental state-led capitalism (Coates, 1999); 1 year later, he proposed a distinction between liberal and trust-based capitalism (Coates, 2000), while in 2005 he edited a volume where authors combined different approaches to understanding varieties of capitalism (Coates, 2005). Working within the Regulation School approach, Boyer (2001; 2005) claimed that we should distinguish four types of capitalism: market-led capitalism, corporate capitalism, social-democratic capitalism, and state-led capitalism, while also highlighting the enlarging varieties with the specific developments in Russia, post-Soviet countries, various Asian models of capitalism, and the Chinese combination of market and state.[6] Amable developed a more nuanced typology using complex econometric techniques and differentiated five types of capitalism: market-based, continental-European, Asian, Social-Democratic, and Mediterranean (Amable 2003). Schmidt argued for a distinction between three main types of capitalism: managed, market, and state (Schmidt, 2003). An important contribution was Wilensky's analysis (2002) of 19 countries and his typology based on the specific bargaining

6 Boyer (2005: 38) claimed that the "basic institutions that govern a capitalist economy usually combine a significant variety of coordinating mechanisms: on top of the conventional opposition between State and market, actors such as communities, networks, associations, and private organizations play a role in building economic institutions. Once created, these institutions exhibit large sunk costs and thus display increasing returns. This is an explanation for a specific form of path dependency. Lastly, evolutionary theories suggest that technologies, institutions, and organizations co-evolve. Thus, there is no clear force that would bring about the convergence of various capitalisms".

arrangements between the central political and economic actors and interest groups and the government.

A specific field in which the idea of differences in capitalist developments was implemented concerned post-socialist countries and the analysis of their accession to the EU and their capitalist transitions. Already in 2009, Nölke and Vliegenthart (2009) wrote about the need to expand the VoC and its ideal-typical division of LME and CME. Namely, since the CEECs were encnouraged to sell everything off to foreign companies and usually depended on FDI substantially for investment, they claimed that a new type of market economy had arisen – the dependent market economy (DME), which is a specific post-socialist model of capitalism.

Much research about the new EU member states focused on these states and their particular capitalist restoration trajectories (Lane and Myant, 2007; Lane 2007; Knell and Srholec, 2007). Countries that would suit the LME type of VoC analysis well were identified as Estonia, Latvia and Lithuania (Feldman, 2006; 2007; Bohle and Greskovits, 2007); Slovenia and also Croatia were explained as types of CME (Feldman, 2006; Knell and Srholec, 2007; Buchen, 2007). Myant and Drahokoupil (2011) also provided an overview of the different types of capitalist development in Eastern Europe and the post-Soviet space.

Bohle and Greskovits published their seminal work on the integration of various CEECs into the EU and their transition to capitalism. The book entitled *Capitalist Diversity on Europe's Periphery* presents macro analysis of different paths, strategies and socialist legacies in CEEC and even introduces a new concept into world-systems analysis. Namely, since most CEECs did not fall strictly into the category of capitalist peripheral countries (they are not rich in natural resources nor have the cheapest labour) and because the category of semi-periphery is often reserved for all the countries that do not belong directly to the core or periphery of the capitalist world system, they argued that focusing on the manufacturing output and export, some of the CEECs – Hungary, Czech Republic, Slovakia, Poland, Slovenia – should be conceptualised as semi-core countries as a distinct model within the pluriverse of capitalist varieties (Bohle and Greskovits, 2012).

When the crisis broke out in the period 2008–2009 in Europe, the focus was still largely on the diversity of Europe's capitalism. Steffen Lehndorf edited a volume in which several case studies dealt with the specificities of the "European models of capitalism in the crisis" (Lehdnorf, 2012). Heyes et al. (2012) claimed that the crisis was a converging factor in the varieties of national capitalist frameworks. Drahokoupil and Myant (2010) analysed the financial crisis' impact on the welfare states and capitalism in Eastern Europe and the post-Soviet space.[7]

Thelen (2012; 2014) developed a more nuanced articulation of the VoC stream, arguing for variations in institutional changes, whereas the direction has overall been the same – liberalisation and neoliberal policies. Instead of firms and employers, she focused on politics and various coalitions, while the organisation of labour has been equally important as the organisation and strength of employers with respect to institutional stasis or change[8] (Thelen, 2012; 2014, 29–32). As Thelen emphasised, within the dualism of coordinated and allegedly egalitarian capitalism, and liberal and inegalitarian capitalism, it is very difficult to grasp the possible differences and growing inequality within coordinated capitalism, and also some strategic coordination that exists in highly unequal societies. She argued that liberalisation "can take many forms and occur under the auspices of different kinds of social coalitions – with implications for distributive and other outcomes" (Thelen, 2012: 147).

Vitally, in the last decade authors have also looked at other parts of the world in the search for different developmental models and types of capitalism. Hundt and Uttam (2017) analysed the different varieties of capitalism in Asia connecting VoC with the developmental state theories. Lee and Shin (2021) analysed Varieties of Capitalism in East Asia while Moore used the concept in the analysis of Southeast Asia; research has also considered Africa and the different types of capitalism that have emerged there (Dibben and Williams, 2012; Ashman and Fine; 2013; Padayachee, 2013; Nattrass, 2014), while in Latin America scholars have also introduced the typologies of VoC (Schneider, 2009; Miller, 2010; Bizberg, 2014; 2018), albeit some have criticised VoC in relation to the dependency theories developed in Latin America (Ebenau, 2012).

7 Peter Hall (2014; 2018) revisited the VoC theory, adding more dynamism and adjustment as important elements to VoC during and after the crisis of 2008.

8 The edited volume by Mahoney and Thelen (2009a) entitled Explaining Institutional Change also looked at agency and power within different national contexts and policy fields. The first chapter is especially important as there Mahoney and Thelen (2009b) deal with the specific incremental and gradual nature of institutional change.

2.1.4 Growth model perspective and focus on politics

In the last decade or so, two additional approaches have become widespread and more popular within CPE. The first of these was the renewed focus on growth models and various elements that have been essential for growth in different institutional settings. The second is the introduction of politics as an important element for explaining particular changes in industrial relations and economic policy.

Baccaro and Pontusson (2016) published an article in which they offered a demand-side approach to explaining growth models. This was accompanied by a similar approach in a book written by Baccaro and Howell (2017). They based their approach on Keynesian and Kaleckian elements and the initial difference between the wage and profit-led growth, as well as on Regulation School insights into Fordist and Post-Fordist growth models, which have all been neglected in the area of CPE.

The specific focus of growth models is on the different elements and their contribution to GDP growth. Based on calculations, this approach looks at the yearly contribution of different elements – net exports, domestic demand, and various elements of demand – to GDP growth. Baccaro and Pontusson argued that they had developed an "analytical framework [that] identifies multiple growth models based on the relative importance of different components of aggregate demand – in the first instance, household consumption and exports – and relations among components of aggregate demand" (Baccaro and Pontusson, 2016). A similar approach was used by Baccaro and Howell (2017) to supplement their analysis of industrial relations institutions changes in Germany, Sweden, Britain, France and Italy. In each case, they focused on the demand aspects of growth and the decomposition of the demand components of growth. In particular, they analysed consumption, investment, government expenditure, and net exports, as well as the specific wage and debt trajectories, to determine the different growth models in various countries.

Mertens et al. (2022) used a similar approach to analyse the growth models in nine emerging capitalist economies. Cárdenas and Arribas Cámara (2021) also employed the decomposition approach to growth contributors concentrating on the relationship between consumption and net exports and investment and net exports as a share of GDP. Adopting a Regulation School style approach, they offer analysis of different European countries and the changes in their growth models. They managed to construct a different typology of growth models based on: 1) debt-financed consumption; 2) export; and 3) domestic, demand-led growth models.

Hassel and Palier (2021) used a broader variety of factors to analyse different growth models. Alongside the demand and export elements, they focused on the quality of exports, especially high value-added services, as a specific way to determine the ICT and complexity of exports, while also analysing the role of welfare state arrangements facilitating the transition to an ICT service-based economy. Hein et al. (2021) also used the decomposition approach to investment, consumption, government expenditure, and net exports, and combined it with the specific financial aspects of different sectors: non-financial private firms, financial private businesses, public sector, foreign sector, and households. They identified four different growth models: 1) export-led mercantilist growth model; 2) weak export-led growth model; 3) domestic demand-led growth model; and 4) demand-led growth model based on debt.[9]

On the other hand, despite the seminal work of Korpi (1983), the broader focus on politics as a vital factor in CPE has been relatively novel. Although Streeck stressed the importance of bringing politics back in and despite Howell's argument (2003) that the state must be brought back into CPE, only some recent case studies have analysed the specific political and policy changes, structures and actors within different historical, social and economic contexts. Namely, specific growth models or industrial relations institutions do not emerge from nowhere, but are politically and economically determined by specific interests, goals, and power resources of key actors: "it is crucial to understand the political coalitions that underpin an existing growth model, the conflicts that arise, and the power that specific societal groups exercise in the respective model" (Bohle and Regan, 2021: 77). Within this broader reintroduction of politics into CPE, one can distinguish three different perspectives.

Several studies focused on electoral politics and the particular changes in the class composition and class structure of contemporary societies caused by technological developments and globalisation. This type of analysis explores the relationship between the specific preferences of new social groups and classes and the political and policy choices of governments (Amable et al.,

9 For other approaches to different growth model analysis, see: Stockhammer and Wildauer (2016); Baccaro and Benassi (2017); Picot (2021), Baccaro and Pontusson (2021); Stockhammer and Kohler (2022), Baccaro and Neimanns (2022), Reisenbichler and Wiedemann (2022); Ban and Adascalitei (2022), Sierra (2022), and Baccaro and Hadziabdic (2023).

2019; Dancyger and Walter, 2015; Häusermann et al., 2013; Manow et al., 2018).

Scholars have also considered the interests and power resources of organised labour and capital, and specifically on the various coalitions and interests that come together in different sectors of economies that determine the shape of the particular national growth model (Thelen, 2014; Hall and Soskice, 2001a). Thelen (2012; 2014) analysed the political and societal coalitions which underpin specific institutional and policy choices. The concept of the social bloc was reintroduced to focus on the intra- and inter-class coalitions in certain sectors of the economy that conflict with other coalitions within the borders of nation states (Amable, 2017; Baccaro and Pontusson, 2018).

In the last few years, a specific merger of political science and sociology has produced a novel approach based on analysis of the given relations between political bureaucracy and economic/business elites. This approach in fact points to the mutual dependence of political and economic elites: political elites, especially the governing ones, need the economic elites to invest in their countries in order to boost wages and employment, while the economic elites require the cooperation of political elites to facilitate and create suitable conditions for capitalist reproduction and profits. Crucially, in this perspective, it is argued that economic power has become global and that the competition between countries has become more important in securing specific conditions for capital investment (Strange, 1991; Culpepper, 2010; Skocpol and Hertel-Fernandez, 2016; Pagliari and Young, 2015; Schwartz, 2017).

2.2 Theoretical and methodological framework of the book

Certain elements of the theoretical and empirical analysis and findings summarised in the section above will serve as the starting point for our research. However, while dealing with the issues of capitalism, policy design, industrial relations, and institutional convergence/divergence, the first thing that must be explained in the specific conceptualisation of capitalism is the state and the state–economy nexus in capitalist social formations. These are the most basic elements in any political science research as well as a critical element in comparative political economy since the state–market relation, or the relationship between political authority and economic exploitation, is an essential element of the capitalist mode of production.

2.2.1 Understanding Capitalism, the Capitalist State, and Policy Outcomes in Capitalism

Here we conceptualise capitalism as a specific mode of production based on private ownership of the means of production. It is based on the unequal distribution of property and wealth and the consequent exploitation of those who are not the owners of means of production. In the broadest terms, there are thus two main classes in capitalism: capitalists, those who own the means of production, and the more numerous class – the proletariat – comprised of those who must sell their labour power in the labour market to be exploited in order to earn for living. The two classes crucially have very different interests and very different material resources to promote and enforce them (see: Marx and Engels, 1998; Marx, 1995a; 1995b; Jessop, 2002; 2008; Polanyi, 2001; Poulantzas, 2014). As Baccaro and Howell (2017: 12) noted:

> *Taking capitalism seriously, not only capital as an interest or an actor, but capitalism as a distinct, historicized social formation involves reviving the insights of an earlier tradition of political economy, one that emphasized radical uncertainty, perpetual innovation, the capacity of markets to undermine themselves, a continuous boundary war between commodification and self-protection and the tension between legitimation and accumulation. (Baccaro and Howell, 2017: 12)*

Capitalism's main feature is the unequal power between classes based on an unequal distribution of wealth and ownership, and economic exploitation.[10] In this sense, capitalism is not defined by any sort of preconceived equilibrium or urge for cooperation but is based on class struggle and attempts to secure the basic interests of the competing classes. Capitalism as such is thus not about coordination, equilibria, or institutional path dependency, but much more about class interests, class struggle, change, political and economic contradictions:

> */…/, a real-world capitalist political economy-cum-society has no equilibrium that it could and would attain and maintain without political*

10 With this, we are distancing ourselves from other conceptions of capitalism that do not focus on classes and class relations but are mostly interested in the expansion of trade. The commercialisation model of capitalism has been proven to fall short of explaining why and how more trade began occurring while projecting the existence of capitalism in ancient history.

> *intervention. If this holds for national capitalisms, as it clearly does, it should hold all the more for capitalism as a global system. (Streeck, 2010a: 39)*

Still, this does not mean that we never see any sort of cooperation between classes – although this occurs on a daily basis, it is more a consequence of the external structural determinants, historical social formations, and overlapping of particular interests within different sectors of the economy (Jessop, 2008; Baccaro and Pontusson, 2018).

A specific place in regulation of the capitalist economy and society is held by the state. The state and its policies are the outcomes of varying interests of different classes and social groups, according to various growth models and different political-economic projects and accumulation strategies, that depend on the ever-changing relations of power between political parties, classes, and social groups[11] (Jessop, 2008).

Within this framework, the role of the political authority – the state and the political regulation of capitalism – is primarily based not on the functionalist pursuit of capitalist interests, which are supported by the labour, but on the outcome of various forms of national and international aspects of aggregation and assertion of various class or class-faction interests. The state is not solely a tool in the hands of the ruling classes (as sometimes deemed by Lenin, Miliband and others), but is much more structurally dependent on the reproduction of the entire capitalist formation, whereas specific policies are the result of class power relations. It is a political institution separated from all classes, which precisely due to this separation from all classes functions in line with the reproduction of the capitalist economy (Offe, 1984; Block, 1987; Meiksins Wood, 1995).

Poulantzas famously argued that the "(capitalist) State should not be regarded as an intrinsic entity: like 'capital', it is rather a relationship of forces, or more precisely the material condensation of such a relationship among classes and class fractions" (Poulantzas, 2014: 129). The specific hegemonic

11 "Change under capitalism is development and evolution, not fluctuation—full of frictions, contradictions, and dysfunctions to be sure, but still patterned according to an identifiable logic of expansion and accumulation. This is a theoretical prior radically different from the deeply static worldview of functionalist economism, in which history closes down once social arrangements have finally been economically optimized" (Streeck, 2016: 246; see also Streeck, 2012).

bloc or ruling social groups influence the choices of specific politico-economic projects and accumulation strategies, while there is structural selectivity in the political apparatus that serves as a gatekeeper with regard to the exact policies (Jessop, 2002; 2008; Hirsch, 1995).

The capitalist state is therefore the particular outcome of temporal and spatial power relations while a crucial element of strategic selectivity exists; meaning that the state in capitalism will never or with great difficulty adopt measures that could jeopardise the existence of the capitalist mode of production. Yet, this does not also mean that because of the specific power relations the state will at times not adopt more pro-social and pro-labour policies, that will halt or even reverse the direction of marketisation and the expansion of market relations. Polanyi argued that in capitalist societies there is always a specific double movement, a struggle between two different principles when organising societies: "The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market /…/; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization" (Polanyi, 2001: 137).

2.2.2 From welfare state capitalism to neoliberalism

The period following the Second World War has been roughly divided into two longer phases. First, after the Second World War came a period of persistent and stable growth, full employment, and stable social reproduction of the Fordist regime of accumulation; the second period began in the late 1970s when the Fordist regime entered into a decade-long crisis that ended with the nationally specific adaptations, which has become known as neoliberalism.

Post-Second World War, various capitalist states took a very different approach to negotiating inter- and intra-class interests and relations with very similar goals. The declared goal of the state was full employment and the expansion of welfare services. This marked the stable reproduction of the capitalist regime of accumulation, and also resulted in steady and prolonged economic growth. The Keynesian welfare state – where the state was active in investment and social security – was a proactive state that did not have a goal of expanding market forces and market mechanisms. The mass production and mass consumption of the Fordist regime was made a norm. The state had a crucial role in negotiating the interests of the representatives of labour and capital within the distinct regimes of state-labour-market arrangements (see:

Jessop, 2002; Hirsch, 1995; Esping-Anderson, 1990; Streeck, 2015; Wahl, 2011; Béland et al., 2021).

The rise of welfare capitalism in different parts of the world was a consequence of the unprecedented strength of trade unions and left-wing (social-democratic, socialist, communist) parties. The trade unions had a very high-density rate and broad membership, whereas the left-wing parties also had a large membership and a very clear anti-capitalist programme. Moreover, the existence of a genuine alternative – the existence of the real-socialist bloc – provided a large impetus for adopting pro-social and anti-market policies due to fear in the West regarding what might happen if they did not soften the levels and extent of capitalist exploitation. This fear of possible communist/socialist revolution and fear of losing their wealth made the capitalist and the richest strata accept the pro-social Keynesian and social-democratic nature of the capitalist state, while one should also not overlook the impact of the destruction caused by the two world wars and the need to stabilise societies around the world (Esping-Andersen, 1985; Hirsch, 1995; Jessop, 2002). Certainly, in the USA the New Deal was implemented before the Second World War commenced, while the transition to a war economy in the USA only strengthened the Keynesian and investment approach, whereas in Europe after the end of the Second World War the Northern and Western countries embraced social-democratic policies – although not always implemented by left-leaning parties – and the Central and Eastern European countries turned socialist.

The period until the 1970s was based on a specific class compromise between labour and capital where many strong trade unions and socialist/communist parties in the West arose within the framework of the threat of a possible socialist revolution and memories of the destruction brought by the Second World War. However, the critical problem of declining profitability in the 1970s and the rising indebtedness, economic stagnation, and growing unemployment were understood as a problem of too strong labour and too strong state involvement in the economy. As a solution to these internal contradictions of capitalist accumulation and reproduction, policies of liberalisation, deregulation and privatisation were put forward – or what are today commonly called neoliberal policies (see: Harvey, 2005; Jessop, 2002; 2008; 2016; Hirsch, 1995; Cahill et al., 2018; Springer et al., 2016; MacLeavy, 2016; Jackson, 2016; Schram, 2018).

Neoliberalism can be defined in several ways. Harvey defined neoliberalism as a "theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade" (Harvey, 2005: 2). Streeck claimed that neoliberalism is characterised by the trend which moves "away from centralized authoritative coordination and control towards dispersed competition, individual instead of collective action, and spontaneous market-like aggregation of preferences and decisions"[12] (Streeck, 2009: 149).

For the purposes of our analysis, we consider neoliberalism as a rejection of Keynesian and social democratic politics, which formed the basis of the post-Second World War consensus. Neoliberal transformations have been nationally distinct processes, yet with similar policy goals: reducing the power of organised labour and increasing the strength of private market forces and actors. Neoliberalism is characterised by a heterogenous and by no means linear or uniform process of market liberalisation, financial liberalisation, trade liberalisation, privatisation of state-owned enterprises, reducing welfare provision and establishing stricter criteria for eligibility (workfare regime), strict fiscal policy, and lowering of the taxes for the richest and corporations, the rising individualisation of care (see: Harvey, 2005; Cahill et al., 2018).

These policies of radical market liberalisation and anti-social policies were first implemented during the military junta led by Augusto Pinochet in Chile, but have since become a norm around the world. The Reagan and

12 Mirowski proposed 11 theses on neoliberalism (Mirowski, 2015: 417-455). First, neoliberalism is based on the assumption that the desired order must be created – that is, action is required. Second, the market is perceived as the most efficient information processing mechanism. Third, although a market society has yet to be created, it must be presented as a natural and normal state of affairs in society. Fourth, and most importantly for us, "the essential ambition of the neoliberal project is to redefine the form and functions of the state, not to destroy it" (Mirowski 2015, p. 436). Fifth, neoliberals understand politics and democracy exclusively in market terms and the economic model. Sixth, the fundamental virtue of neoliberalism is freedom, albeit it is understood extremely narrowly and economically, and it is a negative or legal freedom – freedom from coercion and groundless interference by the state. Seventh, the free movement of capital is a natural given. Eighth, economic inequality is perceived as a necessary by-product of the best possible arrangement – that is, the market society arrangement. Ninth, big corporations, even if they do something bad, should not be blamed for it. Tenth, the market is perceived as the solution to all problems, even those produced by the market itself. Eleventh, the political, social and economic theory of neoliberalism is presented as a 'moral code' from the outset.

Thatcher administrations in the USA and UK, respectively, showed that neoliberalism does not need a military government, but that it certainly does require a strong anti-labour policy based on dismantling and delegitimising strong trade unions. Further, after the 1980s more anti-social policies were also embraced and the prescripts of 'technocratic' neoliberal experts began to be followed. Since the strong offensive from the wealthiest part of society, the technocratic monetarist economics, the embracing of neoliberal political receipts by the liberal and conservative parties, and gradual adoption of neoliberal policy receipts by the formerly left-wing parties (Glyn, 2001; Mudge, 2018), together with the declining mobilisation capacity of the unions, which was followed by a rapid de-unionisation, the balance of forces in society and politics shifted towards expanding the markets and the processes of liberalisation, marketisation and privatisation (Carroll and Sapinsky, 2016; Eagleton-Pierce, 2016; Plehwe, 2016; MacLeavy, 2016; Jackson, 2016; Peck et al., 2018; Davidson, 2018; Bailey, 2018; Schram, 2018).

2.2.3 Policy convergence in the era of neoliberalism

The flexibilisation and liberalisation of the labour market and employment have been viewed as important elements of neoliberalism, especially in the light of the individualisation of workers and declining union density and thus the strength of the trade unions (MacLeavy, 2016; Jackson, 2016; Schram, 2018).[13] The liberalisation of industrial relations institutions, aimed at employment and labour market flexibility and the rising power of employers, has been a key feature of the neoliberal revolution in industrial relations institutions, changing them to serve these goals or even abolishing them in order to ensure more power for the employers (Baccaro and Howell, 2017).

This certainly does not mean that neoliberal policies became prevalent everywhere in a similar way or at the same time. Neoliberalism has been also denoted in the field of industrial relations and especially policy outcomes by geographically uneven development, while being always adapted to the specific historical and structural conditions (Harvey, 2005: 13). However, the

13 MacLeavy (2016: 252) explained that on the level of social policy the "growing influence of neoliberalism is reflected in the establishment of a market-based approach to social policy, in which welfare programmes are primarily intended to encourage self-reliance rather than seek to ameliorate the condition of oppressed or marginal groups through efforts to equalize life chances or address unemployment".

path of convergence becomes more obvious if one focuses on policy outcomes in the field of industrial relations, social policy, and giving greater power to market actors in the liberalisation of economies, which are produced by distinct institutional designs in various national settings. Policy convergence usually also means "the adaptation and reengineering of existing institutional sets to perform in a similar fashion and to generate similar outcomes, with the result that the trajectory of institutional performance across countries is convergent" (Baccaro and Howell, 2011: 526).

Within this framework, due to the different actions of the state, greater power to the market, the trends of marketisation and privatisation, deregulation and flexibilisation of the labour market, Streeck and Thelen (2005a: 2) argued that the "prevailing trend in the advanced economies during the last two decades of the twentieth century and beyond" has been "a broad process of liberalization". Yet, this does not mean that the rise of neoliberalism led to the complete abandoning of corporatist institutional designs and the rise of disorganised pluralist policy networks, nor that it led to the same policies in different national institutional frameworks. As demonstrated in several comparative and case study analyses (see: Lučev, 2021; Baccaro and Howel, 2017), neoliberalism is not a specific policy and institutional direction of LMEs. It is instead a "*protean project*, compatible with a wide range of institutional forms and achievable via a number of different causal paths" (Baccaro and Howell, 2017: 17) and within different national growth models.

With the rise of neoliberalism, it was expected that the variety of corporatist arrangements worldwide would become uniform. Still, although this never happened, "while corporatism survived as a policy-making structure, its outcomes and internal processes changed dramatically" (Baccaro, 2014: 208). As Baccaro and Howell (2011; 2017) claimed, convergence in the era of neoliberalism typically means redesigning the existing institutions in a way to produce similar policy outcomes rather than setting up the same institutions everywhere. "In fact, continuing divergence of institutional form is perfectly compatible with convergence in institutional functioning /…/" (Baccaro and Howell, 2011: 526), and in policy outcomes that are directed at greater liberalisation of industrial relations and labour market flexibility.

It must be noted, as demonstrated by Baccaro (2014), that corporatist structures have not been abolished during neoliberalism, but have changed in the way they function and in the nature of the policies being discussed and negotiated. In terms of its structures and institutions, this new corporatism was similar to the older corporatist institutions of the post-Second World War period: unions and employers have been actively engaged in collective and wage bargaining. However, this new corporatism "was much less focused on redistribution and much more on wage competitiveness /…/. It no longer provided a fundamental alternative to mainstream liberal capitalism. If anything, it helped politically vulnerable governments to adjust to it" (Baccaro, 2014: 224).

2.2.4 Case study selection: institutional heterogeneity and different growth models

Within comparative political economy, as indicated above, the focus has usually been given to countries on the main assumption that they are inherently and profoundly different (the VoC school of thought). The second important stream has been to look at the differences and commonalities between theoretically assumed different countries that have quite a similar position within the capitalist world system (core, semi-periphery, periphery). Scholars have typically focused on comparing and contrasting countries within the same geographical, economic and political "group": peripheral or semi-peripheral post-socialist countries, semi-peripheral Mediterranean countries, core EU member states, Latin American countries etc. (see: Lane and Myant, 2010; Bohle and Greskovits, 2012; Thelen, 2014; Baccaro and Howell, 2017). However, in our research, we decided to focus on three semi-peripheral EU member states that have very different geographical and historical legacies and very different institutional designs.

Building on the epistemological and methodological framework explained above, and as mentioned in the introduction, we shall focus on a cross-country comparison of politico-economic processes, growth models, industrial relations institutions changes, and labour market policies and policy outcomes over a longer period in three countries: Ireland, Portugal and Slovenia.

From the aspect of institutionalist presumptions, one may expect that the three countries maintained important differences in their industrial relations and social policy approaches that emerged as specific historical and structural features of their development in the 20th century until today. Namely, they differ in the features of their welfare regimes, in their types of industrial relations and, according to the VoC literature, they have different types of market economies as well as different growth models (see: Table 2.1 for an overview of these institutional differences).

Table 2.1 Differences in institutionalised state-capital-labour arrangements between Ireland, Portugal and Slovenia

	Ireland	**Portugal**	**Slovenia**
Type of policy network (type of industrial relations)	Neoliberal corporatism (until 2008–2009); closer to liberal pluralism afterwards	Middle model	Continental neo-corporatism
Type of market economy (VoC theory)	Liberal-market economy	Mixed-market economy/State-influenced market economy	Coordinated-market economy
Welfare regime	Liberal regime/ catholic welfare model	Specific Mediterranean type	Social-democratic (becoming closer to corporatist)
Growth model	FDI-led export orientation	Domestic demand-led growth model	Export-led growth model, little impact of FDI

Sources: Esping-Andersen, 1990; Hall and Soskice, 2001a; Boucher and Collins, 2003; Kolarič, 2012; Crowley and Stanojević, 2011; Koukiadaki et al., 2016; Campos Lima, 2019.

Nonetheless, it is argued in this book – that these institutional and growth model divergencies, which truly exist and are not denied in our study, but taken as a starting point, have been producing ever more similar policy choices and outcomes in the three countries in the fields of industrial relations and labour market policies. Despite all such differences, we contend that all three countries have followed a similar policy direction in industrial relations and labour market policies over the last 40 years. Although during this longer period of four decades, the institutional designs of the three countries saw changes – especially in Ireland, which we shall also explain in detail, which became less neo-corporatist and more liberal pluralist – the policies of Portugal and Slovenia have more and more resembled those in Ireland, by maintaining a divergent set of institutions.

In our research, we focus on three elements: 1) the growth models of the three countries and their (non-)changes over time and a comparison of the three specific growth models; 2) the industrial relations and institutional changes in these countries; and 3) labour market policy reforms and policy outcomes in the mentioned countries. The three aspects will be analysed with respect to the period from the late 1980s-early 1990s until the COVID-19 pandemic, meaning that the analysis will also refer to the effects of the 2008–2009 economic and financial crisis and the COVID-19 pandemic. The timeframe of the analysis covers three periods: 1) developments from the early, mid and late 1980s until the crisis of 2008; 2) the crisis of 2008 and its aftermath; and 3) the economic recovery period and the COVID-19 pandemic.[14] This provides us with a longer time frame to track similarities/differences between the three cases during the global neoliberal hegemony, and to allow us to examine and explain the impacts of two different crises – the one in 2008 and the COVID-19 crisis – on the politico-economic trajectories, industrial relations changes and labour market policy changes of the three countries and to detect the most important factors determining and structuring the paths of policy convergence and divergence in the field of industrial relations.

The analysis shall focus on five elements:

1. the specific growth model of each country;
2. the existence, establishment, collapse and/or transformation of tripartite social dialogue bodies in the three countries over the last 35 to 40 years;
3. changes in the levels on which collective agreements are signed and negotiated, changes in the coverage rate of collective agreements, and changes in the favourability and derogation principles throughout this period;
4. wage policies and fiscal policy; and
5. transformation of the crucial aspects of labour market policies in light of the flexibility principle.

We will explore the elements described above within our theoretical framework of understanding capitalism as a dynamic, class-determined and politically regulated mode of production. We shall refer to the following

14 To explain the specific processes and changes during the pandemic, we rely on interviews conducted in the last 2 years with representatives of the state, trade unions, and employers' associations in the three countries.

elements in our analysis of various policy outcomes in the politics–economy nexus in different nation-state settings[15]:

1. the power resources and power relations of different classes and groups;
2. the power relations between different political parties; and
3. the influence of supranational politico-economic developments and supranational institutions (EU, IMF, WB etc.).

While the book does not disregard the historical and institutional designs in the three national contexts, it does not rely solely on them or stop there because that would not provide any important theoretical or empirical tool to explain the policy choices and policy paths in these countries. Instead of the narrow path-dependency and institutional framework, the book concentrates on: 1) the structural changes in capitalism from the late 1980s onwards in the three countries and their growth models; 2) the changes in class power relations and class interests within the three polities; 3) the importance of the internal political arena and ideological similarities and differences between important political parties; and 4) role of the EU in promoting certain policy choices in different periods.

We try to explain the reasons for the specific similarities and differences, and the different policy choices that the policymakers and the political and economic elites had to resort to stabilise or alter the particular developmental paths taken by the three countries within the framework described above. We do not focus on certain sectors or changes to collective agreements in one sector or particular sectors since that would require a much more static analysis. The present analysis instead follows Streeck's proposition that it is necessary to focus on "a *systemic* as opposed to a sectoral perspective on institutions and the social order, one that is, furthermore, *historical* rather than *functionalist,* as well as *dynamic* and *processual* instead of *static*" while also taking account "not just of *time*, but also of *history,* far beyond the narrow and abstract recognition afforded both in contemporary treatments of 'path dependence'" (Streeck, 2009: 19).

15 This classification was developed based on the works of: Streeck, 2010a; 2010c; 2012; 2016; Crouch and Streeck, 1997a; 1997b; Streeck and Thelen, 2005a; Pontusson, 2005; Baccaro, 2014; Baccari and Howell, 2011; 2017.

3 The distinct growth models of Ireland, Portugal and Slovenia

Before turning to more in-depth analysis of the industrial relations and labour market changes in the three countries under scrutiny, another feature should be examined – the specific growth models followed by Ireland, Portugal and Slovenia. Namely, these models have had an important influence on the nature and changes of industrial relations in different time periods (Baccaro and Howell, 2017).

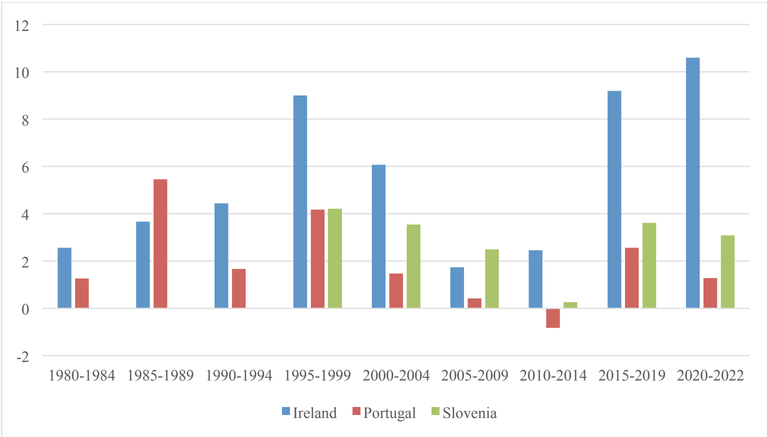
Figure 3.1 presents data showing 5-year averages of GDP growth in the three countries where huge differences between them are visible. Ireland accumulated easily the largest GDP growth in this period, yet in the 1980s the GDP growth of Portugal exceeded that of Ireland. However, from the early 1990s onwards Irish GDP started to see large increases, leading scholars to refer to the rise of the Celtic Tiger (O'Heran, 1998; Ó Riain, 2014). This growth remained very high until after 2005, followed by a considerable slowdown, especially during the 2008–2009 crisis. Low growth rates were also observable in the early 2010s, whereas from 2014 onwards, the Irish economy began to see a second substantial rise.

The Portuguese economy experienced a completely different trajectory. In the late 1980s, on average its growth rate was even bigger than for Ireland, while from the early 1990s, except for a few years in the late 1990s, the Portuguese economy began to completely stagnate. From the late 1990s onwards, the economy went into steep decline and over the next 15 years barely made any GDP growth. Average GDP growth between 2005 and 2014 was negative and it was only after 2015 that the economy started to again record positive growth rates.

Although data for Slovenia[16] are harder to find, they indicate that up until the 2008–2009 crisis the country on average registered stable growth of almost 3% annually. Nevertheless, the crisis of 2008 led to the loss of 5 years, where the average was barely positive. In 2015, the Slovenian economy again started to rise steadily, albeit nowhere near the growth figures enjoyed by Ireland.

16 The first period for Slovenia is the 4-year period from 1996 to 1999.

Figure 3.1 GDP growth rate, 5-year average, in percentage, Ireland, Portugal and Slovenia



Source: World Bank.

This brief overview of the 5-year average growth rates already reveals considerable differences between the three countries. However, to understand the complexity of the various national growth models in the rest of this chapter we explain the main drivers of economic growth in the countries along with the similarities and differences in several periods while focusing on the following elements: inward FDI, net exports, household consumption expenditure, government consumption expenditure and gross capital formation (investment).

3.1 The FDI-export led growth model of Ireland

Since the late 1980s, the growth model pursued by Ireland has been characterised by a large proportion of FDI, the rise of the high-tech sector, close economic cooperation with the USA, tax cuts for the richest, and a strong export orientation of the economy. In the decades prior to the crisis in 2008, Ireland was concentrating on attracting substantial FDI for the high-tech sector to establish itself as a hub for US firms. In fact, this politico-economic strategy had already been adopted in the 1950s, but in the 1980s and especially 1990s and later it became the dominant strategy. However, the specific policy orientation of governments was to join the EMU and adopt the euro, which also opened the way for cheap loans that triggered the growth of the real-estate sector of the Irish economy. Still, following the 2008 crisis, Ireland returned to its original developmental path based on FDI and exports as the central drivers of growth.

3.1.1 The rise of the Celtic Tiger and two different growth regimes

A fundamental element over the last 40 years has been the Irish economy's particular export orientation. From the late 1950s, Ireland based its economic model on attracting foreign capital and foreign investment.[17] The Irish state established a body with the core task of securing inward FDI: the Industrial Development Authority (IDA Ireland).[18] The idea behind the strategic reorientation was that the Irish state was not so keen on selling all off its assets, companies and banks to foreign investors, but more on attracting greenfield investments from the emerging high-tech sector from the USA (Ó Riain, 2004; 2014): "The IDA would become the most important actor in shaping Ireland's growth regime for the next thirty years" (Bohle and Regan, 2021: 93).

FDI from the USA accounted for some 80% of total FDI flowing into Ireland at the end of the 1990s[19] (Kirby, 2002: 35). These processes were a consequence of strategies used by American corporations that wished to strengthen their position in the newly created European Single Market and to concentrate their new investments because that allowed them greater

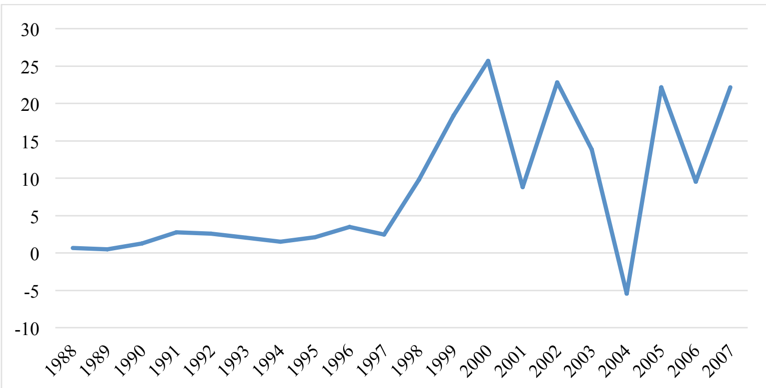
17 This new political and economic strategy was already visible in 1958 when Ireland allowed an export processing and free zone near Shannon Airport to be established that attracted many companies to invest in Ireland (Kennedy et al., 1988: 236; Kirby, 2002: 18).

18 For more about the role of the Irish state in facilitating the high growth see: Ó Riain and O'Connell (2000).

19 US high-tech and other companies sought to relocate their production to Ireland for several reasons. First, the Irish workforce became highly skilled, namely, a development in which the state played a vital role in the 1970s and 1980s, while the absence of a language barrier proved to be very valuable for US companies. The creation of the Single Market, the deregulated labour market, high unemployment and low labour costs, the very lean welfare state, investment in the education system, low taxes and high incentives given by the state therefore proved to be crucial in the rise of the Celtic Tiger (Kirby, 2002; Ó Riain, 2014).

flexibility. Once major companies such as Intel began moving their production to Ireland from the USA, others followed suit. By the year 2000, US-owned companies already represented 41% of all foreign companies in Ireland, whereas in 1997 they employed 68.3% of all workers in foreign companies. This led to a shift from labour-intensive foreign companies to new high-tech FDI in manufacturing and service sectors, denoted by the high inflow of FDI from the USA (O'Hearn, 1993; 1998; 2000; O'Sullivan, 1995: 370; 387–388; Boucher and Collins, 2003: 306–307). This saw Murphy (1998: 3) claim that Ireland was a "US High Tech Tiger with the Celtic face".

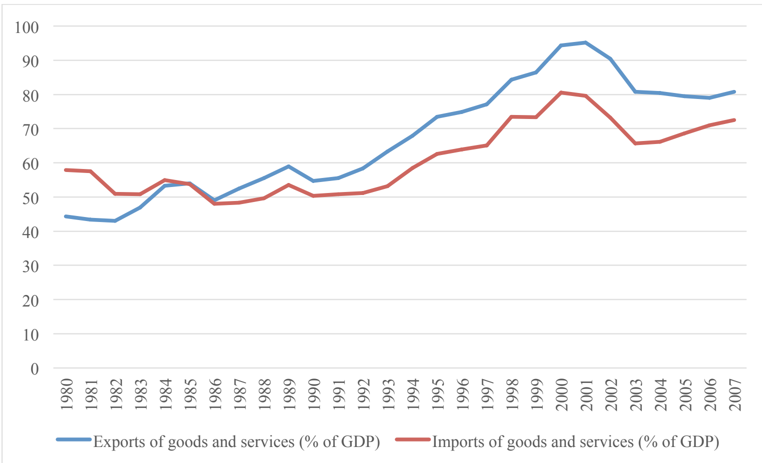
Figure 3.2 Inward FDI as a percentage of GDP, Ireland, 1988–2007



Source: World Bank.

Between 1956 and 1980, the Irish state implemented a tax policy for companies aimed at creating businesses with an export orientation. They were offered a 0% corporate tax rate, yet their businesses had to be export-oriented. However, when Ireland joined the EEC in 1973 this had to be suspended because it was deemed to constitute state aid. Nevertheless, it took until 1980 to abolish this tax regime, whereas any company that was to set up an export-oriented business in Ireland by that year was granted a 0% corporate tax rate by 1990. In 1981, the corporate tax rate was raised to 10% for all FDI exporting companies. Later, the corporate tax rate was increased to 12.5%, yet with many exemptions and subsidies. Crucially, in 1998 the government reduced the tax on capital gains from 40% to 20% as part of a commitment to put more money into the economy (Ó Riain, 2014; 2017; Regan, 2013; Bohle and Regan, 2021). This led a large number of US corporations to open subsidiaries in Ireland in order to declare their taxes there and avoid paying tax in other countries and at home in America (Allen, 2000; 2003; 2007; Allen and O'Boyle, 2013; Kirby, 2010).

Figure 3.3 Exports and Imports as a percentage of GDP, Ireland, 1980–2007



Source: World Bank and OECD.

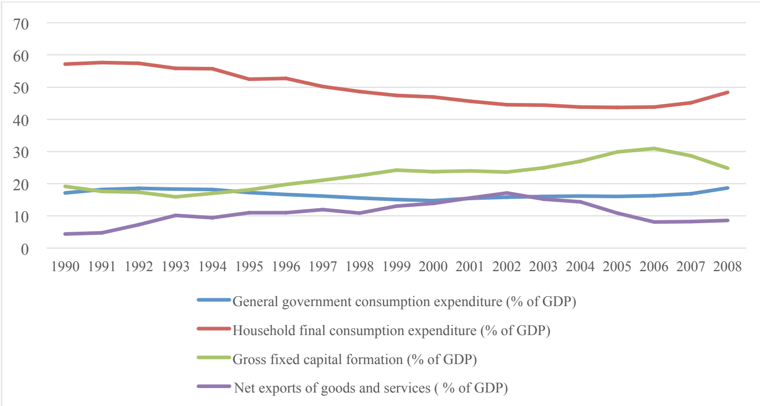
Yet, by the early 2000s the mentioned export and FDI-led growth model had come to a standstill. Namely, the costs of production had increased while globalisation and EU enlargement had opened new opportunities for companies to find cheaper labour (Bohle and Regan, 2021: 95). After the dot-com bubble crash in 2001, two new elements of the Irish economy started to emerge – the finance and construction sectors. During this period, domestic financial institutions became crucial generators of growth, and "the economy shifted from a state-managed process of facilitating and serving international productive capital towards governance by (often domestic) financial capital. For the first time in Irish history, domestic financial capital played a key role in the dynamics of the Irish economy" (Ó Riain, 2018: 39).

The new growth model was based on the low interest rates and cheap money accessible in European financial markets. Introduction of the euro and Ireland's entry to the eurozone made money very cheap and available. Credits grew extremely quickly, while ever more of the funds were channelled into the property sector. An outcome of this was the creation of a huge domestic housing bubble. The credit expansion within the eurozone and, consequently and relatedly, within Ireland "became the central dynamic of the economic system during these years. This bubble economy drew in more and more of the population through cheap credit, property investments and the knock-on effects of the property bubble" (Ó Riain, 2014: 64).

The new millennium was thus marked by the rise of real estate and financial deregulation. The centre-right governments deregulated the financial and mortgage sectors, and also implemented tax cuts for property construction (Regan, 2013: 6–7). A specific banking and property alliance emerged focused on the domestic property market: "During this period bank lending tripled, rising from 60 per cent of GNP in 1998 to 270 per cent at the peak of the construction boom in 2007. Real estate increased from 37 per cent to 72 per cent of total bank lending" (Regan, 2013: 7). By 2006, land prices in Ireland were the most expensive in Europe, and housing prices in Dublin skyrocketed by 490% between 1991 and 2007 (Regan, 2013: 7). Critically, the construction of new dwellings, both residential and commercial, became completely detached from the demand side (Ó Riain, 2012: 500).

The crisis arrived in Ireland even a year earlier than elsewhere in Europe due to its domestic contradictions, oversized investment in real estate and housing, and huge bank loans. The crisis hit Ireland hard, with many banks and construction companies collapsing at a time when the country needed to implement strict fiscal consolidation measures under the Troika's supervision (Ó Riain, 2014; 2017; Regan, 2013).

Figure 3.4 National account components as a percentage of GDP, Ireland, 1990–2008



Source: OECD.

Interesting observations arise when we consider the period before the crisis. First, the role of net exports had been changing considerably over the 12 years: from 1996 until 2004, it was very high, with a negative rate in 1998. Yet, in 2005 and 2006 the rates were standing at -4 and -1.57, while in 2007 it became again positive at 0.4. The average annual contribution of net exports to GDP growth was hence 1.1, although between 1996 and 2004 it was 2.04, with a negative value in 1998. The role of household consumption in Ireland remained relatively high throughout this time. In the 13 years, it averaged out at contributing 3.03 to GDP growth annually, being the single-most important component of the aggregate components of GDP growth from 1996 until 2002, and in 2006 and 2007.

Table 3.1 Contribution of different demand elements to annual GDP growth (in percentage points of GDP growth) in Ireland, 1996–2008

	GDP growth, annual, (%)	Contribution of exports to GDP growth	Contribution of household final consumption expenditure to GDP growth	Contribution of gross fixed capital formation to GDP growth	Contribution of general government final consumption expenditure to GDP growth
1996	7.38	1.09	3.60	2.97	0.61
1997	11.02	2.50	3.62	3.13	1.12
1998	8.77	-0.53	3.98	2.83	1.24
1999	10.53	4.03	4.61	3.17	0.90
2000	9.40	2.40	4.93	1.22	1.26
2001	5.31	2.67	2.22	1.38	1.48
2002	5.90	1.92	1.66	1.33	1.04
2003	3.01	0.24	1.24	1.88	0.47
2004	6.79	4.02	1.70	2.43	0.27
2005	5.74	-4.00	3.07	4.54	0.71
2006	4.99	-1.57	2.79	2.15	0.78
2007	5.31	0.40	2.92	0.01	1.07
2008	-4.48	-1.05	0.09	-3.32	0.14

Source: OECD.

The importance of gross fixed capital formation for GDP growth was the second-most important during this time. Namely, in all the years it was positive, averaging at 2.25 per year. Especially high values are observed from 1996 until 1999 and from 2003 until 2006. In between, there was the dot-com crash which affected the influx of investments along with internal investments due to the considerable connections of the high-tech and Internet-based sector among all investments in Ireland. However, if we disregard the value for 2007, which was barely positive at 0.01, the annual average is 2.45, easily the highest among the three countries, as is explained below. The contribution of government final consumption expenditure stood at 0.91, constituting the least important element of the Irish growth model and the smallest contributor to GDP growth among the four components analysed.

The fact that domestic private consumption was the biggest contributor to GDP growth is no surprise – from the early 1990s, many hundred thousand new jobs were created, with an important share of them appearing in the FDI-fuelled, high-tech manufacturing and service sectors (Ó Riain, 2004; 2014). This expansion of employment and large drop in unemployment played a very important role and were mostly connected with the FDI sector and internal domestic investments and businesses which, however, depended on large manufacturers and rising exports. This enabled an important rise in purchasing power, while GDP per capita also grew significantly during this period. On the other hand, following the dot-com crash, the rise of private debt was also a major factor in making private consumption the strongest driver of GDP growth.

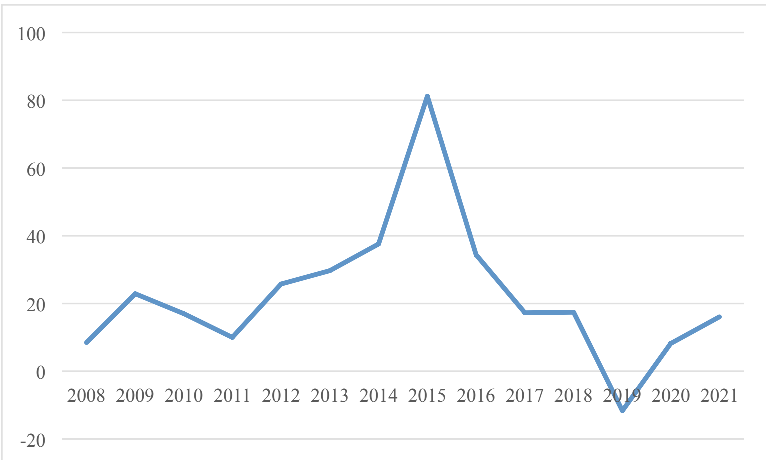
3.1.2 The recovery period and continuing importance of FDI

The shift to debt and financial expansion in the first decade of the new millennium does not mean the FDI element was not present or important in Ireland during this period. IDA Ireland did not abandon its efforts to attract new greenfield investment. In 2004, which was surely already the moment when the internal factors based on financialisation - the housing and construction bubbles - were dominating the Irish economy, Google and Amazon decided to invest in Ireland. This was a change in the developmental model of Ireland with respect to attracting FDI. Namely, due to the rise of Asian tigres and the transition into capitalism in the Eastern and Southern Europe, which could offer lower production (labour) costs for manufacturing, IDA Ireland shifted its focus from securing high-tech manufacturing investments to securing high-tech service investments (Regan and Brazys, 2018; Bohle and Regan, 2021: 95–96).

> *Hence, despite a politically induced boom in domestic demand, Irish industrial and enterprise policies continued to focus on attracting the capital investment of emergent internet firms, such as Google, who within ten years would grow from 50 to over 7,000 employees, the largest private sector employer in Dublin city. (Bohle and Regan, 2021: 96)*

An important aspect of Ireland's recovery after the 2008 crisis was that the USA and the UK were receiving a much larger share of exports from Ireland than the overall EU. The USA and the UK began their recovery much sooner than the continental EU countries. Moreover, the strengthening of the dollar and the British pound made exports from Ireland even cheaper (Barry and Bergin, 2019: 720). The Irish economy also benefited greatly from the quantitative easing of the FED and the Keynesian policies adopted in the USA during the Great Recession and afterwards. Brazys and Regan (2016: 27) showed that the resources made available by the FED to the US economy led to several hundred more new investment projects in Ireland by US TNCs (Brazys and Regan, 2016: 27; Regan and Brazys, 2018).

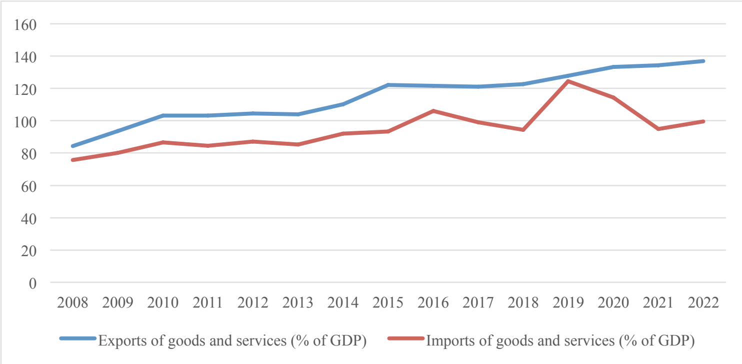
Figure 3.5 Inward FDI as a percentage of GDP, Ireland, 2008–2021



Source: World Bank.

However, during the recovery period an important structural shift was seen within Irish exports. The first large wave of FDI inflow was based on investments by manufacturers: Apple, Dell, IBM, Intel and Microsoft. In contrast, the inflow of FDI was led by Google, Amazon and Facebook; namely, service providers, not manufacturers. From 2012 onwards, the export of services thus exceeded the export of goods, and from 2003 until 2018 IT-related FDI accounted for the biggest share of new greenfield investments in Ireland (Bohle and Regan, 2021: 96).

Figure 3.6 Exports and imports as a percentage of GDP, Ireland, 2008–2022



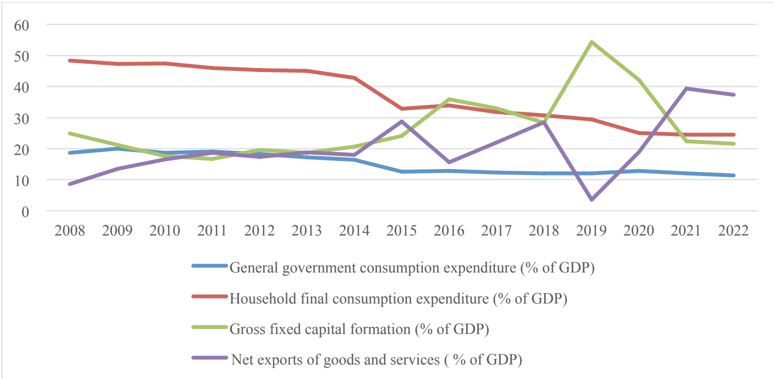
Source: World Bank and OECD.

Google's decision in 2004 to locate its European headquarters in Dublin – Facebook made the same descion in 2008 – was a crucial step in attracting other service-based US high-tech companies: "This 'Google Effect' was equivalent to the earlier 'INTEL effect' in that it effectively launched a new technology sector in Ireland" (Brazys and Regan, 2016: 17). During the austerity period in Ireland (2009–2014), over 80 high tech companies invested in Ireland (Brazys and Regan, 2016: 18).[20] There were more than 2,260 new FDI projects in Ireland – new investments for either upgrading or expanding existing investment projects, which created almost 190,000 new jobs (Bohle and Regan, 2021: 96).[21] After 2012, the export of services skyrocketed. Yet, the rise of exports had no relation to the internal devaluation proposed by the Troika because this export boom was fuelled by the incoming FDI in a high-tech and high-wage ICT sector (Bohle and Regan, 2021: 96).

20 The tax competition element of the Irish FDI-led policy has also been a relevant element of Ireland's growth recovery. Global tech manufacturing and service providers use Ireland as a location where they can direct taxes to tax heavens and avoid paying taxes. The Apple affair with the European Commission had an important impact but did not lead to significant changes in tax policies in Ireland (Brazys and Regan, 2016: 21).

21 The ICT sector was completely immune to the austerity in Ireland. In fact, besides the financial services sector, the ICT sector was the only one to see a rise in wages during the Troika period. On the other hand, public sector wages were cut by 14% (Brazys and Regan, 2016: 19). The role of the foreign-led investments in the ICT sector even fuelled an increase in private sector wages during the crisis. From 2010 until 2015, wages rose by 7% (Taft, 2016).

Figure 3.7 National account components as a percentage of GDP, Ireland, 2008–2022



Source: OECD.

The crisis broke out in Ireland already in 2008 following a huge decrease and negative contribution to GDP growth by net exports and investment. Still, after 2009, the export orientation played a crucial role in stabilising the Irish economy. Between 2009 and 2015, the average annual contribution made by net exports was an astonishing 4.20 and had quite a disproportionate character in certain years – in 2012, it was just 0.01, whereas in 2015 it was 13.3. In 2016, there was an extremely negative trend in the contribution of net exports to GDP growth with -12.49, while in 2017 and 2018 the figures were 10.49 and 9.4, and in 2019, the figure was negative at -25.3. On the other hand, the importance of household consumption fell, averaging only 0.35 from 2009 to 2019. The effects of investment were also very disproportionate – from 2009 until 2019, the annual average contribution of gross fixed capital formation to GDP growth was 4.18, and between 2009 and 2011 it was negative (also in 2008). The importance of government final consumption expenditure declined to a contribution to GDP growth of just 0.14.

Table 3.2 The contribution of different demand elements to annual GDP growth (in percentage points of GDP growth), Ireland, 1996–2008

	GDP growth, annual, (%)	Contribution of net exports to GDP growth	Contribution of household final consumption expenditure to GDP growth	Contribution of gross fixed capital formation to GDP growth	Contribution of general government final consumption expenditure to GDP growth
2008	-4.48	-1.05	0.09	-3.32	0.14
2009	-5.09	5.21	-2.58	-4.21	-0.53
2010	1.68	5.14	0.14	-3.18	-0.92
2011	0.83	0.92	-0.64	-0.01	0.39
2012	-0.1	0.01	-0.31	2.69	-0.44
2013	1.12	2.18	0.15	-0.82	-0.40
2014	8.64	2.68	1.22	3.45	0.50
2015	24.37	13.30	1.45	10.40	0.46
2016	2.01	-12.09	1.59	12.09	0.56
2017	9.00	10.49	0.88	-0.24	0.55
2018	8.53	9.40	1.21	-2.70	0.69
2019	5.44	-25.30	0.76	28.59	0.75
2020	6.18	16.91	-3.17	-8.96	1.25
2021	13.59	28.64	2.12	-17.00	0.84
2022	12	3.73	2.29	1.13	0.54

Source: World Bank and OECD.

The Irish growth model has represented quite a unique case. The large dependence and also willingness to attract FDI for the ICT high-tech sector was critical for the economic miracle in Ireland. This led to the considerable importance of private consumption for GDP growth since the rising levels of employment established a completely novel situation. The period from the early 2000s until the crash in 2008 was denoted by a different strategy. This strategy was the result of foreign and domestic actions and processes – international and EU-wide financialisation following introduction of the euro and the domestic decision to foster the growth of construction and real estate. Nevertheless, the crash of 2008 did not have a huge impact on changes in the Irish growth model because the FDI inflow remained high in the first decade of the new millennium and even today continues to play the most important role in this respect. Thus, although after the crisis Ireland 'returned' to its prior FDI and export-led growth model, this time the emphasis has been laid on high-tech services instead of high-tech manufacturing. The shift from high-tech manufacturing to service investments did however play an important role in the industrial relations changes, as is discussed later on.

3.2 The Portuguese domestic-demand led growth model

The economic development in Portugal was considerably different from Ireland. Portugal has never been able to attract as much FDI as Ireland. Nor has it had any such strong driver of GDP growth as Ireland has had. Portugal has since the early 1980s followed a domestic demand-led growth model, with the share of imports in GDP being much greater than that of exports.

3.2.1 Anaemic growth rates and the importance of private consumption

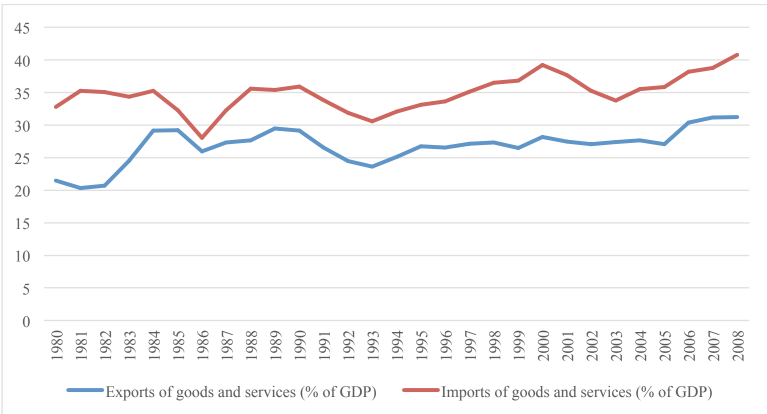
Portugal has never been an export-led economy and, as the figures below show, has always depended strongly on domestic demand and private consumption. Still, this does not mean that successive Portuguese governments did not attempt to change the picture of the Portuguese economy. Despite such attempts, until the outbreak of the crisis Portugal had a trade deficit of around 10% of GDP.

Portugal sought to become an export-led economy by attracting FDI. Throughout the 1980s, the inflow of FDI saw a steady rise in Portugal. Yet, these inflows were much lower than in Ireland and also created a specific dependence in Portugal since the FDI inflow was primarily based on export-oriented manufacturing goods to be sold in Europe and not for internal consumption, which could have produced larger multiplication effects (Tovias, 2002: 173).[22] Despite the initial inflow of FDI into manufacturing,

22 In 1977, the first institution to facilitate FDI was designed in 1977 – *Instituto de Investimento Estrangeiro* (IIE). In 1990, IIE was merged with *Instituto de Comércio Externo*

the Portuguese economy was severely hindered in the 1990s after adoption of a fixed exchange rate, which appreciated the escudo and made it hard for the export sector to compete with the rising markets in Asia and Central and Eastern Europe (Baer et al., 2012; Magone, 2014a; Rodrigues et al., 2016a; 2016b).

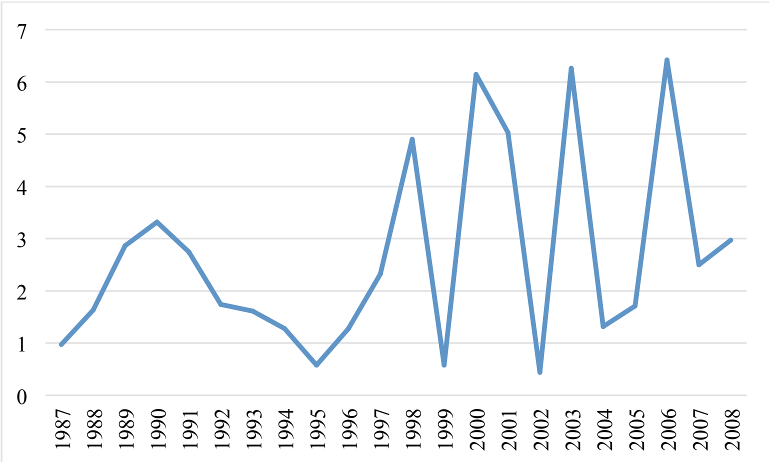
Figure 3.8 Exports and Imports as percentage of GDP, Portugal, 1990–2008



Source: World Bank and OECD.

Português, which was primarily oriented to exports from Portugal and the presence of Portuguese companies in foreign countries. In 2002, a new institution was established to promote the inflow of FDI which had dropped considerably at the turn of the millennium: *Agência para o Investimento e Comércio Externo.* Moreover, in attempts to attract more FDI the socialist government also adopted a new mechanism to support the inflow of FDI – PIN and PIN + (*Projectos de Potencial Interesse Nacional*). In 1977, there was a very small inflow of FDI and it was exactly at this time that the government decided to establish IIE; in 1990, FDI reached its highest levels, while IIE was integrated into ICEP, and in 2002 when there was a large drop in FDI inflows into Portugal, the government created a new agency (da Silva, 2016: 41–44).

Figure 3.9 Inward FDI as a percentage of GDP, Portugal, 1987–2008



Source: World Bank.

The accession to the EEC and 'Europeanisation' of the Portuguese economy had a considerable influence on the country's subsequent economic development. The almost unanimous embracement of the EEC in the early 1980s was supported by an influx of EEC community/structural funds (Costa Pinto and Núñez, 2002: 183; Tovias, 2002: 173; Corkill, 1999). During the 1990s, the inflow of EU structural funds amounted to around 3% of GDP annually (Baer and Leite, 2003: 746) and was used to develop the country's poor infrastructure (Magone, 2014a; 2014b; Costa Pinto and Severiano Teixeira, 2002: 36). By 1993, the network of motorways had doubled in size and many roads had been improved, while by the end of the 1990s and early 2000s additional large investments went towards improving roads and infrastructure (Corkill, 1999: 48).[23]

Remittances from the immigrant population were an important element that balanced the economic situation in the early 1980s, but then they started to decline and in 1996 reached only 3% of GDP, compared to 11% of GDP in

23 This rise of infrastructural investment and construction also led to an increase in demand for workers and even shortages of supply were registered in the construction sector, triggering the importing of workers from Brazil, Angola and other former colonies and elsewhere (Corkill, 1999: 44).

the early 1980s. Crucially, in the early 2000s, immigrant remittances even became negative, which was something completely new in Portuguese history and also played a sizeable role in slowing down the economy's growth due to lower private consumption (Amaral, 2019: 267–268).

At the turn of the millennium, Portugal began facing an important change, which was not as significant as it was in Ireland, yet heralded the beginning of huge problems for Portuguese society and the state. Namely, like in Ireland, EMU accession and the later adoption of the euro led to a deepening of financial liberalisation in the country. What started with the privatisation of banks and financial liberalisation (processes that were finished by the late 1990s), and adoption of the euro and the cheap inflow of money proved to "decisive factors in transforming the Portuguese economy into a financialised economy" (Rodrigues et al., 2016a: 489).

Easier access to credits and lower interest rates saw domestic demand grow, as could be observed in the housing sector (Abreu, 2006: 2). The share of credits for construction and real estate rose importantly, in turn triggering a rise in supply and demand in housing. The biggest driver of the rise in household debt was the housing question and the state's almost complete non-engagement in this field. Vitally, the state played a very important role in providing access to credits to fuel the perpetual expansion of the housing sector through fiscal incentives for those who had decided to take out a loan to buy a home: "In the Portuguese case, the almost non-existent public provision of housing explains, by and large, the extent and magnitude of household debt. Yet the State has played a critical part, ensuring the synchronic evolution of demand to the supply of credit to households through fiscal incentives to home purchase with credit" (Rodrigues et al., 2016a: 499).[24]

There was a huge increase in credits in the 1990s. By the early 2000s, household indebtedness had gone up dramatically, becoming almost 71% of GDP, while in 1990 it had been just 15% of GDP (Dooley, 2018: 79), or

24 However, one should not overlook the fact that this project of expanding the housing sector and finance was actually a project that benefited the middle and upper classes. Household debt is namely present in higher-income households and is not evenly distributed among all income groups (the highest levels were found among persons in the top 20% of income): "Unlike recent household credit expansion in the American subprime market, this expansion was not directed at all at the lower social classes at greater risk of defaulting, but to households with higher incomes and better guarantees of financial solvency" (Rodrigues et al., 2016a: 499).

over 100% of net disposable income. In 1995, household debt was at 35% of disposable household income, whereas in 2009 it had reached 131% of that income. Most of this debt was put into the property market since housing loans also increased significantly in this period, while homes built rose from 40,000 in 1995 to 120,000 in 2002. This also gave way to the rise of property owners and reduced the number of tenants (Rodrigues et al., 2016a: 498).

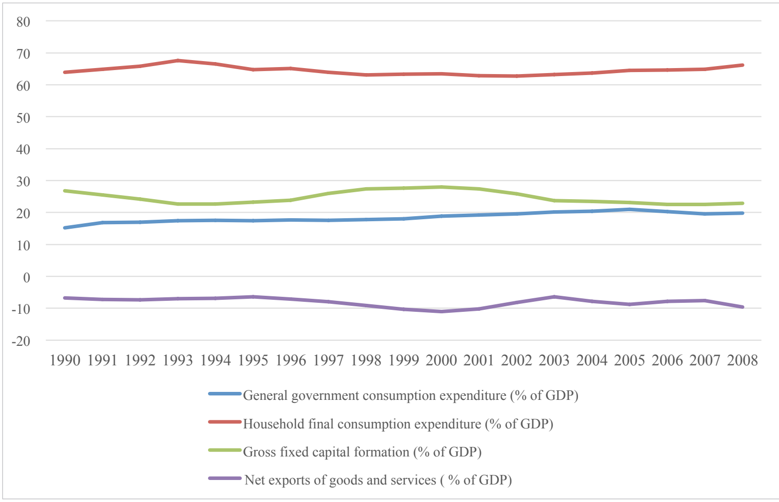
In this sense, the rise of household/private debt was not due to the retrenchment of the welfare state but much more directly connected to the upsurge in finance and cheap money (Rodrigues, et al., 2016a: 498), accompanied by the project of creating a nation of owners. From 1983, when the PSD took over the government for the next 12 years, and following accession to the EEC, they implemented crucial reforms aimed at altering the very nature of the formerly nationalised banking sector, opening the banking sector up to private companies, foreign and domestic, while also blurring the distinction between commercial and investment banks (Dooley, 2018: 79).

Thus, the financial liberalisation and privatisation – both implemented in the European framework of embedded neoliberalism and financial expansion – "were part of a successful state-led effort to reconstruct Portuguese financial capital, favouring the emergence of Portuguese private banks and assuring, also through a very favourable system of taxation, the enormous expansion of their activity" (Rodrigues and Reis, 2012: 196–197). Financial capital became "politically central in the Portuguese political economy", while these groups managed to maintain close relations with political parties, especially the PSD, which had also initiated the privatisation processes in the 1980s (Rodrigues and Reis, 2012: 197).

The increase in public sector wages and the specific low productivity of the economy, with low exports and rising debt, led the Portuguese economy into an almost zero-growth economy by the beginning of the new millennium. Crucially, during the 1990s, "the Portuguese economy was transformed into an economy mainly driven by domestic consumption, seeing the growth of the financial and non-tradable sectors, and the expansion of their activity. It was EU/PSD-led reforms that created the conditions for a new type of economic growth" (Dooley, 2018: 81).

In this period, general government consumption expenditure remained quite stable and grew slightly to 20% of GDP. Household consumption expenditure as a share of GDP throughout this period was mid-60%. The importance of investment was seen in the late 1990s and early 2000s, then it reached almost 30% of GDP, while later declining to 20% just before the crisis. Net exports throughout this time were around 10% due to the trade deficit.

Figure 3.10 National account components as a percentage of GDP, Portugal, 1990–2008



Source: OECD.

While focusing on specific elements of aggregate demand and their contribution to GDP growth, the Portuguese case is very peculiar. Namely, the very low levels of growth during the 1990s and early 2000s mean that not many demand components can be identified as drivers of the economy.

Net exports made a very negative contribution to GDP growth from 1996 until 1999, averaging at -1.79. Subsequently, a period of a very modest positive contribution to GDP growth was recorded between 2000 and 2006, with a negative contribution in 2004. In 2007 and 2008, the contribution of net exports to GDP growth was, once again, stable and negative. The contribution made by net exports to GDP growth was negative in 8 out of these 13 years, except for 2000, 2001, 2002, 2003 and 2006. Net exports were the biggest contributor to GDP growth only in 2003, at 1.5. However, the average contribution over this 13-year period was negative: - 0.53. The contribution of investments to GDP growth was relatively important from 1996 until 2000, with large contributions to GDP growth. Still, from 2001 onwards, the contribution of investment to GDP growth has been very modest or even negative, averaging out from 2001 onwards at 0.23.

Table 3.3 Contribution of different demand elements to annual GDP growth (in percentage points of GDP growth), Portugal, 1996–2008

	GDP growth, annually, (%)	Contribution of net exports to GDP growth	Contribution of household final consumption expenditure to GDP growth	Contribution of gross fixed capital formation to GDP growth	Contribution of general government final consumption expenditure to GDP growth
1996	3.50	-0.26	2.31	1.21	0.51
1997	4.40	-1.55	2.24	3.37	0.40
1998	4.81	-3.01	3.08	3.05	1.19
1999	3.91	-2.33	3.34	1.66	0.62
2000	3.82	0.19	2.38	1.12	0.78
2001	1.94	0.17	0.61	0.27	0.70
2002	0.77	1.07	0.83	-0.93	0.51
2003	-0.93	1.50	-0.20	-1.89	0.35
2004	1.79	-1.55	1.64	0.04	0.56
2005	0.78	-0.69	1.00	0.03	0.57
2006	1.62	0.69	1.00	-0.18	-0.07
2007	2.50	-0.21	1.67	0.70	0.12
2008	0.32	-0.98	0.97	0.10	0.13

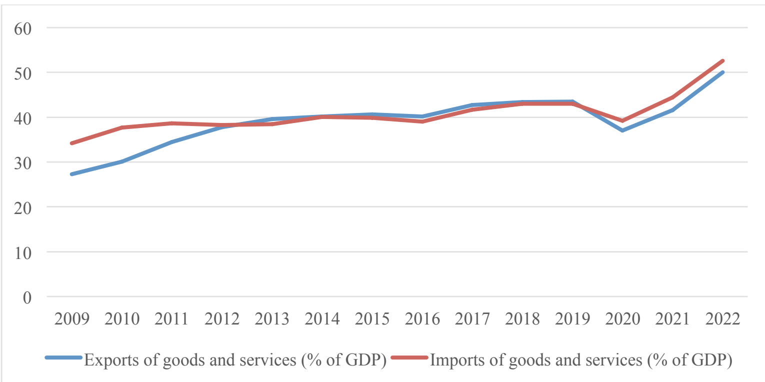
Source: World Bank and OECD.

Yet, if we consider the period 1996–2008 it is clear that household final consumption was responsible for the most important contribution to GDP growth. Only in 3 years – 1997, 2001 and 2003 – was household consumption not the greatest contributor to GDP growth, while in 2003 alone it had a negative contribution. The average contribution made by household final consumption to GDP growth over these 13 years was 1.6. Government final consumption expenditure had a very low, albeit still positive contribution to GDP growth. From 1996 until 2008, it on average contributed 0.49 to GDP growth annually, and was positive in all years except 2006. However, it was the major contributor to GDP growth in only 1 year – in 2001. This shows that until the 2008 crisis Portugal was a consumption-led economy, where especially the share of private consumption was critical.

3.2.2 Recovery and the growing importance of tourism

The economic crisis hit Portugal dramatically, while the recession period has lasted much longer than in Ireland. The Troika memorandum and the fiscal consolidation policies through austerity measures have had a profoundly negative impact on the Portuguese economy.

Figure 3.11 Exports and Imports as a percentage of GDP, Portugal, 1980–2008



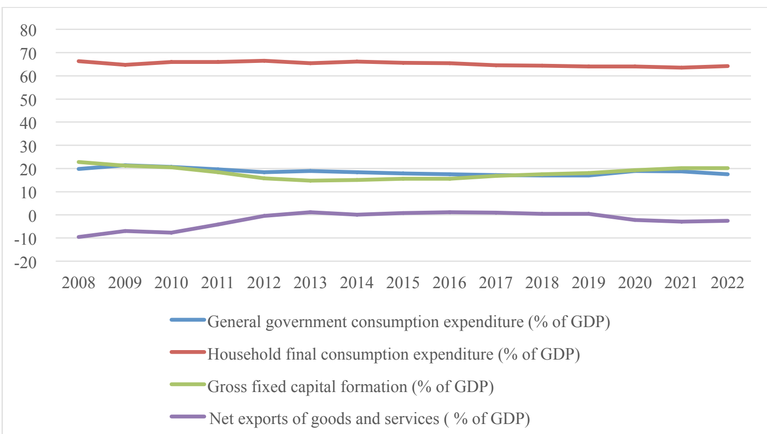
Source: World Bank and OECD.

Nonetheless, a very important change occurred during the crisis and the recovery period. Namely, this was the first time that exports overtook imports as a share of GDP. Between 2013 and 2019, this completely new moment had an important impact on the Portuguese economy's recovery. The positive trade balance sheet, although marginal, has been something completely new for Portugal in the last 40 years and played a vital role in stabilising the economy. Yet, even though one might view this as an important structural change, the data show that this increase was primarily due to the rise of the tourist sector and exports of services, which can also explain why the trend saw an immediate reversal as soon as the strict lockdowns were imposed.

Bento stressed the importance of domestic tourism for GDP growth in the years following the 2008 crisis (Bento, 2016). Still, an even more important element has been the foreign tourists coming to Portugal. In 2019, tourism exports amounted to almost 20% of total exports, which was the most compared to other EU countries and represents an increase from 15% of total exports in 2015. In 2019, almost 25 million foreign tourists visited Portugal, meaning that this figure had almost doubled in the period since 2010 (Dybczak et al., 2022).

This important increase led to a significant change in the Portuguese economy. General government consumption expenditure remained stable at 20% of GDP or just below, while household consumption expenditure remained stable around mid-60% of GDP. A noteworthy drop was seen in gross fixed capital formation, which declined to only 15% of GDP while recovering to 20% of GDP in the years of the pandemic. However, the greatest change came in net exports of goods and services where between 2012 and 2019 a positive, albeit marginal, value was recorded, never exceeding more than 1% of GDP.

Figure 3.12 National account components as a percentage of GDP, Portugal, 2008–2022



Source: OECD.

Table 3.4 Contribution of different demand elements to annual GDP growth (in percentage points of GDP growth), Portugal, 2008–2022

	GDP growth, annual (%)	Contribution of net exports to GDP growth	Contribution of household final consumption expenditure to GDP growth	Contribution of gross fixed capital formation to GDP growth	Contribution of general government final consumption expenditure to GDP growth
2008	0.32	-0.98	0.97	0.10	0.13
2009	-3.12	0.73	-1.48	-1.72	0.50
2010	1.74	-0.16	1.53	-0.24	-0.30
2011	-1.69	4.43	-2.39	-2.59	-0.76
2012	-4.06	3.53	-3.50	-3.08	-0.70
2013	-0.92	0.91	-0.70	-0.76	-0.37
2014	0.79	-1.45	1.61	0.34	-0.10
2015	1.79	-0.73	1.38	0.89	0.15
2016	2.02	-0.21	1.68	0.40	0.14
2017	3.50	0.21	1.37	1.78	0.03
2018	2.85	-0.30	1.68	1.04	0.10
2019	2.68	-0.35	2.09	0.94	0.36
2020	-8.30	-3.08	-4.39	-0.39	0.06
2021	5.48	-0.23	3.03	1.55	0.85
2022	6.7	2.42	3.39	0.64	0.28

Source: World Bank and OECD.

A focus on the different demand component contributions to GDP growth reveals some noteworthy changes. From 2009 until 2013, net exports were crucial drivers of the Portuguese economy. Although contributing -0.16 to GDP growth in 2010, the annual average between 2009 and 2013 is 1.88, representing an important change when considering the period before the crisis. From 2014 until 2019, the contribution to GDP growth made by net exports was negative on average, while only in 2017 did it make a year-specific positive contribution. The average in this period was -0.47. This can certainly be attributed to the tourism sector, which managed to cushion the extreme drop in GDP in the crisis years.

Household final consumption expenditure was responsible for a negative contribution to GDP growth between 2009 and 2013 of -1.38 annually. From 2014 until 2019, the trend was altered and reached an annual average of 1.63. The importance of gross fixed capital formation remained quite insignificant for GDP growth – between 2009 and 2013, it made a negative contribution of an annual average of -1.69, while from 2014 to 2019 its average contribution to GDP growth was 1.01. Government final consumption expenditure was also negative from 2009 until 2014, although in 2009 it made a positive contribution of 0.5. Between 2015 and 2019, it had a positive contribution of 0.16 to GDP growth, that is, much smaller than in the pre-crisis period.

Portugal has in the last 40 years thus primarily been an internally driven economy, with the greatest importance placed on private consumption. The attempts to alter the growth model in the 1980s and 1990s did not succeed because of the appreciation of the escudo and the opening of new markets. The economy's stagnation and recession have produced 15 years of very low or negative growth. This trend only ended after 2015 when increases in domestic private consumption expenditure were seen again as well as heavy reliance on the growth of tourism, which led to a paradoxical picture when prior to the COVID-19 pandemic Portugal had a positive trade balance sheet. In this regard, one should be cautious when considering Baccaro and Hadziabdic's (2023) calculations based on the import-adjustment method where they argue that since the crisis Portugal has been a strongly export-oriented economy because this change has mainly been due to tourism and not important increases in exports of manufacturing goods, which sets apart Portugal from Ireland and Slovenia.

3.3 Importance of exports in the Slovenian growth model

Slovenia is a specific case of an export-oriented economy that has managed to maintain the economy's considerable export orientation despite the relatively high labour costs compared to other post-socialist Eastern and Central European countries. Moreover, Slovenia has also managed to maintain a large base of domestically owned companies attached to certain value chains and German industries. The particular export orientation with strong domestic ownership is a relatively unusual case in a semi-peripheral country, although some important changes occurred in the Slovenian growth model after the early 2000s.

3.3.1 The export orientation of the economy

The growth model followed by Slovenia has been a specific case of path dependence and deliberate decisions made by domestic political and economic actors. After gaining independence in 1991, Slovenia faced a very difficult period. Structural changes, the decoupling from the Yugoslav markets, and the recession accompanied by inflation caused many problems in the economy. Nonetheless, the strong export orientation and country's connections with Western markets, as were established from the late 1960s onwards, were able to cushion this huge blow following independence. The export orientation of the Slovenian economy was also one reason for the relatively quick stabilisation of the economy when compared to other post-socialist countries (Lorenčič, 2012; Podvršič, 2018).

The transformational depression – the introduction of a capitalist economy – between 1991 and 1993 played an important role in structurally determining the economy's export orientation. The recession was accompanied by high inflation – in 1992, real wages fell to just above 60% of their 1989 level, only to reach 75% in 1994. Further, unemployment grew exponentially – in 1993, more than 137,000 people were unemployed, whereas in 1989 the figure was less than 30,000. Although the loss of the former Yugoslav markets certainly played a substantial role in these processes at the beginning, later on the falling GDP was the outcome of the rapidly declining domestic demand caused by inflation and low wages (Lorenčič, 2012; Podvršič, 2018). This surge in domestic demand pushed companies even further towards an export orientation, while two additional elements were important motors of the deepening export orientation of the Slovenian economy in general: 1) the devaluation of labour; and 2) the specific help received from the state oriented to facilitating export-oriented companies (Lorenčič, 2012; Podvršič, 2018; Hočevar, 2020).

For the Slovenian export-oriented growth model to be sustained and strengthened, a certain devaluation of labour was called for. Namely, from 1994 until 2007 a specific policy was a basic element of the Slovenian growth model – the lagging behind of wages compared to the rise in productivity. As Kračun (2006: 69) argued, "the early export expansion of the Slovenian economy was possible only based on low [labour] costs". This specific devaluation of labour from the early 1990s has been "not only the sign of rapidly changing power relations but also of a rapidly changing form of international integration of the Slovenian economy" (Podvršič, 2018: 186).

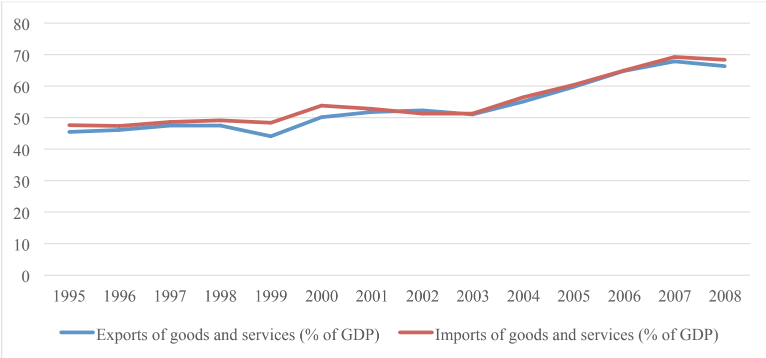
On the other hand, according to Tajnikar's calculations, state aid to the economy, and especially export-oriented companies, amounted to around 5% of GDP a year from 1992 to 1997. Since the state wanted to promote and sustain the economy's export orientation, many subsidies, tax cuts, guarantees and other structural support elements were implemented to secure export competitiveness. The state provided different programmes to export-oriented companies

> *including the conversion of short-term debt into long-term liabilities, subsidised interest rates for loans, and partial financing of redundant labour. Particular attention was dedicated to export-oriented production, with co-financing schemes to promote new export projects and to reduce the costs of export-oriented production, export-oriented companies had priority in all measures (Podvršič, 2018: 187).*

A particularly important element of the Slovenian growth model in the 1990s was the role played by the Bank of Slovenia. That is, the Bank of Slovenia pursued a specific floating exchange rate instead of a fixed exchange rate. This was vital for regulating currency fluctuations, hence for promoting and helping the export-oriented elements of the economy: "after the initial pure float, a managed floating exchange rate regime was chosen, with the central bank very much concerned to bring about a 'controlled' appreciation of the new Slovenian currency, the tolar, to reduce pressures on the export sector" (Mrak et al., 2004, xxiii).

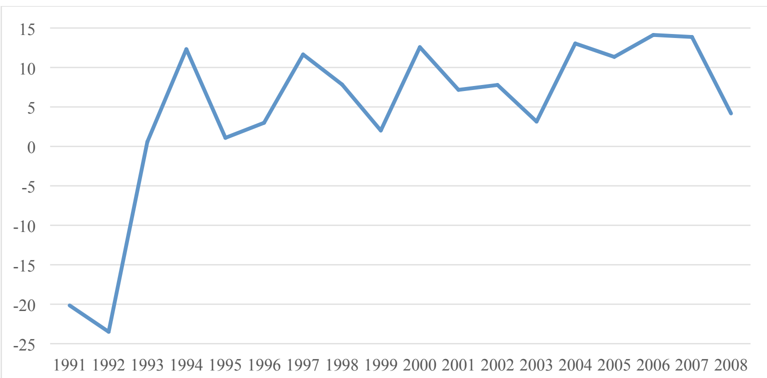
Slovenian exports were quite diversified compared to other CEECs because machinery and complex manufacturing outputs were included as well, while semi-complex manufacturing was also present (Podvršič, 2018: 185). Mid-tech products were a fundamental element of the economy's export orientation, while the share of labour-intensive goods decreased. Since the state was applying specific policy to sustain and expand the export orientation of the economy in the fields of machinery and manufacturing, while the reliance on exports of the entire economy and the state grew, Podvršič argued that the 1990s and early 2000s were a period when "distressed exporters" were transformed into "reliable suppliers" (Podvršič, 2018: 184).

Figure 3.13 Exports and Imports as a percentage of GDP, Slovenia, 1995–2008



Source: World Bank and OECD.

Figure 3.14 Exports, annual % growth, Slovenia, 1992–2008

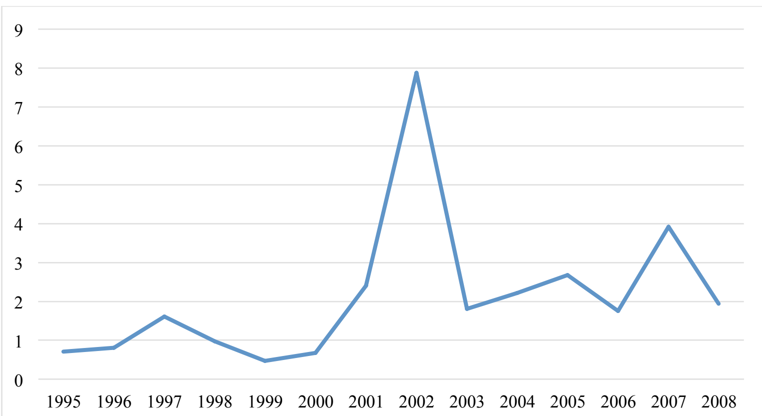


Source: World Bank.

Nevertheless, Slovenian exports were not FDI-driven. Slovenia had the lowest figures for FDI among the former socialist countries despite the fact that in the early 1990s there was a relatively large inflow of FDI. “Slovenia ended up as the least FDI-dependent in the region even though the country took the lead in opening the economy to foreign investment: it was only after the mid-1990s that Slovenia started to lag behind its regional peers in terms of [inward] FDI per capita and relative to GDP" (Podvršič, 2018: 191; Myant and Drahokoupil, 2011: 279; 343). Slovenia was too small a market for large MNCs, while the labour costs were still much higher than in other CEE countries that could offer more flexible and cheaper production.

However, towards the late 1990s important legislative changes were introduced that opened up the prospects for larger FDI and privatisations to foreign capital. In 1997, foreign investors were granted the same rights as those held by domestic investors. Corporate income tax was set at 25%, and in 1999 the state made the free transfer of profits and repatriation of capital possible (Bandelj, 2003: 379–80; Podvršič, 2018: 193). While in 1994 Slovenia only obtained EUR 1.3 billion in FDI, in 2007 this figure was just below EUR 10 billion. This considerable change followed the expansion of the services of foreign banks and the retail sector (Bank of Slovenia, 2010; Podvršič, 2018: 194).[25]

Figure 3.15 Inward FDI as a percentage of GDP, Slovenia, 1995–2008



Source: World Bank.

As Slovenia moved closer to becoming an EU member state, especially after 2004 and the accession to the EU and ERM II, an extremely important structur-

25 The share of service sector inward FDI expanded considerably from 1994 to 2007. Namely, in 1994 FDI in the manufacturing sector was just above 45% of all inward FDI, yet in 2007 it was only 27% of all inward FDI.

al shift of the Slovenian economy occurred, resembling the changes in Ireland and Portugal. Until 2004, the credit activity of banks at home and abroad began to increase. Slovenian banks gained access to cheap money in international markets after the lowering of interest rates due to the prospects of joining the eurozone. On the other hand, there was also stronger demand from among domestic actors that pushed the banks to borrow even more money abroad since deposits were growing much more slowly than the demand for loans. During this period, there was an exceptional increase in loans intended for the population or households as well as credits for the economy[26] (Mencinger, 2012: 74–75; Bembič, 2013: 88; Breznik and Furlan, 2015: 174–177; Drenovec, 2015).

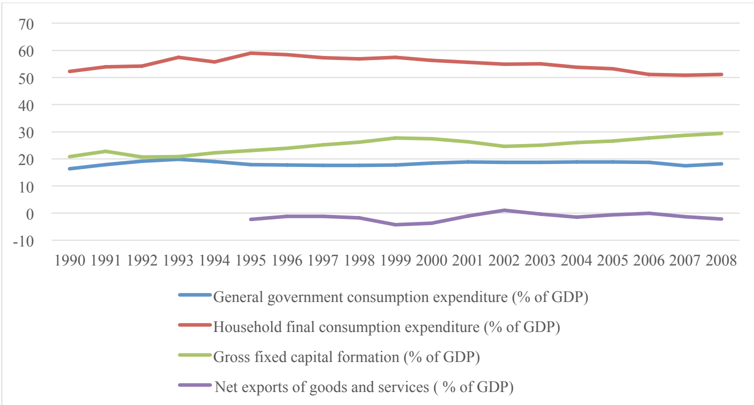
The debt of Slovenian banks to foreign banks grew from less than EUR 4 billion to more than EUR 16 billion in the period 2004–2008, and at the same time most of these loans were short-term. After 2003, the gap between loans and deposits widened significantly. After 2003, loans to companies increased by around 20% per year, while deposits by less than 10% a year. The liabilities of the financial sector to foreign institutions had grown to 30% of GDP by 2008. Slovenia has thus been following quite a similar path to Portugal, with the banks highly exposed to foreign investors. This marked the beginning of dependent financialisation (Bank of Slovenia, 2015: 11).

Companies from the construction and real-estate sectors borrowed the most, with the extremely pro-cyclical projects of the state in these sectors further strengthening demand and creating a feeling of continuous and endless growth. Banks also allowed very high proportions of loans tied to the value of mortgaged real estate, which permitted extremely broad lending, while real estate prices rose sharply. In concrete numbers, this means Slovenian companies borrowed some EUR 13 billion between 2004 and 2008. Around 60% of these funds was earmarked for the renovation and expansion of production – the core activity; 40% was roughly divided into thirds: one-third went to purchases of ownership shares abroad – mostly in former Yugoslavian countries; one-third was intended for real estate purchases. The last third was used in managerial takeovers as part of a new strategy to complete the project of building the domestic capitalist class[27] (Bank of Slovenia, 2015: 12).

26 Since falling in 2005, interest rates have been gradually rising but the difference between Slovenian inflation and inflation in the eurozone means real interest rates were lower in Slovenia than elsewhere, which created even stronger demand for loans.

27 Namely, after 1992–1993 there was quite a specific project of the Slovenian state. Power was maintained by the management of companies through the particular privatisa-

Figure 3.16 National account components as a percentage of GDP, Slovenia, 1990–2008



Source: OECD.

The quite important rise in investment was seen in the increase in gross fixed capital formation as a share of GDP. In 1991, it was at 20% of GDP and by 2008 it had increased to 30%. The household final consumption in the specific period before the crisis fell as a share of GDP from 60% to 50%, whereas general government consumption expenditure remained constant at around 20% of GDP.

The data showing the contribution made by different elements to GDP growth are interesting. The contribution of net exports to GDP growth between 1996 and 2008 varied considerably. While in 1996 it was low, from 1997 to 1999 the contribution made by net exports to GDP growth was negative: from -0.17 in 1997 to -3.18 in 1999. A period of stable positive rates of contribution later returned between 2000 and 2002, followed by

tion processes. Political parties played an important role in controlling a large bulk of companies and banks through boards. The logic was that sooner or later some of the key figures of the politico-economic bureaucracy that had emerged already in the late 1980s and the 1990s would become fully fledged capitalists – owners of companies. Yet, it was necessary for managers to buy the shares from the workers in the privatised companies or for the state to begin privatising its shares. Crucially, it was necessary that these managers had enough money for buyouts and privatisations which was secured through loans.

two negative years in 2003 and 2004 and again 2 years showing positive contributions. Crucially, just before the crisis net exports made a strong negative contribution in 2007, yet in 2008 only a positive contribution of 0.01. Over those 13 years, the average contribution of net exports to GDP growth was negative: -0.03.

Table 3.5 Contribution of different demand elements to annual GDP growth (in percentage points of GDP growth), Slovenia, 1996–2008

	GDP growth, annual (%)	Contribution of net exports to GDP growth	Contribution of household final consumption expenditure to GDP growth	Contribution of gross fixed capital formation to GDP growth	Contribution of general government final consumption expenditure to GDP growth
1996	3.20	0.21	1.62	1.88	0.49
1997	5.05	-0.17	1.67	2.91	0.80
1998	3.28	-1.18	1.67	2.01	0.68
1999	5.33	-3.18	3.76	3.49	0.76
2000	3.67	2.35	-0.07	0.66	0.67
2001	3.21	1.65	1.61	0.55	0.53
2002	3.50	1.06	1.33	-0.10	0.61
2003	2.96	-1.66	1.92	1.42	0.50
2004	4.36	-0.52	1.39	1.39	0.67
2005	3.79	2.11	1.11	0.94	0.53
2006	5.76	0.96	0.69	2.73	0.60
2007	6.98	-2.08	3.33	3.31	0.34
2008	3.51	0.01	1.46	2.02	0.90

Source: World Bank and OECD

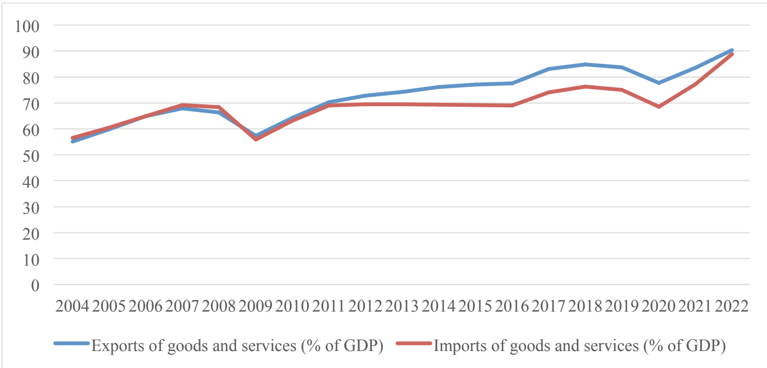
The contribution of household consumption expenditure has remained relatively important in Slovenia. Only in 2000 was the contribution to GDP growth negative, while the 13-year average was 1.65. The contribution made by government final consumption expenditure to GDP growth was very stable in this first period: from 0.49 in 1996 to 0.9 in 2008, averaging at 0.62. Notably, the role of investment has been overlooked despite it playing quite an important role in Slovenia's development and its specific growth model. In this thirteen year, we can identify two different subperiods. From 1996 until 2001, the contribution of gross fixed capital formation was very positive. Between 1996 and 1999, it made an average annual contribution to GDP growth of 2.56, although when adding the relatively lower values for 2001 and 2002 the contribution is still 2.19. Then, in 2002 the contribution of investments to GDP growth was negative at -0.1. After that, another 6-year period began, averaging out at a very high contribution to GDP growth of 1.97 annually. In particular, the 3 years before the crisis stand out with an average of 2.67. This also shows that large proportions of the loans went into investment, as explained above.

It appears from the data that the two critical drivers of economic growth have been private consumption and investment. However, it must be stressed that without such a strong export orientation private consumption would not have been rising. Net exports as a share of GDP hovered around 0%, yet this does not capture the importance of exports for the Slovenian economy because the share of exports (% of GDP) grew from 50% in the early 2000s to almost 70% just prior to the crisis. Significantly, Baccaro and Hadziabdic's (2023) import-adjusted data show the contribution of exports exceeded 50% of the total contribution to growth between 1995 and 2007.

3.3.2 From the 2008 crisis to the pandemic: the growing importance of exports

The crisis starting in 2008 caused considerable difficulties for the Slovenian economy, with the very low growth rates and recurring recessions adding important distresses in the Slovenian growth model. The financialisation- and investment-led growth period had come to an end, while exports again became the crucial engine of growth. An important change came in this period. Initially, there was an important drop in inward FDI, but after 2013 levels of FDI were restored to their pre-crisis levels mainly due to large privatisations to foreign capital. The most salient changes taking place in Slovenia, and which still signal an important alteration of the growth model, was the massive privatisation process that unfolded after 2013 which transformed the nature of economic and social policy development in Slovenia.[28]

Figure 3.17 Exports and Imports as a percentage of GDP, Slovenia, 2004–2022

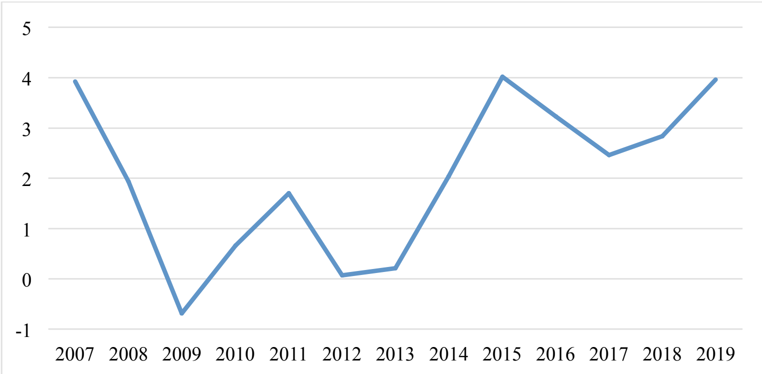


Source: OECD.

OECD data reveal that the share of exports as a percentage of GDP rose importantly following the 2008 crisis. During this crisis, and especially in 2009 and 2010, exports experienced a dramatic decline from almost 70% of GDP to just above 55% of GDP (and one should also take the dramatic plunge of GDP by almost 8% into account). Yet, after 2011 the share of exports as a percentage of GDP steadily increased in 2019 to reach, just before the pandemic, nearly 84% of GDP compared to in 2022 when it stood at 90% of GDP.

28 During this process, several crucial state-owned companies were sold to foreign investors. First, in the retail sector there were large sell offs to foreign companies, with Droga Kolinska and Mercator being sold to Croatian investors. Later, the airport in Ljubljana was sold to Fraport, Heineken bought the two largest breweries in Slovenia (Laško and Union), the state-owned national flight company (Adria Airways) was sold to German investors etc. Further, the two largest state-owned banks (NLB and NKBM), after having been recapitalised, were sold for relatively low prices to foreign financial institutions, this especially referring to the NKBM bank (Hočevar, 2020).

Figure 3.18 Inward FDI as a percentage of GDP, Slovenia, 2007–2019

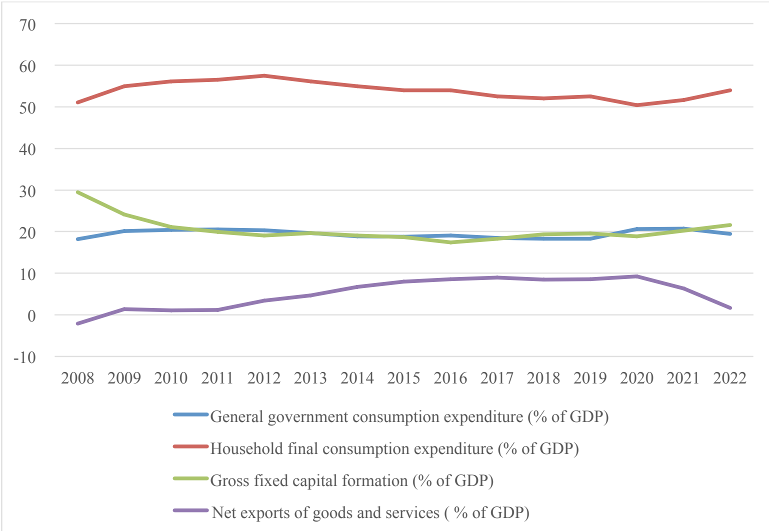


Source: World Bank

The figures show that the key element in the recovery period has been the economy's specific export orientation along with the fact that the deepest recession occurred exactly at the time the share of exports was shrinking considerably. The decline in exports at the start of the crisis was 17% (EUR 4.4 billion), while this led to a 4.5% contraction of the economy, which also produced negative impacts on private consumption. Since this was mainly the effect of the large crisis in the other EU member states (notably Germany), the Slovenian state could hardly do anything to prevent this. Growth resumed only when German industry returned to its pre-crisis levels. These trends of a decline in exports meant that private consumption remained the most important element cushioning the recession in 2010 and 2011.[29] Yet, exports again rose later on to become the most important element of GDP growth (Tajnikar et al., 2023: 8).

29 Private consumption dropped considerably in 2012 and afterwards due to the austerity measures and cuts in wages pursuant to the Fiscal Balance Act (Tajnikar et al., 2023: 8–9).

Figure 3.19 National account components as a percentage of GDP, Slovenia, 2008–2022



Source: OECD.

Household final consumption expenditure grew during the crisis years to almost 60% of GDP, while later declining to 50% just prior to the pandemic, whereas government final consumption as a percentage of GDP remained stable throughout this prolonged period of almost 15 years at 20% of GDP. The most dramatic drop was seen in the field of investment where banks were very conservative with respect to issuing loans and an important credit crunch has affected Slovenia ever since the 2008 crisis. The share of investment fell from 30% of GDP to a stable 20%. The biggest increase occurred in the share of net exports to GDP, which rose from a small negative value to 10% of GDP.

Table 3.6 Contribution of different demand elements to annual GDP growth (in percentage points of GDP growth), Slovenia, 2008–2022

	GDP growth, annual (%)	Contribution of net exports to GDP growth	Contribution of household final consumption expenditure to GDP growth	Contribution of gross fixed capital formation to GDP growth	Contribution of general government final consumption expenditure to GDP growth
2008	3.51	0.01	1.46	2.02	0.90
2009	-7.55	1.60	1.06	-6.50	0.37
2010	1.34	2.11	0.54	-3.24	0.01
2011	0.86	1.06	0.45	-1.04	-0.02
2012	-2.64	2.79	-1.24	-1.71	-0.48
2013	-1.03	0.76	-2.26	0.65	-0.40
2014	2.77	1.57	0.91	-0.01	-0.05
2015	2.21	0.61	1.12	-0.23	0.44
2016	3.19	0.41	2.40	-0.67	0.46
2017	4.81	1.22	1.03	1.77	0.08
2018	4.45	-0.14	1.85	1.86	0.53
2019	3.45	0.24	2.84	0.97	0.33
2020	- 4.32	-0.29	-3.40	-1.40	0.76
2021	8.21	-0.99	5.17	2.39	1.26
2022	5.4	-1.00	1.87	0.71	-0.11

Source: World Bank and OECD

During the crisis years, net exports played a vital role in keeping the Slovenian economy afloat. From 2009 until 2019, in all years except 2018 net exports made a positive contribution to GDP growth. Between 2009 and 2014, the contribution was at 1.65, the biggest on average, while in addition net exports were responsible for the strongest positive contribution to GDP growth in every single year from 2009 to 2014. Between 2015 and 2019, the importance of net exports for GDP growth declined to an average of 0.47 annually.

Household final consumption expenditure was positive in the first 3 years of the crisis (2009–2011), yet made a very negative contribution to GDP growth in 2012 and 2013. From 2014 onwards, the importance of household expenditure again increased, averaging at a contribution of 1.69 to GDP growth per year. Gross fixed capital formation was on average negative over this 11-year period at -0.74. From 2009 to 2016, investment's contribution to GDP growth was negative every year, except 2013. Between 2017 and 2019, the trend was reversed and investment held a positive impact on the growth of GDP. The contribution of government final consumption expenditure to GDP growth was relatively modest after the crisis. In 2009 and 2010, it made a positive contribution, whereas from 2012 to 2014 the contribution was negative. In the period 2015–2019, the positive contribution returned, albeit it stayed below the average annual value of the pre-crisis period of 0.37.

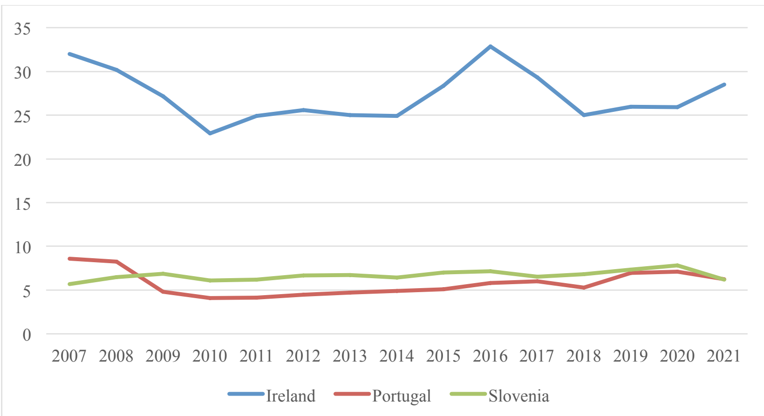
The importance of exports hence increased since net exports accounted for almost 10% of GDP, while exports have also been essential for maintaining the high level of private consumption. The importance of exports, according to Baccaro and Hadziabdic's (2023) calculations using the import-adjustment method, from 2009 to 2018 contributed over 97% to GDP growth. The Slovenian economy became even more reliant on exports than before the crisis. This export orientation and the importance of external competitiveness have also played a very important role in shaping industrial relations institutions and processes as well as labour market policies.

3.4 Export-led growth models? Differences among the three countries

The above comparison shows the heterogeneity and variety in the three countries' growth and developmental models. The case of Ireland based on large FDI and exports is completely different from the Portuguese case which attracted low levels of FDI and had a negative trade balance sheet until 2012–2013, while the subsequent increase in exports has been due to the rise of tourism. Although Slovenia has been a largely export-oriented country, with considerable levels of investment just prior to the crisis, it has never held a rich stock of inward FDI if we disregard the periods when large banks and companies were being sold off to foreign MNCs and hedge funds.

It is nevertheless important to stress the very different nature of the export orientation of Ireland and Slovenia, as well as that of Portugal. In Figure 3.20, Figure 3.21 and Figure 3.22 below, these differences are apparent. Levels of medium and high-tech exports as a share of manufactured exports have varied across the three cases. Ireland easily held the biggest shares of medium and high-tech exports of the three countries in 1990, while Slovenia managed to overtake Ireland already before the 2008 crisis. This trend continues today. Portugal, in comparison, has had much smaller shares of medium and high-tech exports as a share of all manufactured exports. In 1990, it was only at 27%, albeit it increased after 2015 to around 44%–45% of all manufactured exports.

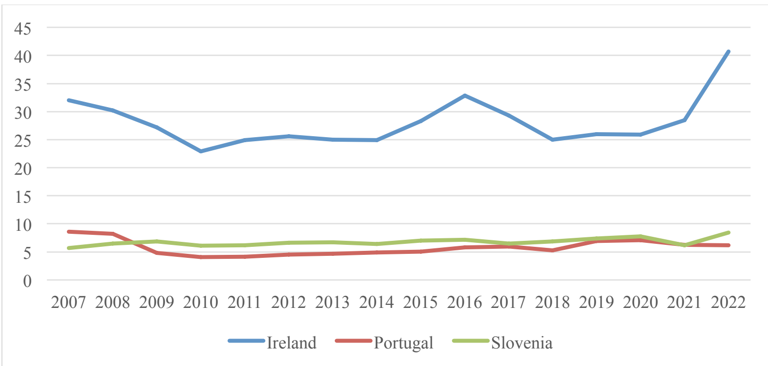
Figure 3.20 Medium and high-tech exports as a percentage of all manufactured exports, Ireland, Portugal and Slovenia, 1990–2021



Source: World Bank.

Yet, when only high-technology exports are in focus, the picture is somewhat different. Here, the World Bank provides data from 2007 onwards. For this element, Ireland reached by far the biggest shares of high technology exports. In 2007, the share was 32% and later in 2018 fell to 23% of all manufactured exports. However, by 2022, 40% of all manufactured exports were high-technology exports. Portugal reached a share of 8% of high technology exports in 2007, although this share gradually declined. During the recession and the period of the Troika, it was below 5% of total manufactured exports, and in the years before the pandemic it had risen to around 6%–7% of all manufactured exports. Interestingly, Slovenia has recorded very similar scores as Portugal – before the crisis, the share of high-tech manufacturing exports was even smaller than in Portugal, yet it rose gradually during and after the 2008 crisis and reached more than 8% in 2022.

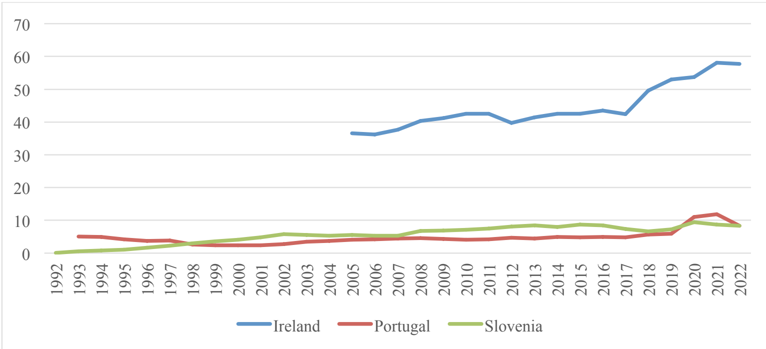
Figure 3.21 High-technology exports as a percentage of all manufactured exports, Ireland, Portugal and Slovenia, 2007–2022



Source: World Bank.

The share of ICT service exports as a share of all service exports again reveals a very different picture for the three countries. In 2006, Ireland had a share of 36% ICT exports among all service exports, while this gradually increased to over 50% of all service exports, consistent with its FDI having a high-tech service orientation. Portugal and Slovenia recorded very low figures in this respect – both having a share of less than 10% of ICT service exports among all service exports.

Figure 3.22 ICT service exports as a percentage of all service exports, Ireland, Portugal and Slovenia, 1992–2022



Source: World Bank.

A radically different picture appears when one looks at the quality of exports among the three countries. Namely, besides taking different demand components of growth and all three countries' attempts to sustain or alter these growth models from the late 1980s onwards into account, one must be aware of differences that have strongly influenced the particular policy choices made by the three countries.

3.5 Conclusion

The analysis of the respective growth models provides the starting point for an in-depth analysis of the industrial relations institutional and policy arrangements in the three countries. The countries are shown to have attempted to either sustain, strengthen or alter their growth models to remain or become (more) appealing to MNCs and foreign investment in an effort to foster an export-led growth model. Ireland wanted to secure industrial peace for its FDI-based growth model, Portugal wished to implement policies in order to become more appealing to MNCs and an export-oriented country, whereas Slovenia has followed a specific policy of trying to secure agreement and cooperation for maintaining the economy's strong export orientation. These attempts have seen differences and similarities emerge in the countries' industrial relations and labour market policies.

4 Changes in the industrial relations in Ireland, Portugal and Slovenia: Quantitative framework

In the previous chapter, we described a framework regarding the growth models of Ireland, Portugal and Slovenia. This chapter looks at various data with respect to industrial relations. We analyse the different institutional changes and shifts that occurred in the three countries from the early 1980s until 2019. In so doing, we follow the very well-known and seminal analysis provided by Wallerstein et al. (1997) as well as Baccaro and Howel (2017), although our focus is on a broader spectrum of indicators.

Available data are analysed for 14 different indicators: 1) trade union density; 2) employers' density; 3) adjusted collective bargaining coverage; 4) predominant level on which wage bargaining takes place; 5) the combination of levels at which collective bargaining over wages takes places; 6) centralisation of collective bargaining; 7) the favourability principle; 8) derogation from the law; 9) mandatory extension of collective agreements to non-organised employers; 10) coordination of wage setting; 11) type of coordination of wage setting; 12) government intervention in wage bargaining; 13) general opening clauses in sectoral agreements; and 14) number of strikes. All data analysed come from the Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts first developed by Jelle Visser and these days maintained by the OECD. Only the industrial conflict data are from the ILO database and other sources.

We analyse data for different years starting from 1980, while also providing the 5-year score average from 1980 onwards for certain indicators. We descriptively analyse the data and trace changes observable from the quantitative framework of institutional liberalisation through deregulation/decentralisation in the three countries. This serves as the initial step before turning to an in-depth analysis of the three cases.

4.1 Trade union density rates, density rates of employer associations, and bargaining coverage rates

One of the main elements for understanding specific national trajectories and changes in industrial relations institutions has to do with the trade union density rate and employer associations' density rate. Namely, the post-Second World War Fordist compromise was primarily secured due to the very strong trade unions, featuring high-density rates, which gave the unions a specific mobilisation capacity to negotiate and gain more rights and higher wages, while also influencing a strong push towards greater coverage with collective agreements, spreading the gains and rights across the working class in general.

Table 4.1 Union density rates, Ireland, Portugal and Slovenia (5-year average)

	1980–1984	1985–1989	1990–1994	1995–1999	2000–2004	2005–2009	2010–2014	2015–2019
Ireland	57.0	51.66	50.44	42.8	34.9	31.48	29.62	24.46
Portugal	47.2	41.2	29.3	25.9	21.07	20.73	19.1	15.7
Slovenia	/	/	63.2	46.52	43.4	34.08	30.34	23.8

The data presented in Table 4.1 show a clear trend of declining union density. Still, some differences and even unexpected trends are observable. Namely, the slowest decline in union density occurred in Ireland, while the fastest decline may be observed in Slovenia. In Ireland, from 1980 to 1984 the average yearly density rate was 57% and remained above 50% until the 5 years between 1990 and 1994. In the next decade, a sharp drop of almost 17 pp occurred. However, after 2004, the three 5-year averages show a much slower decline than before. Portugal is an interesting case since it has the lowest union density among the three countries, whereas the density rate was already quite low between 1980 and 1984 – it was already below 50%, while in the next two 5-year periods it declined first by 6 pp and then by 12 pp. After the mid-1990s, it remained relatively stable while the downward direction of the density rate has remained clear. Uniquely among the post-socialist countries, Slovenia averaged very high-density rates throughout the 1990s. Yet, after the end of the transition and becoming an EU member state, the density rate began to fall steeply. In less than 20 years, the density rate dropped in Slovenia by over 40 pp. Certainly, one should also take account of the changes within the union density because, in all three countries, the public sector density remained much higher than that in the private sector (Stanojević and Poje, 2019; Stanojević et al., 2023; Maccarrone et al., 2019; Maccarrone and Erne, 2023; Campos Lima, 2019; Campos Lima and Naumann, 2023).

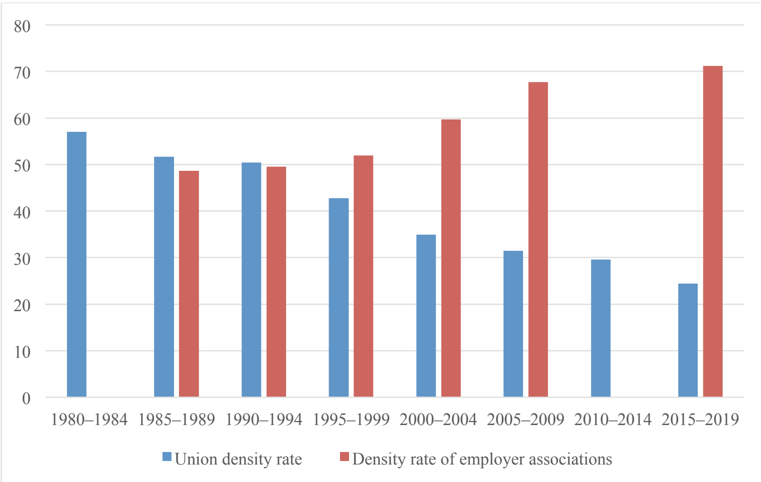
Table 4.2 Density Rates of Employer Associations, Ireland, Portugal and Slovenia (5-year average)

	1980–1984	1985–1989	1990–1994	1995–1999	2000–2004	2005–2009	2010–2014	2015–2019
Ireland	/	48.7	49.55	52.0	59.7	67.7	/	71.2
Portugal	/	53.0	51.2	52.2	53.3	/	50.03	/
Slovenia	/	/	100	100	100	84.8	75.1	72.6

The data concerning density rates of employer associations is quite scarce in the database, yet sufficient to provide a general picture. Due to the lack of data, some of the 'averages' are data from a single year in the 5 years. Still, in contrast to the union density rate, the density rate of employer associations has not decreased so steeply. Even more, the density rate in Ireland increased from the mid-1980s until the last 5-year period. The density rate in Portugal remained quite stable throughout the 40 years at around 50%. The density rate in Slovenia is also interesting to observe – up until 2006, mandatory membership in employers' associations was in force, while after it was abolished, it decreased, but is still above 70%. Thus, what we can see is that the decline in the employers' density rate was much slower than the decline in the union density rate, or that it even increased over the years instead of declining.

In Ireland, there has been a rapid decrease in union density and an incremental yet important increase in the density rate of employer associations. From 1985 until 1989, the union density rate was above the density rate of employer associations, but from then on two completely different trends are apparent: the union density fell to below 30%, while the density rate of employer associations rose to 70%.

Figure 4.1 Union density rate and density rate of employer associations, Ireland (5-year average)



In Portugal, a slightly different situation has emerged. Both the union density rate and the density rate of employer associations decreased over time, although the decrease was much smaller in the employers' density rate than in the trade union density rate. In the last decade, the employers' density remained around 50%, while the trade union density dropped to below 20%.

Slovenia is a different case because, as explained, membership in employers' associations was obligatory up until 2006. Therefore, before then, the density rate of employer associations was 100%, whereas the union density also remained high. The first average figure in the period 1990–1994 was still above 60%. However, the density rate of the unions began declining to reach barely above 20% in the 2015–2019 period, while the density of employers' associations remained high at around 70%.

Figure 4.2 Union density rate and density rate of employer associations, Portugal, (5-year average)

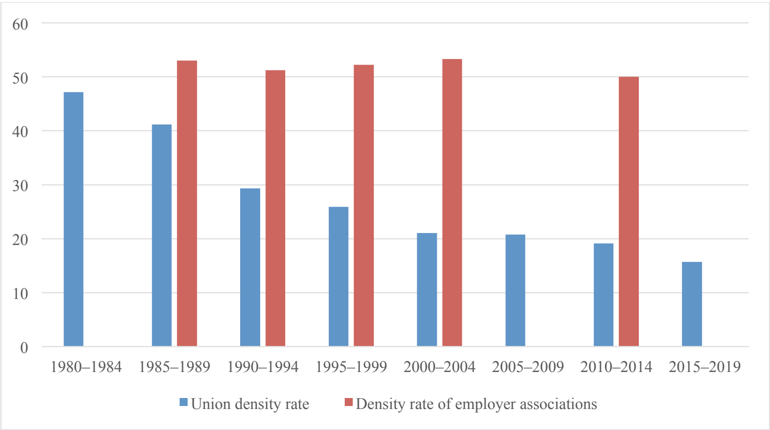
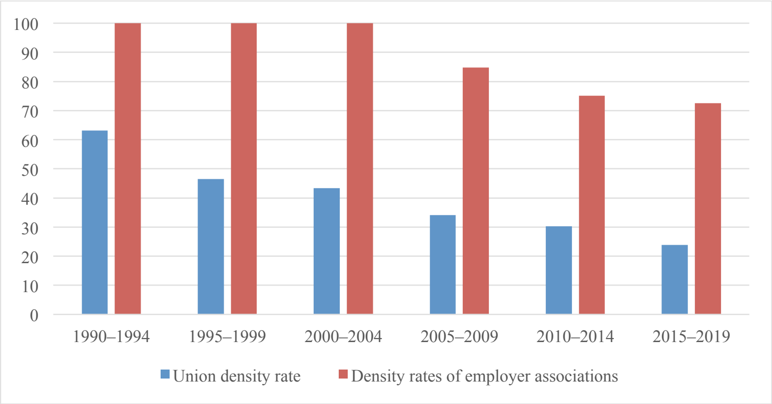


Figure 4.3 Union density rate and density rate of employer associations, Slovenia (5-year average)



If we focus on the collective bargaining coverage rate in different 5-year periods, an important decrease is visible in all three countries. During the 1980s, Ireland had a 70% coverage rate, which slowly decreased to around 35% in the last decade. Portugal initially experienced a rise in the coverage rate that, however, has again been slowly declining over the last 15 years. In Slovenia, the situation has certainly been different since the obligatory membership in employers' associations meant the initial coverage rate was close to 100%. Nevertheless, after 2006 it began to drop to reach below 80% in the last decade.[30]

Table 4.3 Adjusted collective bargaining coverage rates, Ireland, Portugal and Slovenia (5-year average)

	1980–1984	1985–1989	1990–1994	1995–1999	2000–2004	2005–2009	2010–2014	2015–2019
Ireland	70.0	70.0	62.8	57.8	44.2	41.1	/	34.0
Portugal	71.5	75.0	75.3	80.26	81.9	86.7	80.38	77.22
Slovenia	/	/	100	100	100	90.0	67.3	72.33

4.2 Collective bargaining levels and wage-setting indicators

The collective bargaining and wage-setting negotiation processes and the levels on which these take place, along with the possibility of derogating from the statutory norms in collective agreements, have all been important elements for understanding industrial relations institutions. More centralised and nationwide bargaining has been regarded as more of the coordination type, giving employers fewer possibilities to enforce lower standards than the statutory norms as well as smaller chances of negotiating or imposing other elements that could reduce labour rights.

In the three tables below, we provide data for the predominant levels, the combination of levels on which wage bargaining takes place and regarding the centralisation of collective bargaining.[31]

30 The average for 2005 until 2009 for Slovenia is calculated as the average from 2005 until 2010 because in 2005 and 2006 the coverage rate was 100% due to the obligatory membership in employers' associations, but then up until 2010 no data are available and we thus calculated the 2010 data, which was 70%, and then divided it by 3.

31 For all the codes of the OECD/AIAS dataset see: OECD/AIAS, 2021b.

Table 4.4 The Predominant level on which wage bargaining takes place, Ireland, Portugal, Slovenia (5-year average)

	1980–1984	1985–1989	1990–1994	1995–1999	2000–2004	2005–2009	2010–2014	2015–2019
Ireland	1.8	3.4	5	5	5	4.2	1	1
Portugal	3	3.6	3.6	3.6	3	3	3	3
Slovenia	/	/	3.5	4.2	5	4	3	3.2

Data for the indicator of the predominant level on which wage bargaining occurs may be found in Table 4.4. The predominant level actually means that on that level at least two-thirds of the total bargaining takes place in a specific year.[32] The data presented in the table show that in all three countries an important decrease has occurred over the last four decades. Namely, in all three countries the level has gone down. In Ireland, this is most apparent when after the outbreak of the crisis there was a shift from the central or cross-industry level to the company or enterprise level. During the 1990s it was firmly at 5, while later it declined to only 1. In Portugal, the level has in fact remained relatively the most stable. Although in the 1990s Portugal also scored relatively high – wage bargaining was changing between the central and industry level (the 5-year average was 3.6) – since the late 1990s, it has remained stable on the sectoral or industry level (score 3). Slovenia also experienced an important decrease after it joined the EU. That is, from the late 1990s until 2009 the predominant level was the central or cross-industry level (5-year averages were between 4 and 5). However, it later decreased to the changing central and industry level (score 4), while further declining to the level of sector or industry and after the crisis the 5-year averages were just above 3. It is also interesting to note that while in Portugal and Slovenia there was a clear trend of a drop in the level of wage bargaining, in Ireland it remained high right up until the 2008 crisis.

32 The indicator is coded according to the following codebook:
5 = wage bargaining predominantly takes place on the central or cross-industry level;
4 = wage bargaining intermediates or alternates between the central and industry level;
3 = wage bargaining predominantly takes place on the sector or industry level;
2 = wage bargaining intermediates or alternates between the sector and enterprise level;
1 = bargaining predominantly takes place on the company or enterprise level.

Table 4.5 The combination of levels on which collective bargaining over wages takes place Ireland, Portugal, Slovenia (5-year average)

	1980–1984	1985–1989	1990–1994	1995–1999	2000–2004	2005–2009	2010–2014	2015–2019
Ireland	1.6	2.8	4	4	4	3.4	1	1
Portugal	3	4.8	4.8	4.8	3	2.8	2	2
Slovenia	/	/	2	3.8	5	4.4	2	2.6

The indicator referring to the combination of levels on which collective bargaining over wages takes place also reveals important changes.[33] From the data presented in Table 4.5, we can see that in all three countries an important decrease has occurred. In Ireland, the score declined from a 5-year average stable 4 – cross-sectoral and company, with company agreements that specify/deviate from central agreements – to the level of the company (1). In Portugal, an even steeper decrease is visible. Namely, in certain years during the 1990s the combination of levels was on the cross-sectoral and sectoral levels, while the 5-year average score was close to 5. Yet, throughout the first decade it decreased to the sectoral level (5-year average score of 3) with sectorally determined norms, while since the late 2000s it has decreased even further to 5-year average scores of 2. In Slovenia, the data also indicate that the combined levels of collective bargaining

33 The indicator is coded as follows:
7 = cross-sectoral (entire economy or private sector), with centrally determined binding norms, minima or ceilings to be respected by all subsequent agreements, which can only implement central agreements;
6 = cross-sectoral (entire economy or private sector) and sectoral, with sectoral agreements that specify and can deviate from central agreements, guidelines or targets;
5 = cross-sectoral (entire economy or private sector), sectoral and company, with company agreements that specify and can deviate from sector agreements, and sector agreements that specify and can deviate from central agreements;
4 = cross-sectoral (entire economy or private sector) and company, with company agreements that specify and can deviate from central agreements;
3 = sectoral (separate branches of the economy), with sectorally determined binding norms, minima or ceilings to be respected by all subsequent agreements and company or enterprise agreements that can only implement sector agreements;
2 = sectoral (separate branches of the economy) and company, with company agreements that specify and can deviate from sectorally agreed norms, guidelines or targets
1 = company (or units thereof).

decreased considerably. From the early 1990s until the outbreak of the crisis, Slovenia typically scored high, while the 5-year average score reached the score of 5 between 2000 and 2004, indicating that most of the bargaining occurred on the cross-sectoral, sectoral and company levels, with company and sectoral agreements being allowed to deviate from the sectoral and central agreements. Still, since 2010 the score has fallen, with company agreements being allowed to deviate from sectoral norms (5-year average scores of just above 2).

Table 4.6 Centralisation of collective bargaining, Ireland, Portugal, Slovenia (5-year average)

	1980–1984	1985–1989	1990–1994	1995–1999	2000–2004	2005–2009	2010–2014	2015–2019
Ireland	0.875	4.97	4.7	4.625	4.625	3.12	0.875	0.875
Portugal	2.875	3.47	3.47	3.47	2.875	2.875	2.55	2.5
Slovenia	/	/	3.25	3.95	4.7	3.625	2.625	2.825

Centralisation of collective bargaining is a summary index of the degree of centralisation of collective bargaining processes. It takes four different elements into account: the predominant level of bargaining; the incidence of and control over additional bargaining on the enterprise level (rAEB, which is rescaled to a 3-level measure to ensure that it is the same as WSSA and OCG by combining codes 1 and 2); the space that central or sectoral agreements assign, delegate or allow for such additional bargaining to take place (WSSA); and the incidence of opening clauses and the possibility of using them in agreements (OCG). Table 4.6 shows that there was an important decline in the score in the three countries. Ireland had 5-year average scores ranging from 4.97 to 4.625 in the period from 1985 until 2004. Since then, the average 5-year scores have declined, reaching only the score 0.875. Portugal also recorded an important drop in the centralisation score: in the 1990s, the 5-year averages were at 3.47, while after the 2008 crisis the score decreased to only 2.55 and 2.5. For Slovenia, the decrease has also been significant: from 2000 until 2004, Slovenia scored on average 4.7, whereas this score fell in the decade after the 2008 crisis to below 3.

Tables 4.7 and 4.8 also reveal important institutional changes. The favourability principle[34], as indicated by the scores, has never been fully implemented in Ireland, while Portugal and Slovenia also allowed exceptions to the evident hierarchy between the law and collective agreements. Derogations from the law[35] have also been permitted in Portugal and Slovenia, making it possible to create less favourable conditions in the agreements and bargaining processes, yet in Ireland no such possibility exists because no clear law has been adopted in this area.

Table 4.7 Favourability principle, Ireland, Portugal, Slovenia (2000–2019)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ireland	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Portugal	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1
Slovenia	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1

Table 4.8 Derogation from the law, Ireland, Portugal, Slovenia (2000–2019)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ireland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Portugal	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Slovenia	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1

Table 4.9 shows data referring to some changes in the mandatory extension of collective agreements to non-organised employers.[36] We can see that

34 The code for this indicator is:
3 = favourability is inversed, in terms that lower-level agreements take precedence;
2 = hierarchy between levels is undefined and a matter for the negotiating parties (not fixed in law);
1 = Lower-level agreements must by law offer more favourable terms, but exceptions are possible under defined conditions ;
0 = Hierarchy between agreement-levels is strictly applied and defined in law: lower-level agreements can only offer more favourable terms.

35 The code for derogation is simple:
1 = it is possible to derogate from terms established by law (and offer less favourable conditions) by means of a collective agreement;
0 = it is not possible to derogate from the law.

36 The code for this indicator is:
3 = extension is virtually automatic and more or less general (including enlargement);
2 = extension is used in many industries, but there are thresholds and Ministers can (and sometimes do) decide not to extend (clauses in) collective agreements;

in Ireland there never really was such a mandatory clause, whereas in Slovenia there has been an automatic mechanism (score 3), which gradually decreased to a score of 2 (although an extension is used in many industries it is not an automatic mechanism). Portugal has been a rare case as the extension is still almost an automatic mechanism even though during the crisis and afterwards there was a radical change when for 1 year no extension was mandatory.

Table 4.9 Mandatory extension of collective agreements to non-organised employers, Ireland, Portugal, Slovenia (2000–2019)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ireland	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1
Portugal	3	3	3	3	3	3	3	3	3	3	3	3	0	0	2	2	2	3	3	3
Slovenia	3	3	3	3	3	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2

Table 4.10 Coordination of wage-setting, Ireland, Portugal, Slovenia (5-year average)

	1980–1984	1985–1989	1990–1994	1995–1999	2000–2004	2005–2009	2010–2014	2015–2019
Ireland	1.6	2.8	4.2	5	5	4.2	1	2
Portugal	2	2.4	2.4	2.8	2	2	2	2
Slovenia	/	/	3.5	2.8	4	3.2	2.4	2.2

Table 4.10 shows data for the coordination of wage setting.[37] In Ireland and

1 = extension is more exceptional, used in some industries only, because of the absence of sector agreements, very high thresholds (supermajorities of 60% or more, public policy criteria etc.), and/or veto powers of employers;
0 = there are neither legal provisions for mandatory extension nor a functional equivalent
-99 = not applicable (no sectoral agreements).

37 The code for the indicator is:
5 = Binding norms regarding maximum or minimum wage rates or wage increases issued as a result of: a) centralised bargaining by the central union and employers' associations, with or without government involvement; or b) unilateral government imposition of a wage schedule/freeze, with or without prior consultation and negotiations with unions and/or employers' associations;
4 = Non-binding norms and/or guidelines (recommendations on maximum or minimum wage rates or wage increases) issued by: a) the government or government agency, and/or the central union and employers' associations (acting together or alone); or b) resulting from an extensive, regularised pattern setting coupled with a high degree of union concentration and authority.

Slovenia, there has been a dramatic drop in the score. Up until 2008–2009, Ireland scored very high – the 5-year average scores ranged between 4 and 5. Yet, after 2008 the score dropped to 1 or in the last 5-year period before the COVID-19 pandemic to 2. Portugal has kept its score quite stable at lower values, but still a small decrease is observable in the 5-year average scores. Slovenia's 5-year average scores also fell importantly – from an average score of 4 between 2000 and 2004 to below 3 in the years prior to the COVID-19 pandemic.

Table 4.11 Type of coordination of wage-setting, Ireland, Portugal, Slovenia (5-year average)

	1980–1984	1985–1989	1990–1994	1995–1999	2000–2004	2005–2009	2010–2014	2015–2019
Ireland	1	3	5	5	5	4.2	1	2
Portugal	1	3.4	3.8	3.4	1	1.8	1.4	3
Slovenia	/	/	4.5	3.4	5	3.8	1.8	3.4

Table 4.11 shows data for the indicator measuring the type of coordination of wage setting.[38] In Ireland, the 5-year average scores were very high (score 5), while the crisis of 2008 led to important decrease (5-year averages

3 = Procedural negotiation guidelines (recommendations on, for instance, wage-demand formula relating to productivity or inflation) issued by: a) the government or government agency, and/or the central union and employers' associations (together or alone), or based on arbitration awards; or b) resulting from a not yet regularised pattern setting coupled with a medium degree of union concentration and authority;
2 = Some coordination of wage setting, based on pattern-setting by major companies, sectors, government wage policies in the public sector, judicial awards, or minimum wage policies;
1 = Fragmented wage bargaining largely confined to individual firms or plants, no coordination.

38 The code for the indicator is as follows:
6 = Government-imposed bargaining (including statutory controls in lieu of bargaining);
5 = Government-sponsored bargaining (this includes social pacts, provided they deal with wages);
4 = Inter-associational by peak associations ;
3 = Intra-associational ("informal centralisation");
2 = Pattern bargaining;
1 = Government sets signals (public sector wages, minimum wage);
0 = No specific mechanism identified.

of 1 and 2). In Portugal, the score went down from a 5-year average of 3.8 to 1, before later increasing to 3. Slovenia's 5-year average scores also dropped from very high – between 4 and 5 – to below 2 in the years after the 2008 crisis, only to rise again in the last 5-year period.

Table 4.12 Government intervention in wage bargaining, Ireland, Portugal, Slovenia (5-year average)

	1980–1984	1985–1989	1990–1994	1995–1999	2000–2004	2005–2009	2010–2014	2015–2019
Ireland	3.2	3.4	4	4	4	3.8	3	1
Portugal	3	3.6	3.4	3.8	2	2	2.8	2
Slovenia	/	/	4.25	4	4.2	3.6	3	2.6

Table 4.12 presents data concerning the government's intervention in wage bargaining.[39] We can again see an important decline in the scope and extent of the government's intervention in the wage-bargaining process. In Ireland, the 5-year average score dropped from 4 to 1. In Portugal, a similar trend may be observed – the score for government intervention declined from 3.8 in the period between 1995 and 1999 to 2 in the last 5-year period. The Slovenian case also shows an important decrease in government intervention: in some years, Slovenia was the only one of the three countries to also have the score 5, the 5-year averages were above 4 constantly until 2005. Since then, the 5-year average scores show an important decrease in this area (from 2015 until 2019 the 5-year average score fell to 2).

39 The code for the indicator is as follows:
5 = the government imposes private sector wage settlements, places a ceiling on bargaining outcomes or suspends bargaining;
4 = the government participates directly in wage bargaining (tripartite bargaining, as in social pacts);
3 = the government influences wage bargaining outcomes indirectly through price ceilings, indexation, tax measures, minimum wages, and/or pattern-setting through public sector wages;
2 = the government influences wage bargaining by providing an institutional framework of consultation and information exchange, by conditional agreement to extend private sector agreements, and/or by providing a conflict resolution mechanism which links the settlement of disputes across the economy and/or allows the intervention of state arbitrators or Parliament;
1 = none of the above.

The last table refers to the opening clauses in collective agreements and possibility of using them. Both tables relate to the possibility of suspending certain clauses in the collective agreements. We can distinguish two different types of opening clauses: opening clauses that permit deviation from agreements under quite broad conditions (general opening clauses – Table 4.13[40]) and opening clauses that apply temporarily during a given crisis (hardship or survival clauses[41]). Survival clauses are typically implemented when there is quite a deep crisis and the survival of the companies can sometimes be 'saved' by adopting these clauses, whereas general clauses are used to enhance the competitive positions of companies and/or sectors in the global economy. The data in Table 4.13 suggest that both Portugal and Slovenia have sectoral agreements with opening clauses to renegotiate non-wage-related aspects on the enterprise level.

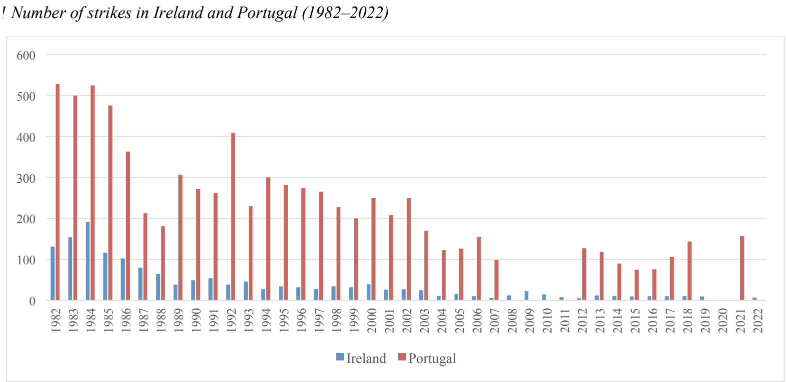
Table 4.13 Opening clauses in sectoral collective agreements, Ireland, Portugal, Slovenia (2000–2019)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ireland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Portugal	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1
Slovenia	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

40 The code for this indicator is:
2 = sectoral agreements contain opening clauses allowing the renegotiation of contractual wages on the enterprise level;
1= sectoral agreements contain opening clauses allowing the renegotiation of contractual non-wage issues (working hours, working time schedules, unsocial hours etc.) on the enterprise level;
0 = sectoral agreements contain no opening clauses;
-99 = not applicable (no sectoral agreements).

41 Temporary crisis-related opening clauses are coded as follows:
1 = agreements (on any level) contain crisis-related opening clauses, defined as temporary changes, renegotiation or suspension of contractual provisions, under defined hardship conditions;
0 = agreements contain no opening clauses.

Figure 4.4 Number of strikes in Ireland and Portugal (1982–2022)



Source: ILO.

The data concerning strikes are also very telling. In all three countries, there has been a very clear drop in the annual number of strikes compared to the early/mid-1980s in Ireland and Portugal and the early 1990s in Slovenia. In 1982, there were 131 strikes in Ireland, with the number increasing to 192 by 1984. The annual average for the period 1982–1987, when the specific break in Irish industrial relations was introduced with the social partnership, was almost 130 strikes a year. Later on, this number decreased steadily, while it increased solely from 2008 until 2010. Since the 2008 crisis, the annual number of strikes has been around 10. In Portugal, the situation was the same. In 1982, there were 528 strikes. From 1982 until 1987, there were 434 strikes on average annually. This number decreased and during the 1990s the number of strikes, except for 1992, never exceeded 300, while in the new millennium it has decreased even further. During the crisis when strike activity was increased, it reached only around 120 strikes per year, whereas during the pandemic the number was quite large at 157. For Slovenia, data on the number of strikes are much scarcer. However, from Stanojević's calculation we can also observe an important decrease. In 1992, there were more than 190 strikes, while after this the number began to fall. In 2000, there were only 30 strikes (Stanojević, 2001). Moreover, according to Žunec (2018) even during the crisis of 2008 the number of strikes fell considerably – never reaching more than 16 strikes, while after the crisis the number decreased even more.

Certainly, the data for 2009 onward are only for the private sector, but even with a couple of general strikes in the public sector, the number of strikes never reached the figures from the early/mid 1990s.

* * *

The quantitative data analysed in this chapter cannot replace a more in-depth analysis of the three cases. Nonetheless, they provide a good starting point for the analysis as they show important changes and also similar trends in the three countries under study. Due to the different institutional designs, as proposed by the VoC school, the three countries may be classified as follows: Ireland – a liberal market economy; Portugal – a mixed market economy; Slovenia – a coordinated market economy. Yet, the actual data presented in the tables reveal a much more nuanced situation.

The indicators predominant level of wage bargaining, the combination of levels of collective bargaining, the centralisation of collective bargaining, the coordination of wage setting, the type of coordination of wage setting, the government intervention in wage setting, favourability and derogation and the use of opening clauses clearly show an important decrease in the scores, indicating two aspects: the decentralisation and liberalisation of industrial relations. The density rate of employer associations has remained quite stable in all three countries or even gone up, which is a relatively important development in terms of the collective strength of employers institutions. On the other hand, there has been a decline in union-density coverage rates.

Here, we can observe similar trends in industrial relations institutions in the three different countries. Namely, a specific trend of the decentralisation of collective bargaining, liberalisation of collective bargaining and wage setting and a significant trend of the reduction of union density. Certainly, differences persist between the countries and in some respects they have become larger after the 2008 crisis following the collapse of the institutionalised industrial relations forms in Ireland, although the scores of Portugal and Slovenia indicate that they have both been moving, notably Slovenia, towards greater liberalisation and decentralisation. To better understand the changes in industrial relations and labour market policies, in the next three chapters we provide deeper analyses of the three countries.

5 The (de)centralisation of wage bargaining in support of the Irish neoliberal economy

As explained in Chapter 3, Ireland has been a typical proponent of a liberal market economy (LME) with its growth model based on the considerable amount of FDI and exports. The dependence on foreign investment has largely curtailed any expansion of the welfare state and seriously impacted labour market policies. Nonetheless, this (neo)liberal orientation of the economy has not been accompanied by complete deregulation and the decentralisation of industrial relations. Contrary to theoretical expectations, the creation and stabilisation of the FDI-export-led growth model in the 1980s has been supported by the voluntarist neo-corporatist-like institutional setting and active collaboration of the unions in collective bargaining. This neo-corporatist-like setting collapsed upon the outbreak of the 2008 crisis, which was followed by a strict internal fiscal consolidation under the Troika's supervision. Even though the high economic growth resumed after 2014, industrial relations have not been institutionalised in a new form of social partnership. However, a new non-mandatory project known as the Labour Employer Economic Forum (LEEF) was established. Although Brexit was expected to cause larger disruptions in the economy, the entire process was somewhat coordinated between employers and unions, while during the COVID-19 pandemic important changes in industrial relations started to appear in Ireland.

5.1 The Celtic Tiger boom and the social partnership project

Ireland's growth model based on FDI, exports, high-tech sector development, a proactive role of the state and the use of EU funds, accompanied by the financialisation and property bubble, would have been impossible without the collaboration of organised labour. While the specific FDI and low-tax growth model certainly places Ireland in a group of very liberal states, certain developments in Irish politics and the economy in the late 1980s up until the late 2000s also suggest a different developmental path. After the 1980s were marked by big industrial conflicts, strikes and extremely high unemployment levels, the attempt to create a specific FDI-led growth model needed to tackle this aspect of Ireland's political and economic structures. Strong unions had become a crucial partner in the setting up of a particular type of state-level social dialogue-like process.

5.1.1 The establishment of 'competitive corporatism' and centralised wage bargaining

The 1980s were especially difficult for Irish society since the country faced huge economic pressures while its public debt and deficit were rising without any sort of economic growth. In this situation, worker unrest, strikes and protests were very common. From 1970 until 1980, almost 600,000 working days were lost due to labour insurrection, whereas from 1980 to 1990 this figure was around 400,000 working days, albeit the trend stopped in 1987 (D'Art and Turner, 2011; Ó Riain, 2004; Kirby; 2010; Culpepper and Regan, 2014: 732).

This strong capacity held by trade unions and labour to mobilise against government and business was becoming a big problem for the Irish economy as well as domestic and foreign firms. The government needed to obtain the consent of the unions for a wage restraint deal since this was viewed as crucial after the currency devaluation and high inflation levels. Wage moderation was seen by the government as a necessary precondition for the economy's export-led recovery. The trade unions wanted to gain access and influence in the policymaking processes. The crucial trade union confederation in Ireland – the ICTU – was also prepared to enter into a certain system of bargaining and wage moderation, but in exchange for that it wanted political access (Kirby, 2002; Regan, 2012; Culpepper and Regan, 2014).

In 1986 and 1987, a new era began in Irish politics and industrial relations, lasting until 2008. The Fianna Fáil minority government launched a centralised wage-bargaining project in 1987. Namely, a process labelled "social partnership" was put in place to try to negotiate specific policies between the representatives of capital, labour and the government. It was a particular way of mobilising consent from the public and private sector trade unions for wage restraint while giving them access to policymaking processes: "This process of institutionalized packing ended trade union militancy, enhanced the authority of the ICTU as a negotiating partner and provided unprecedented political legitimacy to a weak government pursuing fiscal retrenchment" (Culpepper and Regan, 2014: 733). It thus seemed that the FDI-export-led growth model and opening up of the Irish economy would not end in a typical neoliberal restructuring of industrial relations. Still, this social partnership process was a very complex and contradictory period in the development of Irish industrial relations.[42]

The social partnership entailed a series of 3-year centralised wage agreements negotiated by the government, trade union confederation, and employers' associations. The basic element of industrial relations in Ireland has been voluntarism – unions and employers' associations have voluntarily bargained over wages, employment and working conditions. The specific role of the state has been to provide a framework for such bargaining, for instance by developing the Labour Court and Workplace Relations Commission. There have been no company-level agreements or negotiations as one would expect from a liberal economic model. Vitally, the establishment of the social partnership process did not influence the considerable labour market flexibility that preceded this period which since then has been maintained (Maccarrone et al., 2019: 315–316).

Between 1987 and 2009, the social partners negotiated and signed seven different agreements involving direct contact with the Prime Minister's Cabinet.[43] The crucial trade unions within the ICTU put all seven agreements to

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42 Walsh et al. (1998: 15–16) defined the social partnership process as "the search for consensus on economic and social objectives between sectoral interests – trade unions, business, farming organisations – and government. In recent times, the community and voluntary sector, representing a wide array of groups working with the poor and disadvantaged, have been included. Social partnership has strong cross-party political support . . . [and] has in effect been elevated to a shared political ideology, which infuses all aspects of public policy-making and with minimal dissent". O'Donnell and Thomas claimed the social partners "have been effectively co-opted into the public policy-making domain" while the new form that has been developed in the social partnership process "has resulted in a more institutionalised, structured and regularised mode of participation, and in particular, increased involvement in policy formulation, monitoring and, to a lesser degree, implementation" (O'Donnell and Thomas, 1998: 125, 126).

43 The seven social partnership agreements adopted were: 1987–1990 Programme for National Recovery; 1990–1993 Programme for Economic and Social Progress; 1994–1996 Programme for Competitiveness and Work; 1997–2000 Partnership 2000; for Inclusion, Employment and Competitiveness; 2000–2003 Programme for Prosperity and Fairness; 2003–2005 Sustaining Progress; 2006–2015 Towards 2016.

a vote, and all passed.[44] The fields addressed in those agreements expanded during this period, even though they focused primarily on wage negotiations. The high centralisation of wage bargaining led Roche to claim that the era of social partnership was one of "organised centralisation" (Roche, 2007: 402).

A feature of the Irish social partnership was that it imposed no legal obligations to extend the wage agreements to non-union workers. It was very exclusivist and voluntaristic in nature (Regan, 2012: 487). There were no extension mechanisms, excluding two specific instances: for registered employment agreements (REAs) used in the construction and electrical sectors, and the employment regulation orders (EROs) used in low-paid services (Duffy and Walsh, 2011; Maccarrone et al., 2019: 318–319).

The social partnership agreements of 2001 and 2004 contained clauses on the right to bargain, with the idea of fostering unions' prerogatives to obtain legally binding provisions from the Labour Court in the fields of wage, conditions of employment, and conflict resolution in companies where bargaining was not present. Crucially, despite attempts to introduce greater recognition as well as more legally binding norms, this was never truly realised because the main policymakers always feared that collective bargaining rights would scare MNCs away and endanger the FDI-led growth model (D'Art and Turner, 2005; Maccarrone et al., 2019: 322).

Workplace organisations were relatively unimportant and absent during the social partnership period, especially in the private sector. Although after the mid-1990s attempts were made to promote workplace arrangements, they never truly materialised, whereas in the public sector they were used to promote the marketisation of the public sector (Doherty and Erne, 2010; Maccarrone et al., 2019: 326–327).

The main idea of the social partnership agreements was to try to boost productivity, limit wage rises and secure workers' compliance. The Irish politics of the social partnership were also based on a peculiar strategy of lowering income taxes. Namely, the policy of wage restraint was enabled by cuts in income taxes. Consequently, workers managed to gain higher net incomes

44 Taylor (2005) analysed the social partnership agreements and argued an important shift happened from the Programme for Economic and Social Progress (1990–1993) and the Programme for Competitiveness and Work (1994–1996). According to him, there was "a subtle, but none the less crucial, shift towards a more conservative economic outlook, one that effectively abandoned any serious pretension to the social democratic ethos that may have permeated elements of earlier agreements" (Taylor, 2005: 41–42).

due to the related cuts in personal income taxes. Therefore, while the productivity of work went up, companies managed to avoid paying taxes and wage rises were limited, the rise of wages also occurred because of the income tax cuts (Ó Riain, 2004: 63). The idea behind the trade unions joining in the social partnership process was largely defensive as they were striving for an institutional set-up that would stop the implementation of neoliberal policies, privatisation and any further union decline (Allen, 1997: 170; Hardiman, 1992: 347) but the outcomes of this period have still been largely in favour of the richest in the society.

5.1.2 Labour market flexibility during the social partnership

Labour protection in Ireland has been one of the leanest in the world. At the end of the 1990s, according to the OECD only the USA, Canada and the UK scored below Ireland on the employment protection index. Critically, this was also before the employment miracle in Ireland (OECD, 1999; Glyn, 2002: 204). Despite being classified as one of the countries with the lowest employment protection legislation, Ireland did adopt legislation and implement specific policies during the period of social partnership. These policies introduced individual workers' rights, partly due to the transfer of EU directives, yet also due to the social partnership process (Maccarrone et al., 2019: 315).

The Irish labour market has always been an example of flexible labour and employment relations. A clear trend of employment flexibility was present in Ireland even prior to the rise of the Celtic Tiger, as described in various annual reports of the OECD and its employment protection legislation index (Murphy and Loftus, 2015: 106). During the Celtic Tiger period, certain changes were made in regulation of the labour market that sustained the orientation to a flexible model of Ireland employment policy.

In 1993, a back-to-work allowance was adopted, which allowed long-term unemployed to retain 75% of their social welfare payments in the first year of employment, 50% in the second and 25% in the third year. This represented a large decrease in the tax rate on employment (Walsh, 2004: 108–109). Eligibility criteria for unemployment benefits were tightened in the late 1990s whereas the replacement rates became stable or declined in that decade (Glyn, 2005: 202; Walsh, 2003: 21–22). Different employment schemes also existed that subsidised private sector employment, helped people set up private businesses, and created special schemes (notably the Community Employment Scheme) to get people employed (Walsh, 2003: 9).

Spending on activation programmes was fixed at 1.46% in 1985, which was comparatively high. This rose to 1.53% in 2000, which even though it is not a high increase percentage-wise, the high economic growth meant it was a considerable increase in real figures. As Murphy noted, in theory, if an individual did not take up a position in the labour market then on offer, this would have led to the complete loss of their unemployment payment. Still, in practice this was not fully implemented until the crisis period. Nonetheless, despite a firm obligatory model not being present in Ireland, there were "significant supportive and punitive changes which, combined, have pushed or pulled welfare claimants towards employment" (Kirby and Murphy, 2007: 13).[45]

In 2000, the statutory minimum wage was introduced and set at 55% of average industry earnings. The minimum wage was adjusted for inflation and notwithstanding a strong backlash from employers, the introduction did not produce any meaningful impact on unemployment (Walsh, 2004: 104). This is seen in the data – record low unemployment and employment rates were recorded following introduction of the minimum wage. Yet, introduction of the minimum wage did not alter radically the core aim of the social partnership: to install wage moderation and industrial peace.

5.1.3 Employment boom and labour market flexibility

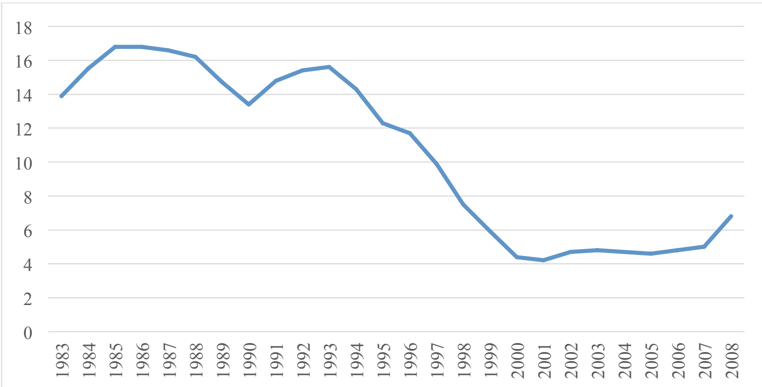
The Celtic Tiger period was also denoted by a substantial change in the labour market. Ireland had for decades been a country with very low female labour market participation and considerable emigration, which also acted as a tool for securing peace in the country since it acted to prevent the labour market situation from being worse than it was as well as because the emigrants were sending money back home (see: Kirby, 2002; Ó Riain, 2014).

Between 1993 and 2000, 650,000 jobs were created in the private sector. During the dot-com crash and cooling of the Irish economy, this growth slowed down between 2000 and 2002. From 2002 to 2007, an additional 400,000 jobs were created in Ireland, many in construction, retail and public services. The problem of labour supply emerged in the new century, with only a very large inflow of workers from new EU member states in Eastern

45 Ireland's expenditure is relatively low compared to many OECD countries, but quite high when measured per person looking for a job. Ireland spent more money on direct training and job creation than on different incentives (Murphy, 2012: 30).

and Central Europe managing to ease the problem (Regan, 2013: 8) while the return of Irish emigrants mostly from the USA was particularly useful for satisfying labour market needs. Crucially, the number of employed people rose from 1.34 million in 1987 to 2.01 million in 2005 (Ó Riain, 2014: 57).

Figure 5.1 Unemployment rate (%), Ireland, 1983–2008



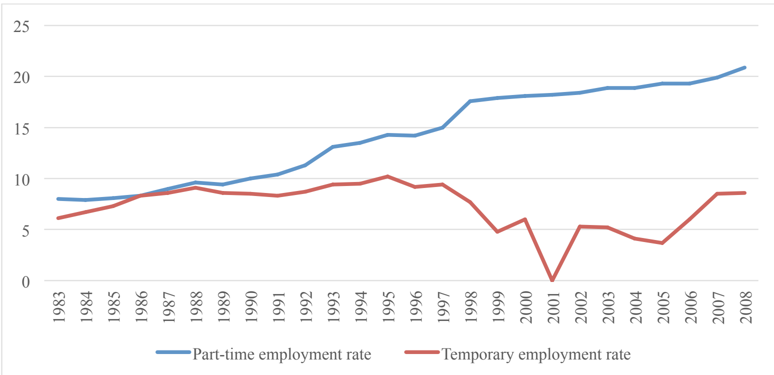
Source: OECD and Eurostat data.

The changing trends are apparent in two different categories: the employment rate and the unemployment rate. In the 1980s, the latter was constantly above 10%, averaging around 13%, whereas a significant drop in unemployment was recorded after the mid-1990s when the rate of unemployment fell to a record low of about 4% at the turn of the millennium. In contrast, the employment rate saw a rise, going up from the low 50% to 67% just before the crisis.

The flexibility of employment has certainly been fundamental for attracting FDI, especially for attracting US MNCs in the high-tech sector: "Although flexibilization of labour is a global phenomenon, it has a characteristic pattern in Ireland, where TNCs use a 'cherry-picking approach' to new forms of productive organization" (O'Hearn, 2000: 80). The level of part-time employment rose significantly during the Celtic Tiger period – from 8% to 21% just prior to the crisis. Although the level of temporary employment fluctuated, it recorded the same rates at the beginning of the social partnership process and right before the start of the 2008 crisis.

The Celtic Tiger period thus did not produce any meaningful change in this sense, except that the percentage and number of those working in part-time employment went up considerably: "Seven of every twenty new jobs created in the 1990s were part-time. Where less than eight per cent of jobs were part-time in 1990, seventeen per cent were part-time by 2000. Other forms of casualisation of work, such as fixed-term, temporary and 'self-employed' contracting, also increased rapidly" (O'Hearn, 2003: 42).

Figure 5.2 Part-time and temporary employment rate (%), Ireland, 1983–2008



Source: OECD.

Before the social partnership process started operating, the part-time employment rate was around 10%. However, by 2007–2008 it had reached 20%, which was even more important in absolute terms given the huge increase in the number of people then employed in Ireland. The temporary employment rate was relatively stable at around 10%, even dropping somewhat in the years during the dot-com crash, yet rising again before the crisis of 2008.

Even though Glyn claimed that the "remarkable turnaround in the Irish economy occurred under a series of national wage agreements, apparently flying in the face of the general move to labour market deregulation" (Glyn, 2005: 197), this is only partly true. While it is certain that there was no general or more radical move towards a flexible labour market, it remained high in a comparative perspective, as testified to by the low EPL scores.

The Celtic Tiger period was based upon a specific upgrading, the developmental role of the state, low tax regimes, specific corporatism and labour market flexibility, which fuelled the inflow of FDI and led to a miracle in the labour market. The developmental role of the state should not be underestimated (Ó Riain, 2004). The state played a vital role in the period up to the start of the crisis via the particular: 1) tax and support regime for FDI-export companies; and 2) tax and other policies that led to the housing bubble. Nevertheless, without the social partnership, which brought about wage moderation, tax reforms, rising profitability and industrial peace after the turbulent 1980s, FDI inflows would have remained lower and the labour market would not have seen such a substantial change. The key element hence appears to be the provision of labour market flexibility, which did not diminish during the social partnership process in any notable way, whereas during the Celtic Tiger period "[c]ontract working, job insecurity, constant pressure for flexibility, and systematic efforts to reduce 'unit costs' prevail[ed]" (Allen, 2000: 5).

5.1.4 The unions' strategy and a decline in density

The establishment of the social partnership was a direct consequence of the strong capacity of trade unions and labour to mobilise against government and business. This level of power was becoming a big problem for the Irish economy and the attempts to fully pursue a FDI-led export growth model: "The government needed the ICTU to get a fragmented union movement to accept wage restraint to generate the stability for an export-led economic recovery based on attracting foreign direct investment, particularly in the aftermath of the 1986 currency devaluation" (Culpepper and Regan, 2014: 733).

This enabled the trade unions to obtain consensus from their members in support of the social partnership agreements with the government and capital: "the social pacts were the political vehicle through which a low-tax strategy was legitimated. Trade unions could sell the 'deal' to their members not based on nominal wage increases but on that of real take-home pay after tax reductions"[46] (Regan, 2012: 484). The basic element of these

46 Although the broadening of the social partnership upon entering the Community and Voluntary Pillar raised many questions and also much criticism, Murphy argued that from "the perspective of the Community and Voluntary Pillar, social partnership has borne very limited fruit and there has been a considerable opportunity cost in terms of loss of time dedicated to other actions for social change" (Murphy, 2002: 88).

social partnership agreements was thus the unions' agreement to limit wage increases – lagging behind the rise in productivity and profitability, while the government reduced income taxes to create favourable conditions for some sort of wage growth and decreasing the tax incomes of the state (Ó Riain, 2018: 38).

The two central actors in the social partnership were the IBEC and the ICTU. Yet, the social partnership was a specific outcome of the interaction of unions and government, whereas employers had more decentralised interests along with prospects regarding wage concertation. They produced a series of partnership agreements while the power relations shifted and served the goals of employers.

The Irish Constitution codifies the right of association and to organise trade unions, albeit there is no legislative basis for collective bargaining, which importantly differentiates Ireland from other European countries. This makes the density rate so much more important for securing collective bargaining: "Where unions are strong, collective bargaining is protected, while where they are weak, there is little security of bargaining, given the absence of legal extensions and legal recognition" (Maccarrone et al., 2019: 321).

It is important to note that trade union membership in fact rose during the social partnership process, and quite significantly. In 1987, OECD/AIAS data show there were 469,000 union members and 422,000 employed union members, while in 2008 this had risen to 614,000 total union members and 553,000 employed union members. This was a noteworthy development. However, following the huge increase in total employment during the Celtic Tiger period and especially the new jobs created by foreign companies, who did not want or allow union organisation, this was not enough to sustain the union density, which then dropped considerably in this period (Roche, 2008; O'Donnel et al., 2011; D'Art and Turner, 2011).

A particularly relevant element associated with the rise of the Celtic Tiger was the huge increase in foreign-owned companies. Trade unions had difficult access to these foreign-owned companies and hence the strongest and biggest Irish companies included workers without trade unions. The bargaining power of the ICTU then severely declined, as did its mobilisation potential: "The combination of growing employer preferences for non-unionised firms and structural changes in the economy have thus led to a drop in the rate of union density in the export sectors" (Maccarrone et al., 2019: 315).

The trade union density rate fell rapidly during this period. In 1980, trade union density stood at 57%, in 1986 it was 51.6%, while in 2008 around 31%.[47] Important differences exist between the private and public sectors. Namely, the private sector union density rate had shrunk importantly, from around 40% in the early 1990s to below 30% in the early 2000s before declining to 20% by 2008. The public sector density rate remained relatively high between 67% and 70% from 2004 to 2008 (D'Art and Turner, 2011: 163–164; Walsh, 2015: 90).

Table 5.1 Trade union density rate (%), Ireland, 1987–2008

Year	1987	1988	1989	1990	1994	1996	2000	2002	2003	2004	2005	2006	2007	2008
Trade union density rate (%)	50.2	50.5	51.8	51.1	48.6	44.1	35.9	35.1	34.9	33.6	32.4	31.7	30.5	30.9

Source: OECD/AIAS database.

The level of strikes declined significantly during the social partnership process. The number of strikes was reduced – in 1985, there were 118 strikes, before declining steeply to reach below 40 strikes per year by the turn of the millennium, and by 2008 there were around 20 strikes a year (Maccarrone and Erne, 2023: 607).[48] Moreover, trade union density has played a salient role in Ireland due to the voluntarist nature of the system and absence of extension clauses. The coverage rate of collective bargaining in 2000 was estimated at around 44%, in 2005 at 42% while in 2009, just before the social partnership ended, it was at 40% [49] (Maccarrone et al., 2019: 317).

47 Roche and Ashmore (2001) estimated that 55% of ICTU members in 1995 were public sector employees and 45% were in the private sector.

48 Although the law provides no direct right to strike, there are clauses that grant immunity from sanctions if the strikes are organised within the legal framework.

49 Because of the voluntaristic nature of wage setting as well as without extension clauses, the density rate has played a vital role in this respect.

5.2 The 2008 crisis and changes in the industrial relations

The social partnership process was quite contradictory. While it gave unions access to policymaking processes, it also maintained strong pro-capital wage moderation and lower taxes policies at its core. Although union membership did increase, the density rate declined importantly. Critically, since this was a voluntarist process, based largely on the capacities of the prime minister and his cabinets without formal institutional arrangements when the crisis hit Ireland, the partnership process could not withstand the pressures.

5.2.1 Collapse of the social partnership

The crisis and problems with the property and financial bubbles that were a consequence of internal and external factors made Ireland especially vulnerable. In the search for possible solutions to the crisis, the government resorted to something already well-known and implemented – and also heavily supported by the EU technocracy: austerity.

As soon as the crisis of 2008 broke out, the social partnership entered into serious problems. When the crisis erupted, the social partners initially agreed on a pact entitled Towards 2016 that was based on a wage freeze in the public and private sectors. In October 2008, along with the new budget an austerity programme was adopted with the proposed measures totalling almost EUR 30 billion between 2008 and 2014 (McHale, 2017: 43). Yet, in the last months of 2009 the government unilaterally imposed another package of pay cuts, which the unions could not accept (McDonough and Dundon 2010; Culpepper and Regan 2014; Maccarrone et al., 2019: 324). The attempt to negotiate a social pact in 2009 failed, and the government introduced a series of unilateral wage cuts (Regan, 2012): “Unable to get union agreement, government unilaterally increased taxation and reduced public pay” (O’Donnell et al., 2011: 117). When the social pact in 2009 was not negotiated, the government shut the tripartite committees down and the social partnership process collapsed (Regan, 2021: 154).

Thus, despite being agreed to in September 2008, the final social partnership agreement was never implemented because of a new series of cuts. The Fianna Fáil-led government accepted the recommendations included in the report of the Department of Finance, which blamed the social partnership for the loss of wage competitiveness and rising public expenditure for the crisis. The government knew that no ICTU member could adopt these cuts within their trade unions, and hence chose to act unilaterally:

> *This removed the legitimizing effect of internal democratic ballots within unions for government: the NESC was sidelined, social partnership committees shut down and parliamentary subcommittees re-emerged as the main arena of decision-making within the government. Trade unions were now considered part of the problem, not the solution. (Culpepper and Regan, 2014: 736)*

The social partnership strongly depended on the political will of the executive power, while the crucial element of the entire social partnership project was "a strategy of the state to adjust to the constraints of being a small open economy in a euro-global market" (Regan, 2012: 488).

Since Ireland was part of the eurozone, it could not devalue its currency to regain competitiveness. On the other hand, any sharp increases in income and corporate taxes would have negated the country's entire developmental model and even led to the deepening of the crisis given that many TNCs could decide to leave Ireland and/or not to invest in the future. Thus, this aspect of Irish development had an important path-dependent impact. Since the class power relations were very much in favour of business as usual – as explained above, the trade unions lost their power during the social partnership process – it came as no surprise that the state decided to 'solve' the crisis by introducing austerity. Still, what was interesting was "the degree to which it focused on fiscal consolidation or 'austerity'" (ORiain, 2014: 241).

5.2.2 The Troika period and changes in collective bargaining

Published in November 2010, the National Recovery Plan urged for a EUR 15 billion fiscal adjustment, with one-third coming from tax increases and two-thirds from spending cuts (Hick, 2017: 7). The government first imposed a wage cut on more than 250,000 civil servants and a 7% pension levy (Kiersey, 2017: 121). The government wanted to save over EUR 20 billion through wage cuts and public services, while an additional EUR 11.5 billion was to be collected via tax increases. Crucially, before the arrival of the Troika, a EUR 32 billion adjustment had been implemented. In this sense, the austerity was as much foreign-advocated as it was homegrown (Dukelow, 2015).

Mostly under attack were public sector workers, with the guiding idea being to reduce the safety net they had, while the Special Group on Public Service Numbers and Expenditure Programmes (known as An Bord Snip Nua) recommended the dismissal of more than 17,000 public employees. Indeed, 15,000 jobs were cut in the public sector between 2008 and 2010 through a redundancy scheme and by not hiring new employees after older workers retired. Between 2008 and 2013, over 32,000 jobs were cut in the public services – the number of employees fell from 320,400 to 288,200, while the amount of money spent by the government on public services also fell dramatically – in 2009, it was EUR 17.5 billion and in 2013 EUR 14.1 billion. Most of these reforms were adopted as part of the collective agreements between the public sector trade unions and the government (Mercile and Murphy, 2015: 133–134).

The Memorandum signed with the Troika also contained a special provision on reducing the minimum wage to EUR 1 an hour. This cut was accordingly implemented by the Fianna Fáil/Green Party coalition, and was one of the conditions imposed on Ireland to access the bailout funds. This was later overturned by the Fine Gael/Labour government, but the new government had to make an equivalent cut in a different element – which they found by reducing the social security contributions paid by employers (Hick, 2017: 11). Nevertheless, it is important to note that the largest business organisation in Ireland, IBEC, was opposed to the lowering of the minimum wage that had been proposed and adopted following pressure from the Troika.

Notably, Ireland had adopted important austerity measures and spending cuts even before the Troika agreement: the rate cuts for working-age adults and child benefits, and the substantial cut in jobseeker's allowance for younger jobseekers were all adopted before the arrival of Troika in Ireland (Hick, 2017: 6). The jobseekers' allowance for those under the age of 25 was lowered from EUR 144 to EUR 100 per week, while those aged 25 or more saw a reduction from EUR 188 to EUR 144 (Coulter and Arqueros-Fernández, 2020: 95). In 2008, the number of persons in receipt of the jobseekers benefit was 121,763, reaching the highest levels in 2009 at 160,122 persons. By 2015, it had dropped to just 37,845 (Dukelow, 2018: 202). These cuts were an explicit attempt by the Irish government to give the jobless more 'incentive' to accept any type of employment: "A tougher incentivisation regime, with greater emphasis on negative incentives for the unemployed, particularly the long-term unemployed, youth unemployed and lone parents, is also evident" (Dukelow, 2018: 219).[50]

In the public sector, after the wage cuts in 2008 and 2009, collective bargaining saw a revival aimed at supporting the austerity measures. In 2010, the government negotiated sectoral agreements with public sector trade unions, later becoming known as the Croke Park Agreement. The agreements froze wages in the public sector, while focusing on the reduction of public sector employees through voluntary redundancy schemes and also promised the participation of employees in the reform of the public sector (Regan, 2012: 488). "The core political exchange was that the government agreed to not impose further pay cuts on the public sector and to not impose compulsory redundancies if public sector unions agreed to not engage in strike action. Hence, the fundamental objective for the government was to get a guarantee for industrial relations stability in the public sectors" (Regan, 2021: 155).

The Croke Park agreement was based on wage cuts and on provisions that no new cuts would be implemented from 2010 until 2014. Yet, in 2013 the government wanted to implement a new EUR 1 billion austerity programme. The leadership of SIPTU and IMPACT were in favour of this new agreement, but the ordinary members of SIPTU were not, leading to rejection of the agreement. The government then proposed the Haddington Road Agreement, while simultaneously adopting the Financial Emergency Measures in the Public Interest Act that contained a clause stating that those members of unions who did not sign the new agreement would receive a pay cut and new terms of employment based on unilateral legislative measures. On the other hand, the government also started to negotiate with individual unions regarding the new agreement. Using threats of unilateral pay cuts and dispersed bargaining with individual unions, the government managed to convince the ICTU to sign the new agreement (Maccarrone et al., 2019: 325).

50 In 2012, Ireland's total net tax incomes amounted to 30.2% of GDP, while the EU average was 40.7% of GDP – this difference of about 10% of GDP has been persistent (O'Connor et al., 2014). In 2014, Ireland still had the lowest corporate tax rate among all OECD countries. Its 12.5% tax rate was well below the OECD average, which was just above 24%, while the EU average rate was 21.3% (Mercille and Murphy, 2015: 151–152). In 2009, the government introduced a 3-year exemption for corporate taxation for new start-ups (up to EUR 320,000), whereas in 2015 the government renewed this exemption (Mercile and Murphy, 2015: 152). Instead of raising tax incomes, government strategies have been to reduce public spending, while the taxes that have been raised were those that target everybody equally and not capital.

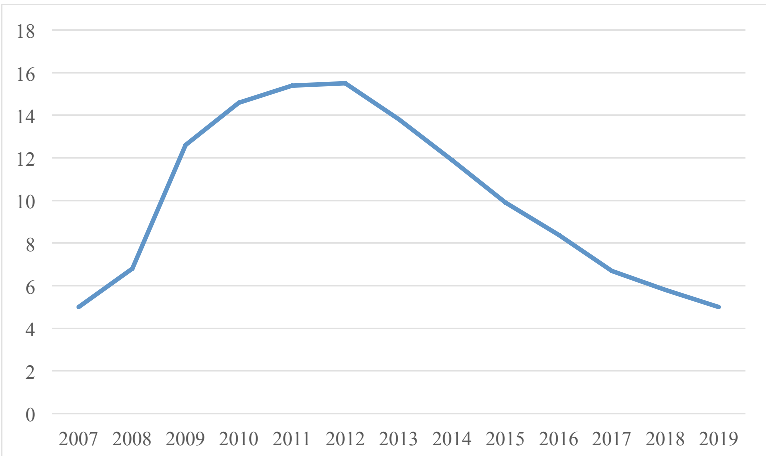
The collapse of the social partnership in the private sector was not a completely disorganised process because the ICTU and IBEC signed a specific protocol on the crucial issues: job retention, competitiveness, and dispute resolution. Roche and Gormley (2020) concluded from a study of almost 600 wage agreements that a specific change occurred during the crisis and recovery period. In the early years of the crisis, concession bargaining was a vital element of all these agreements. From 2011 onwards, SIPTU was pushing employers mildly affected by the crisis towards an annual wage rise of 2%. This 2% annual increase was from then on also followed by other unions up until 2017, forming something akin to pattern bargaining, whereas since 2017 these increases have not been the same in different sectors (Maccarrone et al., 2019: 326).

In the semi-state and private sector, collective bargaining was reinstated on the company level after the social partnership ended. As explained above, there were no extension mechanisms, except for two specific cases: registered employment agreements (REAs), as used in the construction and electrical sector, and employment regulation orders (EROs), as used in low-paid services. Since employers wanted greater liberalisation in wage settings, they challenged the use of EROs. Many disputes arose concerning the use of EROs, but only in 2011 did the High Court declare the use of EROs to be unconstitutional. After that, employers from the electrical industry appealed to the High Court because of the use of REAs. Since the High Court declined to hear the case, the Supreme Court declared it unconstitutional in 2013. This all happened during the Troika period (Duffy and Walsh, 2011; Maccarrone et al., 2019: 318–319).

The Fine Gael–Labour coalition introduced two notable changes: the Industrial Relations Acts adopted in 2012 and 2015. In the 2012 Act, they reintroduced the EROs, while reducing the industries and scope set by the EROs, and providing opening clauses for companies when in financial difficulties. The Troika was especially keen on introducing opening clauses for employers in the event of financial difficulties (Hickland and Dundon, 2016). In the 2015 Act, the government introduced Sectoral Employment Orders (SEOs) that were seen as a substitute for REAs. SEOs were much narrower in scope, while like with the case of the newly reintroduced EROs, they gave employers opening clauses in cases of difficulty. The Labour Court must consider a range of aspects before recommending the introduction of an SEO: wage competitiveness, impact on the employment rate in the industry etc. (Maccarrone et al., 2019: 319).

The Industrial Relations Act of 2015 provided some new elements in company-level bargaining as well as for broader industrial relations in Ireland. When comparing working conditions and wages with companies within the same industry, the Labour Court has to take account of non-unionised companies as well as companies outside Ireland. Yet, the new Act makes the possibility of bargaining with non-union bodies more difficult by providing stricter norms for determining the 'independence' of these bodies (Maccarrone et al., 2019: 323). In 2015, the Workplace Relations Commission was established in an attempt to centralise the functions of various bodies (Regan 2017; Maccarrone et al., 2019: 328).

Figure 5.3 Unemployment rate (%), Ireland, 2007–2019



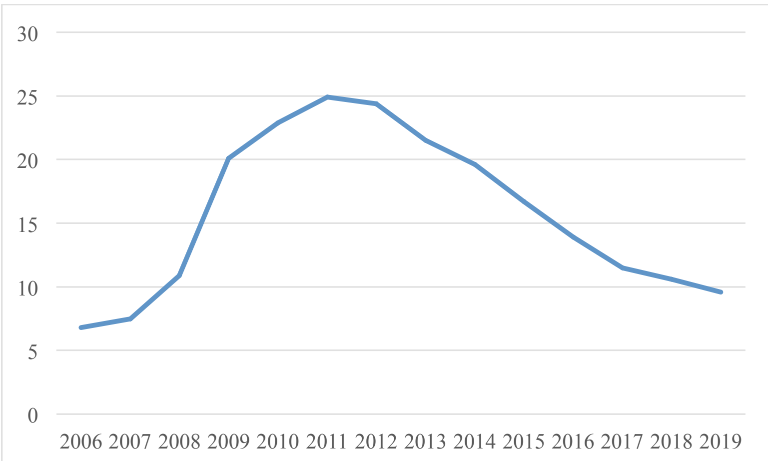
Sources: OECD and Eurostat.

The austerity along with the employment and wage cuts were also accompanied by the government's introduction of a much stronger activation policy direction. The key concept became the concept of employability through the concept of human capital and the need to individualise the responsibility for unemployment. New obligations were introduced and welfare provisions became even more restricted[51]. Conditionality again became more strongly in

51 The first activation programmes were introduced in Ireland already in the 1980s via the

focus and compliance became very important for receiving welfare provisions. Claimants had to completely engage in training and job search to receive welfare payments, while all those receiving welfare provisions had to sign a contract stating that they were obliged to actively seek employment (Allen and O'Boyle, 2013). Crucially, job creation initiatives were replaced by a more "market-oriented" programmes: "The simultaneous pursuit of cost containment has been borne by participants via diminished benefits and tighter eligibility requirements. Compulsion has also been strengthened, though distinctions remain in terms of which groups are activated and how" (Dukelow, 2018: 198).

Figure 5.4 Youth unemployment rate (%), Ireland, 2006–2019



Source: OECD.

The consequences for employment were dramatic. Namely, while there had been a constant employment rate above 60% since 1998, reaching levels well above 63% in the following decade, in 2008 it had dropped to 60.1%,

Job Search Programmes. Ireland had to introduce such measures to become eligible to receive money from the EU Structural Funds (Murphy, 2006; Mercile and Murphy, 2015: 138). Despite the important role played by the EU in promoting labour discipline and ALMPs, "Ireland's early activation programmes were inspired by US-style workfare programmes, and it is in the United States that welfare-to-work (or workfare as it has come to be known) has its origins" (Mercile and Murphy, 2015: 138).

and was continuing to decrease rapidly. In 2009, it was only 54.8% and in 2011 it had fallen even below 52%. At the same time, the unemployment rate was growing very fast: from barely more than 4% to almost 15%. Moreover, between 2008 and 2011 over 70% of workers in construction lost their jobs, 16.2% of jobs in retail and wholesale were cut, and industrial employment shrank by 18% (Regan, 2013: 5–6). The part-time employment rate also continued to grow until 2011 to reach just above 25%, while the share of temporary employment also rose from 8.6% to above 10%.

Figure 5.5 Part-time and temporary employment rate (%), Ireland, 2004–2019

Source: OECD.

Critically, the bailout and the ideologeme of the public sector's responsibility for the crisis was instrumentalised "to force through a wide-ranging, ideological and dramatic public sector reform agenda" (Moore-Cherry et al., 2017: 6). Mercile claimed, "Ireland has been a poster child for austerity in Europe" (Mercille, 2017: 74).

The end of the social partnership opened space for more strength and the involvement of company employee representatives and unions in formulating and negotiation agreements while leading to the ICTU becoming less important on the level of national regulation of industrial relations (Doherty and Erne, 2010; Doherty, 2016; Maccarrone et al., 2019: 326–327).

5.2.3 Accepting austerity and the trend of declining union density

During the crisis, two public sector agreements were based on concessions and negotiated through the Department of Public Expenditure and Reform and the public service committee of the ICTU. The core element of these two agreements was the specific concessions and securing industrial peace during the harsh austerity. The unions agreed to these measures, even though union members initially declined the agreements. While this was seen as a strategic move on the side of the unions to remain close to the policymaking processes, during the crisis they did not manage to cushion the austerity measures to any real extent.

The strategy of the employers' associations changed because the representatives of capital did not need the social partnership process or social pacts as they saw an opportunity to proceed with their practices without having to negotiate with trade unions. Employers were not keen on continuing any negotiations as they no longer needed the support of the trade unions to limit wage rises and to ensure a sufficient supply of labour: unemployment grew from 4% to over 15% putting pressure on wage raises much lower, while the pool of unemployed provided enough pressure to stop wages from increasing (Mercile and Murphy, 2015: 132). The reserve army was building up and all that was needed was a strong determination by government to exclude the unions and impose an austerity and wage competitiveness discourse. Moreover, the IBEC "redirected its activities towards lobbying and is now in direct competition with the American Chamber of Commerce for membership" (Maccarrone et al., 2019: 317).

Trade union density also dropped significantly in this period to 31% amidst the crisis, with noteworthy differences existing between the public and private sectors. In 2009, construction and manufacturing were unionised quite considerably, but this was not the case in the FDI-dominated ICT sector. In industry, the density rate fell in 2016 from 30% to 17%, while services saw a drop from 34% to 26%. This important decline was due to the rise in the importance of foreign MNCs, which were attempting to avoid unionisation in their new production facilities (Gunnigle et al., 2009; Maccarrone et al., 2019: 318). The public sector union density rate is much higher than the rate for the private sector. In 2014, the rate for the public sector density was 62.9%, yet in the private sector it was a mere 16.4 %. Thus, in 2014 public sector workers made up 55% of all unionised workers, whereas in 2004 this was only 40%

(Maccarrone et al., 2019: 318). Crucially, this decline in trade union density was not followed by a similar trend in the employers' density rate. OECD/AIAS data for 2018 show that the employers' density rate was just over 71%.

In 2013, according to a Eurofound study 46% of all employees were covered by a collective agreement. However, this has declined since then. Collective bargaining coverage fell from 70% in 1981 to 44% in 2010 to reach 34% in 2017. Importantly, collective agreements also remain valid after their expiration date because they are included in individual contracts, which can be ended but not changed unilaterally (Maccarrone et al., 2019: 317). The first two social partnership agreements covered more than 70% of all workers, while in 2008 the coverage had dropped below 44%.

Although the fiscal consolidation and austerity measures were very severe, the strike rate and demonstrations were relatively low, especially compared to Greece or Portugal. This was an outcome of the declining union density, the specific ideological positions held by the unions, and the stricter legislation (Maccarrone et al., 2019: 317). In 2009, attempts were made to organise massive strikes. Even though in the private sector they were unsuccessful, in mid-2009 public sector unions managed to organise a general strike, which was the biggest strike in Irish history involving 80% of public sector workers (O'Kelly, 2010; Szabó, 2018). However, the reinstated national collective bargaining stopped industrial disputes, while in the private sector the ICTU and IBEC signed a protocol aimed at competitiveness and job retention. This all led to a dramatic fall in strikes and number of workers involved in strikes (Geary, 2016). Further, while in the mid-1980s in excess of 400,000 days had been lost due to strikes, in 2008 there were only 26,000. In 2011, during the sharpest neoliberal and austerity measures, only eight strikes were held in Ireland (D'Art and Turner, 2011). In 2012, just five strikes entailed the stopping of work. In every year since, this number has been below 20 (Mercile and Murphy, 2015: 137; Maccarrone and Erne, 2023: 607).[52]

52 There were also great problems with the very high salaries of the union leaders and accusations of corruption within the vocational and training agency. There was a huge rise in distrust in trade unions (in 2007, it was at 32% and in 2010 53%), which was the biggest increase across the entire EU (Culpepper and Regan, 2014: 736). "The term 'trade union' had become shorthand for 'public sector cartel' in much of the print and broadcast media" (Culpepper and Regan, 2014: 736).

5.3 Recovery period and the COVID-19 pandemic

In 2016, at the time of the large boom in Ireland and after the referendum in the United Kingdom, when it became clear the UK would be leaving the EU, new and important problems arose for Ireland. The close trade connections with the UK caused strong fears that Brexit could destabilise the Irish economy. In this respect, a new approach was viewed as necessary by both the government and employers to mitigate and cushion the economic and social impacts of Brexit.

Then prime minister Enda Kenny (Fine Gael) concluded that a new, completely informal and voluntary forum should be established. That is how the Labour Employer Economic Forum (LEEF) came into being. At rare informal meetings, representatives of employers and trade unions, together with lower levels of governmental involvement discussed a range of policies. Both the union confederation and employers' associations agreed not to include wage bargaining in the LEEF, denoting an important change compared to the social partnership process.

Just prior to the COVID-19 pandemic, it seemed that the LEEF's very limited capacity would see it come to a stall. Yet, during the pandemic, the LEEF proved to be an effective tool for policy coordination, especially for the safety and health protocols, but also for discussing the job retention schemes (JRSs) and creating other important measures that eased the stress brought by the pandemic. While it is true that its role changed and it became stronger, with the prime minister being involved directly and bringing the representatives of labour and capital together after the collapse of the social partnership process, it must be noted that despite the LEEF constituting a voluntary forum, without too much formal authority and whose institutional strengthening is still pending,[53]

53 The rising importance of the LEEF was emphasised by two representatives of the Irish government who were interviewed by the author as part of the research project: "When COVID broke out in February/March 2020, there was an intensification of engagement with employers and trade unions, so that was under the previous government, but we'd also just been through an election, so we were in a period where we were awaiting formation of the new government, but then the formal strengthening of LEEF as such happened in the second half of 2020 when we took on formal responsibility for it, the Taoiseach would chair all meetings of it at plenary level, there was some reconstitution of subgroups, etc., But, we didn't actually update the terms of reference, we actually need to do

the representatives of the state, employers[54] and unions confirm that the LEEF has become more important.

Accordingly, the unions became stronger and certainly regained some sort of legitimacy among political actors while also broadening their appeal to the (potential) base. Nevertheless, it would be an overstatement to claim the government adopted these counter-cyclical policies because of the unions' growing strength. The increasing importance of the LEEF also contributed to the rise of Sinn Féin and the demise of the previous almost duopolistic nature of the party system. The fall in support for Fianna Fáil and Fine Gael following the crisis has led both parties, albeit not always convincingly, to embrace the LEEF process, while an important aspect is that employers have also been very keen to continue the engagement, even proposing higher taxation and a more active welfare state.

During the recovery and COVID-19 pandemic, three public sector collective agreements were signed. In 2015, the Lansdowne Road Agreement was signed while in 2018 the Public Service Stability Agreement was signed, which slowly helped to restore pre-crisis wages (Maccarrone et al., 2019: 324). At the end of 2020, a new "Transitional Agreement" was concluded between public sector unions and the government, which granted pay increases to public sector employees as well as the previous overtime pay rates, which had been reduced during the 2008 crisis[55] (Maccarrone and Erne, 2023: 603).

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that, so there's no, there's not a huge amount of physical evidence of, you know, substantive changes such as changes in the terms of reference. It just became more active and it took on a higher importance for the new government and, as I said, it moved from line ministries into this department, it was taken over by this department, and I guess it was a modality for us to up our engagement with trade unions and employers" (Representative of the State 2, Ireland). The second representative of the state claimed the IBEC and ICTU leadership was reluctant concerning further activities within the LEEF due to the low level on the side of the government and because nothing really changed: "But there was a sense that if you didn't go, you weren't really missing anything. And that changed, because of COVID" (Representative of the State 1, Ireland).

54 "One of the things we're beginning to talk to the government about is we need our social dialogue to have some better-coordinated options around how we're going to deal with that if we start to see some of that same industrial unrest beginning to take place. We used to have structures to deal with that back in the day when we had a social partnership. Technically, the LEEF doesn't talk about pay or industrial relations disputes. We talk about policy that impacts the labour market. But, you know, we are saying we do have to be cognisant of what's happening in the real world" (Representative of Employers 2, Ireland).

55 The two teachers' unions rejected the agreement because it did not restore equal pay-

Critically, in 2022 a new collective wage agreement was signed with public sector unions that saw employees receive a 6.5% pay increase over the next 2 years. Moreover, the Irish government also decided to introduce a pay-related jobseeker benefit instead of flat rates.

A very important change also occurred with respect to labour market policies during the pandemic. Even though elections were held in February 2020, they did not have any significant impact on the crisis itself since the party in the government entailed considerable continuity from the prior one. The Irish government first adopted the Pandemic Unemployment Payment (PUP), a scheme providing a maximum of EUR 350 per week to all those who had lost their job due to the shutdown of the economy and life (Prendergast, 2021). At the end of March 2020, the government created the Temporary Wage Subsidy Scheme (TWSS) that ran until the end of August 2020. Anyone experiencing at least a 25% drop in turnover was eligible for this help, with employees able to receive up to 70% of their wages, with a weekly maximum of EUR 412. In May 2020, the percentage covered by the state for employees rose from 70% to 85% (Prendergast, 2021). A new scheme – the employment wage subsidy scheme (EWSS) – which replaced the TWSS, came into effect on 1 September. The amount of EWSS was initially set at EUR 151 and EUR 203 per week, but after October 2020 the amount was made equal to the amount of assistance received by those left without a job during the pandemic (the PUP scheme): EUR 203, EUR 250, EUR 300 and EUR 350 (Gibbons, 2021).

The impact of these concrete public policy instruments and policies was of great consequence. In May 2020, over 640,000 workers were included in the TWSS scheme, while at the same time almost 600,000 people who had become unemployed during the pandemic were also included in the PUP scheme (Prendergast, 2021: 1). Yet, in December 2021 almost 25,000 employers and some 280,000 employees were still enrolled in the EWSS scheme (Department of Finance, 2022: 1).

It is also important to note that important changes have been underway in the unions–employers relationship. Namely, the unions managed to sta-

ments for all teachers regardless of when they became employed – before or after 2011–2012.

bilise their position and become active actors in the policymaking processes during the pandemic. Their role was especially significant in the health and safety protocols introduced in the pandemic, while also recommending the adoption of a specific JRS as modelled by examples in Denmark (Representative of Trade Unions 3, Ireland).[56]

On the other hand, the approach taken by employers radically changed in the last years before and during the pandemic. Employers have become more socially conscious, claiming they need the unions for further development and also implying a transformation of the capitalist economy. Instead of 'stakeholder capitalism', they are in favour of a broader concept of 'shareholder capitalism' where all those affected by specific policies have a say during the relevant political processes (Representative of Employers 1, Ireland).[57] Further, employers also began to support even higher levels of taxation on behalf of the state:

> *The old social partnership had three elements /.../ modest wage increases, industrial peace, and the government to cut taxes. My argument is that we now need modest wage increases and industrial peace, but tax rises. And the reason we need a tax rise is we need to fund the social wage dimensions. And so employers need to pay higher national insurance for that (Representative of Employers 1, Ireland).*

56 For the entire dataset of the interviews and the accompanying information see: Hočevar (2024).

57 It was also very interesting to see the explanation of one employer regarding why it is better to embrace some sort of cooperation with the unions: "But also I have a fear that collectivism in Ireland could go more right-wing, it could be a right-wing form of collectivism, which we have no history of, so it's better the devil you know than the devil you don't. That's the way I would describe it. So we know how left-leaning collectivism works, and we've got established structures. But if we had something coming from the right, it would be very unusual for us and we'd have no structures to deal with that" (Representative of Employers 1, Ireland).

5.4 Conclusion

The case of Ireland has been based on a unique growth model and the quite contradictory development of industrial relations and labour market policies. Over the last 40 years, there has been neither clear deregulation nor liberalisation, as expected for an LME, especially one during the neoliberal era, but instead a mix of centralisation, regulation, deregulation, decentralisation and again the institutionalisation of voluntarist, semi-social dialogue.

The social partnership was never designed to hinder the particular growth model fostered by the central political and economic actors. It was aimed to support the neoliberal, FDI-export-led economy. The goal was to secure industrial peace and wage moderation at a moment that was critical for the Irish growth model following the creation of the Single Market and the fact the country was ever more attractive for US high-tech companies. Although initially reluctant, employers accepted this process because it was also accompanied with tax reductions. In this time, high centralisation and wage regulation were thus implemented. Even though it is clear what led Ó Riain (2014: 37–38) to claim that Ireland in the 1990s "was not quite as liberal as analysts of various stripes have suggested", it must be stressed that the specific nature of the social partnership process can hardly be described as anti-neoliberal, while the welfare state, albeit not adopting a complete workfare approach, remained very lean in many aspects. While the social partnership has perhaps not led to 'delayed Thatcherism' (McDonaugh and Dundon, 2010) but to a softer and incremental neoliberalisation, with the acceptance and, to some extent, cooperation of the unions: "Social partnership was not a durable form of corporatist democracy but a strategy to embed a market-conforming alliance in Ireland's political economy in response to the constraints of euro-globalisation" (Regan, 2012: 489).

The crisis of 2008 had an immense impact on the Irish economy and society. Important institutional changes occurred – the social partnership process collapsed and the unions lost their institutional position in the shaping of policy outcomes. This led to the complete decentralisation of wage bargaining in the private sector, whereas in the public sector this was followed by national agreements based on strict austerity and pay cuts. The internally and externally imposed austerity measures were supported by a wide range of political actors. Employers did not need the social partnership process at the same time as the unions were not strong enough to exert considerable and sustained pressure to sustain the institutional setting. After the initial unions' opposition to the austerity, the mobilisation quickly ended.

The recovery period and COVID-19 pandemic saw new changes emerge in industrial relations in Ireland. Namely, the LEEF was established but limited to non-wage settings, whereas its structure remained occasional and completely voluntarist. It certainly has had an important effect on the policy outcomes, yet these can barely be seen as counter-business outcomes. The LEEF became ever more important and stronger during the pandemic, despite still having no formal changes to its structure or competence. In addition, an important political change during the last decade is the implosion of the non-formal bipartisan system and the rise of Sinn F*é*in that pushed the two centrist (neo)liberal parties slightly more towards centrism and created the possibility, even if based on opportunist calculations, to implement more pro-social and pro-labour policies. However, this would hardly be the case if it were not for employers' support for the state and state regulation to expand due to their interests and the need to reproduce the conditions for a continuation of the high-tech, FDI service, export-led growth model. The balance of class power relations has now completely shifted in the direction of employers, while the particular growth model and 2008 crisis have led to a vastly different constellation in both industrial relations and labour market policy outcomes.

The trajectory of Ireland's development shows interesting elements, while also pointing to the quite diffused role of social bargaining bodies in the growth model being pursued. When the mentioned growth model needed to be accepted by the unions, which were then strong, the social partnership was implemented. During the 2008 crisis, under strong external and internal pressures, with the unions' long-lost mobilisation capacity and a declining density rate, the agreement and consensus of the unions were no longer required. The resurrection of the discussion process in the informal setting has primarily been implemented to secure more cohesion with the growth model of Ireland and to the suit the interests mostly of employers – not the unions – and the opportunism of the ruling coalitions.

In this sense, Ireland has seen a contradictory path: on one hand from the late 1980s until the outbreak of the crisis, the Irish model was based on institutional regulation accompanied by policy liberalisation. On the other hand, since the 2008–2009 crisis until 2016, when the LEEF was established, there was a situation of institutional and policy liberalisation; after the LEEF came into being, informal negotiations and some sort of coordination were reintroduced, yet on a completely voluntary basis. Crucially, despite the initially voluntarist quasi-institutionalised social partnership and later voluntarist organised decentralisation, Ireland has been strengthening individual labour rights in particular due to the policy transfers of EU-level directives. Developments following the crisis have only added to the “shift towards a rights-based system, in which the roles of collective bargaining and collective labour law are reduced in favour of legally binding and individual dispute resolution mechanisms” (Maccarrone et al., 2019: 330).

6 Institutional stability and the demise of the strength of unions in Portugal

Portugal may be characterised as a mixed market economy with a specific Mediterranean welfare system, having emerged from a complex set of historical and structural conditions. The 1974 Carnation Revolution ended the almost half-century-long dictatorship, while also seriously threatening the capitalist mode of production in Portugal containing strong socialist and nationalisation elements. This revolutionary period finished in 1976 when the new constitution was adopted. Since then, Portugal has embraced capitalist development, become integrated into the EU and emerged as a semi-peripheral country in the world capitalist system (Magone, 2014a: 348), while combining the "characteristics of developed and developing countries, being marked by late industrialisation and lasting backward economic development relative to the core Northern and Central European countries" (Rodrigues et al., 2016b: 14). In this period, a tripartite institution was established to bring the interests of employers and employees closer together, while the EU accession simultaneously played a very important role in the changes in industrial relations and labour market policies. The prolonged stagnation of the economy and crisis of 2008 had a very important impact on the industrial relations institutions, whereas the unions' strong push against the austerity measures was unable to prevent fiscal consolidation measures. It was only after 2015 when a partial reversal of the trend of liberalising industrial relations institutions was visible, as was also observed during the COVID-19 pandemic.

6.1 The post-revolutionary period and the contradictions of Portuguese economic and social development

The private consumption-led growth model and attempts to establish an export-led growth model have considerably influenced the industrial relations and labour market policies in Portugal. Following the Carnation Revolution and the constitutionalisation of certain aspects of the revolution, the unions emerged as a very important force. To implement specific policies, successive governments needed to rely on the consensus of the unions. However, even before the 2008 crisis the social dialogue had entered a new phase, one based on bargaining concessions, while the steep drop in trade union density and the relative strength of employers' associations, accompanied by strong incentives abroad to further liberalise the economy, led to important changes in the industrial relations and labour market policies in the decade prior to outbreak of the mentioned crisis.

6.1.1 From the revolution to the late 1990s

The growth model pursued by Portugal, based on high domestic spending, financialisation and tourism along with the rise of construction and debt, has been accompanied by the particular path taken in industrial relations. Although during the revolutionary period after 25 April 1974 the labour movement was strongly involved in the political and economic transformation of the Portuguese state, economy and society, whereas the mobilisation of the working classes was crucial during the revolutionary period in 1974 and 1975 for breaking with the autocratic inheritance, the strength of organised labour declined over the ensuing decades (Stoleroff, 2001; 2016; Barreto and Naumann, 1998; Campos Lima, 2019; Teles et al., 2020; Campos Lima and Naumann, 2023).

Until the early 1980s, the relations between employers and employees entailed considerable conflict. In the first decade following the end of the fascist regime, all levels (company, sectoral, national) of collective bargaining were used to defend the gains and rights acquired during the revolutionary period. The high union density rate and very broad network of unionists and activists keen to engage in strong activities were features of the early years of the liberal-democratic period in the field of industrial relations regulation (Barreto and Naumann, 1998; Campos Lima and Naumann, 2011).

The national minimum wage was introduced in 1974 and has since been revised and adjusted. Unions and specific workers' commissions had the strength to achieve settlements which were better than the sectoral agreements. Moreover, due to the victorious outcome of the revolution, the unions managed to extend the coverage of collective agreements across the economy, while their strength and bargaining power became obvious in the nationalised firms and sectors where they were able to negotiate very solid collective agreements: "After the revolution of 1974–1975, trade unions were on the offensive and created powerful organizations and a framework of collective agreements with high regulatory capacity, supported by very favourable constitutional and legal provisions" (Campos Lima and Naumann, 2023: 900). This strong change in the balance of class power relations also led to wage increases and an expansion of social security networks (Stoleroff, 2001: 177; Barreto and Naumann, 1998: 402; Campos Lima and Naumann, 2023). The height of worker unionisation happened in the early post-revolutionary times, when the unions "seemed to be capable of mobilizing workers massively for political struggle, perhaps even more so than strike action" (Stoleroff, 2001: 177).

After the Carnation revolution and governing period of strong left-wing parties, and strong and organised labour, governments introduced greater security in the social and labour market. The topic of labour market flexibility was conspicuously absent from the political discourse. Yet, already after the first (1977–1979) and especially after the second (1983–1985) IMF bailout programme, which also coincided with the country's entrance to the EEC (1986), Portuguese governments – especially those led by PSD[58], but also grand coalitions or governments led by PS – have been pushing to introduce more labour market flexibility (Glatzer, 1999: 94–95).

The economic shocks of the late 1970s and IMF bailouts in 1978–1979 and 1983–1985 altered the policy preferences of various governments. Different governments led by PSD or jointly by PSD and PS were slowly beginning to focus on reducing labour rights and fiscal consolidation. In the period 1985–1995, which was marked by the force of PSD and different governing coalitions led by Prime Minister Cavaco Silva, "Portugal advanced a long way down the path to a capitalist social and economic order corresponding to Western European patterns" (Barreto and Naumann, 1998: 395). One of the core goals of the Cavaco Silva successive governments was to restore the strength of the Portuguese capitalist class, which had been considerably weakened after the large-scale nationalisation in 1975 (Barreto and Naumann, 1998: 403).

Still, there was a strong backlash from organised labour in the form of protests and strikes during the late 1970s and early 1980s. With a view to

58 PSD has been, despite the words social-democratic in its name, a typical neoliberal and conservative party.

calm things down and bring different actors into the policymaking processes, in 1984 the government led by a PS–PSD coalition initiated the setting up of the Standing Committee for Social Concertation (Campos Lima and Artiles, 2011: 391). The Standing Committee for Social Concertation (CPCS)[59] was established in a period of deep crisis, high inflation and strict fiscal consolidation within the two programmes with the IMF and amid the second bailout programme (1983–1985), which required important fiscal consolidation measures.

CPCS was formed during the grand government coalition consisting of PS and PSD that sought agreement and support from labour and capital, while the EEC also found it useful for establishing and securing industrial peace in a country with such strong unions and labour organisations. In this sense, the valuable role of CPCS was to contribute to "political and monetary stabilisation without, at this stage, attempting to alter the existing pattern of industrial relations" (Campos Lima and Naumann, 2000: 326).

The first collective agreements adopted in 1986 and 1988 were two agreements on Prices and Incomes Policy, which were signed by the *União Geral de Trabalhadores* (UGT), and not by the *Confederação Geral dos Trabalhadores Portugueses - Intersindical Nacional* (CGTP-IN), aimed at slowing down wage rises to bring inflation down (Campos Lima and Naumann, 2000: 326). The setting up of CPCS coincided with the flexibility of the labour market being put on the policy agenda, as fostered by the state and employers (Campos Lima and Naumann, 2000: 322): "Tripartite national negotiations failed to lead to a real reform of industrial relations but functioned primarily as a means of gaining political acceptance for the overall process of liberalization and restructuring" (Barreto and Naumann, 1998: 396).

According to Glatzer's study, between 1981 and 1996 many attempts were made to liberalise the labour market, yet most failed. Attempts to reduce firing costs, which would give employers greater discretion, were halted and resisted by the strong unions, especially during the 1980s when the unions were still quite strong and had a large mobilisation capacity. Further, a central reason the majority of the labour market flexibility

59 There are four crucial employers' confederations in Portugal, that are represented in CPCS – Confederação da Indústria Portuguesa (CIP), Confederação dos Agricultores de Portugal (CAP), Confederação do Comércio e Serviços de Portugal (CCP), Confederação do Tursimo Português (CTP) (Dornelas, 2010: 112), along with two trade union confederations: the CGTP-IN and the UGT.

reforms failed was that governments and employers were giving too few concessions for the protected workers. Liberalisation was typically not followed by some forms of more rigidities in other areas and specific sectors (Glatzer, 1999).[60]

In the late 1980s, huge pressure was coming from the PSD-led governments and employers' side to introduce greater labour market flexibility. In 1988, UGT and CGTP even organised a common general strike. This strike was relatively successful as it accomplished the goal of protecting the trade unions' powers and legal protection of employment. However, the Portuguese authorities found a way to match the expectations of employers: they liberalised the possibility of employing people under fixed-term contracts and even introduced a category of service contracts instead of employment contracts (Glatzer, 1999).

The trade-off was a certain political exchange whereby the unions agreed to allow the spread of temporary working arrangements, which became very available at little cost for employers. This led to very strong dualisation of the Portuguese labour market where a large proportion of temporary workers were seen as a specific Portuguese way of labour market flexibility. In 1985, 67% of all new employment contracts were temporary contracts. Throughout the 1990s, the atypical types of employment rose as a percentage share of the active labour force. By the late 1990s, "so-called atypical employment (including part-time work, limited-term contracts, self-employment, and non-remunerated family labour) continued to rise as a percentage of the active labour force" (Stoleroff, 2001: 184).[61]

Public sector employees and workers in large private companies have enjoyed high protection, while the bulk of workers in small companies have had a high level of flexibility. The period after the end of the revolutionary period

60 It should not be forgotten that the period after the revolution was marked by the nationalisation of critical segments of the economy, while the initial privatisations began again with the PSD government from the late 1980s onwards (Rodrigues et al., 2016a; 2016b). For the strategies of trade union movement during the Cavaco Silva governments see: Stoleroff, 1992.

61 The nature of the Portuguese growth model has produced important impacts for the strong, dualised labour market. There are important differences between those on permanent and precarious contracts, and also between those employed in the public and private sector, while family plays a crucial role as a safety net, and there is a national health service operating according to universal principles (Pereirinha et al., 2009: 399).

may be characterised by the strong dual labour market and incremental introduction of labour market flexibility and deregulation.

The liberalisation of the economy that occurred after joining the EEC put considerable pressure on the Portuguese economy, especially its export-oriented parts (Barreto and Naumann, 1998; Royo, 2002; Magone, 2014a: 349–350). The establishment of CPCS was an important, if not crucial, step towards stabilising the still young, liberal-democratic republic and also important for stabilising the capitalist relations of production in Portugal following the short-lived yet relatively radical revolutionary period. After the Carnation Revolution and end of the revolutionary period, the left political parties remained very strong and still militant. Nonetheless, CPCS was also a tool for obtaining the consent of the organised and strong labour for the radical austerity cuts the IMF was demanding in the early 1980s (Campos Lima and Naumann, 2000: 326).[62]

From the mid-1980s, the "emerging strategic alliance between the PS and PSD strengthened the ability of the political system to resist political mobilization by the 'class-oriented' CGTP unions" (Barreto and Naumann, 1998: 403). Thus, the establishment of CPCS in 1984, even though it institutionalised the strength of the trade unions and gave them a seat at the table of policymaking processes, did not result in attempts to follow neo-Keynesian policies. On the contrary, although CPCS was presented as an inclusionary policy and corporatist tripartite concertation body, its establishment denoted the start of "the depoliticisation of labour relations and collective agreements" (Campos Lima and Naumann, 2000: 326).

6.1.2 Early 2000s and the push for liberalisation

At the turn of the millennium, Portugal was facing economic hardship and growing unemployment. The usual explanations of the crisis in Portugal

62 In 1996, Portugal introduced a very universal safety net – the Guaranteed Basic Income, *Rendimento Mínimo Garantido* (RMG). In 2003, it was renamed Rendimento Social de Inserção. The aim of the new policy measure was to protect the incomes and livelihoods of poor individuals and families: "The creation of the GMI has generated a reduction in the poverty gap and of the severity of poverty in Portugal, but has had a rather modest effect on the number of poor people /…/ So, the total number of GMI beneficiaries is less than 5 per cent of the Portuguese population, while the proportion of poor people in the last ten years has been around 20 per cent of the total population, permanently above the average at-risk of poverty rate in the EU" (Pereirinha et al., 2009: 410).

are the following. First, the public sector was blamed for being oversized.[63] Namely, in the 1980s and 1990s many new jobs were created in the public sector after two IMF bailout programmes. Second, the relatively low average educational level was used to explain the pitfalls of low productivity.[64] Third, the labour market was claimed to be too rigid with the costs of firing people being too high.[65] The alleged high firing costs and rigidity of the labour market became a special area for different political reforms in the first decade of the new millennium. Instead of dealing with structural changes, successive governments decided to liberalise employment policy and the labour market, leading to a high ranking on the OECD's EPL index.

Portugal had the second-highest employment protection index, according to the OECD[66] (Reis, 2013: 179). Even though Barreto and Naumann also considered the period from the mid-1980s onwards as a period of incremental decentralisation, which "took the form of increasing employer discretion at company level, rather than the devolution of bargaining to the micro level" (Barreto and Naumann, 1998: 396), no major legislative reform was introduced until the early 2000s. The unions had previously held an exclusive right to negotiate agreements, the favourability principle was established and collective agreements had to follow legal norms, such agreements could not be suspended unilaterally but only following the decision of all signatories or upon the adopting of a new agreement; collective agreements were extended to all employees and employers. In the 1990s, wage moderation and working

63 The rise of public sector employees grew exponentially in the decades after the revolution. In 1979, there were more than 372,000 public sector workers, in 1988 more than 484,000, and in 1999 already more than 700,000 employees. The highest number (737,774 employees) was recorded in 2005 This figure dropped to below 700,000 in 2008 in the wake of the crisis (Stoleroff, 2013: 310).

64 Portugal has had a relatively poorly educated population, while in 2010 2/3 of the population had only completed elementary school (Magone, 2014a: 350–351).

65 The most common reasons for the Portuguese crisis may be summarised within two broader elements: 1) internal elements: it was the outcome of a prolonged process of economic stagnation, high levels of deficit, rising public debt, low productivity within the country; and 2) the design of the EMU that led to the huge appreciation of escudo and loss of price competitiveness of Portugal's capitalist economy, the entrance of post-socialist countries to the EU which led to factions of national and transnational capital having access to skilled but still cheaper labour, the rise of China as a manufacturing giant.

66 In 2009, Portugal was in 7th place, while in 2012 it had dropped to 13th position (Reis, 2013: 179).

time flexibility were central features of the tripartite concertation (Campos Lima, 2019: 484–485).

In 2003, the right-wing government adopted a new Labour Code that brought important changes. The new Code was not agreed upon by the social partners, but pushed through by PSD and CDSPP, and suspended the favourability principle, allowing collective agreements to negatively deviate from statutory norms. Moreover, it also did away with the principle of the duration of a collective agreement until both parties had agreed to end it or adopt a new one by allowing the signatory parties to unilaterally demand the expiration of a collective agreement when and if negotiations did not lead to a new agreement. A crisis appeared in 2004 when the government blocked the publication of ordinances that would have extended the validity of the existing collective agreements before new ones were negotiated. After these decisions and legislative changes, collective agreements saw a huge decline and were newly adopted and updated and linked to this, the number of workers covered by collective agreements also fell sharply (Ramalho, 2014; Campos Lima, 2019: 485).

The Socialist Party won an absolute majority in the elections held in 2005.[67] This again brought the questions of labour market regulation, collective bargaining and industrial relations to the surface. An important move by the government was to increase the minimum wage. Namely, in 2006, the government and the social partners adopted an agreement that led to an increase in the minimum wage, which held a considerable influence in sectors where the minimum wage was the same as the statutory minimum wage (Távora and González, 2016a; 2016b; Campos Lima and Abrantes, 2016; Campos Lima, 2019).

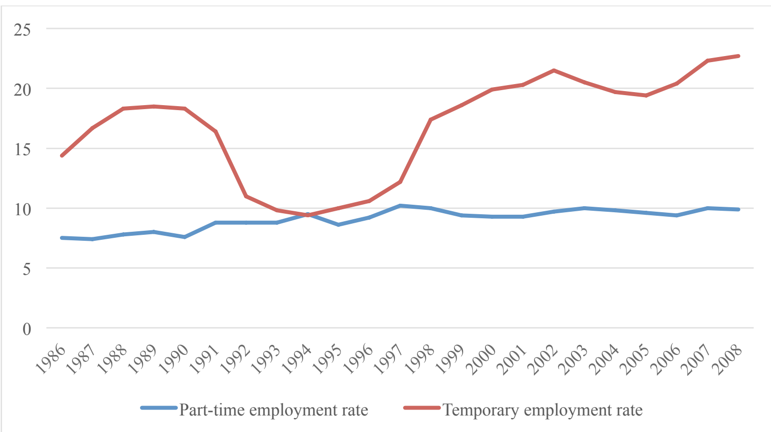
On the other hand, the socialist party government was still dealing with the 'problems' of high employment protection. The crucial remarks were that Portugal had been scoring too high on the EPL index, meaning changes were necessary. The Socialist government that was elected in 2005 immediately began actions and set up a committee to address the 'problem' of too-high scores on the EPL index. In 2006, a Green Paper on labour relations was adopted, based on the EU-promoted and widely accepted concept of flexicurity (Campos Lima and Naumann, 2006). The Green Paper argued for:

67 For the gradual transformation of the Socialist party see: Costa Lobo and Magalhães (2001).

1) increased spending for ALMP; 2) more supervision to reduce precarious forms of employment; 3) the introduction of a new law to change the collective agreements and the role of the social partners. CGTP was strongly opposed to the recommendations because it saw it as furthering flexibility (Zartaloudis, 2014: 145).

Hence, in 2007 the White Paper on Labour Relations was adopted. In it, the government used the concept of adaptability instead of the concept of flexicurity to gain the consent of the unions', even though the White Paper's aim was similar to that the Green Paper – to introduce greater labour market flexibility (Campos Lima, 2008). The policy outcome of these Green and White Papers was a new labour code passed in 2008 that lowered employment protection (Cardoso and Branco, 2017; 2018; Campos Lima, 2019).

Figure 6.1 Part-time and temporary employment rate (%), Portugal, 1986–2008



Source: OECD.

The big changes in labour legislation came in 2003 and 2009, leading to a decrease in the power of trade unions and collective bargaining (Campos Lima, 2019: 483–484). Crucially, from 2001–2002 onwards three successive governments promoted a strong change in the public sector employment relations and general public administration. The idea was to bring public employment closer to the private sector model, "thereby integrating the reform of public administration with the changes in employment regulation as a whole" (Stoleroff, 2007: 632). Therefore, prior to the crisis, "the strategy of the Portuguese government has been to achieve a 'revolution' in public administration employment relations with or without the unions" (Stoleroff, 2007: 650).[68]

These changes held a key impact on any further rise in non-standard types of employment. As explained above, two types of precarious employment – part-time and temporary employment – have been widespread in Portugal since the 1980s. The level of temporary employment had been extremely high and growing after the mid-1980s and by the end of the 1980s it reached almost 19%. During the early 1990s, there was a very important drop in temporary employment – in 1994, it was below 10%. However, after this short period, the temporary employment rate exploded and was increasing exponentially until 2008. In 2000, it was already 19.9%, while in 2008, the year before the crisis, it stood at almost 23%. Part-time employment has been used and widespread in Portugal, but has never reached the levels of temporary employment. In 1986, it was 7.5%, while over the next two decades it rose steadily to 10%.

6.1.3 Trade union strength, interests of employers, and falling density rates

The role of the trade union confederation has been contradictory due to the different nature and strategies undertaken by CGTP and UGT. From the beginning, CGTP has followed radical and class-based unionism, and has been more focused on working-class mobilisation and not so much on representation on company levels. CGTP has been opposed to social concertation and very rarely supported the tripartite agreements in CPCS. From 1986 until 2008, CGTP signed just 6 out of the 20 tripartite agreements formalised in that period (Stoleroff, 2013; 2016; Campos Lima and Naumann, 2011; Tassinary et al., 2022: 118). UGT (União Geral dos Trabalhadores, General Workers' Union) emerged after a split within CGTP in 1978. UGT has been close to PS and PSD, while the alleged aim of the

68 Certainly, employers have not been active supporters of the workplace participation of workers, but the unions were also unable and unwilling to push for labour to have more strength. At the turn of the millennium, labour relations in Portugal "were rated as among the least participatory in Europe, at least with regard to workplace participation and direct democracy" (Stoleroff, 2016: 103).

constitution of this trade union confederation has been 'democratisation' of the union sphere given that CGTP has always been close to the communist party (Stoleroff, 1992; 2000).

A feature of the Portuguese case of social concertation is the clear link between political parties and trade unions and, in certain cases, even the instrumentalisation of trade unions by parties occurred (Stoleroff, 2001: 178). The two distinct trade union confederations, CGTP-IN and UGT, have held very different visions of the development of the Portuguese society, economy and state after they were created. Namely, CGTP-IN is closely linked to the Communist Party and was as such initially against membership in the EEC, before later altering its position to a critical yet also pragmatic position on EEC/EU membership. In contrast, UGT has been very pro-European from the outset and been much closer to PS and PSD (see Optenhögel and Stoleroff, 1985; Optenhögel, 1988; Stoleroff, 2000: 459).

In the period 1986 to 2008, a very different strategy was at play between the two trade union confederations. Namely, UGT signed all of the tripartite social pacts, while CGTP signed only six social pacts. Further, CGTP did not sign the most all-encompassing social pacts: the 1990 social pact (Economic and Social Agreement) during the government led by PSD, the 1996 Strategic Concertation Agreement and the 2008 Agreement, both having been prepared by PS-led governments. Before 2008, UGT solely took part in one general strike in 1988, while all the other strikes were organised by CGTP. UGT participated in general strikes together with CGTP only in 1988 and 2010 (Campos Lima and Artiles, 2011: 391–393).[69]

From the late 1970s onwards, important changes began to appear. During this time, bargaining on the sectoral or company level was reduced, while the concertation within CPCS on the national level became more important. Notably, from the early 1980s onwards, the trade unions could not halt the constant decrease in the wage share in the national income (Barreto and Naumann, 1998: 402). The strength of the trade unions started to fade after the late 1980s onwards. This was especially visible in two interrelated features: 1) the decline in both union membership and trade union density; and 2) the drop in the frequency of strikes and workers' participation in them (Stoleroff,

69 For a detailed analysis of the Portuguese social pacts, see: Campos Lima and Naumann, 2011. For the contradictions of CGTP-IN and their different strategies, see: Stoleroff, 2016.

2001: 194). Within a decade – from 1983 to 1993 – CGTP had lost around 670,000 members, or over 40% of its membership (Stoleroff, 2001: 194).

The peak density rate (around 60%) was in 1977, whereas in 2010 it was merely slightly above 19% while manifesting considerable differences between the public sector (still with a relatively high-density rate above 40%) and the private sector (where trade union density fell significantly) (Cardoso and Branco, 2017). The ILO (1997) claimed a huge decrease in union density occurred from 1986 until 1995. That is, while in 1986 it was around 51%, by 1995 it was just 25.6%. According to the OECD/AIAS database, this decline was slightly lower. They estimate that the density rate more than halved from the mid-1980s until the years prior to the crisis. In 1984, it stood at 47.2%, while in 2006 it was just above 21%. However, the biggest decrease occurred just in the initial years following the EEC/EU accession, during the prolonged period of PSD-led governments (OECD/AIAS, 2021a).

During this period, a steep decline was also observed in the number of strikes per year, particularly the number of workers participating in strikes and the days lost due to strikes. The number of strikes fell from over 400 to less than 200 between the late 1980s and before the 2008 crisis (excluding public administration). Moreover, the number of workers participating in strikes was above 200,000, or even close to 300,000 in the late 1980s and early 1990s. Before the crisis, the figure had declined to below 50,000, whereas the number of days not worked because of strikes fell even more significantly: in the late 1980s, it was up to almost 400,000 days not worked due to strikes, and before the crisis it had decreased to below 30,000 days not worked. An important element of the decrease in strikes was the institutionalisation of the Standing Council of Social Concertation, a tripartite body. Namely, the establishment of CPSC as a specific body for negotiations led to depoliticisation of the class conflict and pacification of the working class. Although in the early 1990s, when recession returned to Portugal, the frequency of strikes did rise slightly, the participation in strikes declined. Further, the peak of the strike wave in the 1990s was well below the peak during the 1980s (Stoleroff, 1992; 2001: 198; Campos Lima and Naumann, 2023).

Although labour mobilisation and the politicisation of workers were essential for securing democratic victory, the scope and strength of the unions began to fade from the early 1980s onwards. This led Campos Lima and Naumann (2023: 900–901) to conclude that the "golden age of Portuguese trade unionism ended in the late 1980s. Since then, unions have been on the defensive. They have been losing members and power almost constantly; labour legislation has been modified to the workers' and unions' disadvantage; and collective bargaining has lost much of its regulatory capacity". According to Stoleroff (2016: 106), even before the economic and financial crisis of 2008, the two trade union confederations had "at most demanded a 'partnership' role with regard to employment and training, health and safety, and social security". Instead of the question of industrial democracy or economic democracy and workers' participation in managing their companies, unions were more focused on social concertation (Stoleroff, 2016: 106).

6.2 Crisis of 2008, the Troika period, and the recovery

The period before the crisis entailed prolonged stagnation with the greater liberalisation of industrial relations along with labour market flexibility. In different periods, this has been the outcome of joint or separate policy choices made by PSD and PS-led governments. Yet, the outbreak of the crisis led to even greater pressures and demands from the outside for the further liberalisation and deregulation of industrial relations in Portugal. The initial steps taken by the Portuguese authorities were nonetheless aimed at neo-Keynesian-like policies, while from late 2009 the main policy objective has been austerity, fiscal consolidation, industrial relations liberalisation and labour market flexibility. The crisis and governance of the Troika completely shut social concertation down, without ever abolishing the formal institutional structure.

6.2.1 Outbreak of the crisis and contradictory internal developments

Since Portugal was a member of the eurozone, it was unable to devalue its currency. The only neo-Keynesian option was fiscal expansion through debt; that is, the sole approach taken by the PS-led government of Sócrates (Moury and Standring, 2017: 666). In January 2009, the Portuguese government adopted a neo-Keynesian programme called Initiative for Investment and Employment. The central objectives of the programme were to support growth and employment levels through investment (Rocha and Stoleroff, 2014: 154). The PS government also adopted a counter-cyclical budget that has widened the social safety net: the period of unemployment allowances was extended, the necessary working days for a person to become eligible for unemployment benefits were reduced, and the protection for families and children during the periods of the parents' unemployment was improved. In 2009, when the Portuguese government was implementing neo-Keynesian and stronger welfare policies to try to cope with the crisis, the deficit rose to 10% of GDP (Campos Lima and Artiles, 2011: 395; Amaral, 2019: 287).

These initial neo-Keynesian policies were adopted following the EU approach. However, after just a few months the European Council demanded that Portugal radically alter its approach to the crisis in line with fiscal consolidation. This forced the Portuguese government "to make a huge U-turn in their expansionary policies, taking back what they had just given" (Moury and Standring, 2017: 666). According to these EU-demanded policies, while the crisis of capitalism was being transformed into a sovereign debt crisis due to the nationalisation of debts, the Portuguese authorities started to change their policy approach. Instead of Keynesian policies, austerity and fiscal consolidation became the crucial policies on the agenda of successive governments, while austerity measures were adopted even before the arrival of the Troika (Clauwaert and Schomann, 2012; Campos Lima, 2019; 2020; Campos Lima and Naumann, 2023).

A new tripartite agreement was adopted already in 2008, leading to amendments in the Labour Code in 2009, which was the first year of a serious crisis in Portugal. The new Labour Code introduced some changes in the public sector, making it more similar to the private sector, especially as regards the regulation of collective agreements in the public sector whose scope was narrowed. The 2009 Labour Code did not re-establish the favourability principle, yet it did introduce some conditions when collective agreements could not deviate and provide conditions worse than statutory norms. Moreover, it introduced some new regulations that supported the expiry of the agreements, while introducing certain individual rights to workers covered by agreements that had expired. Vitally, this new Code also made it possible for non-union representatives to negotiate and sign agreements on the company level when they held a specific mandate from the trade unions (Távora and González, 2016a; 2016b; Campos Lima and Abrantes, 2016; Campos Lima, 2019: 485).

What followed after early 2010 was a series of internally and externally imposed and demanded austerity and fiscal consolidation policies, pursued by PS and PSD governments, respectively, as well as under the informal and formal supervision of the Troika. The PS government passed the first austerity package in April 2010 (with PSD support). The initial big austerity project was announced in April 2010, being the product of an agreement between PS and PSD. They changed the calculations for unemployment benefits, limited their amount, imposed much stricter obligations for jobless persons to accept any jobs available, and also ended the temporary social and employment supports introduced in 2009. In 2010, the government first adopted a pay freeze for public sector workers (the maximum rise was set at the level of inflation), at the same time as also adopting strict penalties for early retirement (Campos Lima and Artiles, 2011: 396; Zartaloudis, 2013; 2014: 441).

The second austerity package was implemented in September 2010. It reduced spending on public sector wages by 5%, and introduced public sector wage cuts of between 3.5% and 10% for the highest wages; it froze all promotions; raised VAT from 21% to 23%, froze public investment, reduced spending on social benefits and family allowances, lowered spending on pensions, and adopted a plan for privatising the public transport sector (Zartaloudis, 2014: 441; Campos Lima and Artiles, 2011: 397).

In December 2010, PS wanted to adopt a third austerity reform package which, however, was halted for a while. On 12 March 2011, the prime minister announced a new austerity plan. Both trade union confederations were against the austerity plan. In the end, UGT signed the tripartite social pact on employment and competitiveness. Yet, on 23 March 2011 the parliament rejected the proposed austerity plan (Campos Lima and Artiles, 2011: 397–398).

When in March 2011 PS was unable to pass the third reform package (the parliament rejected the proposed austerity plan), the situation in Portugal deteriorated. Interest rates on government bonds rose to more than 7%, making any subsequent borrowing on the international financial markets very difficult and very expensive. It was also at this moment that the trade union mobilisation began to gain momentum.

When the new austerity package was opposed by all opposition parties in March 2011, Prime Minister Sócrates resigned. Prime Minister José Sócrates, whose government initially adopted neo-Keynesian measures and later complied with strict fiscal consolidation, under pressure from the banking sector, the right-wing PSD and also his PS, and who had already resigned, was the one who requested a bail-out from the Troika that was signed in May 2011, before the new elections held in June 2011[70] at which PSD won the majority of votes (Magone, 2014a: 352; David, 2018: 166).

6.2.2 The PSD-led government and the Troika regime

All policies from 2010 onwards, under PS or PSD governments and the direct or informal influence of the Troika, had similar goals: 1) strong fiscal consolidation; 2) strengthening of the banking sector; and 3) neoliberal structural reforms (Amaral, 2019: 287). The MoU was "firmly anchored on the neoliberal orthodoxy of reducing the weight of the state in the economy and society and achieving sound finances" (David, 2018: xvi). However, the signing of the MoU and the new elections, after which the PSD-led government took over, led to the radicalisation of the austerity, flexibility and liberalisation, often implementing even more radical and neoliberal policies than those demanded by the Troika (Campos Lima, 2019).

In October 2011, the PSD–PP government introduced additional cuts for the 2012 budget. Pensions above EUR 1,500 were reduced and, later on, all pensions were cut progressively. Crucially, the 13th and 14th salaries and pensions were initially suspended but later reintroduced. The new budget also included additional spending cuts in healthcare, social spending and education. The government introduced new tax changes to 'support' the income side of the fiscal consolidation measures. In July 2011 the PSD–PP government introduced a new tax of 50% on any amount exceeding the minimum wage (then EUR 485) for the Christmas bonus. In November 2011, the PSD–PP government agreed with the social partners to reduce the severance payment from 30 to 20 days a year. The 2013 budget saw the introduction of changes in personal income tax. Changes were made to the tax rate bands and an additional 3.5% levy was also introduced for all categories for 2013.

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70 According to Moury and Standring (2017: 667), the influence of the ECU and ECB was considerable even prior to the signing of the MoU and the launch of the European Semester. Namely, they interviewed numerous ministers in the socialist government who "acknowledged the important influence of the EC. /…/ Portuguese ministers were very anxious to placate the Commission when preparing budget plans. They claimed that disapproving feedback from the EC was taken into account by investors and the ECB, thus potentially increasing yields on sovereign bonds". Moreover, in the last pre-Troika austerity package, the Portuguese government even invited technocrats from Brussels to 'help' them with designing austerity measures. Not surprisingly, the EU and ECB were very positive about the fourth austerity package (Moury and Standring, 2017: 667).

The worst off were those with the lowest incomes as they were included in a new tax band. The budget for 2013 also did away with various tax exemptions and introduced a new tax for all pensions above EUR 1,350 ranging from 3.5% to 10%. In November 2012, new measures were presented, aimed at 50,000 public sector job cuts, while also abolishing four public holidays, the holiday bonuses for public sector workers were abolished, while public sector pensioners would receive 10% of holiday bonuse (Petmesidou and Glatzer, 2015: 167–170; Zartaloudis, 2014: 442).[71]

Since some of these measures were ruled unconstitutional by the Constitutional Court, the government unveiled new measures: they increased the working hours of public servants from 35 to 40 hours, increased the healthcare contributions, reduced the number of days for annual leave from 25 to 22 days, while also introducing even stricter penalties for early retirement. The government raised retirement age to 66 years and adopted a new tax on pensions above EUR 600. Further, the government cut the budget of the Ministry of Education by EUR 325 million and that of the Ministry of Social Security by EUR 299 million, causing enormous problems for Portuguese society (Petmesidou and Glatzer, 2015: 167–170; Zartaloudis, 2014: 442).

During the internally and externally imposed austerity, an important shift happened in industrial relations on the national level. In March 2011, the Sócrates government attempted to sign a tripartite agreement with the trade union and employers' confederations. While UGT signed it, CGTP did not (Tassinari et al., 2022: 117). In January 2012, a new tripartite agreement was signed – *Compromisso para o Crescimento, Competitividade e o Emprego.* The four employers' confederations signed it, as did UGT. This agreement acted as the "blueprint for the major labor market measures foreseen by the MoU, including the liberalization of dismissal protection, alterations to compensation of overtime work, and flexibilization of the framework of collective bargaining" (Tassinari et al., 2022: 118).

Of note, during this time the collective bargaining system was changed radically because the clause that granted automatic extension to non-unionised workers was limited. The PSD–PP government altered the legal

71 In the decade from 2005 to 2015, there was a vast reduction in the number of civil servants – more than 200,000 public service jobs were cut (Magone, 2014a: 356). "On 30 June 2013, there were still 574,946 people working for public administration at different levels, a considerable reduction from the original 750,000" (Magone, 2014a: 356).

framework for collective bargaining in 2013, holding very important consequences for the industrial relations institutions. Namely, the changes introduced were aimed at imposing stricter criteria for the extension of collective agreements concerning the representativeness of employers' institutions. Employer associations had to represent at least 50% of all employees in a given sector, which was a huge problem due to the predominance of micro and small companies in Portugal, while the influence of the extension on competitiveness also had to be taken into account. During the period 2011–2012, important changes were made regarding collective agreements: the publication of extension ordinances was blocked; a new regulation set up much stricter criteria for the representativeness of employers' associations (at least 50% of employers in the industry), while the extension of an agreement had to consider the competitiveness of the industry. In an economy largely based on small and micro companies, this acted as an important setback. Unions and employers opposed these new regulations and in 2014 the extension of agreements was also made possible for employers' associations that represented at least 30% of medium, micro and small enterprises. Further, opening clauses were allowed due to the crisis, especially as concerns working time arrangements, while permitting the possibility of suspending collective agreements during a crisis with the trade unions agreement, and also shortening the validity of already expired agreements (Campos Lima, 2019; Campos Lima et al., 2021: 53).

Thus, the collective agreements were altered in such a way that made them considerably less applicable to non-unionised workers. Since Portugal had below 20% trade union density, this had a great impact on the coverage of workers through collective agreements (Rocha and Stoleroff, 2014; 174; Petmesidou and Glatzer, 2015: 170; Cruces et al., 2015; Távora and González, 2016a).[72] This caused a "sharp decline in the number of collective agreements published and the plummeting of the share of workers covered by collective agreements to the lowest values in the history of Portuguese democracy at the end of the period" (Rocha and Stoleroff, 2014: 174). Hence, in 2012 collective agreements covered only 327,600 people working in the private sector compared to in 2008 when the figure was around 1.9 million people: "as a

72 The MoU even proposed the decentralisation of collective bargaining by enabling workers' councils to have the right to negotiate agreements in companies with at least 250 employees, with or without the agreement of the trade union (Ramalho, 2014).

consequence, the quantity and proportion of workers covered by collective bargaining has plummeted to the lowest values in the history of Portuguese democracy" (Rocha and Stoleroff, 2014: 152).

Table 6.1 Number of new collective agreements and number of workers covered by them (in '000), Portugal, 2003–2014

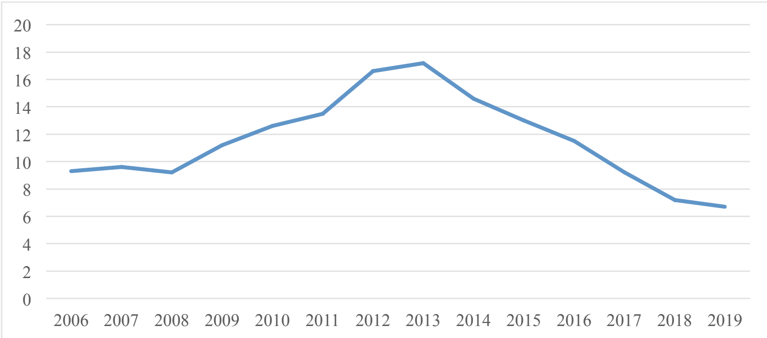
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Collective agreements	340	162	252	244	251	296	251	230	170	85	94	152
Workers covered ('000)	1,512	758	1,125	1,454	1,521	1,894	1,397	1,407	1,237	327	242	247

Source: Távora and González, 2016a: 259.

The programme of structural reforms put forward by the MoUs was based on a strongly liberalised labour market and deregulation of the collective bargaining system. The Troika was pushing for a decrease in dismissal costs, while the criteria for a fair dismissal were broadened and severance payments lowered. Thus, from 2010 until 2013 there was a very significant lowering of employment security in Portugal (Glatzer, 2018: 109).

The MoU wanted to end the well-known dualism in the Portuguese labour market by expanding flexibility and precarious employment. Dismissals were made easier, severance payments were reduced, and the criteria for dismissals expanded. Fixed-term contracts could be extended to 18 months, while payment for overtime work was reduced by 50%. Therefore, although CPCS was still institutionally functioning, the outcomes were not due to the cooperation of the social partners: "tripartite institutions, where government, labour unions and employer federations met to discuss and agree on policy reforms, continued to exist but their ability to shape policy was severely constrained" (Glatzer, 2018: 110).

Figure 6.2 Unemployment rate (%), Portugal, 2006–2019



Source: OECD and Eurostat.

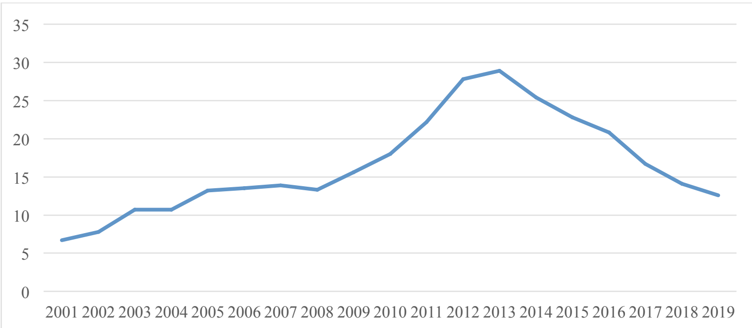
The unemployment rate exploded during the crisis of 2008. Despite starting from a relatively high level of almost 9.2% in 2008, it reached 17% in 2013 (Figure 6.2); especially youth unemployment was extremely high at over 38% (Figure 6.3). Another main element of the Portuguese crisis and recovery was the initial rise and later drop in the level of atypical forms of employment. Namely, during the 2008 crisis and the recovery period the temporary employment rate remained quite stable compared to the pre-crisis period of just below 23%. The part-time employment rate nevertheless increased during the crisis and early recovery periods. At the time of the Troika regime, it was at its highest, reaching 12.5% in 2012. However, it began to steadily decrease and by 2019 it was 6.4% (Figure 6.4).

The MoU was strict and called for further fiscal consolidation, welfare retrenchment and labour market changes. Still, it was important that the new governing coalition of PSD and CDS-PP were implementing even more radical neoliberal policies than being demanded by the Troika. In this way, the new government, yet the previous governments as well, was trying to present themselves as a good pupil in front of the Troika as it was vital for both leading parties (PS and PSD) for their internal and external legitimacy, to obtain recognition from Brussels and especially Germany and Angela Merkel, that they were following the austerity prescripts, while also presenting themselves as better pupils than Greece.[73] Notwithstanding these internally self-imposed

73 According to Magone, one of the preoccupations of successive Portuguese governments

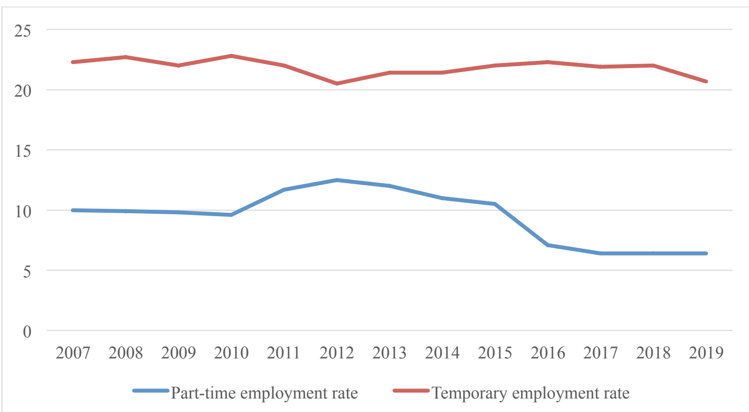
austerity measures and their acceptance by the Troika, Portugal could not escape the harsh and difficult economic and social conditions, which were only prolonged by insisting on fiscal consolidation.

Figure 6.3 Youth unemployment rate (%), Portugal, 2001–2019



Source: Eurostat.

Figure 6.4 Part-time and temporary employment rate (%), Portugal, 2007–2019



Source: OECD.

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was to claim that the Portuguese case is not the case of Greece – "Portugal is not Greece" (Magone, 2014a: 352–353).

6.2.3 Trade unions, compromises and concessions

During the 2008 crisis and period of the Troika regime, strike activity by unions increased.[74] The two antagonised union confederations, that until 2010 had organised just one common general strike, organised three joint general strikes. The 24 November 2010 general strike was the first to be jointly arranged by CGTP-IN and UGT in 22 years. The number of strikes hovered around 130 during the crisis, whereas the number of days not worked due to strikes rose to more than 100,000 in this period. Moreover, the number of workers participating in strikes in public and private sectors increased to reach around 200,000 between 2010 and 2013 (Campos Lima, 2019; Campos Lima and Naumann, 2023: 891).

Nevertheless, this was truly a fragile coalition merely expressing the great pressures on labour during the austerity period, and it did not have any real substantial content. The three general strikes arranged by CGTP-IN and UGT may thus be seen as more a tactical coalition than any true strategic and ideological convergence. This became clear in the perpetual distinction between the two sides when it came to signing the social pacts (Moury and Standring, 2017: 667).

CGTP adopted a dual strategy when opposing the austerity measures, referring to the class aspect of the measures and the national opposition or popular sovereignty against foreign imposed measures (Tassinari et al., 2022: 121). During the financial crisis, although CGTP participated in the CPCS meetings and negotiations, it did not sign any agreement after claiming the measures proposed had been “nothing more than ‘blackmail’ and ‘social terrorism’ on the part of the government” (Tassinari et al., 2022: 118). CGTP resorted to the company-level negotiations due to the blockage of national and sectoral negotiations, while employers did not wish to sign any obligatory company agreement. This led to different ad hoc agreements named *cadernos reivindicativos* (Campos Lima and Naumann, 2023: 891).

UGT was following a very different logic. The fact UGT joined CGTP in the general strikes did not mean that they had become more radical or militant, but was more a manifestation of “a logic of social peace and recuperation of social dialogue, in line with UGT’s deep-seated ideology” (Tassinari et al., 2022: 120). From 2008 until 2012, three social pacts were signed by

74 For more about the positions of the left parties and trade unions in Portugal during the crisis see: Marques and Fonseca (2022)

UGT, respective governments and employers' confederations, all aimed at structural reforms, liberalising the labour market and employment relations. Since UGT signed all the social agreements, which entailed few trade-offs for the unions, and successive governments acted unilaterally in following or even deepening the austerity required by the Troika, the three general strikes did not have any serious impact on implementation of the MoU reforms (Rocha and Stoleroff, 2016: 172; Tassinari et al., 2022: 118; Petmesidou and Glatzer, 2015: 175).

Despite this large mobilisation capacity against the austerity measures, the trend of declining union density rates was not reversed. The OECD/AIAS data show that the union density rate decreased further from just above 20% before the crisis to only 15.3% in 2016. Notably, the density rate of employer associations grew during this period from 48.6% in 2010 to 51.2% in 2014 (OECD/AIAS, 2021a).

6.3 Recovery, *Geringonça*, and the pandemic

From 2014 onwards, the unemployment rate began to steadily fall. In 2019, it was 6.7%, while during the pandemic it initially rose before reaching only 6% in 2022. The employment rate decreased significantly during the crisis period. From a rate of close to 70%, the employment rate dropped to 58% in 2012 and 2013. After that, an important and very linear rise in employment rate was seen in Portugal. In 2019, it reached 69.8%. The increase in the minimum wage (which rose from 2015 to 2019 by around 19%) did not have any negative impact on this recovery because around 400,000 new jobs were created in this period (Campos Lima et al., 2021: 53).

During the recovery period (2015 until 2019), the structural changes implemented in the crisis period by the PSD-led government and under the Troika regime remained more or less undisturbed. The only true and important change occurred in the field of extending collective agreements. Namely, in 2017 a new rule was adopted that fostered provisions on gender equality and inclusiveness. In 2017, a tripartite agreement called for the suspension of any unilateral termination of collective agreements. The new government also needed to halt the measures aimed at facilitating and promoting temporary work arrangements, but did not fully reverse the liberalisation measures concerning severance payments, and dismissals, not the amount and duration of unemployment benefits (Campos Lima et al., 2021: 53). The decisive element in this turnaround, besides the end of a prolonged period of recessions, was the important political change that occurred in Portugal. PS entered into a coalition supported by the Left Bloc (BE), Communist Party (PCP) and the Green Party (PEV). The so-called *Geringonça* has been crucial for turning things around in Portugal. The three smaller parties have had even more ambitious plans that were not adopted fully. During the pandemic, elections were held in Portugal, yet they did not have any significant impact as the Socialist Party won them and continued to lead the government, albeit this time without the support of BE and PCP.

At the time of the pandemic, some important developments emerged in Portugal. Two key measures were introduced to help prevent the rise of unemployment in this period*: Medida extraordinária de apoio à mantenamento dos contratos de trabalho em situación de crise empresarial* – lay-off simplificado (extraordinary measure to support the maintenance of employment contracts in a business crisis) and *Apoio extraordinário à retoma progressiva de ativadida em empresas em situación de crise empresarial, com reção temporária do período normal de trabalho* (extraordinary support for the gradual resumption of activities in companies in crisis situations of a business with temporary reduced working hours) (Campos Lima, 2021; Campos Lima and Carrilho, 2022).

First, a simplified layoff scheme was introduced in March 2020. Workers in companies that were closed or had experienced a 40% drop in turnover could be laid off, where they received 2/3 of their salary, with the state paying 70% and employers 30% of that sum. Later, this percentage was changed and raised to 100% of the salary, with the state paying 80% and employers 20%. The limit was the amount of three minimum salaries (slightly less than EUR 2,000). Employers were also exempted from paying contributions for workers who had either been laid-off or were working short-time. Employers who received this assistance were not allowed to fire workers for 2 months after they stopped receiving assistance from the state. In August 2020, however, a fairly typical short-time work subsidy scheme was introduced, which allowed for a state subsidy for short-time work in the range of 50% to 70% of working hours. Compensation from the state was initially limited to 70%, although in 2021 it was raised to 100% coverage of wages and contributions. If a company had a 75% drop in activity, the employer could receive 100% compensation (Campos Lima, 2021; Campos Lima and Carillho, 2021; 2022).

During the pandemic, there was a dramatic drop in wage agreement updates along with a considerable drop in the number of workers covered by renewed wage agreements. The figures went down to the level below 400,000, posing a serious threat that a situation similar to the Troika period might happen again. Yet, the government reacted quickly and in March 2021 passed a law that suspended the expiration dates of the collective agreements in the next 24 months. This was strongly criticised by the employers' associations (Campos Lima and Naumann, 2023: 887).

In May 2020, a Declaration of Commitment was signed by the government, employer associations and UGT. The declaration did not refer to any specific policy measures or goals, besides the general commitment to together promoting economic recovery and safety conditions in the workplace. In November 2022, a new pact on wages and competitiveness was signed by the government, employer associations and UGT. The agreement foresees the national minimum wage rising to EUR 900 by the end of 2026, together with a rise of average income per worker by the end of that year. It is not a definite agreement but will depend on annual budgets and on the changing global and national economic conditions (Campos Lima, 2022).

During this period, the influence of the trade unions, except for the health and safety measures, thus did not increase. The social partners were also involved in meeting with the health authorities regarding the situation involving the pandemic.[75] Crucially, as explained by a high official in the government from 2017 to 2022, all the strong labour market measures were communicated by and associated with the minister of the economy, not the minister of labour. The former state official also explained that "the new Minister Ana Mendes Godinho is not recognised as a specialist or a very competent person in that field of labour market issues mainly by the labour representatives but also some employer representatives" (Representative of the State 1, Portugal). The employers wanted more help from the state and an extension of the simplified lay-off scheme, which was not supported by the government. Still, the trade unions have felt that backdoor channels have

75 "But with the employers we worked more on the issues like health and safety through our authority for working conditions because we needed to work on rules for the workplaces, and then we have a working group on the authority, where we worked all those rules together, all the partners, and we have to discuss them together, between us, and we made regulations, frameworks and a lot of things that were useful for workplaces" (Representative of Trade Unions 1, Portugal).

existed between employers and the Ministry of the Economy, which without regard for a left or right-leaning government is very usual.[76]

6.4 Conclusion

The changes in industrial relations system and labour market policies in Portugal have been closely connected with attempts to alter the country's growth model, without altering the structural and educational elements, but especially by attempting to lower labour rights and labour market flexibility as a source for attracting FDI and becoming a more export-oriented economy.

The establishment of CPCS has been important in institutionalisation of the role and influence of organised labour. The revolutionary heritage and the nationalisation of companies and banks can hardly be described as moves towards liberalisation and deregulation. Nonetheless, despite these initial positions from the late 1980s, there has been quite a clear shift towards liberalisation in both industrial relations and labour market policies.

Since the mid-1980s, different strategies of various governments have sought to introduce more flexibility in the labour market and employment. After CPCS was established, the first social pacts aimed at wage moderation were signed. Since the mid-1990s, a more direct attempt was made to lower labour rights, while especially the early 2000s were marked by the introduction of the flexicurity model and giving greater power to employers through the possibility of derogation and limited extension of wage agreements. These different strategies of concessions and creating of a strong dual labour market led to large shares of temporary employment, while part-time employment rate also increased. This was a concession that even the unions

76 As one of the representatives of the union confederation explained: "Well, I might say that there has always been a tendency for governments to think that some issues concern mainly the employers. Namely, the part of the Ministry of the Economy, that's always been clear whether the government was right-wing or left-wing. It's something that has always happened. /…/. During the pandemic, this was not very different. And some of the measures that were taking place at the sectoral level were discussed with the employers' confederations or the sectoral associations and not with the trade unions. Especially, and I recall one period that was not easy was when we were preparing to loosen the measures and coming out of the lockdown, there were some recommendations, some soft law that was put out. And that was discussed only with the employers' confederations of each sector" (Representative of Trade Unions 2, Portugal).

agreed to so as to maintain the relatively high firing costs for employees. The changes in the extension of collective agreements have played an important role in lowering labour protection.

Important measures were introduced during the 2008 crisis – first internally by the PS-led government and later by the PSD-led government under the tutelage of the Troika – all were aimed at decreasing labour protection and labour rights. On the other hand, the retrenchment of the welfare state and social spending was the second core element in the fiscal austerity period. The backlash of the unions was much lower than in the 1980s, and also the 1990s. The union density rate dropped to just over 20%, while the density rate of employer organisations remained much higher. The work of CPCS was suspended, the government acted mostly alone with the support of employers, while UGT ultimately also always supported the austerity measures. Crucially, the 2012–2014 crisis concerning collective agreements destabilised the industrial relations in Portugal. Unemployment grew strongly, while atypical forms of employment flourished during the period of crisis and the Troika regime.

The outbreak of the crisis led to another phase of broad political consensus between PS and PSD. It should not be forgotten that PS, after the initial short-lived neo-Keynesian approach, began to pursue strong austerity policies and fiscal consolidation through social spending and wage cuts. Certainly, the new government (2011–2014) was following an even harsher line than PS and even harsher than the Troika programme. Yet, from 2010 onwards, it was clear that some elemental consensus had been constructed, and only later did PS become highly critical of the austerity and fiscal cuts.

The first visible changes occurred only during the recovery period when a new left-leaning government ended some of the measures or at least partially suspended certain policies adopted during the Troika period. In this time, up to the pandemic, the rates of temporary employment and part-time employment decreased – especially the latter – while there was an employment boom in the entire economy led by private consumption and tourism. During the pandemic, a special social pact was adopted by the social partners, while the government acted very proactively, notably with the lay-off scheme. The tripartite dialogue within CPCS was not suspended, but had a much smaller influence than would have been expected, and the government adopted and transferred the EU's directives concerning decent work and gender equality. Political changes thus played a vital role in the changing trends, policy orientations and policy outcomes in Portugal.

Thus, the push towards more liberalisation was only halted in the years prior to the pandemic. The essential element was not, however, the changing or increased trade union strength derived from rising density rates. *Geringonça*, and especially the three smaller parties – PCP, BE and PEV – played an immense role in pushing PS further to the left, which may also be seen in industrial relations, new social pacts and labour market outcomes.

7 Slovenia's third-way approach: institutional stability and policy heterogeneity

Compared to Ireland and Portugal, Slovenia was following a different path before the 2008 crisis, albeit some similar trends can be observed. This economic transition, accompanied by the EU accession process, played a vital role in shaping the political and economic strategies in the country before 2008. However, the initial transition period was marked by a high degree of centralisation and coordination in the economy and industrial relations. Only in the years before the outbreak of the crisis were the first important cracks observed, whereas the 2008 crisis, which had some similar and also different roots and causes compared to Ireland and Portugal, pushed the Slovenian state to adopt more radical neoliberal measures. In contrast to Ireland and Portugal, Slovenia was never put under the direct control of the Troika. Still, this did not have any significant impact as the international pressures on Slovenia were so strong that they pushed successive governments to implement radical austerity measures. The recovery period has been important because it completely changed the ownership structure of the Slovenian economy while the power of the trade unions also fell considerably. The specific way of mitigating the COVID-19 pandemic has been very different from the Irish and Portuguese cases since the trade unions have largely been excluded from the policymaking process.

7.1 Strong unions, the institutionalisation of concertation, and incremental liberalisation

Slovenia gained its independence in 1991 after the breakup of Yugoslavia and managed to avoid a large-scale war for Yugoslav succession, while also retaining a relatively high level of social cohesion. Yet, the breakup of socialist Yugoslavia also meant a certain shift in Slovenia – namely, even though already during the last years of Yugoslavia pro-market reforms were implemented on the federal level – the first years of Slovenia's independence were oriented to the introduction of a full-scale capitalist economy with the essential processes of privatisation and market liberalisation. Then, to further promote the Slovenian economy's export orientation, the country was at the forefront of political and economic developments relating to the industrial relations institutions and the specific labour market policy regulation after the early 1990s. The problems of recession, inflation, and decreasing domestic demand provoked a strong union backlash, while a new political consensus emerged with the establishing of a tripartite social dialogue body.

7.1.1 The Prolonged Slovenian Third Way

After the country gained independence, the strong union movement has been vital for establishing certain elements of Slovenian industrial relations, while the unorthodox coalitions of unions and employers have been at the forefront of the project of creating a Slovenian capitalist class. Due to the recession and inflation that predated Slovenian independence but also continued after 1991, the conservative government at the time wanted to extend the wage freeze, which was adopted in 1990 to curb inflation. Yet, since incomes of the working classes were falling significantly, leading to lower internal consumption and the deterioration of the living standards of most of the population, the unions decided to organise a large-scale general strike (Vrhovec, 2010; Bembič, 2017; Podvršič, 2018; 2023).

On 18 March 1992, the unions organised a general strike in which they clearly expressed their opposition to the extension of the wage freeze imposed under a special law. They blocked all of the most important roads and bridges in Slovenia, and work stopped in almost every major factory and almost all industries, they also went on strike in schools and even in some medical institutions. The consequences of the strike were the fall of the Demos government and the repeal of the wage-freeze law (Vrhovec, 2002).

The new government led by the liberal LDS attempted to include the trade unions and workers in the policy- and decision-making processes. One of the biggest controversies in the Slovenian transition has been the specific privatisation model established in Slovenia. The new Law on Privatisation was adopted in late 1992 and acted a specific compromise between the interests of organised labour and the management of companies. Stanojević and Krašovec defined it as a "large-scale political exchange – the first and a most important one in the new, independent Slovenia" (Stanojević and Krašovec, 2011: 236). It had the characteristics of a specific inter-class compromise because the interests and goals of both employers and employees were taken into account by giving the opportunity to internally buy the shares of companies. This compromise "then 'crystallized' and shaped the later development and transformation of the Slovenian political economy" (Stanojević and Krašovec, 2011: 236).

Due to high inflation and the export orientation of the economy, the liberal-conservative political coalition was looking for ways to appease the workers and obtain their active consent for the emerging politico-economic project. Drnovšek's governments were not overly sympathetic to workers and their rights and instead sought a way to implement reforms with the consent of the trade unions and to reduce the resistance of labour. The political bureaucracy was prepared to institutionally acknowledge the importance of the organised labour in the policymaking processes, but the trade unions also had to agree to one key measure – to wage moderation and slower wage growth compared to productivity growth (Lukšič, 1994; Podvršič, 2023; Hočevar, 2024).

When organised labour accepted the limitation of wage growth for workers, in 1994 the Economic and Social Council (ESC) was established. The ESC is a classical tripartite neo-corporatist institution where representatives of employees, employers and the state collaborate on the policymaking process. Already in the Social Agreement from 1994, which also established the Economic and Social Council, a specific approach was defined according to which wages would lag behind economic growth.[77] The power of labour, institutionalised with the creation of ESC also meant on a legal-formal and politico-practical level the recognition of organised labour and the legitimacy of their position in collective bargaining.

The role and interests of the unions consequently changed – they gradually renounced the radicalisation of the class struggle and moved to accepting capitalism with a 'human face'. Moreover, the unions assisted in the introduction of capitalism and maintenance of price competitiveness based on low or lower wages and intensification of the work process: "Opposition-oriented

77 In 1995, however, the government, trade unions and employers jointly determined that salaries "in 1995 will be realistically the same as those in 1994, with the fact that they will depend on the individual employer's business results". The social agreement of 1996 reaffirms the trade unions' commitment to wages lagging behind productivity, as they agreed that "real wage growth in the economy was 2 percentage points slower compared to real gross domestic product growth".

collective representatives of employees were actively involved in achieving a common higher goal in overcoming competition and fighting for the survival of the organization. Not only did they support the regime of work intensification, but with their mechanisms – by activating their mobilization capacity – they ensured additional work mobilization of employees" (Stanojević, 2004a: 126; see also Stanojević, 2004b).

The establishment of the tripartite social dialogue body in 1994 was accompanied by the acceptance of wage moderation in order to bring inflation down and reduce the pressures on the export sector. However, the pact between the unions and the liberal government of the time produced quite a specific policy outcome – the statutory minimum wage was introduced in 1995. The success of the trade unions in inscribing the minimum wage into the legal regulation is particularly worth highlighting. Namely, until 1995 the minimum wage was not regulated by law, although there was an institute of guaranteed personal income. The problem arose because the high inflation had greatly reduced the wages of the lowest-paid workers, and the state did not increase the value of the guaranteed personal income due to austerity following the restoration of capitalism. Through pressure and social dialogue, the trade unions managed to have it written in the Social Agreement from 1995 that the minimum wage should be determined by a special law. The social agreement stipulated that by the end of 1995 the minimum wage would amount to at least 40% of the average gross wage. After the adoption of the statutory minimum wage institute in 1995, the minimum amount received by workers grew by 48% (Filipovič Hrast and Rakar, 2017).

The recession together with high inflation led to rising unemployment, which the government tackled through early retirement programmes. After the mid-1990s, when the unemployment rate began to fall, the social and labour market policies became aimed at "flexibility and activation through conditionality" (Bembič and Simonazzi, 2019: 228–229; see also: Stanojević, 2004b; 2005). These developments were followed by a stronger push to introduce ALMPs and labour market flexibility. Especially the 1998 reform was an important milestone in introducing ALMPs as it indicated the direction of the further conditioning of benefits with active employment policies (Kolarič, 2012; Kolarič et al., 2011).

Within this process, the unions agreed to slowly introduce activation principles and workfare principles into the social welfare schemes and agreed to a neoliberal – albeit less neoliberal than initially intended – pension reform while temporary agency work was also allowed in 1998 (Filipovič Hrast and Rakar, 2017; Bembič, 2019; Podvršič, 2023). The restrictive wage growth policy proved to be a vital element in the different pacts and exchanges that followed. Namely, although the reduction of employers' contribution for pensions was implemented together with the introduction of a liberal pension reform, this was followed by the introduction of payroll tax and a relatively high unemployment benefit, an allowance for meals during working time was introduced. The government lowered the taxes for those on the lowest wages, while also facilitating the change of temporary contracts into permanent ones. Thus, many different segments of social policy were introduced through the ESC in this period (Bembič, 2019: 335–336). The developments in the 1990s hence "provided several building blocks for an emerging coordinated market economy" (Bembič, 2019: 338).

7.1.2 EU accession and a conservative neoliberal government

The liberal LDS managed to create different wide coalitions invoking conservative and social-democratic support. Yet, when Slovenia entered the EU in 2004, new elections held in the country brought an important turnaround. The new conservative government, led by SDS, attempted to speed up the (neo)liberalisation of the Slovenian state and economy. This also held important impacts for industrial relations and tripartite concertation.

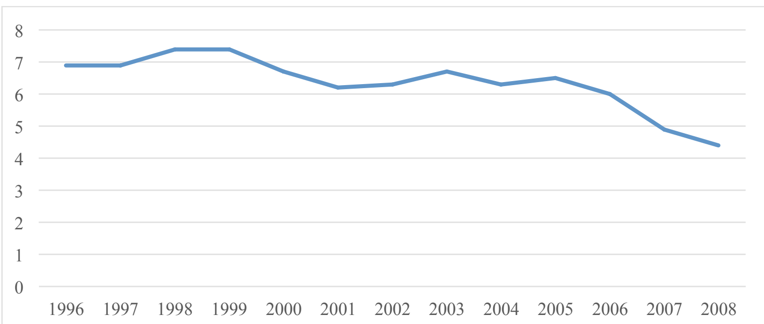
Already in 2004, a new more radical approach was being attempted by the new conservative government. It wished to implement a flat 20% tax rate. Yet, as expected, the unions, then still relatively well organised and with a density rate well above 30% were able to mobilise against this attempt. When it looked like the government might succeed with its proposal, the unions organised a mass strike. A rally of the unions was organised in November 2005 and over 40,000 union members attended it. The Student Organisation of Slovenia also joined in this demonstration of the mobilising power of unions among the working class (Vrhovec, 2010). Bembič argued that this particular action by the unions, which actually only protected the existing progressive system without any new progression in the taxation "was probably the single most important industrial relations development in the area of tax policy because it prevented a detrimental shift towards downward social divergence" (Bembič, 2019: 348).

The unions managed to stop a flat-tax rate from being introduced, but the government stopped collaborating within the ESC. At the same time, an important change came when the employers' association did not want to sign the general collective agreement for the private sector. The decentralisation was quite organised and planned. Namely, the Chamber of Commerce and Industry (GZS) did not want to sign any general national-level collective agreement in 2005 for the private sector, which led to negotiations and certain changes, which were agreed upon in the ESC. GZS's motivation was that the new competitive pressures of the single market and single currency would hardly be compatible with the previous general wage policy. This gave way to the rise of the sectoral level of collective bargaining and agreements in the private sector (Stanojević and Poje, 2019: 549–550; Stanojević and Krašovec, 2011; Bembič, 2018; 2019). When the general collective agreement for the private sector was abandoned, the new situation did not lead to a new wage policy. For a long time, the government did not even want to negotiate a new social agreement, which paralysed the work of the ESC. Given that the ESC was not functioning at the time, no agreements were concluded. New negotiations on the social agreement only began in early 2006.

At the forefront of the negotiations were issues of inflation and wage growth relative to productivity. The trade unions wished to limit the restrictive wage policy, which was the basis of all social agreements until then and all wage reforms, as well as the basis for creation of the ESC. Employers insisted on wages lagging behind productivity, yet the government was no longer supporting this – instead, it adopted a formulation that explicitly stated the adjustment of wages in line with inflation and productivity and that real wage growth must be ensured. They also predicted changes in the public sector and the relief of gross labour costs through tax reform as this was the sole way for employers to accept the coordination of wage growth with inflation and productivity. The negotiations themselves, as well as the outcome of the new social agreement, were very ambivalent. The trade unions were by no means prepared to accept the proposed tax legislation. In the summer of 2006, the government presented a proposal for tax reforms that no longer contained a flat-tax rate, but at the same time followed at least some of the ideas of the trade unions. Employers were not enthusiastic about the foreshadowed reform. However, the government had already shown an open alliance with employers by appointing the Deputy General Secretary of the Chamber of Craft and Small Business as its negotiator in the negotiations over the creation of a new social agreement. Only in 2007 was a new social agreement reached between the social partners, which abandoned the wage moderation policy, but also allowed for implementation of the new labour law that led to further labour market flexibility (Stanojević and Poje, 2019: 549–550; Stanojević and Krašovec, 2011; Stanojević et al., 2023).

After 2006, when a new salary system was introduced in the private sector, important changes were seen concerning the minimum wage and definition of wage. There was a low fixed component of salary, while a larger variable component was introduced that is arbitrary and depends on the management of companies. In this respect, different sectoral agreements defined different versions of the minimum wage, basic wage, and adjustments (Stanojević and Poje, 2019: 558).

Figure 7.1 Unemployment rate (%), Slovenia, 1996–2008

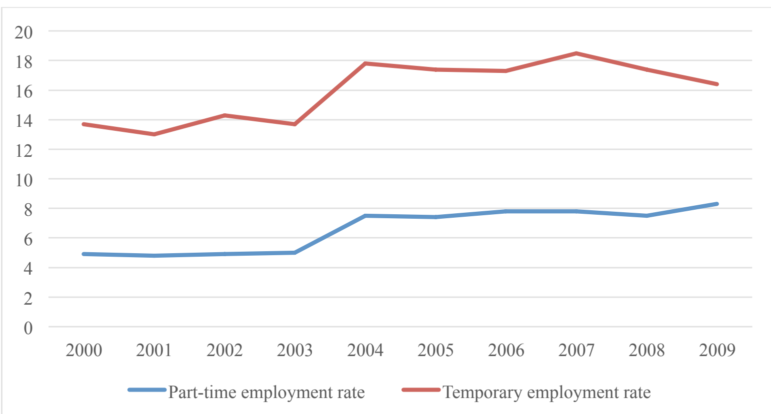


Source: OECD and Eurostat.

On the other hand, the centralisation of wage bargaining was maintained in the public sector. A new act on public sector salaries was adopted in 2002, based on a very high degree of coordination, while allowing individual unions to bargain with specific ministries regarding supplements to their wages. In 2008, this new public sector salary system was fully implemented following changes to the law, leading to a new structure of salaries accompanied by a new collective agreement in the public sector (Stanojević and Poje, 2019: 551).

The conservative government had tried to pass a new law on labour relations back in 2006, but obstruction from the trade unions meant there was no way to approve the changes to the ESC. In the end, the minister had to resign due to the unsuccessful negotiations with organised labour and capital and following criticism from trade unions. But already in October 2007, the Parliament adopted a new Act on Amendments and Supplements to the Act on Labour Relations, with which the trade unions also agreed. The law went in the direction of making hiring and firing more flexible, all on the pretext of ensuring competitiveness. The notice period for employers was shortened, and employment for a certain period during the lifetime of various projects was made possible, even if it was longer than 2 years – previously a possibility that was unavailable. Yet, at the same time, the unions ensured that those over the age of 50 received a full salary from the Employment Agency for their first month of unemployment. Although the trade unions certainly succeeded in selecting certain things, this law was essentially a direction towards greater flexibilisation (Podvršič, 2023; Bembič, 2019).

Figure 7.2 Part-time and temporary employment rate (%), Slovenia, 2000–2009



Source: OECD.

Crucially, in the period after 2003–2004, which coincides with both the change in the government and EU accession, leading to the liberalisation of collective bargaining in the private sector, there were important changes in the labour market, especially with respect to the rise of non-standard forms of employment.[78] The temporary employment rate rose from just below 14% to almost 18% in 2007, before later declining prior to the crisis because they were the first to lose their jobs during the crisis. However, the part-time employment rate increased from around 5% to around 8%.

Thus, in this period, which was based on financial expansion and a property boom, there were quite important developments in the tripartite body and the dynamics of policy proposals. The new coalition created a relatively contradictory situation in relation to labour and capital. First, the coalition quite openly tried to dismantle the ESC and, with the flat-tax rate, to considerably reduce the financial reach of the welfare state, but after the backlash of the unions, while also being pragmatic in the light of the new elections, the political elite strategically succeeded to conclude an agreement with the unions and employers on a new social agreement.

7.1.3 Declining union density and the liberalisation of the main employers' association

The success enjoyed by the unions in the early 1990s has been critical for the development of the highly centralised industrial relations system in Slovenia. Initially, they managed to stop the wage freeze while also acquiring a seat at the policymaking table. The economic and social policies were, sometimes more subtly, other times more overtly, aimed at greater liberalisation and increasing the power of employers/the emerging capitalist class, which especially became apparent after 2004. In the face of some stronger conflicts and due to the search for wider political, economic and social support in various segments of society, the successive governments also needed to implement some measures more in favour of the workers, but only on the condition that they accepted the lagged wage growth for productivity.

The creation of a social partnership in the 1990s did not mean that the trade unions were completely subordinated to the new function they had obtained by entering the ESC. At particular moments they succeeded, although not on such a large scale, to mobilise workers against government plans and against employers. Another important strike took place in 1996 when GZS terminated the collective agreement. More than 200,000 strikers joined in

78 For a detailed analysis of the different types and scopes of precarious employment in Slovenia, see Kanjuo Mrčela and Ignjatović, 2015.

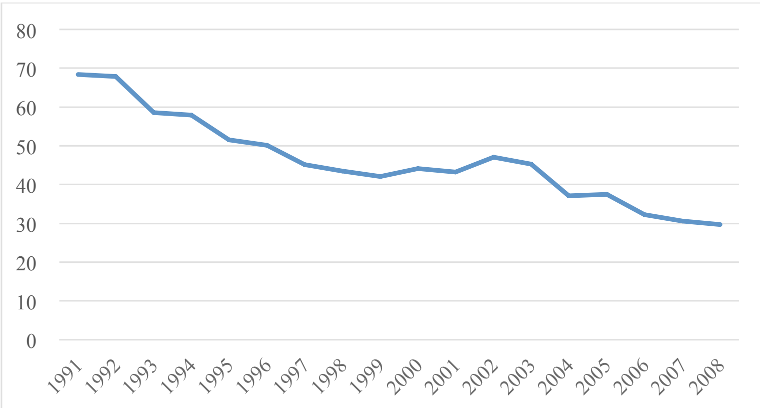
the strike, which also contributed to the fact that the strike was successful since negotiations continued within the framework of the cancelled collective agreement. The third large and important strike came in 1998 when the LDS-led government, under the auspices of EU accession negotiations, wanted to start introducing neoliberal structural reforms and cutting public expenditures (Stanojević, 2001; 2003; Podvršič, 2019; 2023; Vrhovec, 2002; 2010).

On the other hand, it should not be overlooked that even though the blockade of the introduction of the flat-tax rate was certainly an expression of the power held by the unions and also a reflection of the greatest range of union mobilisation, this did not mean an actual broad mobilisation and attempted class alliance. The unions managed to force Janša's government to withdraw from the most controversial measure, although the unions failed to win additional concessions for the workers, which was unusual compared to previous negotiations and bargaining. It was also crucial that the unions did not oppose the wave of privatisations initiated by the Janša government (Podvršič, 2023).

After the country gained independence, the Slovenian trade union movement was extremely strong. The union density rate was above 60%, which was unique for a post-socialist country. Further, the unions were willing to use their power to influence the policymaking process (Stanojević, 2001). A big change occurred. Namely, in the early 1990s, almost two-thirds of unionised workers were members of the largest confederation – ZSSS. Around 2010, this number fell importantly – only around two-fifths of unionised workers were members of ZSSS. The density rate declined constantly and considerably from the early 1990s until 2008. In 1991, it was reported as being almost 70%, while in 2008 it was just above 30%.

The ability of the unions to resist politics and capital in the 1990s came from the very high level of unionisation in Slovenia, but with a slow and gradual decline, never fell below 40% during the introduction of capitalism and until the country's entry to the EU. However, after 2004, union density started to decline before reaching 30% in 2008. Still, between 2007 and 2009, there was also a small increase in the public sector density rate, albeit it was not so pronounced as to stop the rapid drop in membership in private sector unions. Critically, the number of union members decreased importantly. In 1992, there were almost 620,000 union members, while in 2000 only 400,000 and declining (Broder, 2016; Stanojević et al., 2023: 980). The activity of the unions during the 1990s was decreasing. There were more than 190 strikes in 1992, yet after that the figure gradually decreased. In 2000, there were only 30 strikes (Stanojević, 2001).

Figure 7.3 Trade union density (%), Slovenia, 1991–2008



Source: OECD.

It must certainly be mentioned that, despite the gradual transition, there was a strong process of deindustrialisation in Slovenia. Namely, in 1991 45.1% of the workforce was employed in industry, while 39.9% was employed in the services sector. By 2009, the share of employment in the industrial sector had dropped to 33.6%, and in the services sector it had grown to 57.2% (Ignjatović, 2010: 145).[79] This all had a considerable effect on the unions.

On the part of employers, there was a notable change in 2006 when the conservative neoliberal government abolished the mandatory membership of companies in GZS, with membership in the main employers' organisation then becoming voluntary (Stanojević, 2010). This, of course, had a strong

79 In addition, regardless of this extraordinary power held by the trade unions, we must not overlook the fact that with the introduction of capitalism it has by far lost most of the industrial working class. The biggest losers of the transition were middle-aged industrial workers, who were the most inflexible in the labour market as it was they who lost their jobs en masse due to deindustrialisation.

impact on the continued operation of GZS as the institutional umbrella organisation of capital in Slovenia since the struggle for members forced them to defend even more radically pro-capitalist interests, which essentially also put internal pressure on governments to act even more in the direction of the interests of capital, while TZS, the primary employers' association in trade and commerce, split off and became independent: "A key consequence of this changed status has been a substantial drop in membership. Recruiting and retaining members became a more important issue for the GZS, which began to adhere more closely to the interests of the immediate membership" (Stanojević and Poje, 2019: 552).

The mentioned developments in the economy, export orientation of the economy, and decentralisation and liberalisation of collective bargaining after 2004 also produced an important impact on labour market policies, whereas the declining trade union density and shift in the approach taken by the unions towards a narrower scope importantly influenced biggest developments in the labour market whereby there was an increase in non-standard forms of employment.

7.2 Crisis of 2008 and its aftermath

As already explained, before the crisis the trend was towards liberalisation, especially after 2004. The 2008 crisis brought a new moment when specific concessions were not provided anymore, but the unions still agreed to certain measures and supported legislative reforms, which gave greater rights to the employers and introduced more labour market flexibility. The austerity, wage cuts, and reform of the welfare system have been implemented by a broad range of different governing coalitions.

7.2.1 Outbreak of the crisis and the failed social-democratic approach to austerity

When the crisis hit Slovenia, the social democratic party was the strongest in the governing coalition. As may be expected, the government initially adopted two counter-cyclical measures. Due to the recession and prospects of rising unemployment, the government passed two laws in 2009 introducing subsidies for reduced working hours and waiting for work in an attempt to limit unemployment growth. With these subsidies, the government managed to preserve around 25,000 jobs. By the end of 2009, slightly more than EUR 40 million had been spent subsidising reduced working hours, and almost EUR 70 million on waiting for work. The second important measure was the increase in the minimum wage. After years of the minimum wage stagnating, following considerable pressure from trade unions the government implemented a rise in the minimum wage (Stanojević and Klarič, 2013; Hočevar, 2020). While the increases in the minimum wage in 2010 resulted in higher minimum wages, due to the different tariff groups and different basic wages the situation did not improve because 6 out of 9 tariffs were lower than the minimum wage. (Stanojević and Klarič, 2013; Stanojević and Poje, 2019: 558).

Although at the beginning it seemed the government would be implementing some pro-social and neo-Keynesian measures, it soon turned to unilateral austerity and neoliberal policy reforms. The minimum wage increase was seen by the government as a specific trade-off with the unions, which in turn would have to agree to neoliberal structural reforms, especially reforms of the pension system and labour market (Bembič, 2019; Stanojević and Poje, 2019; Podvršič, 2018).

In 2010, the centre-left government terminated the collective agreements for the public sector. The unions did not agree to the austerity measures and wage cuts for 2011 and 2012. This led to the unilateral termination and implementation of the Intervention Measures Act, which froze payments for promotion, introduced lower compensation for holidays, and prolonged the suspension of performance bonuses for employees in the public sector (Stanojević and Poje, 2019: 551–552).

However, after these measures were adopted, Minister Kopač Mrak announced that the new government would be taking a different direction. The main goal was to ensure greater labour market flexibility together with more radical cuts in social protection spending. The new general direction of the left-wing government was to impose austerity. The government attempted to implement the following structural reforms: social system reform, labour market reform, and pension reform but was not completely successful in these attempts.

First of all, there was a radical change in the field of social policies. On 1 January 2012, the independence of the state pension was abolished, and recipients were then entitled to a protective allowance and/or social assistance. Before this reform, 14,587 people were receiving a state pension. This reform also radically changed the social security allowance. Although the social security allowance was increased under the new law, the circle of beneficiaries shrank significantly as an individual's person's assets also began to be taken into account. Until this reform in December 2011, 46,752 persons were receiving the social security allowance. After the reform, in December 2012 only 10,386 persons were receiving the social security allowance (Hočevar, 2024).

The idea behind the welfare reform introduced in 2010 was that everyone must first exhaust other options before becoming eligible for welfare. The Ministry set the minimum income at EUR 288.81, but then reduced it to EUR 260 for 2012, and later with the Fiscal Balance Act (FBA) the validity of this amount was extended until the end of 2014. The Institute of Social Welfare of the Republic of Slovenia warned that these amounts were still far too low to cover the basic minimum costs, which then amounted to EUR 385.05. Further, in 2011 the unemployment benefit was increased to 80% from the previous 70% of the wage, but was later reduced again after implementation of the FBA. The 2011 amendment to the labour market regulation law opened the possibility for those on temporary contracts to use unemployment benefits. This was also further eased by a legislative change made in 2013 (Bembič and Simonazzi, 2019: 234).

In addition, the state transformed the welfare allowance into a form of credit that beneficiaries can receive, although the state became entitled to their assets after they die to the limit of the value of the allowances paid. According to the new law, people were not allowed to sell, donate or encumber their real estate. As a result of such a policy, fewer and fewer people applied for a welfare allowance and there was a sharp drop in the amount of such funds paid out – in 2011, they totalled almost EUR 4.5 million per month, and in 2012 slightly less than EUR 1.6 million (Hočevar, 2020).

The second important reform concerned the labour market. The government proposed to adopt a law on 'small work', based on the German model. The student organisations strongly protested against the inclusion of student work in such small work, and the main union confederation – the ZSSS – was simultaneously also against this proposal because such a law would only further legalise the expansion of precarious forms of employment and the flexibilisation of the labour market. In May 2010, mass demonstrations were held in Ljubljana; the organisers were the Student Organization of Slovenia, and ZSSS also joined. The third reform was concerned with reform of the pension system. It was during this reform that the clearest opposition of organised labour against the government was evident. With this reform, the Pahor government wanted to raise the retirement age and extend the period considered for calculating one's pension (Stanojević and Klarič, 2013).

Since the government adopted these laws without reaching an agreement with the unions, the latter collected signatures to call for referendums. In April 2011, a referendum on the Small Work Act was arranged, which was overwhelmingly defeated. The key date in the mandate of this government was 5 June 2011, namely, when three referendums were held: the referendum on undeclared work, the referendum on the opening of archives and, crucially, the referendum on pension reform. All laws were rejected in the referendums. Soon afterwards in autumn 2011, the government stepped down and new elections were held (Stanojević and Klarič, 2013; Hočevar, 2020).

7.2.2 The stabilisation of domestic consensus and austerity

The developments during the first 3 years of the crisis created important pressure on Slovenia to implement austerity measures. The social-democratic government did not succeed in this, although it did implement some important changes in the country's welfare policy. The developments after the elections in late 2011 pushed Slovenia more towards the typical austerity approach being implemented EU-wide, while it also featured some important local characteristics. Despite never being under the supervision of the Troika, the new conservative and successive liberal governments managed to implement important cuts as well changes that led to a very different picture of the Slovenian industrial relations system as well as labour market outcomes.

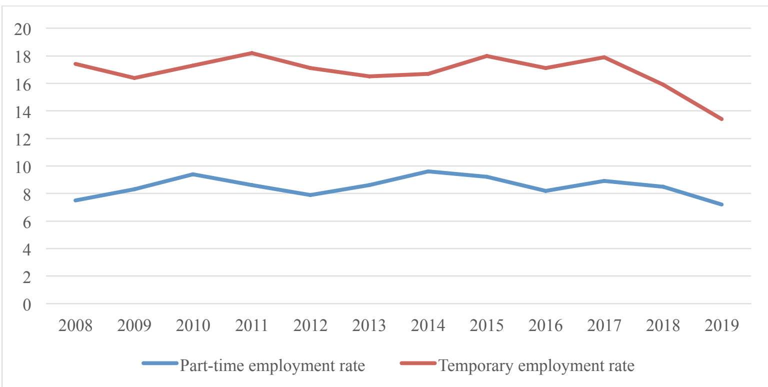
The new conservative government wanted to adopt very radical austerity measures. Then Prime Minister Janez Janša was very keen on introducing austerity, while also cautioning that Slovenia might need the help of the Troika. The fundamental guidelines of Janša's second government were to implement budgetary cuts, as already started by the previous government, and the belief that the consolidation of public finances should be started as soon and as radically as possible because otherwise the infamous "Troika" would be sent to Slovenia. The idea of austerity as a fundamental element of solving the crisis was joined by other proposals promoted by the united politico-economic-media complex: wages in the public sector were said to be too high, the welfare state too generous, while at the same time there was the familiar thesis about the excessive role of the state in the 'economy' and calls for privatisation (Feldman, 2014; 2016; Ribać, 2018; Podvršič, 2018; 2019; 2023; Hočevar, 2020).

In March 2012, the new conservative government prepared the draft and starting points of a new super-law – the FBA, and sent them to trade unions and employers. Andrej Vizjak, the Minister of Labour, Family and Social Affairs, proposed a 15% linear reduction of wages in the public sector, which was strongly rejected by the trade unions. In April 2012, a large strike took place in the public sector. Around 100,000 people went on strike, and about 10,000 people gathered in Ljubljana to protest against the planned measures. A few days later, however, the unions accepted the proposal for an 8% wage cut. On 11 May 2012, the Fiscal Balance Act was adopted in parliament which, in addition to salaries in the public sector, reduced parental benefits and child allowance, tightened the conditions for assistance upon the birth of a child, and the allowance for a large family, unconstitutionally there was a reduction in pensions affecting more as 26,000 pensioners, etc. The Minister of Finance even boasted that they had managed to reduce public expenditures deemed untouchable (salaries in the public sector and social benefits) – EUR 151 million less went to wages and other items in the public sector, and EUR 171 million was saved due to limiting the amount and tightening the conditions for various social benefits, the state saved EUR 624 million in investments (Guardiancich, 2016; Stanojević et al., 2016; Stanojević and Furlan, 2018).

The austerity measures saw Slovenia experience a prolonged recession. The high and rising unemployment rate, especially among young people, and the specific changes in the power relations led to the adoption of a new Employment Relationships Act and the Labour Market Regulation Act in 2013. This labour market reform was implemented with the trade unions and the employers' association, which marked the deblocking of the ESC. The reform had two important goals: 1) to liberalise the dismissal regime for those employed on fixed-term contracts; and 2) improved regulation for non-standard types of employment. Yet, the rising regulation allowed employers to circumvent this by relying on two additional precarious types of employment: self-employed and agency work (Stanojević et al., 2016; Stanojević and Furlan, 2018; Stanojević and Poje, 2019).

Critically, during the 1990s and until the crisis of 2008 there were only limited possibilities for derogations of collective agreements from legal norms. Still, the derogation possibilities were increased upon the introduction of introduction of the new Employment Relationships Act in 2013. The possibility of downward derogations of collective agreements from legal norms led to the more frequent use of this possibility, albeit implementation of this provision depended on the existence of a representative union (Stanojević et al., 2016; Bembič and Stanojević, 2016; Stanojević and Poje, 2019: 557). This all caused stable and persistently high rates of temporary employment as well as a rise in part-time employment in Slovenia during the 2008 crisis and the recovery period.

Figure 7.4 Part-time and temporary employment rate (%), Slovenia, 2008–2019



Source: OECD.

All these shifts and changes influenced the rise of non-standard forms of employment. Although during the first wave of the crisis, there was a decrease in the temporary employment rate, it remained stable and above 16% throughout the crisis and post-crisis period. The part-time employment rate also fluctuated during the crisis and afterwards, yet remained higher than before the crisis. Notably, due to the stricter regulation of temporary employment, agency work was used extensively, while also the 'fake self-employment' position was preferred by employers over regular employment contracts (Stanojević and Poje, 2019: 549).

7.2.3 Union strategy and the approaches taken by employers' associations

The position, strategies and capacities of the union confederations changed significantly during the crisis period. Despite all of these unilateral measures, at the end every government needed an agreement from the unions' side for the austerity and wage cuts. The unilaterally imposed austerity measures produced large conflicts with the unions.[80] Their role as social partners increased, but their capacity to impose, block or even cushion certain policies decreased importantly, also as a consequence of the legislative changes regarding the organising of referenda, for which more signatures were needed, while fiscal policies or anything to do with the budget cannot be subject to such referenda.

The unions managed to push through an increase in the minimum wage, which at the time was a very important change. In 2009, they managed to mobilise around 30,000 people and gather almost 47,000 signatures for a petition to raise the minimum wage. At the same time, spontaneous strikes were occurring in large companies. The adoption of the increase in the minimum wage in 2009–2010 clearly shows an important aspect of the strength of the trade unions in Slovenia. Moreover, in the first period of the crisis the unions were very active in mobilising against the austerity and against all those policies not negotiated through the ESC or not agreed upon. The attempt at an exchange between the government and the unions – the rise in the minimum wage in exchange for the acceptance of the austerity and structural reforms – did not come true. The unions struggled against austerity measures and labour market flexibility. The unions were never truly excluded from the social concertation, but when the government wished to impose unilateral measures the unions managed to mobilise against them leading to successful referenda and the collapse of the social-democratic-led government (Stanojević, 2014: 2015).

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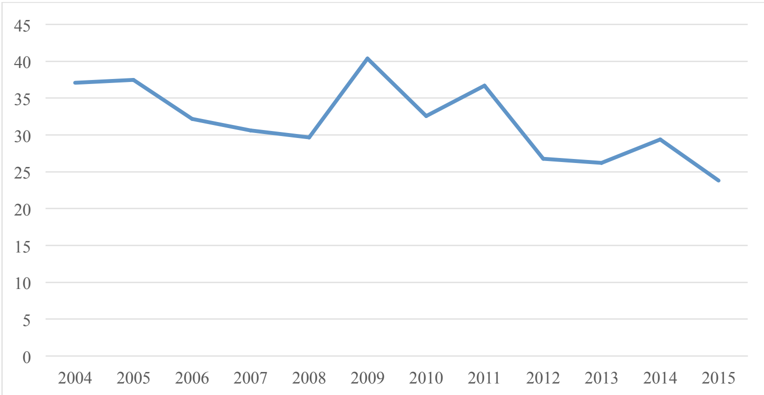
80 Stanojević and Kalarič (2013: 225) contended that "the decline in trade union membership did not enable the government to engage in unilateral decision-making at all. Despite the weakening of the trade unions' power, all attempts at replacing social dialogue structures with unilateral 'emergency' policies were basically unsuccessful. In all cases unilaterally enforced reforms induced political conflicts and culminated in referendums that showed that none of the planned structural reforms had succeeded in getting public support. The current crisis reveals that the government still needs the trade unions' support". Although to some extent this has certainly been the case, at best, the unions managed to cushion the austerity measures, not prevent them.

However, after 2012–2013 the unions accepted many other, slightly less radical, yet still liberalisation-focused reforms, or even played an important part in designing them. Their approach and position changed after the conservative government led by Janez Janša wanted to impose strict austerity measures with the FBA and the linear 15% pay cuts. Initially, they organised a large public sector strike, which was a strong sign of the mobilisation capacities of the unions in the public sector. Yet, after the strike they agreed to 8% pay cuts, while also supporting measures to increase labour market flexibility and the pension reform. In 2013, they agreed to a reform which indicated that the goal was to increase flexibility (liberalisation of dismissals) while also limiting some elements of non-standard employment. Still, as the ministry itself acknowledged, while the reform was successful in increasing flexibility, it did not limit precarious employment. It was quite a specific trade-off that unblocked the social dialogue on the national level (Kajzer, 2013; Stanojević and Poje, 2019; Stanojević et al., 2016).

The employers' associations began radicalising their activities in this crisis and recovery period. They managed to impose many of their interests regarding pay cuts and the introduction of the possibility of derogation. During the crisis, in order to reduce labour costs, employers decided to terminate collective agreements. Yet, after 2014 when the recovery had become stable, most of the terminated collective agreements were renewed (Stanojević and Poje, 2019: 552). Further, in 2013 the mandatory membership in the Chamber of Craft and Small Business was suspended and from then has been voluntary, leading to the radicalisation of the second very important employers' association, which demanded more flexibility and less centralisation. Although, it should be to noted, that the new leadership of GZS from 2017 onwards has been keener on social dialogue with the unions (Bembič, 2019: 344).

Figure 7.5 Union density rate (%), Slovenia, 2004–2015



Source: OECD/AIAS.

In 2015, the density rate was only just above 20%. The share of businesses with more than a 51% density rate had declined in manufacturing and in the public sector. However, the biggest decrease occurred in the retail sector, reaching only 17% (Stanojević and Poje, 2019: 552–553). To understand the importance of the mentioned changes, it must be emphasised that public sector unions have been much stronger with a much higher density rate. In 2003, the public sector union density rate was 69%, while in the public sector it was 45%. In 2015, the union density rate in the public sector fell to 42%, while in the public sector it plummeted to 13% (Stanojević et al., 2023: 994). The number of strikes decreased to just over 10 per year during and after the crisis (Žunec, 2019).[81]

Crucially, the drop in the coverage rate is not directly related to the decline in the density rate because the extension clauses have cushioned the decrease in the coverage rate (Stanojević and Poje, 2019: 553). On the other hand, the density rate of employers' associations has remained much larger

81 "The systematic fall in density is related to the shrinking mobilisation power of the unions, which has brought about substantive changes in collective agreements and even the conclusion of extra 'slim' agreements, /…/ There are also cases in which, after a collective agreement expires, a new one is not concluded because the employers are not interested" (Stanojević and Poje, 2019: 553).

than the union density rate: in 2008, it was almost 85%, in 2010 75%, and in 2016 around 72% (OECD/AIAS, 2021a).

Bembič and Simonazzi contended that when unions were faced with very clear internal and external pressures towards increased flexibility, they chose to try to limit the flexibility and increase the protection of those employed in non-standard types of employment (Bembič and Simonazzi, 2019: 238–239). Notably, since there were no agreements on wages or social pacts, accompanied by the decentralisation of collective bargaining on the sectoral level, with the rapid decrease in union density, this created conditions that have further led to labour market flexibility: "What is worse, this unwinding of industrial relations, coupled with a decrease in the trade union density rate, came at a time when the share of precarious employment arrangements grew precipitously" (Bembič, 2019: 340).

The very steep decline in union density and union membership makes it essential to stress that this has been contributing to the reduced "regulative capacity of the collective bargaining system in Slovenia. In other words, in the conditions of the union's falling bargaining power, the possibility of derogating from the favourability principle is tending to change into the ever-stronger practice of concession bargaining" (Stanojević and Poje, 2019: 559).

7.3 The recovery period and peculiar developments during the COVID-19 pandemic

The policies implemented in the late-crisis and post-crisis periods were the outcome of the social dialogue. The unions agreed to all of the reforms, while it was critical that they also supported the changes in the labour market and employment policy framework. The trade unions accepted the liberalisation of dismissals in exchange for certain limitations to precarious employment. There was a very important development in one of the most flexible types of employment: student work. Namely, this type of employment expanded and became particularly used in certain sectors after the early 2000s. However, in 2015, the social partners and the central student organisation managed to negotiate a change that led to a considerable reduction of flexibility by including this type of work in the social security system, while also determining the minimum compensation. This has been supported by the export-oriented sectors of the economy (Bembič and Simonazzi, 2019; Bembič, 2019). In 2017, a labour market reform gave more power to the inspectorate to regulate atypical contracts: "the labour inspectorate has been authorised to demand that 'clients' offer a permanent contract of employment to a bogus self-employed person if the elements of an employment relationship are present" (Bembič and Simonazzi, 2019: 232).[82]

An important shift or halt in these processes came in the period 2018–2020 when a new liberal minority government, supported by the party of the Left, introduced certain measures and policies that at least temporarily stopped the liberalisation and flexibilisation trajectory, or in some cases even overturned the previous policy trajectories. The most important development was the change in the minimum wage regulations. Namely, the marginal increases in the minimum wage during the recovery have been a serious problem. The Left and the unions wanted to have the employers agree to the rise of the minimum wage, yet with little success. Therefore, this was not implemented through the ESC, which also led to obstruction on the employers' side, but directly through the Parliament. The vital element of the new legislation is that all supplements to wages are excluded from the minimum wage. This caused a massive backlash on the employers' side, but did not lead to any sort of decline in the employment rate or increase in unemployment (see: Poje, 2019; Stanojević et al., 2023).

Since the early 2000s, especially during the crisis and afterwards, there has been a critical development concerning the regulation of non-standard forms of employment. That is, the unions have accepted the increased flexibility for those on permanent contracts while trying to increase the protection for those with non-standard types of employment contracts and rejecting the possibility of new types of non-standard forms of employment, and also trying to introduce some sort of protection for students who have been involved in precarious student work, while also arguing against agency work

82 In 2016, a small tax reform was implemented, which the trade unions did not support. There was a small increase in the corporate tax rate, yet it also entailed a lower income tax for the highest salaries, which benefited those most well-off. This drew the support of GZS and OZS. This led Bembič to claim that the crisis and recovery period have involved certain elements of dependent market economies. The recovery period, based on attracting FDI, tax reforms in favour of large companies, flexibilisation of the labour market, certainly has a few elements that suggest some important changes. However, Slovenia still has a progressive taxation, relatively high social expenditure and a higher collective bargaining coverage rate and an alive and functioning social dialogue (Bembič, 2019: 345).

as well as fake self-employment. The effects of this union strategy can also be seen in the fact that the EPL index for permanent employees fell from 4 to 1.99, while for temporary employees it rose from 1.3 to 2.1 in the period 2013–2014 (Bembič and Simonazzi, 2019: 228–229; Bembič, 2019).

The years before and during the pandemic were very dynamic and led to certain important changes. From 2018 until the start of the pandemic, a liberal minority government, supported by the party of the Left, introduced certain measures that halted and reversed the previous trends. Still, at the beginning of the pandemic, a conservative government again led by SDS and Janez Janša came to power. When nobody knew exactly what to expect from the conservative government, they implemented the exact opposite policies they had applied in the previous crisis, leading to a massive expansion of JRSs in Slovenia.

The new conservative government adopted numerous acts and legal provisions that formed the basis for the various JRSs. In Slovenia, three measures that have changed over time and through different acts during the pandemic are worth mentioning: partial subsidies for short-time work, reimbursement of wages for employees waiting for work and help for self-employed persons (various forms of basic income). All instruments were crucial for dealing with the possibility of a spike in unemployment.

For those temporarily waiting for work, compensation of 80% of the 2019 salary was set, while the average salary was defined as the upper limit and the minimum salary as the lower limit. This measure was subsequently changed; for a while, it was limited to a fixed EUR 892.50, and the limit was later reintroduced to 80% of the salary. For those not working full-time, partial subsidies for shorter full-time work were introduced as a typical STW scheme. The state covered a subsidy of up to 50% of working hours since the possibility of subsidising reduced working hours was possible for workers whose employer could not provide them with 5 hours of work per week, from 6–10 hours, from 11– 15 hours and 16–20 hours weekly. The maximum subsidy for a person on reduced working hours (for 16–20 hours) was EUR 448, before it was lowered by EUR 112 according to differences in the hours of reduced working hours. At the same time, a monthly basic income was additionally introduced several times for the self-employed, self-employed cultural workers and farmers (Poje, 2021; Breznik and Lužar, 2021; Breznik, Lužar and Perko, 2022). The self-employed were eligible for a monthly basic income and were also exempt from paying social and pension security contributions

(Poje, 2021).[83] However, while in Ireland the unions played a very important role in the design of the measures, and in Portugal they were at least formally close to the government, the developments in Slovenian were very different.

A special feature of Slovenia's dealing with the COVID-19 crisis in the labour market was that the social dialogue within the Economic and Social Council was extremely difficult because the unions were constantly expressing their dissatisfaction with the content and manner of policy- and decision-making, and with certain measures adopted later. At the same time, the direction of the new government in Slovenia, which very generously supported the preservation of employment, also went together with lowering taxes for the richest, an aspect that cannot be observed in Ireland and Portugal (Breznik and Lužar, 2021; Breznik, Lužar and Perko, 2022).

Employers were closely cooperating with the Ministry of the Economy during the pandemic, while the minister even established a specific strategic council for ensuring the competitiveness of the economy, as well as within the ESC. They were involved in many different levels of the policymaking processes, even though they admitted that these various councils had lowered the reach of the social dialogue. Moreover, the employers' associations were also very successful in amending the proposals formed on the level of the government, while also being closely related to the expert group created by the government and led by former minister Matej Lahovnik[84] (Representative of the State 1, Slovenia; Representative of the State 2, Slovenia).

On the other hand, the particular constellation was highly unfavourable for the cooperation of the unions within and outside of the ESC. The unions were initially consulted and their arguments were included in the first two pandemic legislation packages. Yet it soon became clear that the conservative government did not want or need input or help from the unions. It began to consult the unions less and less, the things that they agreed upon were later changed unilaterally or as part of the government's coordination with employers.[85] Even the

83 In 2020, the Slovenian state spent more than EUR 326 million on waiting for work, and around EUR 25 million on reduced working hours, while over 200,000 people were also included in one form of the unemployment prevention schemes (ZRSZ 2021: 38). In 2021, the state spent over EUR 350 million on various schemes to prevent layoffs and unemployment, in which more than 350,000 employees were involved (ZRSZ, 2022: 38–39).

84 Representative of Employers 2, Slovenia.

85 This was confirmed by the representative of employers who confessed that the "main complaint of the trade unions was that after the discussion at the ESC was concluded,

Ministry of Labour was much more in contact with employers than with the unions.[86] The situation worsened in the following months when the government showed that it wished to implement tax cuts for the richest. These tax cuts for the richest were something the employers had been striving towards for a long time.[87] Since Slovenia was to take over the presidency of the Council of the EU in the summer of 2021, the unions decided they did not want to support the government and decided to withdraw from the ESC in May 2021. This led to the paralysis of the social dialogue, but did not stop the government from pursuing its dual strategy: strong subsidies and tax cuts. The social dialogue and work of the ESC only resumed after a new left-liberal government was elected in the spring of 2022.

The pandemic period has led to very important developments, which reveal the very fragile role of the unions. Indeed, the policies implemented by the conservative neoliberal government were pro-social in the sense that the JRSs did manage to limit the rise in unemployment and after the pandemic Slovenia even recorded record low unemployment rates, although this had very little to do with the unions and their role. The unions were initially excluded or at least limited in their influence on the policymaking processes, while they later stepped out of the ECS in response to the government's policies. The government adopted these policies due to its political opportunism and calculations and because they were also in the interest of employers, while also implementing some more neoliberal policies (tax cuts for the richest).

7.4 Conclusion

The trajectory of Slovenian industrial relations shares some similarities with the Irish and Portuguese cases, yet it also provides many new aspects for analysis. Slovenia is certainly by far the most coordinated economy among the three examined, but EU accession and the crisis have triggered important

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they added some points that were not in the original text. And I have to agree with that. An example was the forced retirement, which we as employers supported, but I admit that it was added too late and tactlessly to PKP 7. If it had been introduced earlier, the result would probably have been the same, the trade unions would have opposed it, we supported it, and the Constitutional Court would equally disprove this matter as it did" (Representative of Employers 1, Slovenia).

86 Representative of the State 2, Slovenia.

87 Representative of Employers 1, Slovenia.

changes in both the industrial relations institutions and the labour market policies.

The 1990s were denoted by the establishing of a typical neo-corporatist structure with centralised national wage agreements in both private and public sectors. This was essential for sustaining the export-led growth model because the precondition of the government and employers was that the political exchange for establishing the tripartite body should be based on wages lagging behind productivity. This was important for the government in order to curb inflation and for the employers to sustain their export competitiveness. In this first decade, when union density was very high and the unions managed to mobilise workers in three large-scale strikes, some rights were gained while others were reduced. Notably, some important initial aspects of the workfare regime have been evident.

The EU accession, which coincided with political changes in Slovenia, led to considerable changes. Employers cancelled the national wage agreements in the private sector, which resulted in sectoral collective bargaining. Public sector employees during this time were placed together in a public sector wage system entailing high national levels of regulation. The attempts to introduce a flat-tax rate were prevented by the unions, albeit they agreed to greater labour market flexibility in the new labour law. Employers became more aggressive in their positioning following the end of obligatory membership and the need to compete for members (Stanojević, 2010).

The 2008 crisis brought new and important challenges. The unions initially managed to block the austerity measures by organising referenda, but soon found themselves accepting the FBA. The successive governments introduced workfare measures and pay cuts in the public sector. The most important change, the 2013 law, has allowed certain possibilities for derogation while also liberalising the dismissals of those under permanent contracts. On the other hand, the unions managed to increase the protection of those in non-standard types of employment. However, since the employers managed to find new ways to rely on precarious work – agency and self-employed – while the law has been pushing the permanent and temporary contracts closer together with the flexibilisation of permanent contracts and increasing the security of those on temporary contracts, it is clear that this reform has not led to an equivalent exchange between unions and employers. Further, when taken together, up until 2017–2018, "the entire trend gradually shifted the power balance in favour of the employers" (Stanojević and Poje, 2019: 549).

The recovery and pandemic periods were marked by a variety of mixed reforms, while certainly leading to important reductions in non-standard forms of employment. The increase in the minimum wage and exclusion of all supplements was a big victory for the unions. Still, this has largely depended on the specific political situation and growing importance of the Left due to the need for its support for the liberal minority government. The shift that came after 2018 thus had very little to do with the strength of the unions, but with the strength of the Left in a minority government setting and the problems of legitimacy for the liberal government. It was only in these specific circumstances that the unions managed to push through the increase in the minimum wage, despite their mobilisation strength and union density rates remaining low. However, during the pandemic this specific renewal of the ideational legitimacy of unions was suspended, while the unions even left the ESC, even though the government was still implementing pro-social policies, resembling a mix of neo-Keynesian labour market and neoliberal tax policies.

Stanojević et al. (2023: 979) therefore claim that there are two different periods in the development of Slovenian industrial relations: 1) the neo-corporatist phase from the early 1990s until 2004; and 2) from 2004 onwards, the liberalisation of the system of industrial relations. Although this is surely the case, specific changes also occurred since 2015 due to the positional strength of the Left. However, not even during the first, neo-corporatist phase, were the policy outcomes typical for a neo-corporatist system – they were all actually based on the competitive corporatist elements and the necessity to facilitate the export sector's interests and reducing inflation due to EU accession. As Stanojević, Kanjuo Mrčela and Breznik (2016: 292) concluded, during and after the crisis of 2008, "the formal structure of industrial relations in Slovenia did not undergo any major changes during the economic crisis. But within this formal structure, which has been exposed to small, incremental changes, there are clear signs of major changes in power relations as well as in the logic and quality of the industrial relations system".

8 Different growth models, institutions, and inequalities? A comparison of economic inequalities in Ireland, Portugal and Slovenia

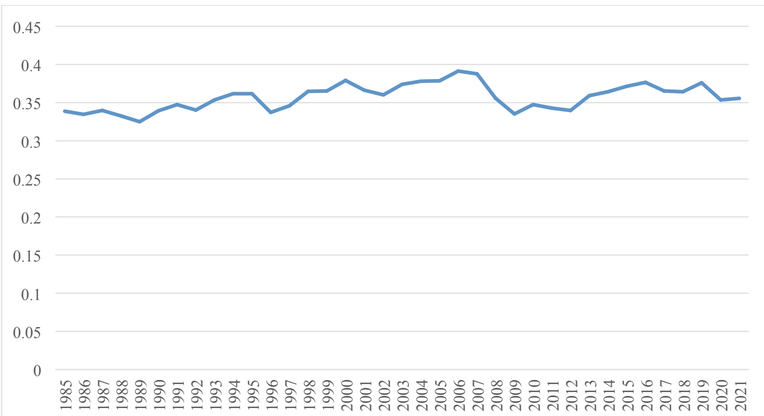
The growth models followed by the three countries along with their different industrial relations systems, including the changes within them, have also held important impacts for economic inequalities. The declining strength of the unions, the pressures of competitiveness, and the tax competition between countries in a setting of trying to sustain or alter their respective growth models towards export orientation and capital/investment friendly models within the framework of the neoliberalisation of their economies and industrial relations have also been responsible for important impacts on inequality in the countries. Moreover, since the period analysed was subjected to two major crises and strict austerity measures, it may be expected that at least some changes occurred over this longer period.

Accordingly, here we explore the policy outcomes of the industrial and labour market changes in the three countries in terms of economic inequality. We analyse income and wealth inequalities in the three countries to obtain a more in-depth understanding of developments in this area given that focusing solely on income inequality can often miss important developments in the area of wealth inequality. In addition, countries and societies that are very equal in terms of income inequality might easily be highly unequal when it comes to wealth inequality and wealth distribution. Besides analysing Gini coefficients of income and wealth inequality, we look at income and wealth shares of different deciles and broader social groups. All the data analysed below are from the World Inequality Database (WID) compiled by the World Inequality Lab developed by notable scholars of inequality in contemporary capitalist societies like Piketty, Saez, Zuchman and others.

8.1 A persisting high level of inequalities in Ireland

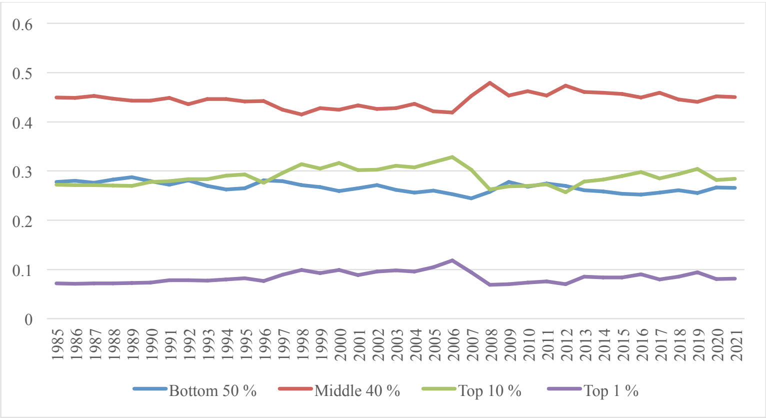
Economic inequalities and poverty have been common research topics with respect to Ireland. The country's reputation as a liberal market economy has seen the topic of income inequality being frequently addressed, especially as concerns the significant differences between the market Gini coefficient and disposable income Gini coefficient. However, the data for wealth inequality are also very revealing.

Figure 8.1 Post-tax disposable income inequality (Gini coefficient), Ireland, 1985–2021



The Gini coefficient of disposable income first decreased at the beginning of the social partnership process, reaching its lowest level (0.32) in 1989 before starting to rise. Prior to the dot-com crash, which had a considerable impact on the Irish economy, it was already above 0.38. After the dot-com crash, the income inequality of disposable income fell to 0.36 while in subsequent years it grew considerably. In 2007, the last year prior to the crisis, the Gini coefficient of disposable income was almost 0.39. When the 2008 crisis commenced, the Gini coefficient of disposable income initially declined. It fell in 2009 to below 0.34, which was out of step from the normal trend of the Celtic Tiger of a rising Gini coefficient. From 2009 until 2011, it stagnated around 0.34–0.33, and after then rose to almost 0.38. It is nevertheless important to note that during the pandemic the Gini coefficient of disposable income fell to 0.35, which was certainly in response to the very proactive and prosocial measures the government adopted.

Figure 8.2 Disposable income distribution, Ireland, 1985–2021



According to the WID database, important developments also occurred with respect to the income share distribution. The top 1% also managed to increase its income share, in 2006 reaching the highest levels of around 0.1. Since then, the figure has decreased slightly, although during the pandemic it reached 0.8. The income share of the top 10% grew in the period 1985–2007, in 2006 reaching the highest figures of around 0.33. During the 2008 crisis, the share declined importantly to between 0.26 and 0.27. Only during the recovery period did it rise again to reach values of around 0.3. The income share of the middle 40% was shrinking during the social partnership period, whereas after 2006 the share of the middle 40% rose to almost 0.48 before incrementally declining towards 0.45. The bottom 50% of the population has seen a decrease in their income share. While in 1985 it was 0.27, it was gradually decreasing until the 2008 crisis. Thereafter, the income share of the bottom 50% grew, but since the end of the Troika period it has been declining.

The wealth inequality data for Ireland are very important for grasping the levels of inequality in Ireland. The Gini coefficient of wealth inequality stands at a very high 0.88, having increased slightly since 1995. Notably, in the period

2013–2018 the Gini coefficient was significantly higher, and in 2014 it even reached values above 0.92, yet has declined ever since to levels just below 0.88.

Figure 8.3 Wealth inequality (Gini coefficient), Ireland, 1995–2021

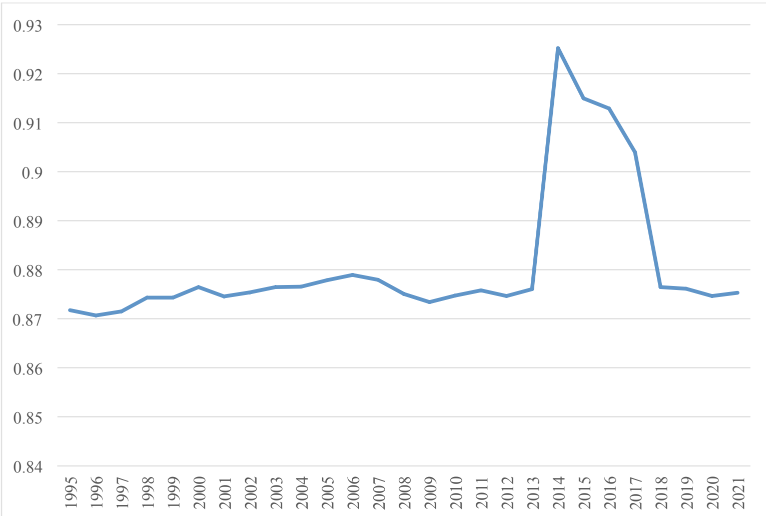
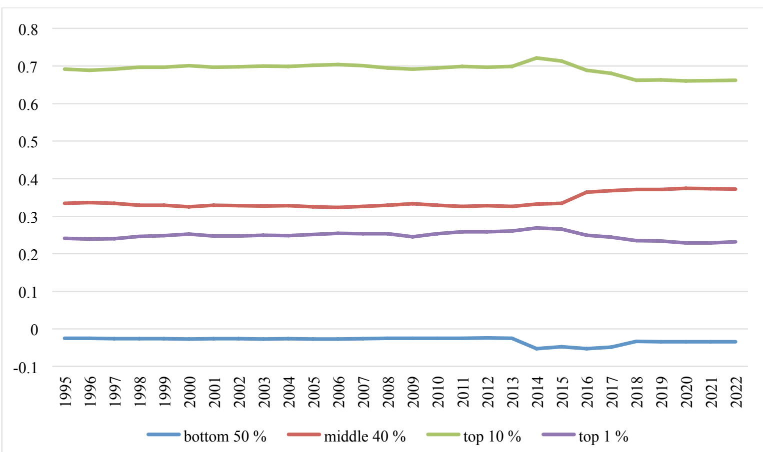


Figure 8.4 Wealth distribution, Ireland, 1995–2021



If we focus on the wealth share distribution in Ireland, it becomes apparent that large inequalities exist in Irish society. Between 1995 and 2021, the bottom 50% had a negative wealth share, which even shrank after 2013. The middle 40% has had a stable wealth share at around 0.33, whereas from 2015 onwards it began to steadily increase and stood at 0.37 in 2021. The top 10% saw its wealth share shrink in this period. Between 1995 and 2015, it was around 0.7, before increasing to 0.72, only to start falling slowly to 0.66 in 2021. The top 1% wealth share experienced increases and decreases from 1995 to 2021 yet, overall, it remained stable at around 0.23.

8.2 Portugal and a volatile picture of inequalities

Economic inequalities and the question of poverty with regard to Portugal have been broadly explored. As a mixed-market economy, Portugal has seen relatively high levels of inequality with the welfare state having limited reach, similar to the situation in Ireland. However, the trends prior to the 2008 crisis show that there was an important direction for reducing economic inequalities. The crisis of 2008 and the austerity measures have exacerbated the inequalities in Portuguese society while, even though the recovery period brought certain decreases, the levels are still higher than the pre-crisis ones.

The Gini coefficient of disposable income throughout the 1980s was above 0.4, while in the early 1990s it rose to 0.47. It then decreased slightly until the early 2000s. In the year 2000, it stood at 0.45 before later growing to almost 0.48. It is important to note that just before the 2008 crisis the Gini coefficient of disposable income fell slightly in Portugal to 0.44. From then on, it remained stable, hovering around 0.45–0.44. It was only after the PS minority government took over with the support of the Left Bloc and Communists that the Gini coefficient decreased to almost 0.41.

Figure 8.5 Disposable income inequality (Gini coefficient), Portugal, 1985–2021

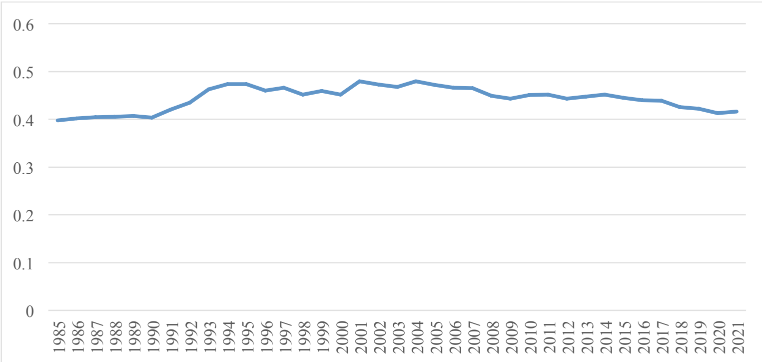
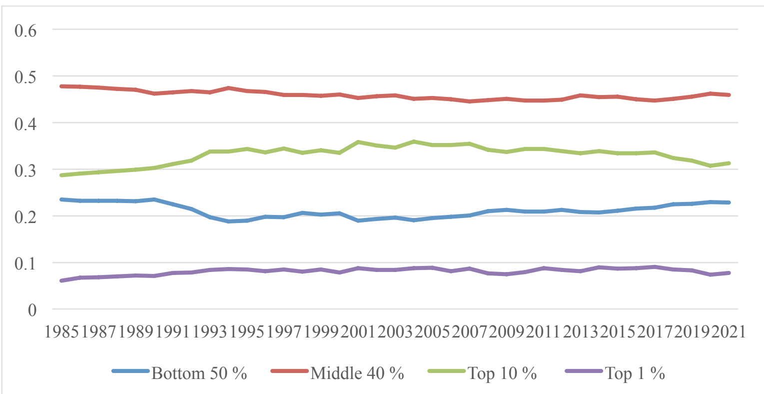


Figure 8.6 Disposable income distribution, Portugal, 1985–2021

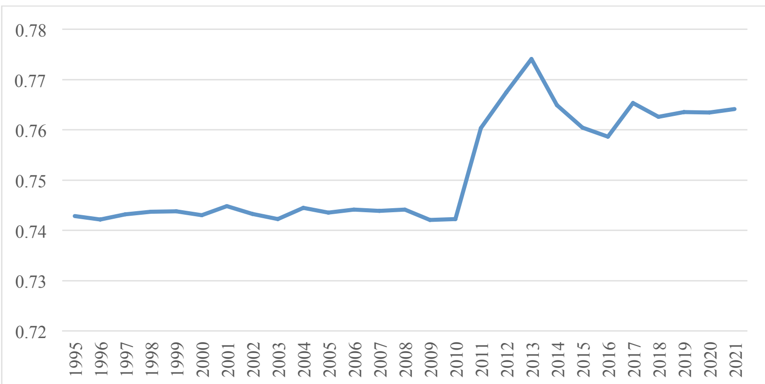


The personal income share of different groups changed importantly between the mid-1980s and the crisis of 2008. In this timeframe, the income shares of the top 10% and top 1% grew, especially the income share held by the top 10%. The income share of the top 1% increased over the years from 0.6 to 0.8 while the income share of the top 10% rose from 0.29 to 0.31, also recording values of 0.36 in the early 2000s. The income share of the bottom 50% of the population decreased from 1985 until 2015, particularly during the 1990s – from 0.23 to 0.2 or 0.19, and remained stable until 2016. Since

2016, small increases have been recorded in the income share held by the bottom 50% of the population.

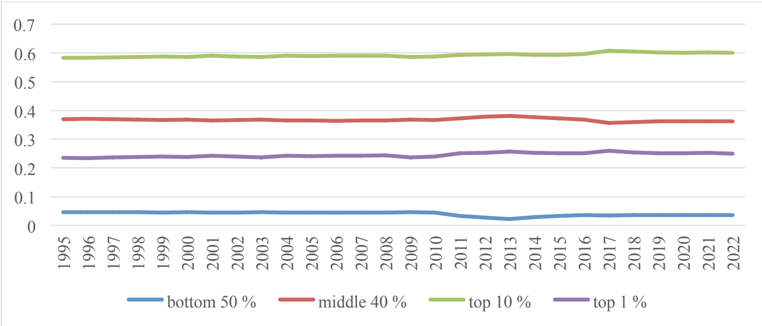
The data for wealth inequality in Portugal provides some interesting insights. First, the Gini coefficient of wealth inequality has been lower than that in Ireland, but still increased mostly during the 2008 crisis and period of the Troika regime in Portugal. From 1995 to 2010, the Gini coefficient was very stable, consistently ranging between 0.74 and 0.75. However, between 2010 and 2013 it grew dramatically from just over 0.74 to more than 0.77. After the Troika regime came to an end and the strict austerity measures were slowly eased, the Gini coefficient decreased slowly, but remains between 0.76 and 0.77.

Figure 8.7 Wealth inequality (Gini coefficient), Portugal, 1995–2021



Interestingly, the data on the wealth share distribution do not reveal the changes shown by the Gini coefficient. The bottom 50% lost a fraction of its wealth share from 1995 to 2022. Importantly, while it has been positive, it has never exceeded 0.1. The wealth share of the middle 40% declined slightly from 0.37 to 0.36 in the period 1995–2022. The top 10% saw a very small increase in their wealth share from 0.58 in 1995 to 0.6 in 2021. The top 1% also experienced a small increase in their wealth share – after 0.23 in 1995 it rose to 0.25 in 2021.

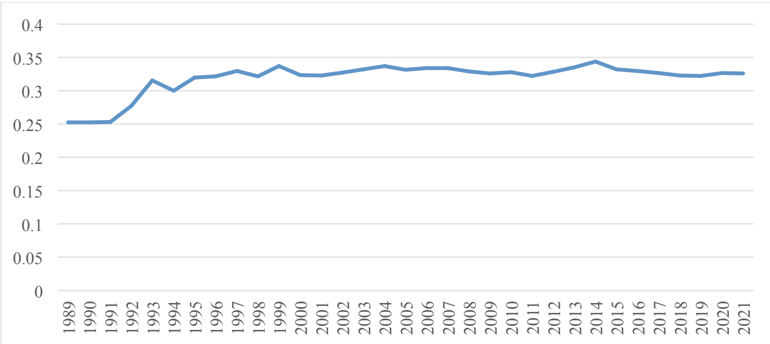
Figure 8.8 Wealth distribution, Portugal, 1995–2021



8.3 Slovenia and rising inequalities?

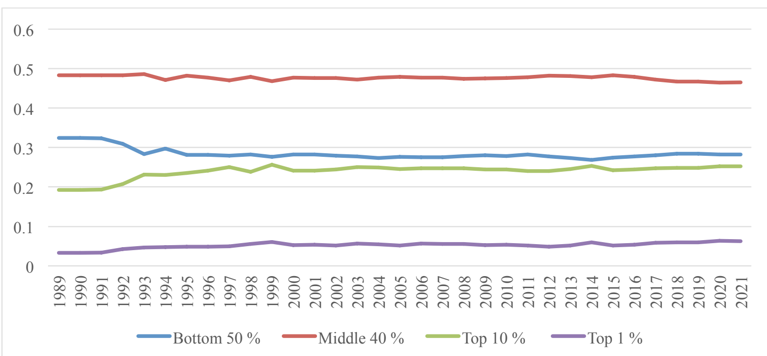
Slovenia has ranked as one of the most egalitarian countries in the world when it comes to the question of inequality. The Gini coefficient for disposable income is one of the lowest, whereas wealth inequality has also been quite low, albeit considerably higher than income inequality, as is usually the case. Nonetheless, certain important changes occurred during the transition period and the third-way politics as well as during the 2008 crisis and its aftermath. Inequalities – income and wealth – increased in different trends and time periods but, as will be shown, are still much lower than in Ireland or Portugal.

Figure 8.9 Disposable income inequality (Gini coefficient), Slovenia, 1991–2021



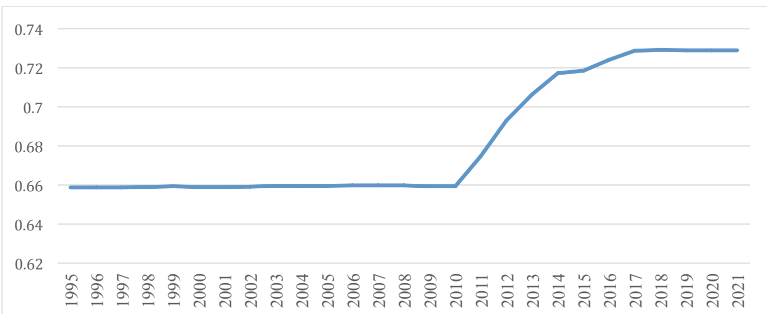
Slovenia has been considered one of the most egalitarian countries not just in Europe but around the world. The very low Gini coefficient for disposable income inequality confirms this hypothesis. In the early years of the transition period, the Gini coefficient rose, yet it still stayed below or just above 0.3. From the late 1990s until 2021, it remained relatively stable between 0.33 and 0.34. This means that joining the EU and the fiscal expansion did not trigger any significant changes. During the crisis period, no important economic inequality changes occurred. Namely, on one hand, Slovenia remains one of the most equal societies in terms of income inequality. While the Gini coefficient increased, it had returned to its pre-crisis levels by 2015.

Figure 8.10 Disposable income distribution, Slovenia, 1991–2021



If we consider the income share data, we also find support for the thesis that there was no radical rise in income inequality in Slovenia between 1990 and 2008. Still, it must be said that important processes were underway, which shows that despite the gradualist 'third way' embraced by Slovenia, some aspects of income distribution did happen. Thus, the bottom 50% of the population had a lower income share in 2008 than in 1990, while the middle 40% maintained its income share at around 0.48–0.49. On the other hand, the top 1% share grew slightly, with the biggest increase being recorded for the top 10% of those receiving the highest income. After the crisis broke out, some additional changes emerged. The income share of the bottom 50% of society fell just after the strictest austerity measures were introduced, whereas by 2019 it had been restored to the pre-crisis levels. The middle 40% has seen a decrease in their income share after 2015, although it has been marginal. The top 10% and top 1% of the population kept their income shares relatively stable during the post-2008 crisis period.

Figure 8.11 Wealth inequality (Gini coefficient), Slovenia, 1995–2021

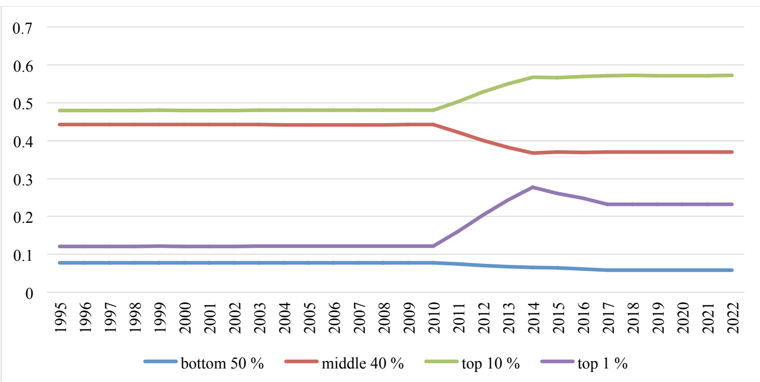


As may be seen in the two figures below, there have been very important changes in terms of wealth inequality in Slovenia. Figure 8.11 shows trends in the Gini coefficient of wealth inequality. From 1995 until 2010, the Gini coefficient of wealth inequality remained stable at 0.66, considerably below the values seen in Ireland or Portugal, and quite a low value generally. Still, after 2010 there has been an explosion of wealth inequality in Slovenia. Namely, the period between 2010 and 2017 – that is, the 2008 crisis and the recovery period, was marked by a considerable rise in the Gini coefficient for wealth inequality. While in 2010 it was 0.66, in 2011 it was already 0.67

and in 2012 0.68, before continuing to increase at this very quick pace. In 2013, it was 0.69 and in 2013 for the first time it reached 0.7. Only in 2014 when it reached almost 0.72 did this trend of a rising Gini coefficient slow down, whereas since 2017 the Gini coefficient has been stable at 0.73.

If we look at the wealth shares in Slovenia, we can also detect important changes after the crisis of 2008. Once again, the wealth shares held by the bottom 50%, middle 40%, top 10% and top 1% remained stable between 1995 and 2010. Yet, after 2010 there was a huge change in the wealth shares. The bottom 50% wealth share decreased slightly, but remains positive at around 0.05. The middle 40% has seen its wealth share fall from 0.44 in 2010 to 0.37–0.38 in 2014, a share that has since remained stable. The top 10% wealth share grew from 0.48, a very stable value between 1995 and 2010, to 0.57 in 2015. Critically, the biggest increase was observed in the wealth share of the top 1% of the population. Namely, in the period 1995–2010, the wealth share of the top 1% was stable at 0.12. However, after 2010 there was a massive and steep rise in the share of wealth held by the top 1%. In 2012, it was already 0.2, before continuing to increase in 2014 when the wealth share of the top 1% reached almost 0.28. Between 2014 and 2017, the wealth share held by the top 1% fell slightly but has since been stable at 0.23.

Figure 8.12 Wealth distribution, Slovenia, 1995–2021



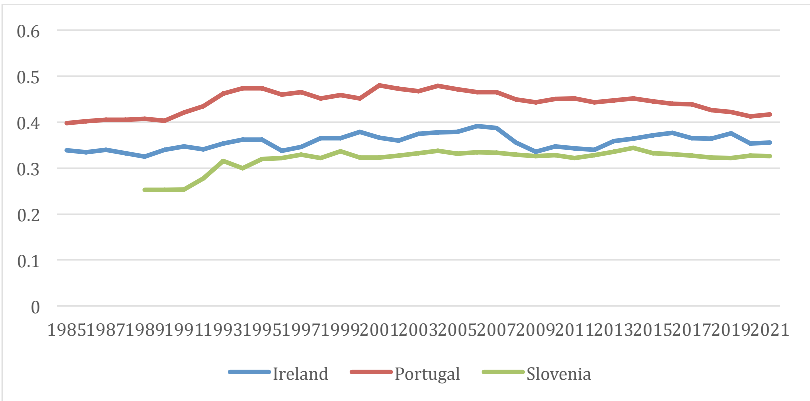
8.4 Conclusion

Nolan claimed back in 2003, when describing income inequality in Ireland during the social partnership period, that "income inequality has not uniformly and substantially increased during the boom: instead, the most important tendency has been for those towards the lower end of the income distribution to lag behind" (Nolan, 2003: 140). The initial fiscal adjustment in 2008 and 2009 also had a negative impact on the income of the top 1%, top 10% and top 20%. The progressive austerity along with the rising income taxes led to this phenomenon, while the middle 40% saw the biggest increase in their income share. This also led to a lower Gini coefficient generally. The wealth inequality trends were somewhat different. Again, the biggest increase was recorded for the middle 40% of the population, whose wealth share has grown, while the income shares of the bottom 50%, top 10% and top 1% have decreased slightly over the years. Crucially, the wealth Gini coefficient still stands at a very high rate exceeding 0.78.

The data for Portugal suggest a very important rise in income inequality during the 1990s and early 2000s. This is confirmed both by the disposable income Gini coefficient and the different shares of income held by various groups. The Gini coefficient increased to almost 0.49 and has been decreasing ever since 2006–2007. The income shares of the bottom 50% and middle 40% were decreasing from 1985 until 2015, when both groups managed to register a small recovery in their income share, while the top 10% and top 1% of the population saw an increase in their income share throughout the period analysed until 2015, while after that a stagnation or even a slight decrease is visible. The wealth inequality data reveal important changes in Portugal. The Gini coefficient was stable from 1995 until the 2008 crisis. During this crisis, it grew dramatically – from 0.74 to over 0.77, while later on it fell to between 0.76 and 0.77. The wealth share data imply a marginal increase in the wealth share of the top 10% and top 1%, while the bottom 50% and middle 40% groups experienced small decreases over that time.

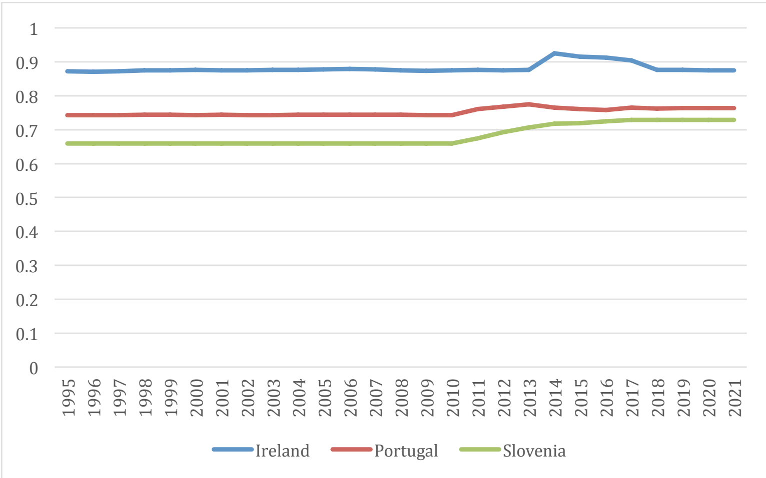
The Slovenian trajectory of economic inequalities is very telling in terms of why one should not solely focus on income inequality. Namely, Slovenia still maintains one of the lowest Gini coefficients for income inequality in the world. Although it was rising from the early 1990s onwards, it has been stable since the late 1990s. The income shares also show that no major change occurred in this area. Nevertheless, major changes can be seen in the wealth inequality data. The Gini coefficient of wealth inequality rose from 0.66 before the 2008 crisis to 0.73. This constituted a huge change, while the wealth share of the top 1% and top 10% also increased dramatically after the crisis. The wealth share held by the top 1% of the population grew from 0.11 to 0.28 in 2014, before later declining to 0.24, while the wealth share of the top 10% increased from 0.48 to 0.57.

Figure 8.13 Disposable income inequality (Gini coefficient), Ireland, Portugal and Slovenia, 1985–2021



Hence, clear differences among the three countries remain. Income inequality is easily the lowest in Slovenia and the highest in Portugal. In all three countries, it grew during the 1990s, while the 2008 crisis held a very interesting impact on income inequality. Due to the quite progressive manner of pay cuts and the austerity measures, the Gini coefficient either remained stable (Slovenia) or even dropped slightly (Ireland, Portugal). Critically, when compared with the late 1980s, the Gini coefficient was higher in 2021 than back then in all three countries, in turn indicating some longer trends.

Figure 8.14 Wealth inequality (Gini coefficient), Ireland, Portugal and Slovenia, 1995–2021



The situation regarding wealth inequality is different. Namely, levels of wealth inequality have grown in all three countries. Still, the country which has certainly been the most coordinated economy among the three examined experienced the biggest rise in wealth inequality in the period under study. While this is not expected, the levels of wealth inequality are certainly still nowhere near the situation found in Ireland, although Slovenia has almost caught up with Portugal in this field.

9 The converging and diverging paths taken by the three countries

The three countries being analysed reveal considerable diversity in their distinct growth models, institutions and labour market policies. From the mid/late 1980s until the COVID-19 pandemic, there were many different paths, changes, breaks and continuities in these countries, whereas the heterogeneity of industrial relations institutions was growing. Nevertheless, as we noted numerous times in the case studies, important similarities emerged in the direction of the changes to the industrial relations institutions, especially the outcomes these different institutional designs have produced.

9.1 Growth model variety

Between the late 1980s and turn of the millennium, while the three countries were pursuing different strategies for their growth models, some similar developments and similar aims of political and economic elites also existed.

Ireland has followed a specific FDI-based growth model where the government was playing a vital role at least until the dot-com bubble burst. The government was crucial for providing favourable conditions for the mostly US-based high-tech manufacturing and service MNCs to come to Ireland to invest. These were companies that needed a skilled labour force with good knowledge of English. The latter was an obvious choice due to the good education and skilled labour that were the outcome of a decades-long policy of opening up universities and investing in education. Ireland was made a key focal point for US companies after the EU Single Market was created, while the Irish state has never really built a strong welfare state.

Portugal has been subjected to a multitude of contradictory developments ever since the early 1980s. From the deep slump through entering the EEC until the crisis of 2008, successive Portuguese governments experienced many booms and busts, while pursuing a completely private consumption-led growth model. The project of nationalisation ended with entry to the EEC/EU and the privatisation of banks also enabled the emergence of strong financial groups. Of note, the reprivatisation was not followed by the retrenchment of the welfare state, which kept maintaining the levels of social spending from the revolutionary period. Compared to Ireland, Portugal did not have such a clear economic policy direction, albeit it did attempt – and at various times also succeeded – to attract FDI. Still, Portugal has never been an export-oriented country, although attempts were made to alter this.

While Slovenia, the youngest nation state among the three examined, managed to escape the bloody wars after the collapse of socialist Yugoslavia, it also experienced a recession and economic difficulties, which by the mid-1990s had stabilised. The problematic inflation was lowered at the same time as the high economic growth rate was bringing development. The development of Slovenian politics and the economy was shaped by a coalition of government officials, managers and workers, including to prevent the entry of foreign MNCs and slow down the influx of FDI, while maintaining and deepening the economy's export orientation.

Ireland has attracted incredible levels of inward FDI that no doubt are even higher given the transfer pricing and tax optimisation engaged in by US MNCs. Yet, since the late 1990s inward FDI has on several occasions reached over 20% of GDP, while generally being constantly above 10% of GDP annually. Portugal and Slovenia have only managed to attract fractions of such FDI, typically just over 1% of their GDP, noting that Portugal still receives higher levels of FDI than Slovenia.

The turn of the millennium saw all three countries face significant problems while leading to converging developments. The Irish Celtic Tiger first experienced difficulties following the burst dot-com bubble. Even though growth resumed from 2003 until 2007, it was based on financialisation of the economy, and the creation of a property and real-estate bubble that could not be sustained for any longer period.

Portugal has experienced a prolonged stagnation after the decision to expand the EU eastwards and due to the rise of China. Since its manufacturing was based on low complexity, it lost considerable FDI following the transfer of such investment to the East. Crucially, in the mid-1990s the Portuguese economy also became highly financialised, while private debt grew exponentially and most investment went into real estate and construction.

Unlike Portugal and Ireland, Slovenia did not experience any serious economic hardship just before or after its accession to the EU. Nonetheless, the cheap money due to having joined the EU and the eurozone fuelled growing indebtedness in the economy. The cheap money from abroad was used for property speculation and the project of creating a domestic capitalist class through buyouts with the help of loans. This financialisation of the economy is strongly correlated with EU accession and the adoption of the euro as the national currency.[88]

After the 2008 crisis, once again a very distinct developmental path emerged in each country. Ireland soon returned to its pre-financialisation path whereby large inflows of FDI and exports acted as fundamental drivers of the economy. An important change occurred because the new FDI was based on services rather than manufacturing, while with its tax policy the government kept playing a strong role in attracting considerable amounts of FDI, especially from US-based tech giants. The slump faced by Portugal was very deep and long-lasting. Growth rates only returned after 2015, with the country's development and growth since then still being based on private consumption accompanied by an increase in the importance of service exports, notably the tourist sector. Thus, although statistically speaking Portugal has also almost become a net exporter, this export is radically different from the Irish or Slovenian forms. Slovenia resumed and even strengthened its export orientation during the post-crisis period. Even though domestic consumption played a key part between 2009 and 2011, exports have since played a vital role in the country's GDP growth.

These differences are important for understanding developments in the industrial relations institutions in the three countries along with the labour market policies they have put in place. Namely, each country wanted to either strengthen their growth model, sustain the existing one or change it. To that end, they all resorted to making changes in their industrial relations systems and labour market policies.

88 Certainly, the scope and level of the growing private debt have been very different in the three countries. Household debt increased in all three countries, yet the level of Slovenian household indebtedness as a % of disposable income has remained well below the levels of Irish or Portuguese households.

9.2 Institutional change and labour market policies

In the countries under study, three very different approaches and institutional changes are apparent that in different periods produced different policy outcomes. What may be observed in each case is the specific character of the three pathways towards quite similar goals – securing industrial peace and wage moderation. This has been the intent of the respective governments in the countries in various periods. Moreover, the 2008 crisis, the recovery period and the COVID-19 pandemic have held a range of influences on these institutions. Crucially, all three countries today have much more liberalised and decentralised institutions and institutional coordination than during the 1980s and 1990s. Yet, the pathways taken to achieve this have varied.

The establishment of the social partnership process in Ireland led to wage bargaining centralisation and coordination between the ICTU and IBEC, while the government, particularly the prime minister's cabinet, played a key role in facilitating these processes and 3-year wage agreements. The reason for creating this competitive corporatist-like structure was the need to secure industrial peace in the 1980s so as to be able to introduce the specific FDI-export-led growth model, one based on considerable FDI from the US high-tech sector. The unions traded their mobilisation capacity for access to policymaking. The government supported the concessions and exchanges between employers and employees by introducing tax cuts and thereby cushioning the wage moderation, which was a cornerstone of these agreements. Despite the introduction of the statutory minimum wage, the social partnership did not lead to counter-flexibility measures but was instead aimed at securing labour market flexibility and introducing more ALMP policies. Ireland thus combined wage centralisation with labour market flexibility. Due to the shortage of labour and the rising employment rate, the IBEC, while initially reluctant, was more than satisfied with the social partnership because with very little opposition it managed to control the rise of wages.

Yet, as soon as the crisis of 2008 exploded the voluntarist and opportunistic social partnership process collapsed. The government decided to unilaterally introduce drastic cuts and austerity measures even before the Troika was called in, while the IBEC did not need the unions for wage moderation since it faced a situation of growing unemployment, which was a huge turnaround following almost two decades of falling unemployment and rising employment rates. The crisis therefore provided structural pressure that led to the abolition of the social partnership process, which never was reinstated. Unions in the public sector accepted the two agreements during the crisis, which led to very painful austerity measures to retain some sort of connections and access to policymaking. On the other hand, collective bargaining in the private sector was completely decentralised, although some sort of pattern bargaining emerged. The wage cuts, ALMPs and workfare regime together with the tightening of the reach of the welfare state were a direct result of the crisis management and the collapse of the social partnership, all with the agreement of the unions.

After 2015, a specific new institution was nevertheless established, again on a completely voluntary basis, to bring employers and unions together. The LEEF was seen as an opportunity to re-establish some sort of institutional coordination, but without wage bargaining. The LEEF has since grown in importance, even though its formal capacities and institutional prerogatives have not changed. The rising importance of the LEEF was especially noticeable during the COVID-19 pandemic when all the critical measures – from JRSs to health and safety measures at work, were actually discussed, negotiated and proposed in that forum. Crucially, during the pandemic the public sector unions signed an agreement that has led to wage increases throughout the sector.

Portugal has been a case of complex relations between employers and unions. Namely, the establishment of CPSC in 1984 was, like the social partnership, the outcome of the strong trade unions, large strikes and industrial conflict at the time of the two IMF bailout programmes and EEC structural pressures during the accession. However, the case of Portugal is peculiar because CGTP never truly accepted the social concertation institutional design and even less supported the policies and pacts negotiated there, while UGT has been a vital part of the tripartite concertation and wage moderation as a key element of this process. The attempts to introduce labour market flexibility were halted in the first decade by strong unions that were able to secure strong dismissal regulations, but which traded that for the acceptance of temporary work and in turn a strongly dualised labour market. Yet, the pressures of competitiveness and the constant trade deficits, along with the suggestions made by the EU/EC to introduce greater flexibility, even before the 2008 crisis led to the adopting of derogation principles and ended the favourability principles, while also limiting the extension of collective agreements.

The outbreak of the crisis again pushed the institutional design even further towards greater liberalisation. This was the case already with the 2009 legislation change, whereas during the Troika period the changes in the direction of derogation, blocking the extension of collective agreements, and importantly making the negotiation of new ones harder moved even closer to the forefront. These were also accompanied by the introduction of increased labour market flexibility, ALMPs and important austerity measures, leading to considerable changes in the institutions' functioning. Collective bargaining processes were generally blocked. Even though CPSC had very little to do with the measures adopted, UGT signed all of the agreements, albeit it also organised strikes against the measures. Notably, the crisis did not lead to the collapse of CPSC, but to changes in the policies and other institutional elements of the industrial relations in Portugal. While the recovery period did lead to the revival of CPSC and collective bargaining, and to the important abolition and conversion of the measures in the crisis of 2008, not all rights or all regulations were reintroduced.

The pandemic was accompanied in Portugal by a particular set of policies more centrally adopted on the level of the government, yet qualitatively completely different from the measures and policies relied on in the 2008 crisis. Although the social partners also managed to sign a new agreement, the late period of COVID-19 was also accompanied by strong trade union activity in response to the measures and prolonged wage growth stagnation in the public sector due to the previous crisis.

The Slovenian system of industrial relations has been centred around the ESC created in 1994 following considerable pressure from the unions and the need of the government and employers to curtail wage growth. The government wanted to reduce the inflationary pressures and inflation rates still present after the secession from Yugoslavia, while employers wished to do so given the strong export orientation of the economy. Securing access to the policymaking process was also accompanied by the complete centralisation of the wage bargaining processes, which has led to a very high degree of coordination in both the public and private sectors. However, EU accession and preparations to join the eurozone caused notable important changes when employers undermined the centralised wage bargaining in the private sector and since then only sectoral bargaining has occurred. In this period, the first labour market flexibility measures were implemented and the first workfare elements also started to appear.

The crisis of 2008 was responsible for important changes in Slovenia. The institutional setting remained unchanged, the ESC was not abolished, yet the outcomes produced within the ESC and unilaterally by the government led to further liberalisation. There was no crisis like in Portugal concerning the extension of collective agreements and while the new legislation did allow the previously unavailable possibility of opening clauses and derogations, strict austerity measures, pay cuts and strong workfare regimes were implemented. Slovenia was never placed under the Troika's surveillance, but acted as if it had been. In the recovery period, certain important policies were implemented, such as altering the way the minimum wage was calculated, and the specific trade-off between the increased liberalisation of permanent employment and greater protection of temporary employment. The change in 2018 concerning how the minimum wage was calculated caused employers to block the ESC, albeit some aspects of the legislation that introduced the possibilities of derogation were not altered.

The COVID-19 pandemic period brought important changes. Namely, while in Ireland the LEEF and the unions played an important role and in Portugal were at least supportive of the government's decisions and policies, Slovenian trade unions were alienated from policymaking processes by the government and subsequently even blocked the functioning of the ESC. Employers have enjoyed privileged access and influence in policymaking and policy contents. Still, this sidelining of the unions by the conservative government did not lead to austerity but to very generous JRSs and other mechanisms to support employment.

Accordingly, important changes in the three countries may be observed. Regarding the direction of changes in the industrial relations and labour market policies, there is no doubt that the initial period of establishing the tripartite bodies in these countries was either from the start aimed at supporting neoliberal policies and preserving or introducing more labour market flexibility or was succeeded by institutional policy outcome changes that led to incremental liberalisation and greater labour market flexibility. The crisis of 2008 was an important catalyst of changes, yet important cracks began appearing in Portugal and Slovenia even before the crisis following increased global competition and EU structural pressures. The COVID-19 pandemic has, in comparison, led to very different institutional situations with very similar policies and policy outcomes – strong JRSs and the protection of employment.

The case of Ireland is dissimilar to the Portuguese and Slovenian in that it organised a neocorporatist-like process to support the neoliberal economic development, whereas Portugal and Slovenia have attempted to liberalise the existing institutions in order to facilitate the neoliberal economic policies. The Irish case demonstrates a unique pathway to liberalisation via the centralisation of wage bargaining in the initial stage, later followed by deregulation through abolition of the institutional setting. The Portuguese and Slovenian cases show the pathways to liberalisation through derogation and decentralisation within structural pressures and crisis settings without abolishing the existing institutions.

The developments in the years prior to and during the pandemic certainly brought these processes to a halt, but they have not led to structural changes in the three countries. Today, we can no longer speak of such a clear trend towards liberalisation because important policies and measures have been implemented in each country to stop these processes. However, the industrial relations system remains much more liberalised in all three countries than it was in the mid-1980s (Ireland, Portugal) or early 1990s (Slovenia).

9.3 The changing role of unions and employers

In the context of the long-term changes in their industrial relations, the three countries share a key feature. The relationship between the trade unions and employers' associations has changed, with unions becoming less powerful and employers being much more eager and powerful to assert their policy choices.

The trade unions have lost considerable power in the three countries over the last 30 or 40 years. There has been a massive decline in trade union density in each country. Further, all of the countries have much stronger public sector trade unions, whereas union density has been much lower in the private sector.

The Irish ICTU was keen to enter into the social partnership process. It accepted the trade-off with the government and employers regarding wage moderation and tax cuts, which were the only way to gain the support of certain trade union members for the social agreements. However, the ICTU and unions were unable to prevent the specific growth model that relies on US MNCs in the high-tech sector for new employment. These new companies were or have not typically been union-friendly and hence the unions were hardly able to generate new union membership or establish union representation in different companies despite the important rise in the employment rate compared to the late 1980s. The public sector part of the union movement was still able to generate some sort of support and mobilisation, but nothing similar can be seen in the private sector. Crucially, with the effective decentralisation and deregulation of the wage agreements the ICTU lost even more power relative to its membership in the private sector. On the other hand, it was exactly the public sector unions which accepted the Croke Park and the Haddington Road Agreements aimed at reducing labour costs and imposing austerity measures. Moreover, the unions' capacity to generate any sort of backlash has been minor as the data on industrial conflict suggest. Amid the harshest austerity measures, there were barely any strikes. Within this framework, the position of the unions, given the establishment of the LEEF, albeit once again a completely voluntary institution, has changed in the last few years and also led to at least some political access. Still, this primarily had to do with the interests and changed class consciousness of employers rather than their strengths.

Employers have been extremely strong in Ireland. The labour share has declined considerably, they have managed to sustain the low tax regime established decades ago to foster the FDI-led growth model. They have also become institutionally stronger after the employer organisations' density rate increased. Yet, following the collapse of the social partnership processes they have functioned more as a lobby group than a social partner. It is nonetheless important to note that employers also supported the creation of the LEEF and today support the rise of taxes and individual rights, without in any way wishing the return of centralised wage bargaining.

The situation in Portugal has been very ambivalent. Besides the clear and constant decline in union density, one must consider the tradition of strong unions in the aftermath of the Carnation Revolution. The unions were extremely strong in the late 1970s and early 1980s, with a high density rate and huge mobilisation capacity. Only the establishment of CPCS, which gave political access to the unions after large nationwide strike waves in the early 1980s, led to the pacification of the union movement. Still, the strategies of CGTP and UGT have been completely different. UGT has accepted the role of a social partner, signing all of the tripartite agreements, while CGTP has maintained its more class-oriented position. It even initially declined to cooperate within CPCS, but later accepted it, yet without signing the tripartite agreements. The 2008 crisis played a considerable role in the union movement because, despite the already very low density rates, CGTP and UGT managed to mobilise against the austerity measures in three joint general strikes. However, UGT always signed the collective agreements, leading to acceptance of the positions held by the government and the Troika. During the pandemic, while the unions were consulted in the policymaking processes, their influence was relatively minor since most of the big decisions were adopted on the government level. Nevertheless, they have continually supported the government's policies.

The position of employers evolved during this time, becoming able to impose temporary employment if not greater liberalisation in dismissals than during the 1980s and 1990s. Vitally, their positions overlapped with those of successive governments in the early 2000s until 2015–2016. The initial liberalisation in 2003 followed by the legislative changes during the crisis period brought employers very close to the positions held by the government. They supported the austerity measures during the crisis yet wanted greater support for keeping business afloat. The internal devaluation policy was challenged only by CCP, while CIP has most openly supported the austerity and the Troika regime. At the time of the pandemic, they were working together with the government, while maintaining specific channels and relations with the Ministry of the Economy regardless of the government in power. Notably, their policy preferences seem to have prevailed, especially due to the power held by the Ministry of the Economy in the government and their back and front door channels to the policymaking process.

In Slovenia, the situation concerning the power relations between the unions and employers has been slightly different. The union density rate was above 40% up until the country joined the EU, and even before the crisis it was still above 30%. The initial strength of the unions and their power to reject the wage freeze policy granted them a seat at the policymaking table. They also managed to prevent the pension system reform in the late 1990s, while also blocking the intention to introduce a flat-tax rate in 2005. Successful implementation of an increase in the minimum wage and the referenda in 2011 did not lead to any significant mobilisation of the union nor a rise in union density. However, even in 2007, they agreed on a legislative change that established greater labour market flexibility, while after 2011 their position and strategies have led to very different policy outcomes. They accepted the adoption of legislation containing opening clauses and derogation possibilities, and also accepted some forms of more flexibility in dismissals while not preventing the rise of bogus self-employment or agency work. Crucially, while the public sector unions accepted the austerity measures, they organised strikes against the initial harsher options. Thus, to preserve the ECS and their position within it, they agreed to fiscal consolidation measures. During the recovery period, especially from 2018 to 2020, their strength grew, although this was largely due to the position held by the Left as a supporter of the minority government. The pandemic period (2020–2022) saw an important change – while the government adopted pro-social policies, this was not because of the unions. When the unions saw they would be unable to block the unilateral decisions and neoliberal policies (tax cuts for the richest and other problems regarding public media), they stepped away from the ESC and only returned after a new government had been sworn in. Further, in this period there was considerable fragmentation of the unions and union confederations, while the scope and perspective of union leaders became much narrower.

Employers have become much more radical over the last two decades. In the period 2005–2006, when the obligatory membership in GZS was done away with, the employers' side was only pushing for greater labour market flexibility. They were very successful in achieving a reduction of corporate tax, while also being very keen on the austerity measures. Critically, their focus shifted from a social partnership approach ever more towards lobbying, especially through different committees and backdoor channels.

Thus, following Hyman's typology (2001), except for CGTP, all other union confederations in the three countries have pursued a limited economism approach – standing only for the aims and objectives of their narrow membership – or a social partnership position whereby they pushed for concessions. Within this framework, one can understand how employers managed to push through policies and legislative changes, even institutional changes, in each country. Still, this success of employers was also related to the particular political developments and changes in ideological and policy preferences of parties and governing coalitions over this longer period.

9.4 The changing role of politics and the state in regulating industrial relations and the labour market

The political aspect of the transformation has also been very important in all three countries. Namely, the decreasing organisational and mobilisation capacities of the trade unions, and the employers' interests and their organisational and lobbying capabilities were not enough for the liberalisation of industrial relations institutions nor for labour market flexibility measures to be implemented. The political aspect has been noteworthy in these processes while it also reveals certain common threads and trends in the countries over the last 40 years.

In Ireland, the social partnership process was established during a minority government led by Fianna Fáil while other successive governments led by Fianna Fáil or Fine Gael also supported the social partnership and the specific character of the concessions, wage moderation and low taxes. The clear variety of parties that have collaborated with them – the Progressive Democrats, Labour Party, Green Party or the Democratic Left have in different periods been in a coalition with Fianna Fáil or Fine Gael – supported these measures. Vitally, during the 2008 crisis a cross-party ideological coalition based on self-imposing austerity was formed, and different Fianna Fáil and Fine Gael governments imposed strict austerity. The Fine Gael government which introduced severe cuts was crucially supported by the Labour Party as a coalition partner. It is thus been clear that Fianna Fáil and Fine Gael agreed on the basic elements of Ireland's economic development and institutional design. A consequence of the 2008 crisis and the austerity measures has been the decline of support for Fianna Fáil and Fine Gael and their inability to form one-party or coalition governments with other minor parties. A very important shift occurred in the union movement when in 2018 the largest union, the SIPTU, which used to be an affiliate of the Labour Party, after that party's collaboration with the austerity governments during the crisis, formally ended its relationship with it (Maccarrone and Erne, 2023).

From 2016 onwards, neither Fianna Fáil nor Fine Gael could form governmental coalitions or minority governments without the support of the other party. However, exactly at this time support for Sinn Féin grew importantly in Ireland, again shifting the political spectrum more to the centre and imposing important social and economic questions on the political agenda. This rise of Sinn Féin is another major reason for certain pro-social policies and the government's collaboration in the LEEF process.

The establishment of CPCS was an outcome of the strong labour movement and the joint efforts of PS and PSD in the form of *Bloco Central*. Yet, as was seen later, this was not a move toward greater power for the unions but chiefly a strategic move to obtain some sort of approval from the unions for different austerity policies and privatisations. The Portuguese political spectrum shifted to the centre and right from the early 1980s onwards, particularly after PS adopted Third Way politics. This is best seen in its workfare and flexibility push in the years prior to the 2008 crisis, but also before it when it did not oppose privatisations or even supported privatisation programmes. The PSD-led governments formed with other conservative parties have followed very typical workfare, pro-market and antisocial policies. In the new millennium, both major parties have been devoted to the pursuit of labour market flexibility and the liberalisation of certain institutions of industrial relations. The biggest challenge, as then understood by the two major parties (PSD and PS) was the 'too rigid' labour market. The reforms adopted since 2003 clearly show a very similar ideological stance of various governments led in different periods by either PSD or PS. Crucially, PS also collaborated on adoption of the MoU with the Troika and implemented several austerity measures even before signing the MoU, while PSD even radicalised the austerity measures demanded by the Troika. A key change in Portuguese politics was the 2015 election and the rise of more traditional left parties: the Left Bloc and the Communists. PS established a minority government supported by BE, PCP and the Green Party to form *Geringonca*. The left parties have been important for halting any further liberalisation in Portugal because, at least temporarily, it has shifted PS further to the left again.

A very similar tendency is also observable in Slovenia. Namely, throughout the 30 years of its independence, left-liberal parties have held power for over 20 years. However, these governments have, together with the three conservative governments led by Janez Janša, all been quite keen on implementing greater labour market flexibility, the workfare regime and the liberalisation of industrial relations institutions. Already the LDS-led governments implemented strict wage moderation in exchange for establishing the ESC, while also attempting to carry out a very neoliberal pension reform. Of note, by the late 1990s the social democrats had become active supporters of Blair-style Third Way politics, while advocating strong activation and workfare principles from the late 1990s and early 2000s onwards. The situation after the elections in 2004 was that the conservative coalition was embracing a full neoliberal political programme and openly supporting the employers' side. Following the 2008 crisis, political instability has been visible in Slovenia with new liberal parties emerging and seeking to consolidate against the conservative SDS, while usually only being able to form a single coalition government and then being unable to enter the Parliament again at the next elections or able to win only a fraction of seats. It is notable that the different governments led by either the Social Democrats, the Conservatives or various liberal parties have all embraced a very similar approach and been devoted to introducing more labour market flexibility and giving greater power to employers' through legislative changes while being firm supporters of the austerity measures. Only after 2018, when the liberal parties formed a minority government with support of the Left, did certain larger changes begin appearing in the government's policy orientation.

Therefore, what is clear in the three cases is the activation of governments following a strong labour backlash to establish corporatist institutions in order to be able to obtain the consent of the unions for softer or harder neoliberal austerity measures and especially to have the unions accept wage moderation, despite in all three countries this having been one of the reasons for the mentioned backlash. In Ireland, the social partnership outright supported the neoliberal austerity and the FDI and low tax regime throughout the period of its existence. In Portugal, the new tripartite body was used to protect those under permanent contracts and introduce temporary employment accompanied by wage moderation, while later on it was used to 'negotiate' or merely confirm the unilateral decisions taken by successive governments to introduce liberalisation. In Slovenia, the strong union backlash was accompanied by a wage moderation project featuring considerable coordination and specific concessions on behalf of both the unions and the government. Hence, in all three cases the liberalisation of industrial relations institutions and the institutional framework has been a shared, cross-party and cross-ideological endeavour. Notably, in each country there has been a partial reversal or halting of these processes when a strong left alternative emerged (Ireland), or more traditional left parties supported minority governments or were collaborating as coalition partners within governments (Portugal and Slovenia).[89]

9.5 Comparison of the different crisis responses

One important and interesting trend may be observed in all three countries. Namely, during the two crises – the crisis of 2008 and the COVID-19 pandemic – the three countries adopted radically opposite policies and measures. The crisis of 2008 was followed by strict fiscal consolidation, austerity measures and pressures to introduce more liberalisation in industrial relations systems and greater flexibility in the labour market. Ireland and Portugal were even put under the supervision of the Troika in exchange for a bailout from the EU and IMF and needed to comply with the strict austerity measures. Although Slovenia was never put under the supervision of the Troika, it followed similar policy recipes. This resulted in the decentralisation of industrial relations, the rise of non-standard types of employment, and massive growth in unemployment rates in the three countries.

Contrary to these developments, during the COVID-19 pandemic the three countries implemented very pro-social policies. The governments in these countries adopted broad JRSs to protect employment, resorted to deficit spending in order to sustain their economies, and provided massive subsidies, tax cuts and other assistance for businesses. This different strategy can be attributed to several factors.

First, the different nature of the crises played a huge role. The crisis of 2008 was a crisis of overinvestment in the financial sector and real estate sector, accompanied by the creation of different bubbles. When these bubbles burst, the banks and financial institutions started to accumulate large bad debts, which were, in order to save the banks that were considered "too big to fail", taken over by the governments. The recapitalisation of the banking sector was the crucial step in securing financial stability in the three countries, but led to a huge increase in the public debt and public debt to GDP ratio. After that, the pressures to implement austerity and fiscal consolidation measures only strengthened, which led to prolonged recessions and/or small and incremental growth rates.

89 For more on a possible coalition between more traditional or alternative left parties and unions in the attempts to renew the material and ideational power of the unions, see Gumbrell-McCormick and Hyman, 2001.

In contrast, the COVID-19 crisis was a completely exogenous crisis that threatened the whole global capitalist economy. The lockdowns and the breaks in the supply chains caused a serious halt in economic activity around the world, destabilising the entire capitalist mode of production and not only some parts and segments, or certain countries. Thus, when acting counter-cyclically the governments where not bailing out the banks that were deemed too big to fail but were actually saving the entire capitalist economy from destabilisation and collapse. Block (1987: 87) argued, that "when economic activity has already been sharply reduced, the threat of a further loss of business confidence loses its urgency since the negative consequences are already present", which allows the governments to intervene more proactively and more broadly than in 'normal' times.

Second, the divergences in the crises responses in the three countries have to do with the very different nature of class interests during the two different crises. During the 2008 crisis, in the three countries the labour rights and unions were quickly blamed for the crisis, while there was an evidently different vision between labour and capital concerning what had to be done in order to save the economy. The unions wanted more taxation and clear indications of how the corporate/finance sector had caused the crisis, while employers saw it as irrelevant and wanted to reduce the labour rights in their attempt to restore economic growth. Lower taxation, more ALMPs, greater labour market flexibility and strict austerity were seen as the crucial policy measures in the three countries.

During the COVID-19 pandemic the interests of labour and capital clearly converged. In response to such a steep recession, they both aspired to keep the entire economy afloat and both saw governmental intervention as needed. The employers' associations did not view the labour market flexibilisation or industrial relations deregulation as necessary or important, but large subsidies and JRSs in order to survive the crisis were approved. The trade unions, on the other hand, also promoted massive JRSs in order to secure employment for the working classes and prevent a huge rise in unemployment, which could delegitimise their role even further. This overlapping of the interests of employers and unions proved to be crucial in the specific policy choices made by the governments. In this sense, the interest of the governments was also to end this radical and deep recession as soon as possible and to restore growth rates in order not to stop public debt from growing too large and especially not to see a huge increase in the debt to GDP ratio.

Third, the role of domestic political power relations must be taken into account. As we already saw, before the pandemic the processes of the Polanyian counter-movement were underway. Left parties either collaborated in the governments during the pandemic, or were very strong and thereby provided the necessary oppositional checks to governmental decision-making. However, one peculiar thing stands out. In the three countries, very similar parties and/or coalitions were in power during the 2008 and COVID-19 crises. In Ireland, the FF- and FG-led governments alike promoted strict austerity measures during the crisis of 2008, while their joint government adopted opposite policies. In Portugal, the PS government up until 2011 also implemented strict austerity measures, whereas during the pandemic it responded with broad JRSs. In Slovenia, the SDS-led government advocated and implemented strict austerity measures, while during the pandemic it promoted strong JRSs, albeit, as seen, without involving the unions. It is important to note that the respective party orientations did not change that much, nor did their interests. None of these parties became importantly more left-oriented. Yet, after the 2008 crisis, the rise of the left parties in these countries played an important role as did the opportunistic calculations of the governing parties, as explained in the previous section(s).

Fourth, the role of the EU. Prior to the pandemic, shifts in the specific policy priorities and strategies were already observable, but the pandemic gave way to the even more proactive role of the EU. At the time of the 2008 crisis, the EU demanded strict austerity measures and fiscal consolidation from all member states. As explained, Ireland and Portugal were put under the supervision of the Troika, where the ECB and the EC played the crucial role in promoting and demanding strict austerity measures in exchange for the bailout money. The pressures on Slovenia were also severe, although without the formal authority of the Troika. Still, as explained earlier, the policy framework of the EU employment and social policy began changing just prior to the outbreak of the pandemic. The EU also suspended the strict fiscal rules and provided massive support for its member states through the ESF+ and the newly setup SURE mechanism.

9.6 Role of the EU in distinct periods

An underlying element of the changes seen in industrial relations and the labour market policies has been the project of European integration. The EU has played a very important role in the attempts to introduce greater employer discretion as well as to put the concept of labour market flexibility at the forefront of national policies.

Another common thread is the rise of finance at the turn of the millennium. This refers to adoption of the euro and the lowering of interest rates, which led to increased banking activity and large bubbles in the three countries, along with the rising indebtedness of the economy and households.

Ireland has been considerably influenced by EEC/EU accession. From the 1980s onwards, its FDI-led growth model has been importantly driven by the single market since US tech companies saw an opportunity to exploit Ireland as a hub for covering the new and expanding EU market. The EU's expansion after 2004 created difficulties for the Irish growth model following the accession of countries with much lower labour costs, albeit Ireland managed to overcome this by focusing on the service sector instead of manufacturing. Moreover, during the 2008 crisis, the EU and the Troika were pushing Ireland to adopt deeper austerity. The recovery period was heavily influenced by the EU and the transfer of policy directives, yet all of these strengthened individual rights and did not lead to a renewal of national wage bargaining.

Portugal has been strongly impacted by EEC/EU accession. Namely, joining the EEC acted as a firm liberalisation element for the Portuguese economy, following the relatively pro-socialist path taken after the Carnation Revolution. Further, in the 1990s the fixed exchange rate of the escudo led to a dramatic loss of export competitiveness after it appreciated. Portugal thereby lost its export competitiveness and entered a stage of prolonged stagnation. The EU's expansion after 2004 caused even more problems for Portugal because the new member countries have a much better educational structure with lower labour costs, making exports highly uncompetitive. The EC was also an active supporter of introducing greater labour market flexibility before the 2008 crisis, while during that crisis the EC along with the Troika played a fundamental role in promoting and demanding austerity measures.

Slovenia has seen the influence of the EU in many areas. Becoming an EU member state only in 2004, it had to comply with the Single Market rules even before joining the EU, while the EU acted as a strong liberalisation element for the economy. Introducing greater labour market flexibility was put on the table by the EC even during the negotiation processes, whereas since 2005 it has been a critical policy recommendation. Competitive pressures led to serious limitations, while the goal of joining the eurozone was pushing governments towards austerity even before joining the EU and the eurozone. During the crisis of 2008, although the country was never put under the Troika's surveillance, the EC played a key role in providing the outside structural pressures for introducing more workfare and greater flexibility.

Thus, in the cases of Portugal and Slovenia the EU played a considerable role in strengthening certain policies slowly aiming for greater discretion on behalf of employers, while stressing the importance of the tripartite social dialogue. In Ireland, the role of the EU in this respect was much smaller as its labour market was already very flexible.

Still, an important change can be detected during the COVID-19 pandemic. Namely, the different nature of the pandemic compared to the 2008 crisis as well as the threat of a systemic breakdown of the entire capitalist mode of production saw the EU help its member states to co-finance JRSs through the ESF+ and SURE mechanisms, while also temporarily suspending the strict fiscal rules that helped member states easily take out new loans to finance their management of the crisis on several levels. Here, especially Slovenia and Portugal benefited substantially from the SURE mechanism and such extensive JRSs could not have been possible without EU help.

Before the 2008 crisis, all three countries had therefore embraced a financial expansion path within the framework of the EMU and the policies of financial deepening. Second, each country was importantly influenced by the single market project and the associated competitive pressures, while Ireland and Portugal were also structurally influenced by the EU's eastwards expansion in 2004. The core concept of flexicurity used in all three countries led to the further flexibilisation of their labour markets, whereas the EU also provided for some sort of increase in individual rights via the transfer of directives in each case. Third, during the crisis of 2008 the EU played an essential role by imposing direct or indirect austerity measures and labour market flexibility through its new policies (fiscal compact) or through the Troika. Fourth, the EU's importance was by far the greatest during the pandemic when the EU was providing large amounts of money to all member states (including the three countries under examination) to sustain employment through JRSs.

The specific directives and the EPSR just before and during the pandemic indicated more of a social dimension of the integration (see: Sabato and Corti, 2018). The von der Leyen-led Commission introduced important novelties on the EU level: the Minimum Wage Directive, the Gender Equality Strategy

2020–2025, the Child Guarantee mechanism, the Council Recommendation on Minimum Income, and the European Long-Term Care Strategy, to name just the most ambitious directives, while also connecting the specific national RRF strategies to implementation of the EPSR. Although this was a significant change relative to the previous social investment perspective, it never stopped pursuing the social investment approach while still having a small impact on the economic and fiscal policies of the EU and the member states (see: Vanhercke et al. 2022). The reintroduction of fiscal rules after the pandemic and the permanent crisis in Europe caused by the pandemic, the war in Ukraine, energy prices, and the cost of the Green Deal that has been quite poorly connected to the EPSR (see: Sabato and Theodoropoulou, 2022) have nonetheless largely limited the practical feasibility of this pro-social ideational turn.

Quaglia and Verdun argued that after the series of crises since 2008, the "EU institutions decided that now was the time to show more fulsome support to its member states. It was not intended to be fully 'unconditional', but, nevertheless, it showed solidarity, of various kinds" (Quaglia and Verdun, 2023: 606). The EU institutions have instead of fiscal austerity, that would have only worsened the conditions in the member states, promoted different approaches due to specific policy learning and the serious threat posed by COVID-19. Rather than merely regulatory supervision, the EU promoted redistributive elements within its economic governance and ECB policies (Ladi and Tsarouhas, 2020).

Pochet claimed that there was a destabilisation of the neoliberal hegemony on the EU level, while the focus from debt and the market conforming actions of the state shifted to questions of inequality and solidarity: "The COVID-19 crisis has opened up several new possibilities concerning approaches to debt, inequality, frontline jobs and the wage question, among other issues" (Pochet, 2022: 131).

Kassim argued that during the pandemic, the Commission took on the leading role in the crisis management. This was crucial for the timely activation of resources in order to mitigate different dimensions of the pandemic: "In addition to the direct action it was taking. It tabled proposals, made recommendations, and called for action first to mitigate the socio-economic impact of COVID-19, then to assist and aid economic recovery, and later to procure vaccinations jointly" (Kassim, 2023: 627).[90] During the pandemic the

90 It should be noted that the crucial change actually occurred in Germany where there was a completely different approach to the crisis when compared to the

main EU institution "engaged in a cooperative positive-sum game /…/, and more generally, between EU supranational institutions and intergovernmental ones" (Quaglia and Verdun, 2023: 601).

ESF+, the SURE mechanism, the RRF and NextGenEu have all been directed at economic recovery and the protection of employment. Vitally, the SURE, RRF and NGEU are completely new arrangements which also show a very clear step away from the austerity consensus. However, the "new instruments are not embedded in the Treaty and are therefore extremely fragile. They are vulnerable to fluctuations in the EU political balance" (Pochet, 2022: 131). The role of the ECB must also be stressed with its Pandemic Emergency Purchase Programme: "compared to past crises, the ECB's action was swift and bold from the outset, partly because the Bank engaged in policy learning and drew important lessons from previous crises" (Quaglia and Verdun, 2023: 601).

The embedded neoliberalism during the 2008 crisis transformed into more deregulated, punitive and pure neoliberal politics, the prioritising of fiscal goals and privatisation, leading to socially very negative outcomes across the EU, as well as in the three states under study, while the pre-pandemic and pandemic periods displayed certain changes on the EU level. In this regard, the EU has been a liberalisation-promoting actor while bringing the competitiveness of the economy to the surface. The social pillar and the rights-based approach derived from the directives have been a longer process, whereas the EU has as part of the EPSR still promoted social concertation on all matters within it and the primacy of the fiscal rules and economic competitiveness is still prevailing. Within the ESPR, one should also mention the decent wage and the collective agreements, which represent a considerable change compared to earlier periods. However, within the European Semester the concept of flexicurity continues to dominate (see: Becker, 2018).

The primacy of economic and fiscal policies and disconnecting the ESPR from the fiscal rules seems to offer support for the diagnosis offered by Baccaro and Howell which states that because the EU project has been based on price stability, low inflation, no possibility of devaluation as an effective policy instrument, and the free flow of capital and privatisations,

2008–2013 period. Instead of austerity and fiscal consolidation, Germany promoted domestically and EU-wide a more solidaristic approach (Pochet, 2022: 130).

the entire the European integration project "has created a macroeconomic environment that is largely unfriendly to labor and renders impossible or infeasible a wide range of policy tools that labor-friendly governments once used to tighten labor markets or offer protection to workers" (Baccaro and Howell, 2017: 189).

9.7 Conclusion

Analysis and comparison of the three cases reveals certain similarities and differences among the countries. From the early/mid-1980s on, Ireland and Portugal have been engaged in tripartite negotiations and wage bargaining, while Slovenia embraced this approach after the mid-1990s. In all three cases, the creation of tripartite institutions was a consequence of strong trade union pressures against austerity policies. Such pressures have led since the early 2000s to greater liberalisation within the existing tripartite institutional framework in Portugal and Slovenia, whereas the 2008 crisis was an important catalyst for further deregulation and liberalisation in all three countries. In Ireland, the social partnership collapsed, while the Portuguese and Slovenian tripartite concertation bodies have been blocked or completely subordinated to concession bargaining and acceptance of austerity. The key element has been the influence of the EU, the Troika and the considerably lower strength of the trade unions, as reflected in the steep downward trend of trade union density in each of the three countries. The turnaround happened in all three countries following the rise of left parties, which were needed to support minority governments, or due to a fear of the growing strength of left parties (Ireland), while the pandemic created quite a confusing situation in which the policy outcomes were very similar, but the institutional and organisation aspect varied in very important ways among the three countries.

Ireland is a peculiar case because the centralisation of wage bargaining and social partnership were developed to secure industrial peace, wage moderation and lower income taxes while maintaining the existing levels of labour market flexibility. The breakdown of the social partnership, deregulation in the private sector, and national agreements in the public sector established a situation where the unions accepted strict austerity simply to remain at the policymaking table, even though their influence from the 2008 crisis at least until the establishment of the LEEF and the COVID-19 pandemic was not high. Notably, the selected growth model – FDI-export-based growth model – to which the industrial relations changes have been subjected, has not produced important changes in income or wealth inequality. In particular, wealth inequality remains extremely high in Ireland.

Portugal has demonstrated a certain path where the centralised institution of wage bargaining has remained in place since the mid-1980s. Still, the policies aimed at increasing employers' power – derogation, limitation of extensions of collective agreements, easier firing, a very large share of temporary workers – clearly indicate a trajectory towards liberalisation. Further, the reason for these changes has arguably been the attempts to make Portugal more attractive to foreign capital and an export-led economy. Yet, this never truly happened, albeit strictly speaking in the post-2008 crisis period Portugal did record positive net trade results, although this was due to the huge rise in tourism and not any changes in the material base of the economy. Crucially, the creation of CPCS did not result in any serious decline in income or wealth inequality. Wealth inequality grew during the 2008 crisis, while income inequality declined slightly, yet remains very high.

Even though Slovenia's strategy has been quite different from that of Ireland and Portugal, some important similarities can be observed. The ESC was established during a moment of large industrial conflict, but only after the unions accepted wage moderation. The pressures to sustain the export-led economy's orientation, especially by employers, led to an incremental decrease in labour rights, the abolishing of private sector national collective bargaining and particularly the introduction of temporary, part-time and agency work as more flexible types of employment. The crisis of 2008, even without the direct influence of the Troika, resulted in austerity and, vitally, concessions made by the public sector trade unions. The specific de-segmentation approach has been a compromise that has led to greater liberalisation. While income inequality has been low in Slovenia, the 2008 crisis caused an explosion in wealth inequality as reflected in the very steep and large increase in the Gini coefficient as well as the wealth shares of the top 1% and top 10% of the population.

The main factors we can identify as having been important for determining the institutional and policy redesigns, breakdowns or changes are as follows: 1) the particular growth models and attempts to sustain, enhance or create an export-led growth model; 2) the decline in union density and the strengthening and reshaping of employers' associations; 3) the change in the political arena and the (neo)liberalisation of left parties; 4) the role of the EU, structural pressures in the form of the Single Market, EMU and the Troika's austerity regimes.[91]

On the other hand, as explained, the recovery and pandemic brought about, at least temporarily, a halt to the liberalisation projects in the three countries. The crucial elements that led to the stopping of the liberalisation processes may be summarised as follows: 1) destabilisation of the political arena in each country due to the crisis and austerity measures; 2) the declining hegemony of neoliberal parties, the rise of Left parties; 3) the coinciding interests of employers and unions; 4) the EU promoting more pro-social policies, and the specific EU JRS policy instruments and mechanisms set up during the pandemic.

91 In this respect, we can also identify some other elements that could (and should) be taken into account in future research projects of comparative analysis in order to grasp the complexity of changes, similarities and dissimilarities between different capitalist states and industrial relations systems: the changes in social spending, the changes in the different sectors of employment, different measures of poverty should also be considered. These additional elements could be useful for understanding the complexity of changes that have been underway in the different countries.

10 Conclusion

The Fordist industrial relations system based on strong trade unions and a neo-Keynesian form of regulation has been vanishing in the last few decades. Since the late 1970s and early 1980s, employers have been becoming much stronger while the labour movement, as well as left politics, has been disoriented, disorganised and becoming more willing to support measures against the interests of its very own base. Disembedding capitalism has rested upon the liberalising of industrial relations and introduction of greater labour market flexibility. The decline of the industrial workforce has been one of the most important elements in the declining union density rates. The EU has also played a vital liberalisation role in the member states by establishing the structural and ideological conditions for promoting anti-labour policies and pro-competition and pro-market policies.

This book has sought to argue against the VoC and strict institutionalist theories that focus strictly on institutional differences, without taking account of the particular trends and pathways toward similar policy objectives and outcomes. In this respect, while we have demonstrated that important converging elements exist among the three countries, this is not to claim that they are following exactly the same policy objectives, institutional designs or growth models. However, they have been facing similar changes and policy trajectories. As Streeck argued, the "[o]bsession with the diverse pathways of the transition to a more liberal phase of capitalist development, and with the differences between their results, may hide the transition itself" (Streeck, 2009: 170).

The book has analysed the specific trajectories along with the converging and diverging mechanisms in industrial relations and labour market policies in three EU member states: Ireland, Portugal and Slovenia. We have considered primary and secondary sources together with analysis of documents and statistical data to explain the ongoing processes in each of these countries from the early/mid-1980s until the pandemic. We started with the ideal-typical VoC model of industrial relations and followed a different path to invoke the elements of class, politics, interests and the influence of supranational institutions in shaping and remodelling national institutions, policies and policy outcomes.

We have focused on the specific class power relations and strategies pursued by the trade unions and employers' associations, while also emphasising the compression of the ideological and political arena in each country, where especially in Portugal and Slovenia the (neo)liberalisation of left parties has been significant for reshaping the industrial relations and labour market policies. By analysing two crises – the crisis of 2008 and the COVID-19 pandemic – as well as the recovery period between the two crises, we have explained the European and national contexts and the reasons for the different policy orientations in the three countries while highlighting the precarity of this U-turn.

Despite the expected important policy differences given the relatively different institutional and socio-historic contexts, we found striking converging policy – and at times also institutional – trajectories in the three countries in their industrial relations systems and labour market policies. While one might expect not only institutional but also policy and economic important diverging pathways, the very different starting positions in the 1980s and 1990s mean that the path-dependency institutional lens becomes less and less an element able to explain the converging trajectories. This in no way means that identical policies and policy outcomes were adopted and implemented in Ireland, Portugal and Slovenia, only that the path and goal of the policies have become ever more similar. And that has been introducing liberalisation in industrial relations or transforming different institutions to support the neoliberal competitive capitalism and post-Fordist growth models.

The complexity of the processes in each national context shows there have been some converging paths, but that many important institutional differences exist among the countries. The growth model differences have been persistent in the countries, while the institutional and labour market policies have followed a similar policy idea yet with very different institutional and policy settings. The exact nature and extent of the changes has always depended on national class power relations, the specific interests and orientations of governing coalitions, historical legacies as well as the impact of the EU's policy frameworks.

The social partnership process was formed to support the already very liberalised economy (Ireland); while in Portugal and Slovenia two parallel processes have been underway: liberalisation of the economy accompanied by liberalisation of industrial relations via the creation of tripartite institutions (Portugal and Slovenia). From 1987 until 2009, wage bargaining in

Ireland was quite strongly centralised, having based its pro-capitalist FDI-based growth model on the social partnership until 2009; in Portugal, it was already more decentralised at the industry level, while in Slovenia since 2005 the public and private sectors have taken diverging paths whereby employers abandoned the national wage bargaining. The 2008 crisis had a converging impact that pushed all three countries towards similar outcomes but via different institutional pathways. The recovery period and the pandemic were marked by similar policy directions, the opposite to the previous ones, but once again with very different institutional designs.

We may summarise the different paths and periods as follows:

1. from the late 1980s until the 2008 crisis, one can detect quite dissimilar and unexpected processes in the three countries, which all shared the same underlying rationale – greater flexibility and more export competitiveness – but led to different developments in the three countries;
2. the crisis and post-crisis period have been marked by the convergence of the three different industrial relations institutions with similar labour market policy choices in the countries towards more liberalisation, decentralisation and flexibility; and
3. just prior to and during the COVID-19 pandemic, important changes started to occur in each country that have also led to converging policies and policy outcomes, within a very different industrial relations institutional setting, bringing about the halting of the *longue durée* processes or even a turnaround in the liberalisation, decentralisation and flexibility principles.

The findings of our analysis add to the existing body of literature on several levels. First, the book analyses three different semi-peripheral EU member states. Even though by far the most attention in the literature is taken by the core EU member states or core states in the capitalist world system (Baccaro and Howell, 2011; 2017; Streeck, 2009; Thelen, 2014) or comparing and contrasting the post-socialist CEECs (Lane and Myant, 2010; Bohle and Greskovits, 2012), we considered three very different EU member states. We thereby complement the existing body of literature concentrating on the comparative and converging trajectories of core states in the capitalist world system, or of those in CEE, by explaining the specific ways in which also smaller, semi-peripheral countries have, with their very distinct institutional structures and histories, growth models and institutional frameworks, been following similar paths.

Second, the analysis provides a holistic comparison and *long durée* analysis of capitalist development in the three countries. We explained the specific developmental strategies of the three countries and their individual growth models, while also researching the institutional settings and power resources of different actors. By this, we established a clear relationship between the specific growth model developments and institutional/policy change.

Third, the book analyses developments during the COVID-19 pandemic, making it one of the first comparative studies of how industrial relations systems developed during the pandemic. We also presented some first-hand material obtained from in-depth interviews and insights from crucial actors in each of the three countries. Notably, we also explained the variety of institutional and policy responses, especially the very divergent involvement of the trade unions in policymaking processes at the time of the pandemic.

Fourth, we compared the last two crises and the different crisis responses taken in the three countries. We thereby comprehensively explored the two diverging crisis responses by the three countries and provided an explanation of these different responses. We situated these not in the rising strength or mobilisation capacity of the unions, but in the changing policy direction on the level of the EU and internal party power relations, where the rise of certain more traditional left parties or even their collaboration in governments pushed the liberal or right-wing parties towards more prosocial policies.

Fifth, the book intervenes in the field of CPE and comparative institutional analysis by offering important insights into the existence of a Polanyian counter-movement in the three countries. Namely, this study complements the much better known works of Baccaro and Pontusson (2016), Baccaro and Howell (2011; 2017), Thelen (2012; 2014), and Streeck (2009; 2010a; 2010c; 2015), and the earlier works of Crouch and Streeck (1997a; 1997b) and Streeck and Thelen (2005b), which all demonstrated a significant shift towards more neoliberal policies – the liberalisation and decentralisation of industrial relations. We have also identified the ongoing liberalisation trends in Portugal and Slovenia, and the much more complex situation in Ireland where the centralisation and regulation of industrial relations were initially steps towards more neoliberal labour market and economic policies. During the crisis of 2008, all three countries were pursuing greater liberalisation and decentralisation. Yet, in the period from

2016–2018 until today, important changes have happened in the three countries that cannot be explained by the liberalisation/decentralisation framework because the policies and institutional developments suggest an important halt or reversal of the previous liberalisation trends. As explained, this had to do with specific developments in the party arena within the three countries and the rise of left parties – in Ireland of Sinn Féin, in Portugal of the Left Block and the Communists, and in Slovenia of The Left. This shift or halt in the liberalisation and marketisation movement has, however, much differently than in the 20th century, not been the result of strong unions and strong left parties, but of strong left parties and historically weak unions, and sometimes even because of the interests on the employers' side. Moreover, the EU and the changes of its policy directions have given the opportunity for the policy and institutional changes.[92]

In this respect, the most important finding presented in the book is that the temporary halt and turnaround of the liberalisation processes has not been an outcome of the growing strength of the unions, but of specific EU and national political contexts: either a minority government needed the support of more radical left parties (Portugal and Slovenia) or liberal governments had to turn at least slightly to the left because of the rise of a strong left party on the opposition (Ireland). Still, this is completely different to the situation 30 or 40 years ago when the unions, supported by high density rates and mobilisation capacities, could play the role of veto players. Whether the COVID-19 pandemic proves to signify a shift in the field of industrial relations and labour market policies remains to be seen. It seems

92 The national level of analysis proved to be still very important, albeit the level of the EU has become ever more important through the determination of macroeconomic policy, while the national level also sets the framework for industrial relations institutions and the possible policy outcomes. However, the focus only on the supranational level – that is the EU level in this case – would blur all the important national specificities that in the final instance determine the specific mode in which a certain policy or change will be implemented. Namely, as shown, until 2015–2017, the three cases were implementing policies aimed at liberalisation and decentralisation, although the scope, shape, nature and extent of these changes has always depended on the national political and class power relations and specific growth models, while supported by the EU liberalisation framework. Therefore, in the future greater attention should be paid to understanding this interplay of the EU and national levels of political decision-making and policy frameworks, yet it should also be recalled that the EU's policy, institutional and legal framework does not apply to all the member states in the same way.

to be the case that future developments will be determined more by the political preferences of employers and specific political parties/governing coalitions on the national level and the EU policy framework than by the strength of the unions.

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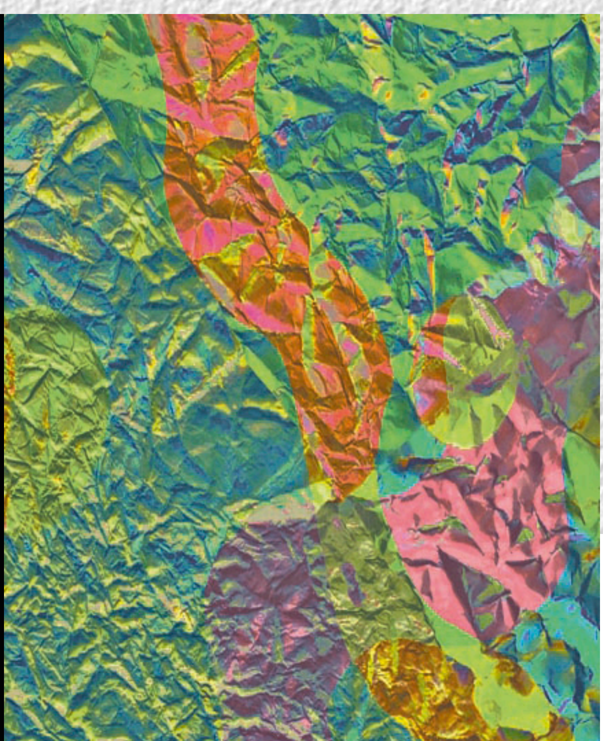

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