

# ‘Illusory Corporatism’ Ten Years Later

David Ost\*

## Abstract

*Ten years after the publication of ‘Illusory Corporatism in Eastern Europe’, the author re-examines his claim that tripartite arrangements introduced in the region after 1989 served chiefly as a façade for introducing neoliberal policies undermining labour interests. He finds that tripartism still produces meagre results, and that most of what labour has gained has come from better organisation, smarter use of resources, and increased militancy, not from tripartism. While ‘illusory corporatism’ is sustained in Eastern Europe, it is advancing elsewhere in the world. He looks at Latin America and Asia, which resemble 1990s Eastern Europe, as governments introduce tripartism at crisis moments in order to win labour commitments to cutbacks. As for Western Europe, where many scholars have seen an advancement of corporatism because of the signing of pacts in countries where the traditional preconditions were lacking, the author argues that this corporatism is ‘illusory’ because pacts are made to secure labour’s acceptance to the corrosion of union power and a decline in labour conditions. Standards of corporatism have been systematically ratcheted down. Many scholars see ‘corporatism’ wherever agreements are signed, whereas an outcome-based approach, proposed by the author in his original article, leads to a characterization of ‘illusory corporatism’.*

Just over ten years ago, I published an article titled ‘Illusory Corporatism in Eastern Europe’, which argued that the tripartite commissions then popular in the postcommunist world, which brought together representatives of business, labour and the state, were being used not to facilitate real bargaining over interests between employers and workers, or to give labour a role in shaping industrial and social policy in the region. Rather, they were being used to smooth the way for the introduction

---

\* Hobart and William Smith Colleges, OST@hws.edu.

of neoliberalism. Instead of real negotiations, tripartite boards in the region largely conducted façade negotiations, where governments – still the main employers in the postcommunist economy, and working on behalf of creating a private economy – presented labour with ‘proposals’ that frequently turned out to be non-negotiable. Unions were invited to make comments, but their suggestions were regularly ignored, or just taken slightly into account. Instead of aimed towards achieving compromise, tripartite commissions were aimed at extracting labour complicity for neoliberal policies that undercut labour power (Ost 2000/2010).

This, I said, was ‘illusory corporatism’ because countries in the region were using the classic tool of neocorporatist bargaining, peak-level tripartite negotiating bodies, in order to secure labour consent for policies, decided elsewhere, that hurt labour’s interests. Instead of providing for the inclusion of labour in policy-making, a traditional concern of the classic neocorporatism of the postwar era, east European tripartism sought merely to win the complicity of labour for neoliberal transformation, and thus to turn labour into a tool facilitating its own decline.

What does the situation in this regard look like ten years later? Does an argument of ‘illusory corporatism’ still hold? In order to answer this question, we have to tackle a broader set of issues than ten years ago. For it turns out that what has changed is not so much the nature of tripartism in eastern Europe, but rather the nature and interpretation of tripartism as a whole. While tripartism in eastern Europe still, I will argue, constitutes essentially only an ‘illusory corporatism’, it no longer stands out as the stark exception it was ten years ago. Rather, it seems that the east European developments of a decade ago was but the harbinger of developments in the western world today. Today, the tendency is towards illusory corporatism everywhere in Europe, and indeed, as will be shown below, elsewhere in the world as well. The *form* of dialogue and discussion remains, and has even become the norm. This is well illustrated by the spectacular career of the term ‘social dialogue’. What we see, however, is the together with that term – indeed, today seemingly inextricable from it – comes the reduction of social benefits, the decline of labour-friendly arrangements, and the systematic undermining of the old neocorporatism.

This is far from the standard view in most of the literature on contemporary industrial relations. On the contrary, the claim that is most prominent, as will be discussed below, holds that there has been an expansion of corporatist bargaining throughout Europe, as evident in the plethora of ‘social pacts’ signed in places that the original neocorporatist theory considered unlikely. Scholars, in other words, have been eager to hold onto the corporatist label despite manifest changes in the way state,

labour, and capital relations have changed – to the benefit, no one denies, of the latter – simply because formal negotiations between the different sides still take place, and agreements are still signed. Instead of speaking of the decline of neocorporatism, or inquiring into the opportunity costs for labour of maintaining the form, the conventional view is to take note of the changes in formal neocorporatist bargaining practices and to argue that this is simply how neocorporatism works today. But if we understand neocorporatism as an arrangement to incorporate labour into a capitalist system, to democratically secure its support by evening out a playing field that naturally benefits capital, to moderate class antagonisms by coordinating and ameliorating the conflicting interests of labour and capital, then it is hard to avoid the conclusion that its 'illusory' model – maintaining the forms while whittling away the content – is increasingly a Europe-wide phenomenon.

In order for the proponents of the thesis that there is an expansion, not a contraction, of neocorporatist 'social pacts' in Europe to make their claim, they need to abandon the concept of 'political exchange', once thought to be exactly what neocorporatism was all about. This refers to the gains in employment policies and the development of comprehensive welfare states that labour won in return for the acceptance of moderate wages and managerial control (Pizzorno 1978). Industrial relations scholars acknowledge that this political exchange no longer operates, that labour now regularly gives up wages and rights in return, merely, for a continued seat at the table, yet still label the process as corporatist. They do not ask whether such inclusion can be a form of cooptation, though their evidence often suggests just that.

The most significant and most troubling aspect of recent work on new types of neocorporatism is the systematic *ratcheting down* of standards. More and more scholars present less and less accomplishments as constituting the nature of 'corporatism' today. The tendency is to take any kind of labour involvement, any kind of tripartite experience, any kind of 'pact' where unions are a signatory, as a sign that 'Corporatism Lives Here'. Categories do matter, however. Taking a concept that had consistently been used to signify perhaps the most meaningful exercise of class power by labour in a capitalist system, and using it to describe arrangements where labour is forced to give up layer after layer of its gains in return for marginal concessions and the maintenance of the semblance of voice, blurs our understanding both of corporatism and of current tendencies in political economy. I deployed the concept of 'illusory corporatism' to call attention to the use of tripartite corporatist forms to bring about anti-corporatist outcomes. By presenting these forms and these outcomes as simply the content of corporatism today, much of new industrial relations literature

is in danger of erasing the record of the neocorporatist past, sanctifying today's outcomes by linking them to such honorific company, and strongly implying that today's outcomes are the best that can be got and that any idea of pursuing more smacks only of irresponsible radicalism.

If class compromise is no longer on the agenda, that should be acknowledged. If tripartite forms are intended to facilitate the transformation from class compromise to neoliberalism, as they so often are, this too should be noted. The prevailing 'social partnership' terminology should be taken as a claim, an interpretation, an intervention in the political task of naming the system, and not as an objective description of contemporary interest bargaining.

The term 'social partners' is, of course, the term used to replace 'class'. While the new term was a good one for evoking the nature of the neocorporatist compromise, the paradox is that it has become widespread just at the moment when that compromise is being rescinded. It is increasingly used to describe a reality that maintains the forms without the content. Its use today consequently appears to be more ideology than description. As I will try to show, a class interpretation of neocorporatism and of contemporary 'social partnership' is better able to capture the nature of what's going on today, precisely because the aspect of class compromise was so central to classical neocorporatism.

As noted, what was so historic about European neocorporatism, and what made the discussion about it so vital and vibrant, was less the peak-level bargaining among centralized actors or the fact of signing policy-shaping accords, but the incorporation of labour into the political system, the commitment by business and the state to give labour a guaranteed, institutionalized say on policy. As Schmitter once put it, in an assessment of the democratic credentials of corporatism, the principle here is not just that votes are counted, but that interests are weighed (Schmitter 1983).

Of course, it was nothing new for business interests to be taken into account by the state. Political elites must always provide conditions for the interests of the dominant class to be taken into account. In capitalist democracies, government must consider the views of capitalists whether or not they are organised, whether or not they meet formally in a bilateral or tripartite setting, since they are the ones dominating the economy (see Offe, Wiesenthal 1985). Workers, however, are something else. The first century of modern capitalist class conflict, beginning when labour began to organise in the middle of the nineteenth century, was marked by elite refusal to take the wishes and interests of organised labour into account, just as classical liberal theory would anticipate. Until late in that century, political and economic elites feared democracy precisely because they believed it would bring labour representatives to political power.

Then, a new hegemony of parliamentary liberalism, combined with anti-statist, gold standard economics, made sure that labour's economic demands were marginalized, despite the large working class electorate (Mazower 2000). This only ensured that anti-democratic parties emerged, successfully making race-based, nation-based, or class-based appeals to the economically excluded. Neocorporatist practices, or what Andrew Shonfield called 'modern capitalism', was introduced in the post-World War II period in order to ensure not only that labour had a voice in political decision-making, but that its interests on a broad range of economic issues would be heard, included, and advanced. This was the period of classical neocorporatism, which was marked by high social welfare expenditures, full employment policies, expansive social insurance, extensive job rights and shop-floor representation. Centralized bargaining and signed accords were not the central features; class-based outcomes were. If these outcomes are eroding, while the pacts remain, we are dealing here with something other than classical neocorporatism.

If my 2000 article showed how the tripartite form of neocorporatist bargaining had been spread to Eastern Europe without the content, since the appearance of that article it is clear that this has occurred far beyond the region as well. In the following pages, I will first discuss the nature of contemporary tripartism outside of Europe. Then, I look closely at, and offer a critique of, the literature on the 'new social pacts' in Europe. I next discuss contemporary developments in Eastern Europe, and conclude with some reflections on the continued usefulness of the concept of illusory corporatism.

## **Tripartism and Corporatism Beyond Europe**

Soon after the fall of communism, tripartite commissions emerged everywhere in eastern Europe. This led to observers speaking of the rise of 'corporatism', and it was this tendency that I criticized in my 2000 article. As it happens, the growth of tripartite commissions did not stop there. The 2010 book *Blunting Neoliberalism*, edited by Lydia Fraile, discusses the rise of tripartism throughout the 'developing world' (Fraile 2010). With four substantive chapters taking two countries apiece, each pair from a different continent, we get a wealth of interesting material on labour practices and institutions in countries rarely noted for class cooperation. Tripartism, or some form of 'social dialogue', it turns out, has become a standard feature of new

democracies far afield from eastern Europe. What is its significance? As the title suggests, the editors do not see it as a great good. They do not make extreme claims. Tripartism, they say, 'blunts' the drive of neoliberalism. It makes economic reforms more humane, better than they otherwise would be. And as this indicates, their focus here is on people, on labour. They are interested in the extent to which tripartism can benefit those whom the market leaves behind.

The book offers a great deal of important information that will be useful to those seeking to understand the growth and reach of tripartism today. On the face of it, the authors seem to show that tripartism is not illusory corporatism, that in fact it is an institution that can contribute a great deal to both equality and efficiency, just as in the model of classical neocorporatism. And yet a closer reading of the book shows otherwise.

Perhaps the most important problem with the book concerns the question of causality. When the contributors find evidence of greater equality in implementing economic reform, they attribute this to tripartism, even though their own account offers little evidence that this is so, and even though the industrial literature in general has long seen successful tripartism as an effect rather than a cause. Although the introductory chapter distinguishes between 'strong' and 'weak' tripartism, it offers no theory to explain why tripartism ought to have such causality. The aim of the book is to explore the effects of tripartism, and so it finds effects that it then attributes to tripartism. We see correlation, and are asked to believe there's causality.

The authors are aware of the problem. Sabina Avdagic acknowledges that it is unclear 'the extent to which particular socio-economic outcomes can be in fact attributed to tripartism, rather than to a range of other factors and developments' (Avdagic 2010). Sarosh Kuruvilla & Mingwei Liu grant that outcomes 'are mediated by a number of variables', and thus 'difficult to link causally to tripartism' (Kuruvilla, Liu 2010). In the end, both say that yes, tripartism does matter, but it is hard to avoid the sense that they say so only because that is the central claim of the book.

In fact, it is easy to read the *evidence* presented in the book as showing that where tripartism produces its best effects, it is because of factors having little to do with the institution itself but with labour power and resources, as well as with political opportunity, ideological framing, and cultural context, much as was the case for corporatism in the past.

Slovenia and Singapore are presented as the vanguards of tripartism. Yet we see that labour is strong in Slovenia not because of a responsive tripartism, but because of the resources it brought to the industrial relations sphere. Unlike elsewhere in the

region, unions stayed united after the collapse of communism, and distant from the new political authorities. In Singapore, meanwhile, tripartism's pervasive acceptance is clearly due more to the country's anti-imperialist left-wing legacy, as well as an economic strategy favouring highly trained labour producing world-class goods.

As for the cases the book considers less successful, it is tough to see the difficulties as having anything to do with tripartism. Chile and Uruguay turned to tripartism at a moment of political crisis, when the two countries were moving away from a generation of military dictatorship, and after their labour movements had been tamed. South Korea adopted tripartite councils at a moment of great economic crisis, with a consensus that options were limited. In all three cases, the governments sought labour cooperation (cooptation) with policies essentially already decided elsewhere – precisely the definition of 'illusory corporatism' I presented in 2000.

The tendency, though, is to assume the centrality of tripartism in explaining outcomes, rather than demonstrating it. Tripartism is treated as the independent variable, and not explored as the dependent variable, where we might ask just what its role is supposed to be. In a sense, of course, this is entirely understandable. People interested in explaining, and promoting, more egalitarian and neocorporatist possibilities in contemporary industrial relations might naturally focus on tripartism simply because most of the other factors that traditionally led to social democratic corporatism seem to be things of the past: union strength, a collectivist consensus, a national economy (little opportunity for capital flight), a heavy manufacturing production profile.

But this only points to the paradox noted by Dorothee Bohle, that labour's institutional representation has been enhanced at the same that its capabilities and power have declined. ('Trade Unions and the Fiscal Crisis of the State', in this issue.) Instead of looking at this paradox, the book, like much of the new literature, simply focuses on tripartism, as if this is the only thing left that can possibly bring any benefits to labour. That is the second problem: the assumption that cooperation and 'partnership' are the only things that can bring results. What seems to be forgotten, here and in the west European literature, discussed, below, is that labour can make gains in the context of a purely adversarial industrial relations regime too. Even strikes usually end sooner or later in collective bargaining, during which different sides sit down to the table and negotiate their differences. In their classic work, Piven and Cloward show how labour movements in the United States made their greatest gains when they confronted power directly, and declined when given recognition and institutionalization by the state (Piven, Cloward 1977). The point here is not that tripartism necessarily hurts, but that it does not necessarily help. Where the book's

argument is that tripartism leads to a blunting of neoliberalism, it makes more sense to see an active labour movement leading to benefits for labour, with a side effect being a vigorous tripartism.

The final problem, then, is that while the book argues that tripartism blunts neoliberalism, much of the evidence presented in the chapters is consistent with my 'illusory corporatism' claim. After all, I never argued that labour never won any concessions under east European illusory corporatism. Indeed, in democracies labour will always get some benefits simply because they are an important part of the electorate. But minor concessions to electoral constituencies is a far cry from an arrangement that privileges organised labour and pursues broad, inclusive class outcomes. Tripartism in eastern Europe constituted illusory corporatism, I argued, because its aim was to use 'dialogue' as a cover to legitimate a neoliberal regime. 'Neocorporatism', I wrote, 'only makes sense if it is understood not just as centralized wage-bargaining or joint influence over policy-making, but as comprehensive welfare states providing material benefits to workers'. 'Blunting' the effects of a monetarist neoliberal program is no evidence of successful tripartism or the presence of neocorporatism if the program itself is treated as off limits.

In all the cases presented here, we see evidence of these problems. Let's begin with their admittedly weakest couple: Chile and Uruguay. It is hard to see any kind of corporatism here, or to see tripartism as having had an effect that protest and mobilization could not. First of all, tripartite boards were created there explicitly in the aftermath of military dictatorships, as part of the effort to bring about democratic conciliation. Unions had been brutally repressed during the dictatorships, and labour activists were among the most prominent democratic activists: there could be no possibility of democratization without the participation of labour. Negotiations between different social groups began in Uruguay soon after the 1984 Naval Club Pact, through which the military gave up power. The first meetings of the 'National Programmatic Concertation' included a variety of social groups, and, as Falabella and Fraile put it, was essentially an 'informal mechanism that was more preoccupied with restoring the democratic system than with brokering a socio-economic accord between business and labour' (Falabella, Fraile 2010: 132–133). The most flagrant abuses of the military's harsh anti-labour policies were reversed, and workers dismissed for engaging in union and political activities were reinstated. But the focus here was entirely on bringing about civic reconciliation, not class compromise. The incoming democratic elites needed labour's legitimating endorsement, but did not need, and did not seek, any wider incorporation of labour into the political system. Nor were



they pressed to seek one, as labour leaders, many connected to the Communist Party, urged restraint, pushing for democracy rather than class action. Workers certainly hoped for improvements, as a series of mostly wildcat strikes indicated, but business refused to go along and the government refused to press them. The collective bargaining wage councils that existed from 1943 till the imposition of the dictatorship in 1968 were restored, with some peak-level bargaining aspects added on, but with business resistance, labour restraint, and a government committed to a bourgeois restoration, these never resulted in anything like institutionalized concertation.

Class conflicts became more severe in the early 1990s, after the stability of the new democracy had been established. A government push for more aggressive market reform led to ten general strikes in the period 1990–1994, which invariably had only a short-term effect. Union density dropped from 37.5 percent in 1985 to 15.9 percent in 2000; in the private sector it fell to 8.5 percent (Falabella, Fraile 2010: 136). Tripartite institutions, meanwhile, came and went. The wage councils became moribund by the late 1980s. New tripartite institutions were created in 1991, mainly in order to implement MERCOSUR agreements. This was not a place for the negotiation of class differences, however, and did nothing to stop the decline of labour. More tripartite councils emerged at the time of the economic crisis of the early 2000s, and the left-wing President Vasquez restored the wage councils and summoned a National Compromise council to discuss issues of competitiveness. Tripartism, in other words, has been both a constant feature of the Uruguayan political landscape, and a pretty much irrelevant one. Whatever gains labour made were arguably a result of their collective action, not their negotiations.

The situation in Chile was worse. There too, the first tripartite 'agreement' was signed in the first days of the democratic transition government in 1990. Still heady from its empowerment during the Pinochet period, business insisted on language stressing employer control of the workplace, the need for fiscal austerity and balanced budgets, acknowledging only that there needed to be general economic development, that trade unions had a role, that tripartite accords were desirable, and the 'the neediest' deserved 'protection'. Union leaders balked even at signing such a document, consenting only when pressured by the new government that this was the only way to continue as a legitimate force (Falabella, Fraile 2010: 140–141). Later, labour began to demand the right to bargain at the sectoral level, and an end to replacement of striking workers, but never made much headway against the strong business class (naturally consolidated because of tight family ties) and a government still tied to the past. A 'Development Forum' was created in the mid-1990s with the

same cast of actors, and more formal tripartite measures were introduced by the Socialist administrations of Presidents Lagos and Bachelet. In the end, dialogue has only been *ad hoc*, without the institutionalization, labour empowerment, or class compromise of neocorporatism.

What was the impact of these tripartite experiences? The authors say they had a 'lasting effect' in legitimizing some aspects of cooperation, helped 'reconcile efficiency with equity', and have made economic reforms more 'politically sustainable' (Falabella, Fraile 2010: 164, 166, 167). This language of corporatism, however, clashes with the empirical account of labour always being on the receiving end. Agreements were made without any 'political exchange'. Labour gained rights as part of the general democratization, which came about in large part thanks to its resistance, but won almost nothing economically as a result of negotiations with business and government elites. It is hard to see tripartism here as a trap, since labour gets so little anyway. But it is harder still to see it as securing anything for workers or society that protests or militant action could not bring.

Indeed, the meagre record here clashes with that of another post-authoritarian Latin American country, Argentina, where militancy, rather than dialogue, ended up bringing better results. In this case, militancy rather than concessions brought through symbolic dialogue characterized the stance of the government first, in relation to international creditors. When Argentina defaulted on its loans, resulting in an economic collapse in December 2001, it refused to follow Washington Consensus orthodoxy: instead of satisfying bondholders, private banks, and the IMF, it stimulated internal consumption. Without a 'crisis pact' to bind it, workers pushed for their own interests. When small businesses began to default, workers simply took many of those enterprises over, occupying the plant and organizing production and distribution on its own. Those in larger enterprises, meanwhile, such as oil workers, tire producers, or transit employees, soon began to fight for their interests in a more traditional, adversarial way, through strikes and demonstrations. And they began winning, too, resulting in what has been called 'segmented neocorporatism', in which unions, business associations, and the government make sector-wide agreements that have 'enhanced union mobilization and its institutional prerogatives, and ... helped large portions of formal workers recover wage levels' (Etchemendy, Collier 2007). This arrangement does not extend to those out of the large formal sectors; thus the qualification of the neocorporatist label. Still, together with the actions of those in smaller enterprises, it shows that crisis can sometimes be tackled, more successfully, through adversarial action, rather than through cordial dialogue based on neoliberal foundations.

As for the stronger cases discussed in *Blunting Neoliberalism*, it is certainly true that Singapore and Slovenia have been marked by dynamic tripartism, successful for the promotion of the interests of labour and the poor. As has already been noted, however, the chapters themselves offer ample evidence of the reasons why tripartism works: because of the ideational and power resources that labour brings to the table.

In their chapter on Singapore, Kuruvilla and Liu show the pervasiveness of tripartism throughout the country, meaning an incorporation of labour in many aspects of everyday life, as a valued partner. Tripartite bodies have existed for a long time. The National Wages Council was first established in 1972, and over time its mandate has grown from negotiating incomes policy for a pro-growth industrial relations regime to offering specific restructuring proposals during crises such as the 1970s oil crisis or the mid-1980s recession. It has been so successful that tripartism now exists throughout society, in a host of different institutions and government agencies: there are tripartite bodies not only to discuss incomes policy but to deal with productivity and quality issues, to advise the government in a host of different policy areas. The concept has become so widespread that the term itself has 'crept into common parlance on a day-to-day basis' (Kuruvilla, Liu 2010: 94).

And yet, did tripartism have anything to do with the successes labour has made? Is it tripartism that has brought about a certain incorporation of labour within the successful Singaporean economy? It seems much more likely that tripartism is not a cause but an effect. Its pervasiveness can be traced to the country's militant anti-imperialist labour legacy, a government that itself traces its origins to the left, a prevailing ideology that explicitly shunned 'class conflict', and an economic strategy aimed at skilled labour producing world-class goods. Half of the founding members of the ruling People's Action Party were trade union members, as were a full 90% of those present at its first meeting in 1955 (Kuruvilla, Liu 2010: 91). The Party soon turned on its militant union members, but precisely because unionism was part of its pedigree, and its leaders still paid homage to the socialist legacy, it built up an alternative union movement, to which it subsequently devolved some real authority. In this way, developments here were similar to that in Soviet-bloc communist countries, where unions were built up and labour incorporated, despite repression and a block on complete labour independence. Of course, this pattern is one of state corporatism, not European democratic corporatism, and so says little about the nature of contemporary social pacts. The form incorporation took in Singapore has been tripartism. This is clearly not a matter of tripartism producing labour incorporation, but incorporation leading to tripartism.

Slovenia is the other example put forth here as a model of tripartism protecting labour in anti-labour times. And indeed, Avdagic shows how unions have had unusual influence in Slovenia, not only in incomes policy, but in pension reform, labour legislation, health care and tax policy. In all these areas, tripartite negotiations with a strong labour presence have been the rule. Slovenia, for example, was the only one of the postcommunist states not to privatize its pension system (Crowley, Stanojevic 2011).

And yet, can we really say that tripartism has brought about these outcomes? As noted, even Avdagic demurs, suggesting that 'a range of other factors and developments might be equally responsible' (Avdagic 2010: 62). In fact, though, her own essay, like those of others scholars writing on the Slovenian exception, offers considerable evidence that this successful tripartism and social pacting was a consequence of labour's strength, not its cause. Unlike in Poland, for example, which everyone acknowledges to have had weak tripartism, Slovenian labour remained united and centralized. Not being responsible for the new government, as was Solidarity in Poland, the unions kept their distance from the new authorities, and were thus never unwilling to challenge neoliberal policies. The country had a communist-era legacy of self-management that continued to give labour a sense of power. And it had a skilled labour force with proximity to developed markets, factors that are always more propitious to neocorporatist outcomes because of the payoffs cooperation can bring for business and the state.

Slovenian labour was highly mobilized in the immediate postcommunist period. When the first newly independent government unilaterally froze wages and suspended collective bargaining agreements, the unions responded with a general warning strike in March 1992, forcing the government to retreat. Strong labour along with a strong and well-organised employer organisation (compulsory membership in the Chamber of Commerce before 1991 meant that nearly all employers were organised at the outset of the new era), and a focus on building up the export sector after the deep depression in the first years of the 1990s, led to a classical neocorporatist arrangement in Slovenia, which has slowed only in the past years, when employers became disorganised. Tripartism has worked well here, and the outcomes for social welfare have been positive. But again, tripartism here appears to be a result of labour strength, not a cause. Indeed, Crowley and Stanojevic argue that the Slovenian experience confirms the 'power resource' interpretation of social welfare expansion (Crowley, Stanojevic 2011).

It should be noted that both of these cases are not examples of the 'new' kinds of social dialogue discussed in so much contemporary literature. As mentioned, Singapore stands as a lingering example of state corporatism, where the authorities incorporate labour but keep it under its control, while Slovenia, at least until recently, represents a classic case of the old neocorporatism, with a centralized labour movement and a well-organised employers' association. It should also be mentioned, of course, that, like Singapore, Slovenia is a very small country. One reason these countries have more successful tripartite bargaining structures than their paired other (South Korea and Poland) is that they lack the enormous agricultural sectors of the latter, and so can afford to focus more on skilled labour and industrial exports.

In the end, neoliberalism has been more than 'blunted' in both countries, but not because of tripartism. Instead, tripartism has been responsive and effective because of the resources labour was able to bring to the industrial relations sphere.

## **Ratcheting Down the Standards: on West Europe's New Social Pacts**

Most of the new thinking and theorizing about corporatism today comes, of course, in discussions about developments in western Europe. It is here where theorists have noted with surprise the abundance of pact-making going on without the conditions that classical neocorporatist theorists identified as necessary for their conclusion. This has now led to a rich and wide-ranging theoretical discussion – and to a dramatic ratcheting down of the standards of neocorporatism.

The debate began as a way of explaining how and why social pacts were signed between labour and government in Ireland and Italy, and then Portugal and Spain. It was a riddle because none of the classic factors were present. Unions were not centralized. Employers' organisations were weak. The state did not bring a Keynesian mindset or toolkit to the table. The pacts were concluded between labour and the state, though with the state acting very much on behalf of employers. And unlike those of the neocorporatist past, which led to greater labour empowerment and a comprehensive welfare state, these pacts were aimed explicitly at limiting labour power and cutting back the welfare state. Cutting wages, reducing pension costs, bringing greater labour market flexibility: these were the slogans of the day. The

focus was quite unlike that of classical western neocorporatism, but quite similar to the focus of east European tripartism after 1989, when new governments also sought concessions by labour and radical retrenchment in social policy commitments. Indeed, these new west European pacts started taking shape in the late 1980s, around the same time the communist system was collapsing.

The impetus for the pacts came chiefly from the government, saddled with public sector wage and pension costs, plausible threats by capital to flee (and decrease the tax base), bad demographic prognoses, and the need to trim budget deficits in order to facilitate European Monetary Union rules and adoption of the Euro. They were, in short, part of the European Union's transition to a post-Keynesian economy, with greater reliance on market forces. These new pacts were occurring in countries with weak and fragmented unions and employers, and in the context of an emerging neoliberal monetarist policy, without the Keynesianism that Fritz Scharpf has argued is central to cooperation on wage restraint<sup>1</sup>.

What do these new pacts mean for labour, for the workers whom social democratic neocorporatism had finally elevated in the past? Here is where the ratcheting down of standards is most clear. Today's tripartism and neocorporatism are seen as perfectly compatible with cutbacks, givebacks, and the reduction of power and influence for labour. Anke Hassel presents an unyielding picture. Today's discussions on social pacts, she tells us, are used by governments to change trade unions' behaviour. Tripartite negotiations have become 'instruments by which governments [try to] adjust trade unions' wage bargaining to the new economic context of a hard currency policy' (Hassel 2003: 720). The role of unions is to adjust to global anti-Keynesian monetarist tendencies, and tripartite negotiations are conducted in order to achieve just this. Governments get involved in wage bargaining processes today not to reduce class conflict or facilitate class compromise, but to teach labour that it has to accede to new rules of the game that demand retreat from what the old neocorporatism brought about. Governments aim not so much to reach an accord, but 'to change the rules of the game of the bargaining procedures themselves, by introducing a new economic framework' (Hassel 2003: 720).

Lucio Baccaro agrees; labour gets very little in these new corporatist processes. 'Even though they [are] not directly designed by business' – that is, they often

---

<sup>1</sup> Fritz Scharpf's *Crisis and Choice in European Social Democracy*. As Anke Hassel summarizes Scharpf's argument, unions would accept the wage restraint characteristic of neocorporatist bargaining only in the context of a Keynesian demand policy that allowed expansive fiscal policies. See Hassel (2003).

look like they are – ‘the systemic consequences of the new pacts [have] few of the redistributive features’ that are associated with the corporatism of old (Baccaro 2003: 702). In the two examples he sees as emblematic of the new social pacts, Ireland and Italy, in the first case ‘the wage share of GDP declined from 71 to 56.9 per cent of GDP’ in the period from the signing of the first pact in 1987 to the end of the century. As far as the ‘political exchange’, or what unions get in return for their concessions, the answer is not much. The Italian pacts in particular, he notes, ‘involved little, if any, material compensation for labour’ (Baccaro 2003: 702, 700). Rather, the principle here is that unions sacrifice in order, theoretically, to enhance a country’s market competitiveness by lowering costs for capital, and in return they maintain an official voice, and access to tripartite institutions.

For Hassel, unions gain nothing. When they cooperate and make concessions, they help bring about what would happen anyway without their cooperation. ‘Tripartite negotiations’, she writes, ‘are driven primarily by the aim of governments to ease the transition towards a tighter economic policy by negotiating with trade unions’ (Hassel 2003: 710). That is, governments negotiate not in order to *bring about* such a transition, but only to ‘ease’ it. Today’s ‘tripartite negotiations on wage restraint under restrictive economic policies are not based on a political exchange whereby governments [have] to compensate trade unions for wage restraint. Rather, governments can threaten trade unions with tight monetary policy and trade unions can either engage in negotiated adjustment or suffer restrictions’ (Hassel 2003: 707).

All the power, in other words, is on one side, which ‘offers’ the unions nothing other than to be complicit in their own marginalization. It is hard to imagine a better example of illusory corporatism, though Hassel, as we shall see, does not call it that. Rather, her claim in this article is that this is simply how social pacts are done today. The alternative, she says, is Thatcherism, where harsh monetary restriction triggers job closures and wage reductions without any participation at all. Unions here are entirely on the defensive. They join pacts only in order to hold onto some official recognition, maintain some official voice, but not in order to have any real say in policy-making.

Clearly, this is not your parents’ neocorporatism. Indeed, is hard to see how such accounts can be reconciled with *any* vision of neocorporatism. Instead of pursuing this question, however, most research simply assumes that this new pattern of pact-making is the new version of neocorporatism. Instead of asking about the content of such neocorporatism, about the outcomes it produces, it focuses on process instead. What is offered is what might be called a process-centred approach, and it focuses on

the question: how can corporatist pact-making still take place in the absence of the conditions considered indispensable by classical corporatist theorists?

One of those conditions was the existence of strong, centralized labour organisations. These were seen as necessary to produce 'concertation', or the joint policy-making spelled out in binding pacts signed by the dominant interests, since without such centralized organisations, there lingers the possibility that other unions will seek to 'leapfrog' the pact-maker (demand a little more), or that lower-level union cells would exceed or ignore the peak-level agreement. Through a discussion of recent social pacts concluded in Italy and Ireland, two countries known for their fragmented unions, Lucio Baccaro argues that even though unions were unable to enforce discipline, they were able to manage this organization problem through deliberatory and democratic discussion. Union leaders in both countries communicated regularly with local leaders, addressed rank-and-file and activist concerns, and ultimately submitted their negotiated agreements to vote by union members. Securing such approval was particularly important since these pacts, filled more with concessions than achievements, were naturally more unpopular than classic neocorporatist agreements signed when labour had more power. Obtaining democratic approval helped legitimize the pacts, thereby protecting the union elite from charges of betrayal or attempts at removal. In this way, there was concertation without centralization, with an apparent added attraction of increased union democracy (Baccaro 2003).

Of course, unions that need to win over members by persuasion are weaker, in terms of defending workers' material interests, than those that can win them over by securing rewards. Baccaro thus implies that weaker unions are in a better position to secure agreements today than stronger ones, because they need to win rank-and-file support for their concessions. In later articles with collaborators, Baccaro argues outright that relatively weak unions are a better fit for contemporary social pacts than strong ones. 'The decision to involve private actors in policy bargains', they write, 'can be conceived of as the striking of an alliance between weak governments and weakened unions' (Baccaro, Simoni 2008: 1325). When governments are unable to pass liberalizing reforms on their own, they seek a pact with unions for 'legitimacy and societal support' (Baccaro, Lim 2007: 28). Governments need to need support from unions, while unions need to have little chance of winning concessions through other means.

Weak unions lacking bargaining power or associational power, signing pacts with terms set by others that grant them little: this too sounds like an increasingly fictitious corporatism. Baccaro, however, presents it in fact as something superior to the old



corporatism, since unions deploy democratic credentials, rather than exert power. It is hard, however, to see this apparent triumph of post-materialism as a durable, much less desirable, substitute. If unions are weak, and sign pacts that give hard-won gains away, they won't be able to muster democratic support for long. Governments, meanwhile, will learn they do not need to take them seriously. Indeed, that is what appears to have happened today. The Irish social pacts, long championed as a model by advocates of 'social partnership', Irish 'social partnership', long championed by advocates as a model of contemporary social pacts, has come crashing down in the aftermath of the recent economic crisis, with today's unilateral austerity measures eliciting nary a protest. One recent account directly blames 'the anaesthetizing effect' that previous social pacts had on labour, causing the unions to 'discard any sense of themselves as a social movement with a distinctive and radical vision', leaving them complacent even in face of the steady decline of union density and power (Finn 2011: 35). Charles Woolfson and Epp Kallaste, meanwhile, in this issue, show something similar happening in Latvia: unions that signed accords giving them little in the past, have been diminished and humbled even more by the recent crisis. (In contrast to Baccaro, Woolfson and Kallaste see this as illusory corporatism all along.) In such company, Argentine labour's seemingly irrational flexing of muscle at a time of crisis seems to have been much sounder strategy.

Like Baccaro, Hassel also sees union powerlessness as the condition of possibility for new social pacts. And like Baccaro, this is not the issue she focuses on. Rather, she too looks at the processes that make pacts possible in these conditions. Her answer is that governments have the means, the desire, and perhaps also the need to introduce neoliberal rules anyway, and unions are no longer in a position to do anything about it. Governments do not *need* unions to implement their economic policy, but they can avoid dislocations and other negative effects if trade unions cooperate with neoliberal austerity rather than resist. Unions, thus, are in a trap. She explains the logic that compelled them to participate in their own marginalization as follows. Unions, she writes,

'could either commit themselves to voluntary restraint, or face the consequences of higher unemployment if they did not. Since there was no longer a Keynesian scenario in which inflationary wage pressures could be accommodated by monetary or fiscal policy, the scope for wage increases had diminished. Higher employment losses would eventually drive wage increases down. If unions opted for a negotiated incomes policy, they could at least try to bargain over a price for wage restraint. If they did not, they had to face employment effects that ... threatened to undermine their position on the labour market' (Hassel 2003: 716).

Nico Siegel also claims that ‘a severe organizational crisis of the trade union movement may ... be a necessary precondition for effective competitive concertation’ (Siegel 2005: 113). Indeed, despite his agreement that this remains a form of corporatism, he acknowledges that the effect of the reforms and the pacts of the 1990s ‘has been to eliminate the role of corporatist governance regimes in which the social partners had a veto over a wide range of issues’ (Siegel 2005: 118).

What about employer organisations? Like Baccaro, Hassel does not see their role as central. This of course does not mean that capital is not central. As in most of this literature, class questions as such are shunned, and the language of ‘social partnership’ is maintained. But at the bottom of this account is an acknowledgement of the power of capital today to rewrite the rules. Why, after all, are basic economic policy questions off the table, so that governments abandon Keynesian rules and seek to orchestrate a push to monetarism? To say that that the EU – or more specifically, EMU (European Monetary Union) – demands this simply changes the level of responsibility, while begging the question of *why* EMU demands it. And that brings us to the power of capital in the age of globalization, referring here to international competition, bringing a downward pressure on wages and on taxes, open financial markets, and the ability and readiness of capital to leave in search of competitive advantages elsewhere. We cannot write this story without a discussion of shifting class power. Tripartism today serves labour poorly because it takes place in a global environment in which capital has the upper hand, and labour struggles just to hold on<sup>2</sup>.

## Is This Corporatism?

Is all this still corporatism? As noted, the similarities with my account of ‘illusory corporatism’ are striking. Just as in eastern Europe, so we have governments pushing the agenda of neoliberal transformation, and seeking labour participation in order

---

<sup>2</sup> In line with Beverly Silver’s work, who reminds us of the global nature of class conflicts, and who notes that labour is declining in the west but growing in the east, it is certainly conceivable that tripartism could become a boon for labour in areas where both the economy and the size of the working class is growing, but where labour still gets marginalized in terms of distribution. In other words, it could work well in China, when and if workers are able to marshal their resources and emerge as an independent actor. Today, interestingly, and not surprisingly, China is seeking ways to include workers in some decision-making without allowing them to organised independently. See Silver (2003).

to make the process smoother. Unions get involved not so much with a chance of advancing their agenda, but in order to maintain a presence, to forestall some even worse outcome, to keep some institutional voice perhaps in the hope of being able to use it later. Employers' organisations are less present in today's west European pacts, just as they were in eastern Europe, though far from signifying a gap in the representation of employer interests, it is, as tripartite negotiations show, more a sign of the pervasiveness of these interests, as the government pushes an agenda of liberalization and flexibility even without employers directly prodding them to do so. It is also evidence of the size and strength of the public sector and public sector unions, and when states cut back on wages and benefits for public workers, they help business be able to do the same. In eastern Europe too, employers were scarcely represented in the tripartite commissions of the 1990s, and where they were, they tended to be fragmented, split between private and public managers (there was still little private property at the time) as well as between sectors. Governments, however, pushed the interests of business even in the absence of private employers, for these governments were more committed to building capitalism than many employers at the time<sup>3</sup>. So just as happened previously in the east, employers can play a less active role without danger of losing their clout.

We also have here the phenomenon of tripartite negotiations where the best that labour can do is help negotiate the terms of its own decline, though given Hassel's arguments about the weakness of labour, 'negotiate' may be too strong a term. Instead of labour size and power being the force that pushes the parties to the bargaining table, as in the heyday of corporatism, we have governments reaching out to labour in order to secure the latter's complicity for cutbacks. As Baccaro and Simoni put it, 'sharing policy-making responsibility with the organizations representing those that are most likely to bear the brunt of policy changes— namely, workers—protects weak governments from popular discontent they may be unable to handle otherwise' (Baccaro, Simoni: 1340). This kind of corporatism appears as illusory as east European governments' efforts in the 1990s to have unions vouch for the painful market reform agenda they were imposing then.

The key assumption of all this literature is that labour no longer has any choices. There are two key problems with this claim. First, it is not necessarily true. Argentina

---

<sup>3</sup> This is what Szelenyi and his collaborators mean when they speak of 'capitalism without capitalists'. It is not that there were no capitalists, but that the project of building a capitalist system was engineered by the governments even without the direct urging of business interests (Eyal, Szelenyi, and Townsley 1998).

shows that in some contexts there may be alternatives. Second, there is always the choice of not cooperating. Saying there are no choices is equivalent to recommending that labour go along. But if cooperation promises little or nothing, why go along? Unions may not win by resisting, but if they're going to lose by cooperating, why not wait for a better conjuncture and use the time to build new coalitions and broader labour solidarity?

For there is a danger here that all the talk of the lack of alternatives will persuade labour that they have little to do except go along. Unlike business circles, labour takes academic writing seriously, especially in Europe. Outside of party officials, scholars tend to be closer to the elite than most other labour supporters. All the claims that this is what corporatism looks like today, that labour can 'blunt' neoliberalism only by accepting it, and that there do not seem to be any alternatives, run the risk of becoming self-fulfilling prophecy. Historically, non-elites have always made gains by pushing the limits, by demanding the seemingly impossible. That this is a time of retrenchment may be due not just to objective limitations but to subjective ones as well, including the lack of forceful proponents of labour's cause.

Of course, it is undoubtedly true that labour in the west is facing difficult times. Still, insofar as the aim of contemporary social pacts is for labour to help negotiate the terms of its decline, calling it corporatism seems misguided. Baccaro's concept of 'concertation without corporatism' does not help. When Lehbruch introduced the term 'concertation' in order to stress the joint policy-making aspect of corporatism, he assumed that labour was putting forth a program to advance its interests – an entirely plausible assumption in the early 1970s (Lehbruch 1979). Without that, formal deals may still occur, but if they are not bringing about the inclusive class outcomes of the old corporatism, then something else is going on here.

All in all, the developments here are quite similar to what I described as 'illusory corporatism' in eastern Europe. There too, governments sought 'restructuring' and 'reform' that would make their economies 'competitive' by getting labour to accept wage cuts and a reduced role in enterprise governance. Labour largely accepted the 'deal' because they were in a weak position. There seemed to be no other way to keep a foot in the door except to accept the wholesale changes put forth by the government. Governments aimed to get the so-called 'social partners' to accept neoliberal transformation, and presented labour with *fait accomplis* that the latter were called upon to sign. Calling this 'corporatism', I argued, strips the concept of the factors that made it so important an innovation in the post-World War II period.

Today in the west, too, tripartite is being used not as a tool to further labour power but to undercut it. Unions have little ability to withstand the arrangements, and complicity allows them to retain some institutionalized voice. Still, this is a significant retreat from the corporatism of the past, in the direction of the illusory corporatism of the east. Illusory corporatism, of course, is not corporatism at all, but an effort to secure labour complicity in its decline, an effort to move to neoliberal policies without social protest.

Of course, many disagree. In fact, most disagree. Most discussions of contemporary social pacts assume we are still dealing here with a variety of corporatism, but are interested more in explaining how it is possible than in trying to spell out exactly what it entails. A major exception is the work of Martin Rhodes. In an influential series of articles, Rhodes argues that today's corporatism is of a different kind than that in the past. 'Competitive corporatism', he calls it (Rhodes 2001). based on pact-making promoted by governments experiencing economic downturns, which seek across-the-board restructuring in order to make their economies more competitive.

'Across-the-board' means making a new deal not only with labour, but with groups other than trade unions which also make demands on the state. Thus, he argues, governments seek both 'productivity coalitions', to revise allegedly outmoded workplace and wage agreements of the past, and 'distributional coalitions', to address issues facing citizens not covered by corporatist central bargaining. As part of the former, the government seeks wage stability, reduced labour expectations, and the much-touted 'flexibility'. For the 'distributional coalition', it needs deals with retirees to revamp the pension system, and with public employees to lower costs. To help introduce this new arrangement, it brings in, and claims to speak on behalf of, a younger and more educated cohort that is supposedly saddled with the high costs of maintaining the old arrangements and has an interest in a new kind of arrangement. In Rhodes' account, unions are treated as an outmoded aristocracy that need to be reined in, and which can be pressured to do so by new institutions of 'social dialogue' that include more than trade unions, as has been championed, for example, in Ireland.

His argument is based on the example of the Waasenaar accord of 1982 in the Netherlands, leading to the celebrated 'Dutch miracle' based on the notion of 'flexicurity' – job stability in return for more flexible work relations. Rhodes acknowledges that other accords have not worked out like this, but he still sees it as the model. These are deals for countries to become more 'competitive', and thus constitute a new kind of corporatism. Others agree. Nico Siegel prefers the term 'competitive concertation' rather than competitive corporatism, noting, following

Baccaro, that the institutionalized bargaining processes conducted by centralized organisations is lacking here, but that labour and capital still come together, often due to a crisis, and sign pacts concerning socio-economic policy (Siegel 2005).

While the merit of this approach is that it recognizes that pacts today are different from those of the past, the problem is that it can hardly be maintained the pursuit of 'competitiveness' is what constitutes this difference. After all, classical corporatism was also aimed to making economies more competitive. Indeed, this was one of the key reasons facilitating its introduction and durability, as we have learned from that literature that challenged the 'power resources' theory assigning causality to labour and discovered that employers and business elites supported and promoted corporatist arrangements too (Skocpol 1997, Swenson 2002). Corporatism was always viable because it worked for business as well as labour, at least in the nationally-based economies that were then so dominant. When capital had limited opportunities to escape, making a deal with domestic labour was necessary not only for governments but for capital itself. Corporatist economies were successful and competitive economies.

Yes, traditional neocorporatism is in crisis. But efforts to remake it in some new 'competitive' style are not about reviving corporatism but about eviscerating it. It is not the aim of 'competitiveness' that distinguishes today's pact-making from those of the past. That has simply become the buzzword allowing for the gradual dismantling of the corporatism of the past. If we look in terms of class-based outcomes, the differences with past neocorporatism are so great, the general tendency is so different, that it seems to obfuscate matters to use the same concept of corporatism. The new pacts are evidence less of 'social partnership' than of a new phase of an old class conflict.

## Developments in Eastern Europe

One clear merit of the 'illusory corporatist' label for today's neoliberal pact-making is that it would make clear that pacts are not an obvious good for which labour should strive. The term 'social partnership' creates the illusion that pacts are always a win-win situation. But if they serve to legitimize anti-labour policies by having labour vouch for them, then they seem to be a win-lose situation, an arrangement in which one side benefits while another does not. One can of course argue that this is a deal worth

making, for tactical reasons, or because there is little alternative. But a deal should not be worth making just because it is a deal. Today, however, the term 'social pact' seems to sound like a siren call, luring us with promises of compromise and cooperation that too often ring hollow. Even such an astute observer as Juliusz Gardawski seems to succumb to the pressure. In his chapter on new theories of neocorporatism in his recent book *Social Dialogue in Poland*, Gardawski both summarizes a number of important articles about contemporary social pacts and adds his own remarks about the conditions under which a pact could be achieved in Poland. But he does not talk about who gets what out of these pacts, or why exactly labour in Poland should strive for one (Gardawski 2009). He cites Baccaro and Lim about Belgium's failure to conclude a social pact, and this is presented as a failure to achieve neocorporatism. But why should pacts be treated as the equivalent of neocorporatism?

We know why. It is because of the pervasiveness of the process-oriented approach, according to which if there are negotiated pacts, then the socially inclusive outcomes associated with classical neocorporatism will result. But we have seen, repeatedly, that this is just not the case. Gardawski himself shows a mixed record of 'social dialogue' in Poland: for the most part, governments did not treat it seriously, or when they did, as Labour Minister Jerzy Hausner did, they had their own ideas about how it should be organised and did not listen closely to what its participants wanted. In his summary of the results of Polish tripartism, Gardawski says that tripartism has evolved 'from a lower to a higher level of trust, from an easy succumbing to politicization to the gradually freeing of itself from the primacy of big politics' (Gardawski 2009: 401). This too speaks to the process, not the outcomes. When he does talk of the possible outcomes of a pact, the terms are not very beneficial to labour.

Was the lack of trust between the sides really a main problem? In their paper on tripartism in Poland, Gardawski and Meardi recall the tripartite experiences under Minister Hausner, and note how the proposed 2003 'Pact for Work and Development' was scrapped not just because Solidarity, in the end, did not want to do anything to legitimize the government of a party it opposed (that is, because of a lack of trust). It was scrapped also because 'the more unionist wing of the union did not see the material benefits for employees, which [this] social pact would entail' (Gardawski, Meardi 2010: 382). When this pact proposal failed, Hausner embraced a more expanded 'civic dialogue' with groups other than trade unions, but this only made unions even more sceptical. There may have been a lack of trust between unions and government (and, of course, in the Polish case, between the two leading trade unions themselves). But why exactly should the unions have had more trust in the

government? Better trust might have made a pact more likely. But it does not seem that a pact would have made conditions for Polish workers any better.

In the end, Gardawski never does claim that tripartism leads to greater inclusion of labour. He makes a different kind of claim on its behalf: that it helps build a strong civil society. 'We should work towards concluding pacts not only for instrumental and pragmatic reasons, but also for symbolic and expressive ones, and for the strengthening of Poland's social-civic condition' (Gardawski 2009: 404). As to whether pacts that undermine class gains in return for non-adversarial industrial relations constitute a worthy model for civil society, I am dubious. As I argued in my book, *The Defeat of Solidarity*, that is similar to the deal post-1989 liberals sought to make. They believed that more neoliberalism would lead to civic peace, with the result that people turned not just against neoliberalism but against political liberalism too. The difference here, of course, is that, unlike in the early 1990s, labour itself is to be part of these accords. Nevertheless, if an agreement is concluded only for the agreement's sake, it will not be a positive model for civil society. What matters is what the agreement says.

Gardawski and Meardi end their essay on the Polish tripartite experience with the assertion that 'the Polish story is mostly a story of failures'. In fact, the story is even worse elsewhere in eastern Europe. As Bohle's and Woolfson and Kallaste's pieces in this issue show, 'dialogue' in the Baltic republics has been even more of a farce. Woolfson and Kallaste call it 'an empty shell with little substantive content and unable to compensate for the ongoing 'dialogue deficit' at the level of the enterprise and workplace', and a 'trap' that might hinder rather than help union revival. They note the Lithuanian unions endorsing a pact in 2009 that calls for wage reductions and benefit cuts. Bohle, meanwhile, note that Latvian unions agreed to austerity measure without getting any concessions at all. A pact was signed in Slovakia, prior to the country's joining of the Eurozone, in which the typical wage restraint and greater flexibility was exchanged for continued official recognition. In Hungary, the new Fidesz government has made plain its unwillingness to listen to any groups outside of itself, and this extends to the so-called 'social partners' as well.

So while tripartism continues in eastern Europe, it has still not served any empowering role. Some had hopes for new pacts in light of entry into the European Union, particularly with the requirements that the new members prepare to join the Euro zone, but this has not happened. In Estonia, the most recent country to join the Euro zone (in January 2011), budget deficits were reduced by unilateral cuts made by government and private employers alike. The impotence of tripartism was revealed with particular clarity here. In April 2008, after working on the issue for several years,



the tripartite council of government, employers and trade unions finally agreed to the introduction of a new labour contract law. In return for making it easier to lay off workers, by shortening the notification period and reducing severance pay, the government agreed to increase unemployment insurance contribution as well as unemployment payments, and expand active labour market policies. But when, a year later, it finally turned the agreement into law, the new bill introduced the changes in firing policy, but not the increases in unemployment compensation. The government had made a tripartite agreement – and then simply abandoned it. Even for the normally quiescent Estonian trade unions, this was too much. A brief strike, however, led to no changes (EIRO 2009). Tripartism continues in form, but conceiving of it even as a possible factor for advancing the interests of labour now seems laughable.

This is not to say that labour has not made any gains in the region. But what it has gained has come from better organisation, smarter use of existing resources, and more militant action, and not from tripartism. As I argued in a 2009 article, labour started reemerging in the beginning of the new century, after a decade of severe decline, due to five new factors, none of which came about due to tripartism: survival imperatives, EU incorporation, new international solidarity, a new generation of workers, and the end of postcommunism in the firm. The first refers to the needs of union officials to concentrate on union activities in order to ensure their own survival, now that the easy exit options of the first postcommunist years had dried up, and that the number of unionists had shrunk so much that they could no longer count on the flow of membership dues without any exertion of effort or display of interest. The second and third factors have to do with the new international dimension of unionism in the region. While it is true, as I have already argued, that the EU has become an increasingly unfriendly environment for unions in recent years, it was created at a time of strong unions and pervasive class consciousness, and so unions became part of the EU's social fabric. Provisions of 'social partnership' do not guarantee good results for unions, but they do guarantee recognition of unions and provide resources for their activities. International solidarity, meanwhile, results from globalization: as unions in the west realize that their own fortunes depend on labour conditions in areas to which their employers might and do escape, they have begun to cooperate with unions in the east, providing resources and incentives often lacking in the past. The fourth factor, a new generation, should be obvious: young workers who have experience only with capitalism not only do not link unions with communism, but often come to see the need for unions to defend them against employers.

The last factor, the 'end of postcommunism', is arguably the most important. This refers to the disappearance of superfluous workers from the workforce, which finally

made unionists more interested in defending their own members. As I argued in my 2000 article, the presence of such workers contributed to the 'anti-union' feelings of the skilled workers who mostly headed trade unions in the region in the 1990s, and when they finally left, with the end of full employment policies and the privatization of the economy, unionists became more interested in being unionists again.

While these factors have not led to any rapid advances in unionism (the decline of the 1990s, and the factors responsible for that, were too deep for that), they have provided more resources for unions, and it is this, rather than tripartite councils themselves, that are able to secure whatever advances workers have been able to make. Those advances have taken place chiefly in capital-intensive consumer goods industries, such as the automotive sector, which have been taken over by western firms with strong trade unions of their own, as well as in the highly capitalized resource sectors, such as oil refining. Even this arrangement does not come close to the 'segmented corporatism' described by Etchemendy and Collier in Argentina: no state benefits are targeted towards unions in these sectors, nor do they have any special institutional power (Etchemendy, Collier 2007). Their privileged position comes from the high value-added nature of their production, the close association with elite firms in the west, and the greater willingness of workers to assert their rights now that that no longer means supporting the employment of non-necessary personnel.

In an important 2009 article, Anke Hassel seeks to theorize 'illusory corporatism', as well as other varieties of corporatism, by locating it in a matrix where governments and unions have both 'policy' interests and 'power' interests, and where different emphases at different times lead to different results. Hers is one of the more analytically sophisticated attempts at differentiation, and is well worth exploring, even though I think it is ultimately unsuccessful. Her innovative starting point is the differentiation between the interests each side has both in pursuing certain economic policies, and in staying strong politically. Her claim is that each side emphasizes one of these interests at a particular time, and it is the interaction between these different emphases that produce different models of – well, she does not use the word 'corporatism' here, but just 'social partnership negotiations'. Governments, she says, either seek solutions for economic problems (their 'policy' interest), or electoral or social support from unions (their 'power' interest). Unions, meanwhile, have a 'policy interest' in getting higher wages and better welfare protection, and a 'power interest' in 'institutional security', which she defines somewhat problematically as 'participation in corporatist institutions' (Hassel 2003: 10).

Her argument is that 'classical corporatism' results when governments pursue policy interests and unions pursue power interests. When both sides pursue power interests, then the result is 'illusory corporatism'. Thatcherism, meanwhile, comes about when both sides pursue policy interests alone, without any attempt to win the support of the other, while a 'tactical alliance' follows when governments seek political support from unions (power interests) while unions focus on policy gains.

I will restrict my comments here to the two forms of 'classic' and 'illusory' corporatism. Any model, of course, requires a high degree of abstraction and simplification. Nevertheless, the accounts of the main interests of the different actors appear to be simplified to a point where they lose a certain coherence. The merit of the argument is that some sort of 'political exchange' is present in all of the scenarios, except the Thatcherite pluralist one. In 'classic corporatism', she says, the exchange is that governments get wage restraint and other labour concessions on policy matters, while unions get official recognition as legitimate participants in public debates. But if all that unions won was recognition, this would resemble illusory corporatism. In fact, labour got much more in the heyday of west European neocorporatism. It got historic policy concessions as well – mainly, commitment to full employment and the building of a comprehensive welfare state. Recognition as an important player is something labour had already earned, through its ability to mobilize its members, call strikes, threaten business and capital alike. Claiming that it gave up policy interests in return for a seat at the table sounds like a charge of betrayal, something which the radical left did of course charge, but which always rang hollow to a rank-and-file which got concrete benefits in return for restraint. This criticism does not imply that both sides pursued only policy interests, which for Hassel is a sign of pluralism and Thatcherism. Rather, it seems that in this particular constellation both sides had both policy and power interests on their side, which is what made the arrangement so stable for so long.

Meanwhile, is eastern Europe's 'illusory corporatism' really a matter of both side pursuing only power interests? Are unions seeking only official political representation, while governments seek legitimation? Just as her account of 'classic' corporatism underplays the extent to which labour had its policy interests met in the past, so this one underplays government pursuit of its policy interests. For the point about illusory corporatism, which I argued at length in 2000, is that government *gets* its policy interests met, virtually in entirety. Tripartism was offered by east European governments in the aftermath of the fall of the old regime, eliciting hopes from labour that it would get its voice heard, but governments largely used these institutions to tell unions what they were planning to do, offering precious little

*except* the existence of the tripartite boards in exchange. It seems hard to argue that governments focused on ‘power’ interests when in fact they secured virtually all the policy changes they wanted, and when the frequent voting out of governments shows they were not even successful in securing their political interests. Rather, creating tripartite institutions seems to be part of their effort in pursuing *policy* interests, with the aim of defusing opposition by offering symbolic recognition alone. Labour, of course, was in deep crisis at the time: uncertain what policies to pursue, and split between skilled workers and professionals who sought upward mobility and believed that abandoning communist-era practices of ensuring everyone a job would facilitate that, and lesser skilled workers who feared unemployment and biological decline. In this case, union officials were happy to get official recognition. Does that mean unions were pursuing ‘power’ interests while governments pursued ‘policy’ interests? It is hard to ascribe any such agency to unions at the time, and in any case, since it secured so little at tripartite negotiations, any real pursuit of ‘power’ interests would have pushed them towards more labour organizing and more attention to their base. Only this could have given unions the power to get governments to listen to them at tripartite councils, rather than indulge them. But this, as we have seen, and as I argue at length in my 2000 article, is just what unions did *not* pursue.

In the end, I would argue that illusory corporatism occurred when governments (and capital, though the latter is, like much of the new pact literature, largely absent from Hassel’s account) (see Eyal, Szelenyi, Townsley 1998). pursued policy interests, while labour was largely incapacitated. This led governments to believe they could not reap political benefits from labour at all. Tripartite councils were introduced only in order to smooth the transition to neoliberal policies, not as a site of real negotiations.

In western Europe, labour is not ‘incapacitated’ – its decades-long centrality and institutional structure make sure of that – though it is moving in that direction. The impact of monetary discipline, global pressure, internal dissension, and the erosion of public support that comes from greater technological differentiation and the inability of unions to adapt, make unions much weaker and less unified actors than they were not so long ago. The nature of contemporary west European social pacts, their lack of serious political exchange, the ability of governments and capital to get their policy interests met without fearing political punishment, all suggest that so-called corporatist institutions – the bargaining and the pact-making – are increasingly illusory there too, illusory in the sense that labour retains symbolic inclusion but not much else.

Does illusory corporatism still prevail in eastern Europe? As discussed previously, tripartite boards still do seem to be mostly relegated to the sidelines. They remain as they were ten years ago: sites where relatively minor agreements can be made, but without any significant policy clout or authentic bargaining. Yet classic corporatism was also an arrangement where skilled workers did particularly well, and here we see undeniable gains in eastern Europe. For unlike the situation in the immediate years after the fall of communism, labour is not so divided anymore. That is chiefly because so many have been displaced from the labour market, and lack access to trade unions, that the skilled workers who remain in control of the organised labour movement now has more clout than before. While labour as a class has lost out, labour as skilled manufacturing workers have definitely made gains compared to ten years ago.

As we have seen, however, rather than east European tripartism becoming more like the corporatism of the west, what seems to have happened in the last decade is that west European neocorporatism has eroded to the point where it increasingly resembles east European illusory corporatism. Still, developments continue to be worse in eastern Europe because of the initial weakness of labour. Governments could and can still largely bypass unions in the east, relegate them to the sidelines, because unions were incorporated there as weak actors. The west *had* strong class organisations, which are now definitely weakening. But the east never created them in the first place. What is different compared to ten years ago is that the self-effacing aspect of organised labour in the east is largely gone, and that there are real incentives to union organizing that did not exist in the past. This has not, however, made its tripartism significantly less illusory than it was ten years ago. As elsewhere, however, stronger tripartism requires stronger unions, which will require more militancy and class-based assertion in both east and west than exists at present.

## References

- Avdagic, S. (2010), 'Tripartism and Economic Reforms in Slovenia and Poland', in: Fraile, L. (ed.), *Blunting Neoliberalism, Blunting Neoliberalism: Tripartism and Economic Reforms in the Developing World*, Houndsmills, U.K.: Palgrave Macmillan.
- Baccaro, L., Simoni, M. (2008), 'Policy Concertation in Europe: Understanding Government's Choice', *Comparative Political Studies*, 41:10, October: 1323–1348.
- Baccaro, L., Lim, S. (2007), 'Social Pacts as Coalitions of the Weak and Moderate'. *European Journal of Industrial Relations* 13:1, 2007: 27–46.

- Baccaro, L. (2003), 'What is Alive and What is Dead in the Theory of Neocorporatism?'. *British Journal of Industrial Relations* 41:4, December: 683–706.
- Crowley, S., Stanojevic, M. (2011), 'Varieties of Capitalism, Power Resources, and Historical Legacies: Explaining the Slovenian Exception'. *Politics and Society* 39:2, June: 268–295.
- EIRO Online (2009), 'New labour law enacted despite strike initiative', last updated August 2009, at <http://www.eurofound.europa.eu/eiro/2009/07/articles/ee0907029i.htm>: accessed March 28, 2011.
- Etchemendy, S., Collier, R.B. (2007), 'Down but Not Out: Union Resurgence and Segmented Neocorporatism in Argentina, 2003–2007'. *Politics and Society*, 35:3, September: 363–401.
- Eyal, G., Szelenyi, I., Townsley, E. (1998)., *Making Capitalism Without Capitalists: The New Ruling Elites in Eastern Europe*, London: Verso Falabella G. and L. Fraile, 'Tripartism and Economic Reforms in Uruguay and Chile', in: L. Fraile (ed.), *Blunting Neoliberalism, Blunting Neoliberalism: Tripartism and Economic Reforms in the Developing World*. Houndsmills, U.K.: Palgrave Macmillan.
- Finn, D. (2011), 'Ireland on the Turn? Political and Economic Consequences of the Crash', *New Left Review* 67, Januar-Februar.
- Fraile, L. (ed.) (2010), *Blunting Neoliberalism: Tripartism and Economic Reforms in the Developing World*. Houndsmills, U.K.: Palgrave Macmillan.
- Gardawski, J. (2009), *Dialog Społeczny w Polsce*, Warszawa: MPiPS, chapter 7.
- Gardawski, J., Meardi, G. (2010), 'Keep trying? Polish failures and half-successes in social pacting. Social Pacts in Europe', in: Keune, M., Natali, D., Pochet, Ph. (eds.), *After the euro and enlargement: social pacts in the EU*. Brussels: ETUI & OSE.
- Hassel, A. (2003), 'The Politics of Social Pacts'. *British Journal of Industrial Relations* 41:4, December: 707–726.
- Kuruvilla, S. and M. Liu (2010), 'Tripartism and Economic Reforms in Singapore and the Republic of Korea', in: Fraile, L. (ed.), *Blunting Neoliberalism, Blunting Neoliberalism: Tripartism and Economic Reforms in the Developing World*. Houndsmills, U.K.: Palgrave Macmillan.
- Lehmbruch, G. (1979), 'Liberal corporatism and party government', in: Schmitter Ph., Lehmbruch, G. (eds.), *Trends towards Corporatist Intermediation*, London: Sage.
- Mazower, M. (2000), *Dark Continent*, New York: Vintage.
- Offe, C., Wiesenthal, H. (1985), 'Two Logics of Collective Action: Theoretical Notes on Social Class and Organizational Form', in: Offe, C., Keane, J. (eds.), *Disorganized Capitalism*. Cambridge: Polity.
- Ost, D. (2000/2010) 'Illusory Corporatism in Eastern Europe: Neoliberal Tripartism and Postcommunist Class Identities', *Politics and Society* 28:4, December 2000: 503–530; reprinted in *Warsaw Forum of Economic Sociology* 1:2, Autumn 2010: 91–122.
- Piven, F.F. and R.A. Cloward (1977), *Poor People's Movements*, New York: Vintage Books.

- Pizzorno, A. (1978), 'Political Exchange and Collective Identity in Industrial Conflict', in: Crouch, C., Pizzorno, A. (eds.), *The Resurgence of Class Conflict in Western Europe since 1968*. London: Macmillan.
- Rhodes, M. (2001), 'The Political Economy of Social Pacts: 'Competitive Corporatism' and European Welfare Reform', in: Pierson, P. (ed.), *The New Politics of the Welfare State*, Oxford: Oxford University Press.
- Scharpf, F. (1991), *Crisis and Choice in European Social Democracy*, Ithaca, NY: Cornell University Press.
- Schmitter, Ph. (1983), 'Democratic Theory and Neo-Corporatist Practice'. *Social Research* 50:4, Winter: 885–928.
- Siegel, N.A. (2005), 'Social Pacts Revisited: 'Competitive Concertation' and Complex Causality in Negotiated Welfare State Reforms'. *European Journal of Industrial Relations* 11:1, 2005: 107–126.
- Silver B. (2003), *Forces of Labour*, Cambridge: Cambridge University Press.
- Skocpol, T. (1997), *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States*, Cambridge: Harvard University Press.
- Swenson, P. (2002), *Capitalists Against Markets*, New York: Oxford University Press.

