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Tripartism Around the World

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Tripartism

Tripartism, which has been most developed and studied in Western Europe, has had limited success in most other parts of the world, and is in a state of decline generally. In addition, the essential focus of tripartism appears to have changed.

“Apogee of tripartism was in the 1970s, since then it has been declining unevenly but steadily”

Prosser and Perin, 2015



The Golden Age of Tripartism in W. Europe

-1950s—1970s

-Countries: Austria, Denmark, Finland, Ireland, Italy, Netherlands, Norway, Sweden and UK.

-Key Feature: Primarily wage pacts, involving a grand compromise of wage moderation by unions, classic tax based incomes policies and protective social legislation, publicly financed employment and social security programs.



What Made Tripartism Successful in Europe?

- Coherent representative organizations and social dialogue structures
- Effective Implementation of tripartism's output via centralized and coordinated bargaining and industry and firm level unions and works councils
- Active Stakeholder Support: Social Democratic Parties and public Support
- Deeply Institutionalized (strong commitment from actors, regular meetings, repeated successes)



- What did it accomplish ? : Efficiency and Equity
- Ratio of Real Wage to Productivity
- Wage Dispersion

Category	Real Wages/productivity	Standard Deviation of Sectoral wages
Tripartite Countries	.66	2.6
Non Tripartite Countries	.73	3.2

Based on data from 22 countries from 1969-2008



- Tripartite Agreements: 1972-1989

Country	Total Agreements	Wage Agreements	Of which Incomes Policies	Non_Wage Pacts	Narrow Pacts	Broad Pacts
Finland	5	5	5	0	0	5
Sweden	0	0	0	0	0	0
Norway	3	3	3	0	1	2
Denmark	1	1	1	0	0	1
Netherlands	3	3	1	0	1	2
Belgium	3	0	0	3	3	0
Germany	1	1	0	0	0	1
Austria	1	1	1	0	0	1
Switzerland	0	0	0	0	0	0
UK	4	4	4	0	0	4
Ireland	3	3	3	0	0	3
France	0	0	0	0	0	0
Italy	3	3	3	0	2	1
Spain	5	5	3	0	1	4
Portugal	2	2	2	0	0	2
Greece	0	0	0	0	0	0
Total	34	31	26	3	8	26
Percent	100%	91.2%	83.9%	27.8%	23.5%	75.9%



Why did Tripartism Decline in Europe in the 1980s?

- Declines in Union Density
- Decentralization in Collective Bargaining mid 80s and 1990s
- Globalization and European Integration
- Incomes Policies losing appeal to monetary policy and increased tolerance of unemployment, relative to inflation which became the key target (Volker effect?)
- Employer offensive for flexibility in an era of neo liberalism



Re-emergence of Tripartism as Social Pacts in the 1990s in Western Europe

WHY: High Inflation deficits, and High Proportion of Minority Governments in many countries

HOW: Not Well Institutionalized, Many Failures, QUALITATIVELY DIFFERENT from Tripartism in the 1970s

“These social pacts are highly contingent and fragile constructions and they are de-regulative rather than distributive” Avdagic 2014



How were they qualitatively different?

- Systematic compression of wage growth relative to productivity growth to improve cost competitiveness
- labor market liberalization
- reduction of employment protections
- welfare state reforms reducing benefits
- Institutional Deregulation: Bargaining Decentralization, shrinking of unions and collective representation, re-structuring of labor market institutions, and increased labor flexibility.

Key Direction: Market Liberalization



Qualitatively Different Focus of Social pacts of the 1990s-2000s

	1970s	1990s-2000s
All Pacts	37	54
Wages	32	39
Working Conditions	8	11
Training	1	22
Union Rights	5	13
Social Security	4	26
Pensions	2	15
Tax Budget	26	25
Active Labor Market Policies	9	27
Employment Protection Legislation	2	15

Bigger Focus on labor market adjustments, training, employment protection, pension reform, i.e. non-wage issues to ease adjustment as a consequence to flexibility enhancing policies. (Avdagic 2014)



- Failed Negotiations and Social Pacts 1990-2007

Country	Social Pact	Failed Negotiations	Country	Social Pact	Failed Negotiations
Slovenia	6	6	Belgium	0	3
Portugal	8	2	Hungary	1	1
Finland	7	1	Germany	1	1
Italy	6	0	Norway	1	0
Ireland	6	0	Denmark	1	0
Netherlands	5	1	Sweden	0	1
Czech R	5	1	France	0	1
Spain	2	3	UK	0	0
Slovakia	30	0	Switzerland	0	0
Austria	2	1			
Poland	1	2			
Greece	1	2			



Summary of Social Pacts in 1990s-2007

- Qualitatively different, pale shadows of the grand compromise of productivity and distributional coalitions of the past that genuinely integrated equity and efficiency
- Thinner institutional arrangements, without strong social partners.
- Served at best to “blunt neoliberalism” not provide an alternative to it. Did not provide fundamental alternatives but sought to spread the pain and increase the political acceptability of the reform package. (Baccaro and Heeb, 2015)



The Case of Ireland: 1987-2007

- Unique in that it had none of the institutional preconditions of Western Europe

- Triggers: Govt Debt: 110% of GDP, Unemployment 16.8%, 1987, 1987 Minority Fianna Fail Government enacts Tripartite Programme for National Recovery

- Features: Economic Openness, Inward FDI, Lean Welfare, Wage Moderation.

- Remarkable Success in first Phase



-Unions in favor because

- social pact provides them with policy influence and legitimacy

- allowed them to focus on representation rather than strikes

- Wage Increases brought growth in real wages

- Lowering taxes increased take home pay.



Lessons from Ireland

- 1) social partnership played an important role in the 1990s in stabilizing the economy and presided over a sustained period of economic convergence.
- 2) But it was a fragile institutional fix, because it never really integrated workers through bodies like works councils...it was only at the national level.
- 3) When financialization became a key mode of accumulation...unions gave up moderation in wake of a wage–price spiral, Banks borrowed abroad and property prices increased, (being part of Euro created laxity in macro economic management) and employers felt that Tripartism had lost its economic functionality, as Ireland’s competitive position in the Euro declined. (Teague and Donaghey 2015)



Tripartism Outside of Western Europe

Generally infertile ground for tripartism due to the absence of key pre-requisites i.e.

- a) Core focus on employment and social policy
- b) Effective Implementation of its output via centralized and coordinated bargaining
- c) Coherent organizations and social dialogue structures
- d) Active Stakeholder Support: Social Democratic Parties and public Support
- e) No clear Legacy of Tripartite Policy making.



- However, there is great variation, though relatively few examples of Strong Tripartism
- Fraile (2010) Study Hypotheses
 - 1) Tripartism produces economic reforms that reconcile efficiency with equity (e.g. moderating the pace of change, providing compensation for losers, reducing excessive income inequality and enhancing social protection
 - 2) Tripartism makes economic reforms more politically sustainable, generating buy-ins from key social actors
 - 3) Tripartism increases manouvering room for national governments vis-à-vis international actors



- Union Density and Bargaining Coverage, Mid 1990s
(Fraile 2011)

Country	Union density % of non agricultural workforce	Union density as % of formal sector wage earners	Collective Bargaining Coverage % of formal sector employees
Slovenia	32	40	100
Singapore	13	16	19
South Africa	22	52	49
Uruguay	12	20	22
Korea	9	13	14
Poland	27	34	28
Chile	16	33	13
Zimbabwe	14	22	25



- Characteristics of Tripartism in the 8 Countries
(Fraile 2012)

Country	Policy Scope	No of agreements	Scope of Agreements	Continuity of Practices	Strength/autonomy of Labor /Employer Representation
Slovenia	Broad	High	Broad	High	High
Singapore	Broad	High	Broad	High	High*
South Africa	Medium	High	medium	High*	High
Uruguay	Medium	Low	Low	High	Medium
Korea	Broad	Low	Broad	Low	Low
Poland	medium	Low	Low	Low	Medium
Chile	medium	Low	Low	Low	Low
Zimbabwe	Low	Low	Low	Low	Low



- Impact (High, medium or Low) of Tripartism on Reforms and Policies

Country	LL R	ALMP	IP	SP	Tax	P	TIP	F
Slovenia	H	H	H	H	M	L	L	-
Singapore	M	H	H	H	M	L	L	-
South Africa	H	H	-	L	-	H	H	-
Uruguay	M	H	M	M	L	-	H	L
Korea	H	H	M	L	-	M	-	L
Poland	M	L	L	L	L	M	-	-
Chile	L	L	L	M	M	-	L	-
Zimbabwe	M	-	L	-	-	L	-	-

KEY

LLR: Labour Law Reform

ALMP: Active Labor Market Policy

IP: Incomes Policy

SP: Social Policy

Tax: Tax Policy

P: Privatization

TIP: Trade and Investment Policy

F: Financial Liberalization Policy



- Summary of Tripartism Outside Western Europe
- Strong Tripartism in Singapore and Slovenia but weak elsewhere.
- Tripartism strongest in countries where the focus was on incomes policies, and better reconciling efficiency with equity
- Both strong and weaker forms of tripartism generate buy-ins (temporarily for weaker forms) from key social actors.
- Tripartite consensus crucial in preserving national government independence vis-à-vis international agencies (e.g. Slovenia, pension reform rejecting World Bank's blue print).



- Tripartism in other Non-Europe countries not well studied, but there are stories of successes.
- Barbados : Broad Tripartism
- Japan : (Experiences Tripartism's effects without Strong Formal Tripartite Structures).



Tripartism and the Global Financial Crisis

- In 2009 ILO constituents adopted a global jobs pact centered on tripartism at national and international levels in order to increase employment at a time of crisis.
- Research Question? What are the conditions under which a tripartite response to the crisis emerges?
- Study of 44 countries around the world (Baccaro and Heeb (2012))



Countries with and Without Tripartite Responses to Global Financial Crisis (Baccaro and Heeb 2012)

Tripartite Response	No Tripartite Response
S. Africa	Cameroon, Egypt
Brazil	Nigeria, Senegal
Chile	Rwanda, Tanzania
Jamaica	Uganda, Argentina
Czech Republic	Canada, Colombia
Germany	Costa Rica, Mexico
Italy	Peru, USA
Netherlands	Uruguay, Trinidad /Tobago
Poland	Bulgaria, France
Switzerland	Hungary, Ireland
Sweden	Latvia, Romania
Japan	Russia < Spain
Korea	Serbia, UK
	Australia, Cambodia
	Malaysia, Thailand, Vietnam

Note:
Singapore was
not part of this
study



- Why did tripartism NOT emerge in so many countries?
- Absence of Meaningful Freedom of Association and well developed collective bargaining institutions
- A crisis that hits hard combined with unions who do not have the organizational resources to impose their presence to governments
- A crisis that is less serious and where unions are strong enough such that governments fear that unions will demand a high price in tripartite negotiations.



Characteristics of Tripartism after the Global Financial Crisis (Baccaro and Heeb 2012)

- More like the Social Pacts of the 1990s
- De-regulative rather than distributive
- “Share the pain” Tripartism.
- Not Well institutionalized



Singapore: A Singular Exception

- Deeply Institutionalized with strong and continuous commitment of top political leadership as well as NTUC and SNEF
- Repeated use of tripartism **strategically** and during **crises** has demonstrated utility
- Relatively stable representative organizations
- Strong Institutional web of relationships (formal and informal)
- Future focus on deepening tripartism to lower levels.

Continuing vitality in Singapore stands in contrast to declines or changing character of tripartism in most of the rest of the world