From Social Pacts to Pattern Bargaining:
Pay Fixing and Economic Recovery in Ireland

William K. Roche
College of Business
University College Dublin

Tom Gormley
College of Business
University College Dublin

Paper for presentation at The ILERA European Regional Congress, 'The Future of Representation', University of Milan, 8-10 September 2016.

The authors would like to acknowledge with gratitude the very valuable assistance, advice and comments provided by Brian Sheehan and Colman Higgins of *Industrial Relations News* during the compilation of the pay deals database used in this paper. They also wish to thank SIPTU for providing access to the union's database of pay deals concluded by the manufacturing division and Mandate for access to a database of pay settlements in retailing.

Introduction

The Great Recession has led to major changes in pay fixing in Ireland, as in many European countries. This paper examines the decentralization of pay fixing in the Irish case after the onset of the economic and fiscal crisis and focuses in particular on the advent and evolution of 'pattern bargaining' – a form of coordinated pay bargaining without precedent in Irish collective bargaining. The paper contrasts the features of pattern bargaining with previous episodes of decentralized 'pay round' bargaining in Irish industrial relations and identifies features of pattern bargaining that render it distinctive not alone as compared with previous pay bargaining in Ireland but also as compared with European and US models of pattern bargaining. The genesis of pattern bargaining is examined, as well as the changes that have occurred as economic revival has gathered pace. The paper finally considers whether a drift towards uncoordinated pay bargaining may now be occurring and assesses the prospects for the retention of pattern bargaining.

The Great Recession and Changes to Pay Fixing Regimes in Europe

Since the advent of the financial and economic crisis many changes have been observed in pay fixing arrangements across Europe. Overall and with few exceptions (Finland being the main one) the long-run trend towards bargaining decentralization evident before the onset of the crisis seems to have accelerated (Aumayr-Pintar et al. 2014; Marginson and Welz 2014; Ribeiro 2015; Visser et al. 2015; Voss et al. 2014). But the features associated with this trend are manifold and the degree to which pay-fixing regimes have changed varies significantly across countries.

The main contours of change are clear enough. National cross-sectoral bipartite and tripartite bargaining arrangements have collapsed in a number of countries, notably in Ireland and Romania. In other national cases sectoral and territorial bargaining arrangements have given way to firm-level bargaining, or the weight of bargaining has shifted to firm level in multi-level bargaining arrangements. In different ways these trends have been evident in Greece, Spain, Italy and Bulgaria (Marginson and Welz 2014: 5-6). Multi-level bargaining arrangements in a number of countries have witnessed changes to 'ordering arrangements' forming 'vertical' linkages across bargaining levels. The 'favourability principle' that privileged sector-level agreements over firm-level bargaining has been inverted or suspended in Greece, Portugal and Spain. 'Opening clauses' in sector agreements derogate specific issues to firm-level bargaining. These are widely prevalent in such countries as Austria, Finland, Germany, Italy, Norway, Portugal and Sweden (Marginson and Welz 2014: 7-8; Ribeiro 2015). 'Opt out clauses' allow firms and employee representatives scope to derogate from sector-level agreements on grounds of economic difficulty. These are again widely reported in Greece, Spain, Cyprus, France, Italy, Bulgaria and Slovenia and to a more confined extent also in Ireland (Marginson and Welz 2014: 8-9; Voss et al. 2014: ch. 2). Further changes are reported to so-called *erga omnes* rules, whereby sectoral agreements are extended beyond the memberships of the bodies that negotiated them. Such rules have generally been weakened or suspended – again there are exceptions where *erga omnes* mechanisms have been strengthened (Germany and Bulgaria). Provisions for collective agreements to remain in force after their expiry for predefined periods have also been relaxed in a number of countries (Greece, Portugal, Spain, Croatia and Estonia) (Marginson and Welz 2014: 12-13). Arrangements for the automatic indexation of pay to inflation have been changed in a number of countries, with a view to diluting or removing inflation proofing. Arrangements to co-ordinate collective bargaining 'horizontally' across sectors have generally been weakened in various ways. In some countries entities other than workplace union representatives have been empowered to negotiate collective agreements with employers: France, Greece, Portugal and Romania (Marginson and Welz 2014: 9-10). Finally the numbers of pay deals struck across most European countries has declined and the duration of agreements has often shortened – both developments reflecting more difficult and uncertain economic conditions.

Driving these changes are secular trends that predate the crisis, in particular growing demands by companies for more flexibility to tailor pay and work practices to specific sets of commercial pressures in their environments (Katz 1993). However the circumstances of the crisis and its aftermath in Europe have also been important in driving recent developments. The search by employers and governments for more flexible and adaptive pay-fixing arrangements to promote or regain competitiveness and maintain employment has been a pivotal influence across many European countries (Aumayr-Pintar et al. 2014; Marginson and Welz 2014: 20-28; Visser et al. 2015). The EU's new economic governance regime and associated monitoring and enforcement arrangements has been an influence on changes in pay fixing in a number of countries, while financial assistance programmes agreed with the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) have been more potent influences in the cases of Greece, Portugal and Ireland, as well as Cyprus and Romania (Marginson and Welz 2014: 28-30; Sanz et al. 2016).

The most detailed study of changes in pay-fixing regimes concludes that three clusters of countries are evident in post-crisis Europe. The first comprises six countries characterized by 'multiple changes': Cyprus, Greece, Spain, Portugal, Ireland and Romania. All countries in this group were party to financial assistance programmes from the EC, ECB and IMF and all were particularly seriously affected by deep and prolonged recession and by sharp fiscal contraction. They were also marked by a significant decline in the coverage of collective bargaining – in part owing to structural reform commitments contained in agreements attaching to financial assistance programmes (Visser et al. 2015: 10). A second cluster of countries comprises cases where 'some changes' have been evident: Croatia, Hungary, Italy and Slovenia, and here domestic adjustments were seen as more important in driving changes than externally imposed changes. In the remaining 19 EU countries and Norway fewer changes, or 'relative stability' was evident. In these cases the crisis was often less serious in its effects and pay-fixing arrangements proved more capable of adapting to changed economic conditions (Marginson and Welz 2014:18-19).

So when looked at in a comparative European context Ireland emerges as one of the countries marked by a sharp discontinuity between pre- and post-crisis pay fixing arrangements: amounting, in the words of Marginson and Welz (2014: 3), to a 'shift' in the prevalent pay-fixing regime. The character and drivers of the shift that occurred in pay fixing arrangements in Ireland and the manner in which pay fixing has evolved with the advent of economic recovery provide the focus for this paper.

The Collapse of Social Pacts and the Orderly Decentralization of Pay Bargaining

One of the first casualties of the financial and economic crisis in Ireland was the 22-year social partnership model, which collapsed in 2009. Since 1987, employers, unions and governments had been party to a series of seven social partnership programmes that contained agreements on pay rises across unionized sectors of the Irish economy and that also progressively broadened to include a range of fiscal, economic, industrial and social policy commitments (Baccaro and Simoni 2007; McDonagh and Dundon 2010; Roche 2007; Teague and Donaghey 2009). The development of social partnership marked Ireland out as an exception to the general pre-crisis international trend toward a decentralization of collective bargaining. Indeed over the course of the social partnership era, pay fixing became progressively *more* centralized: providing very limited scope for second-tier bargaining in workplaces and instituting conflict resolution procedures that required disputes over the terms of pay agreements to be subject to mandatory arbitration by the Irish Labour Court (Roche 2007).

Social partnership was a form of centralized pay co-ordination, working through union and employer confederations that possessed little hierarchical coercive power over affiliated unions and firms and operating in the main through network or deliberative mechanisms (Baccaro and Simoni 2007; Roche 2007). In spite of the exceptional rate of growth in the Irish economy over the latter part of the social partnership era and virtually full employment – around the turn of the millennium Irish GDP grew annually by about 10 per cent, while unemployment fell to about 4 per cent – pay drift in the private sector had been limited, in part as a result of formal and informal network co-ordination and control activities by the parties to social partnership (Higgins and Roche 2014; Roche and Higgins 2016). Industrial conflict also sank to its lowest level in the history of the state

(Teague et al. 2015: ch. 2). Yet over the period from about 2003 until the demise of social partnership in 2009, as emerges from Figure 1, there was a significant decline in Ireland's pay-cost competitiveness relative to major European trading partners. The partnership agreements were also associated with an unsustainable increase in public expenditure, arising from tax cuts, social policy measures and other spending commitments (Department of Finance 2010a; Honohan 2010; Nyberg 2011; Roche 2011). These developments and concerns in some political quarters that a 'democratic deficit' arose from recurrent deals between governments and unelected employer and union leaders made social partnership vulnerable when the fiscal and economic crisis struck in the autumn of 2008.

[Figure 1 here]

During the week that Lehman Brothers collapsed, the pay agreement contained in the seventh and final social partnership programme, *Towards 2016,* had been renewed by employers, unions and government after what the parties viewed as the most difficult negotiations since the advent of tripartism in 1987. Soon, however, employers in the fast collapsing building and construction sector repudiated the agreement. As economic growth slowed and unemployment increased sharply, a growing number of private sector employers declined to award the pay rises that had been agreed, while the government sought to suspend agreed public service pay rises in the face of a mounting fiscal crisis. The social partnership agreement limped on through 2009 as the parties entered inconclusive talks on how best to respond to the crisis. Finally in November 2009, the government and public service unions failed to find accord on measures to cut the public service pay bill and this triggered the end of social partnership, with employers formally withdrawing from the pay agreement soon after (Roche 2011). Critically during the 2008-2009 crisis key figures in Government and the Irish Central Bank argued that Irish pay costs had become uncompetitive and that an internal devaluation was required to restore competitiveness (Central Bank 2009; Department of Finance 2009).

Following the collapse of social partnership and centralized pay bargaining, the main employers' confederation, the Irish Business and Employers' Confederation (IBEC) and the Irish Congress of Trade Unions (ICTU) reached agreement on a 'protocol' to guide collective bargaining between firms and unions. The protocol espoused the maintenance of competitiveness and employment as priorities for collective bargaining and also enjoined firms and unions to resolve disputes through established procedures (ICTU and IBEC 2010). In the public service, employers and unions reached agreement in 2010 on measures to reform work practices and promote labour mobility within and across agencies with a view to delivering public services with significantly fewer staff. In return there were to be no further pay cuts – unilateral reductions in pay had been imposed in 2009 and 2010 – and no compulsory job losses (Labour Relations Commission 2010). A second follow-on agreement in 2013 however involved pay cuts structured in a progressive manner: the deepest cuts were applied to higher-paid grades. Existing reform measures were retained and the working hours of public servants were increased (Labour Relations Commission 2013). The public service agreements were aptly portrayed by a union official as providing a framework for the 'managed retrenchment of the public service' (Roche 2013).

Over the period from 2009 to about 2012 collective bargaining was dominated by concession bargaining. The two public service agreements manifestly involved unions trading work practice changes and then pay cuts for pledges that no involuntary job losses would be imposed. The agreements were successful and little significant industrial conflict occurred. In the private sector, unions most commonly bargained to retain jobs and, wherever they could, to moderate proposals for pay cuts. Such was the scale of the economic collapse that little scope existed for pay rises in other than the most resilient and profitable firms (Roche et al. 2013). From 2007 to 2009 GDP fell by nearly 11 per cent, while the incidence of company insolvencies escalated by more than 80 per cent from 2008 to 2010. Unemployment climbed to a peak of nearly 15 per cent and emigration rose sharply.

Studies of Irish concession bargaining found that most firms (an estimated 56 per cent) and their unions sought compromise through long-established adversarial collective bargaining postures – adapted now to a new reality in which employers pressed demands, while unions responded by seeking to moderate proposals presented by employers. A significant minority, estimated at about 33 per cent, sought to win concessions with minimal engagement by trade unions and their members: insisting on short bargaining cycles, or seeking to reach agreement under the shadow of duress by threatening to impose concessions if agreement could not be reached. Only about 12 per cent of firms were willing to offer unions and their members reciprocal concessions in such areas as better access to financial and commercial information or supports to more effective union representation (Roche and Teague 2015).

Significantly, however, little 'ultra-concession bargaining' occurred in Ireland, where employers pressed for major concessions on pay and work practices, while at the same time seeking to derecognize unions or formally to restrict the scope of collective bargaining (Roche et al. 2014). Only in low-pay sectors such as catering and hotels and in parts of construction, where legally backed pay fixing institutions existed, had employers sought to rescind collective bargaining. In these sectors their strategy was to use legal challenges to the constitutionality of prevailing pay fixing arrangements to undermine sectoral collective bargaining. Significantly also, no pattern concession bargaining by employers was evident, where 'lead' agreements set the pattern for either intra-industry or cross-industry coordinated rounds of concession bargaining. The conduct of collective bargaining during the phase of concession bargaining was, rather, heavily 'balkanized': employers and unions in different firms and sectors matching retrenchment programmes and associated packages of concessions to the specific circumstances they faced in each instance – guided perhaps by the ICTU-IBEC protocol that listed agreed priorities for collective bargaining.

Overall a key feature of the conduct of post-crisis industrial relations was the highly orderly way in which unions and employers had shifted collective bargaining to firms in the private sector and to sector-level engagement (further differentiated across grades and occupational categories) in the public service. That this was possible reflected the strong bargaining relationships and high levels of trust that had been built up between employer and union leaders and senior public servants. In this sense the legacy of social pacts continued to cast a long shadow over pay bargaining and industrial relations.

The nature and sequence of the changes that occurred in the conduct of collective bargaining and associated pay fixing arrangements also highlights that the main agents of the regime 'shift' that occurred were not the Troika institutions and the labour market reform measures they sought to impose in return for providing financial assistance to Ireland. Social partnership collapsed early in the crisis because employers and government no longer supported centralized bargaining. Reductions in the public service pay bill and in employment had been targeted before the Troika programme was agreed in November 2010 and the measures involved were integrated into the memorandum of understanding agreed with the international institutions (Department of Finance 2010). Reforms to pay fixing in low-pay industries and in construction were covered in the Troika programme, but action on these was delegated to an independent review. The review, completed in 2011, proposed moderate reforms of the prevailing pay fixing arrangements (Duffy and Walsh 2011). The subsequent collapse of these arrangements – they were later restored in the main – followed on from judgments by the High Court in 2011 and Supreme Court in 2013 that resulted from initiatives by employers challenging the conduct of pay fixing in catering and construction (Turner and Walsh 2014). Significant employer opposition to legally backed sectoral pay fixing arrangements had predated the economic crisis but had certainly been intensified by the crisis.

The radical changes that occurred in pay fixing following the economic crisis were thus primarily initiated within Ireland through the agency of employers, unions and governments, as the parties sought to adjust collective bargaining to the radically altered commercial, fiscal and labour market conditions that prevailed post 2008.

Economic Recovery and Collective Bargaining

From 2011 the Irish economy began to stabilize. GDP grew modestly in the years up to 2013 and then more significantly from 2014. Unemployment peaked at 14.7 per cent in 2012 and began to decline, reaching 9.3 per cent in 2015 (ESRI 2015). Job vacancy rates began to rise from 2012 (CSO 2016). By 2014 employers were identifying recruitment, retention and investment in talent as key human resource priorities, and skills shortages were also being reported (IBEC 2014; National Competitiveness Council 2015). Over the period to 2015 public service employment declined by 10 per cent. As fiscal consolidation proceeded, the ratio of public debt to GDP fell from a peak of 124 per cent to 95 per cent (ESRI 2015). Ireland's recovery is attributable mainly to an export boom, led by high-technology multinational manufacturing firms (Roche et al. 2016). Only in 2015 had the domestic economy begun to recover significantly from the effects of austerity.

Pattern Bargaining

Pattern bargaining first emerged in 2011 as economic decline bottomed out and this form of pay fixing became increasingly pervasive over subsequent years as the economy improved and then began to grow very strongly. To provide a context for understanding the nature and distinctiveness of pattern bargaining, we first review in outline the conduct of pay bargaining in earlier periods when sub-national bargaining dominated pay fixing in Ireland.

Pay Rounds and Wage-Push Pay Leadership

Figure 2 records the incidence of changes in pay negotiated by bargaining units across the economy over the periods from 1950 to 1970 and from 1981 to 1987. During both periods collective bargaining was dominated by sub-national pay fixing. It is clear that pay bargaining and the pay rises to which it gave effect were concentrated into active periods of limited but varying durations. These cycles of active bargaining were known as 'pay rounds' or 'wage rounds'. Pay rounds first emerged in Ireland at the end of the Second World War when wartime controls on pay were removed after a period when pay lagged sharply behind inflation. The removal of controls on pay led to near simultaneous economy-wide bargaining aimed at pay restoration (Roche 1997). The recurring pay rounds were assigned numbers by the parties to collective bargaining and became pivotal to pay fixing: shaping union and employer bargaining targets and also the social psychology of pay among union members. Bargaining in three rounds (shaded in Figure 2) occurred under the aegis of national accords reached between employer and union confederations.

[Figure 2 here]

Over the period from the 1940s to 1970, sectoral and territorial bargaining units dominated pay fixing. Firm-level bargaining tended to be confined in the main to large companies (McCarthy et al. 1975: 214-6). Pay increases of broadly similar magnitude were negotiated in each of the rounds. Pay rounds varied in duration, as did periods between rounds. Rounds often straddled calendar years but the majority were concluded within calendar years. As economic growth accelerated, during the 1960s the frequency of pay rounds increased.

Pay rounds during this period were characterized by 'pay leadership' but not by pattern bargaining in the sense of some firms or occupational groups consistently reaching settlements that set pay targets or that were emulated across the economy. Various bargaining groups were identified as 'pay leaders' in different rounds but no single group held the mantle of pay leader or 'pattern-setter' across successive rounds. Indeed analysts could not agree on the identities of pay leaders and those that were assigned the mantle of pay leaders were found to have entered different rounds at different points, rather than having settled early during the course of successive pay rounds (see McCarthy O'Brien and Dowd 1974; Mulvey and Trevithick 1974; O'Mahony 1965).[1]

[1] A number of groups were most commonly identified as pay leaders – in the sense that they negotiated pay rises in 'key wage bargains' that were emulated by other bargaining groups, or so-called 'pay followers'. During the 1950s these included engineering, printing and building trades, petrol distribution workers, Dublin newspapers and the state-owned transport utility (O'Mahony 1965: 21-5). During the 1960s building workers, electrical contracting craftsmen and

Analysts were more consistent in identifying the dynamic underlying pay leadership by these various groups. O'Mahony (1965: 30) stressed that neither pay leadership nor the spillover of pay rises to other groups reflected 'consciously planned campaigns, conducted with tactical skill by the executive authorities of trade unions'. A complex and fragmented trade union movement was deemed incapable of acting with any such level of co-ordination.

This theme was amplified in a study of pay leadership in rounds during the 1960s. Unstable and volatile multi-union and multi-employer bargaining units in construction and related sectors were seen as the pivotal movers in rounds, the genesis of which was rooted in immediate sectoral pressures and conditions (McCarthy O'Brien and Dowd 1974: ch. 4). It was clear that pay leadership also usually originated in the sheltered sector of what from the late 1950s was an increasingly open economy. Concern grew during the 1960s that pay rounds were inflationary and contributed to rising levels of industrial conflict (McCarthy 1973; McCarthy O'Brien and Dowd 1974).

Overall therefore pay rounds and pay leadership during the period were significantly different in character from either the 'wage-moderating' pattern bargaining of classic European countries, such as those of Austria, Germany or Scandinavia, or from the 'wage pushing' pattern bargaining more commonly associated with wage bargaining in the United States (Cappelli 1990; Freeman and Fulmer 1982; Traxler et al. 2008; Wallerstein and Golden 2000). Irish pay rounds were not confined within calendar years or well-defined pay campaigns, nor did they recur at regular or uniform intervals. Pay leaders varied across rounds and tended in the main to be located in the sheltered rather than exposed sectors of the economy. Pay leadership and rounds were not the outcome of coordinated strategic pay bargaining by unions, but rather emerged from the

---

maintenance craft workers (all located in the Dublin area) were prominently listed as pay leaders. Craft workers in the state-owned electricity utility were also among those identified throughout the whole period (McCarthy O'Brien and Dowd 1974: 68-9; O'Mahony 1965: 25; McCarthy O'Brien and Dowd 1974: 68-9). Mulvey and Trevithick (1972: 208; 1974: 2) alone identify electricians as the key wage leadership group in rounds in which a wage leader was 'unambiguously identifiable'.

interaction of labour market pressures, bargaining power and inter-union competition for membership and bargaining prominence within a highly fragmented and complex trade union structure. Studies of pay rounds during the period also highlight the role of the Labour Court as a 'transmission mechanism' for pay-round norms once these were established through collective bargaining.

From 1970 to 1980 pay fixing reverted to centralized bargaining, resulting in a series of 9 national pay agreements spanning the 13th to the 21st pay rounds. The 1970s national agreements began as bipartite deals between union and employer associations but gradually morphed into tripartite deals, as governments sought to use budgetary policy and pledges on social welfare payments, price controls, job targets and the reform of income tax to encourage employers and unions to agree modest pay rises. The last two agreements in the series, known as the First and Second National Understandings for Economic and Social Progress, concluded in 1979 and 1980, were formal tripartite agreements that presaged the social partnership agreements that were to emerge nearly a decade later (Hardiman 1987; O'Brien 1981; Roche 1997).

In 1981 the system of national pay rounds collapsed under the weight of cumulative disillusionment, as the parties involved lost confidence in the capacity of national agreements to achieve their objectives. Pay fixing was decentralized and involved a series of pay rounds that spanned most of the decade.

Pay fixing during the 1980s differed in a number of respects from earlier phases of pay round bargaining. Many of the multi-union and employer sectoral bargaining units that had dominated collective bargaining during the 1950s and 1960s had fallen into disuse during the period of national pay bargaining from 1970 to 1980. When national bargaining collapsed in 1981, pay bargaining in the private sector thus became concentrated in the main at firm level. In all, six pay rounds ensued between 1981 and 1987, when the 27th pay round was subsumed by the first national pay agreement for nearly a decade. As is evident in Figure 2, well defined rounds on the pattern of the 1950s and 1960s remained a core feature of pay bargaining. The practice of assigning round numbers to negotiated pay increases had continued during the nine national pay agreements between 1970 and 1980 and was retained after the shift to decentralized bargaining: unions and their members expecting to receive increases during each round.

The pay leaders or trend-setters over the 1980s rounds, in the sense of being positioned as early starters and achieving headline pay rises, comprised in the main union members in the Irish subsidiaries of multinational exporting firms. Firms in the computer, pharmaceutical, chemical and industrial diamond sectors were particularly prominent among the pay leaders. The exception occurred during the first round in the series, the 22nd round, when the government – unsuccessfully, as it transpired – sought to use a pay agreement with the public service unions as a wage-moderating pattern-setter for the private sector (McGrath and Sheehan 1982; Roche 1997). A cluster of multinational firms in the Mid-West, centered around Limerick city, now assumed the mantle of pay leadership that previously been held by bargaining units in the Dublin area.

The varying commercial circumstances of firms and sectors assumed a larger role determining pay rises during the 1980s. Exporting firms generally settled at consistently higher levels over successive rounds than domestic firms, and increases in private sector firms outstripped those in the public service. Pay increases tended to decline as rounds progressed, and in some rounds pay pauses became established for later settlers – reversing a feature of pay rounds during the 1950s and 1960s, when pay round rises tended to increase over the course of rounds and earlier settlers often responded by seeking and obtaining supplementary rises. The Labour Court continued to play a key role in round transmission or spillover by issuing recommendations in pay disputes. However the role of the Court became more controversial as recommendations took closer account of the financial circumstances of firms when deciding whether prevailing pay round norms should be applied.

While most rounds spanned calendar years, the majority of pay deals were for 12 months and took effect within calendar years. In the case of the final round of the cycle, the 27th round that occurred mainly during 1987, nearly 80 per cent of pay deals were for 12 months duration (*Industrial Relations News*, 29 October 1987). By now, however, growing numbers of firms began to conclude agreements of two years duration or more: some concluding agreements to cover the current round and two or more anticipated future rounds. Rounds began to overlap as new round agreements came into force in some firms while agreements for the previous round were still taking effect in other firms. These developments gave rise to controversies over whether pay rounds still existed (Kirby 1987; McCarthy 1987; von Prondzynski 1985).

Disparities in the levels of pay settlements over successive rounds between firms in exporting and domestic sectors, the overlapping of later rounds and the evolution, again in later rounds, of growing numbers of agreements longer than 12 months, as well as of multi-round agreements, suggested that rounds were unraveling when compared with the more stable and uniform and sequential nature of rounds during previous eras of sub-national bargaining.

Notwithstanding the emergence of more or less consistent wage leadership by unions in exporting multinational firms, no evidence emerged of coordinated pattern bargaining or strategic negotiating by unions across or within sectors. Such coordination as occurred during the decade took the form of guidelines issued by union and employer confederations and by governments. Union guidelines prioritized compensation for rises in the consumer price index and the maintenance of real living standards. Employer guidelines emphasized that pay rises should reflect the commercial circumstances of firms and maintain competitiveness vis-à-vis Ireland's main trading partners. Government pronouncements emphasized competitiveness and employment retention.

While marked by some contrasts with earlier periods of sub-national bargaining, pay rounds remained a prominent feature of pay fixing during the 1980s. The Irish economy was now significantly more open and dependent on foreign trade than in earlier decades. Ireland broke the link with sterling in 1979 and so movements in exchange rates now also influenced the capacity of firms to absorb pay increases while remaining competitive. With growing economic openness, including a very significant rise in FDI and increasing numbers of multinationals, came a shift in the sectors in which pay rounds originated, as well as in the pattern of pay-round settlements. Pay leadership shifted from sheltered bargaining units to multinational subsidiaries in exposed sectors, which consistently agreed the highest pay settlements. The trade union and collective bargaining systems remained highly fragmented, with many unions organizing and representing members across a range of industrial sectors. The conduct of bargaining was also affected by a growing divergence in commercial conditions between exporting and domestic sectors – the former less amenable to coordination by employer associations or to government influence.

Wage-Moderating Pattern Bargaining

Following the deep economic trough of the post crisis years and the predominance of concession bargaining, bargaining over pay increases reemerged from 2011 in firms in export-oriented sectors such as pharmaceuticals, chemicals, medical devices and food manufacturing. Pay bargaining was commonly conducted within the framework of the joint IBEC-ICTU Protocol that set down agreed priorities surrounding employment protection and competitiveness and that made provision for disputes to be referred to the state dispute resolution agencies. The pattern from the start was for deals averaging around 2 per cent per annum, matching or exceeding the trend in inflation (*Industrial Relations News*, 24 November 2011). Initially pay deals were confined to small numbers of firms in the pharmaceuticals, chemicals and medical devices sectors, heavily focused on exporting. The incidence of deals negotiated grew as the economy revived. A number of firms concluded two or more agreements over the period.

The unions centrally involved claimed that pay agreements soon extended to the great majority of members working in the core export-oriented chemical and pharmaceutical and medical devices sectors in which the revival of pay bargaining began. Fewer members were covered by the revival of pay bargaining in food firms (*Industrial Relations News*, 17 April 2013, 9 July 2014). As recovery gathered pace, pay bargaining spread progressively beyond export-oriented sectors into engineering, retail multiples, construction supply, extractive industries, some banking groups and commercial state-owned firms. The duration of agreements varied from 1 year to up to 5 years. Most agreements to date have been of 2 to 3 years duration, and a gradual rise has been reported in the average length of agreements.

Annualized pay rises have been broadly of the same order in wage agreements of varying durations – indicating that longer pay agreements have not up to now attracted a premium. 2 per cent remained the 'informal norm' for collectively bargained pay agreements and also appears to have set a benchmark for pay rises in firms more generally (IBEC 2015; IRN and CIPD 2016). The form of pay bargaining that has developed since 2011 has been described variously as 'trend', 'targeted' or 'pattern bargaining'. A number of features of pay bargaining to date are fairly clearly defined. The 2 per cent target for pay deals was set by some of the main general, craft and sectoral unions, especially SIPTU, TEEU and MANDATE: 2 per cent being judged affordable by many firms and thus capable of gaining traction beyond relatively buoyant exporting companies. The 2 per cent norm was seen by the unions involved as providing for both earnings and employment security while also preserving competitiveness. Unions have sometimes described deals as 'pay and stability agreements'. The 2 per cent target was reportedly influenced in part by pay rises in countries with strong export performance, as well as in the German chemicals industry and more generally across the German economy (*Industrial Relations News*, 23 July 2015). Key officials in the main union initiating the new cycle of pay increases, SIPTU, also took account in setting the 2 per cent pay target of the ECB's inflation prediction.[2]

Unions have focused on first negotiating deals in a cluster of firms in relatively buoyant exporting sectors to establish the 2 per cent norm then on extending this pattern across a progressively widening range of sectors and firms. Firms have been offered local flexibility to tailor the duration of agreements to

[2] Interview with union official in manufacturing division of SIPTU.

commercial and market conditions. Most agreements make pay rises conditional on 'cooperation with normal ongoing change', although some contain specific productivity measures, especially where rises are higher than the 2 per cent standard.

The pattern of collective bargaining since 2011 reflects orderly 'coordinated pay bargaining'. This form of bargaining has meant that decentralized firm-level bargaining has shown much of the stability and predictability associated with past national pay agreements – not least in often involving 'a remarkable consensus' around the 2 per cent per annum pay figure and multiannual pay deals. These features of pattern bargaining have led some to portray pattern bargaining deals as 'shadow national deals' (*Industrial Relations News,* 22 July 2015).

Data obtained on nearly 500 pay deals concluded between 2010 and June 2016 allow for a quantitative profile of pay bargaining over the period of economic revival and return to strong growth.[3]

[Figure 3 here]

The pattern of pay deals since 2011 in the private and state-owned commercial sectors is outlined in Figure 3. The rising incidence of pay bargaining is clearly evident, especially in 2015. It is also clear that many pay deals made provision for retrospective pay rises. Some of these were for short periods and reflected the long-established norm of extending start dates for pay rises back to the expiry of pre-existing agreements following negotiations on new pay agreements. Others, however, made provision for longer periods of retrospection in recognition of recessionary legacies involving pay freezes, deferred pay rises and pay cuts. Pay deals have tended to be concentrated in the first quarters of each year, but past pay round patterns are no longer evident. No round numbers

[3] The data comprise pay deals reported in *Industrial Relations News* and made available by the SIPTU Manufacturing Division and by Mandate. Work continues on the compilation of the data.

are now assigned to pay deals and significant numbers of deals are concluded continuously. While commentary on developments in pay bargaining sometimes still makes reference to ‘pay rounds’ it is evident that different underlying features now characterize pay fixing when compared to previous periods of decentralized bargaining. In some sectors, particularly the pattern-setting pharmaceutical, chemical and medical devices sectors, the duration of pay deals tends to be for two or more years, reflecting the longer product life-cycles in these sectors – commentators drawing attention to what was ‘effectively a second *local pay round* in 2013’ [the first having occurred in 2011] (*Industrial Relations News*, 9 January 2013; 7 January 2015). Elsewhere deals of widely varying durations have been negotiated.

The spread of termination dates of pay deals negotiated in 2015 indicates that one of the pre-requisites for recurring pay rounds, the majority of pay deals terminating within an interval of about a year and triggering further waves of pay bargaining, is no longer a feature of pay fixing in Ireland. For example, 80 per cent of the agreements negotiated during the 27th pay round of 1986-1987, which spanned 21 months from beginning to end, were of one year in duration. Figure 4 shows that the expiry dates of pay deals negotiated in 2015 are spread over a period of 39 months and clearly reveals the diversity of deals with respect to duration.

[Figure 4 here]

A further feature of recent pay fixing concerns the relatively low incidence of pay deals when compared with the previous era of firm level pay bargaining during the 1980s. Successive firm-level pay rounds during the 1980s involved from between about 340 to 550 pay deals in each of the rounds. Over the period from 2011 to 2015, as a whole, about 350 deals were recorded and these included instances where two or more deals were concluded by firms. The lower incidence of pay bargaining partly reflects the significant decline in union density and bargaining coverage between these periods (union density at the start of the 1980s was of the order of about 60 per cent, falling to about 27 per cent by 2015). It also partly reflects the slow recovery of collective bargaining after the deep and prolonged recession of the period after 2008. Unlike earlier pay rounds, the public service was now decoupled from pay bargaining in the private sector: public service pay bargaining focusing on pay restoration through the third public service pay agreement .[4]

[Table 1 and Figure 5 here]

Table 1 presents summary statistics and Figure 5 presents boxplots for annualized pay rises negotiated each year since 2011. What is striking is the stability in the mean, median and modal values of pay rises over the period and specifically their convergence around the 2 per cent pattern bargaining norm. The interquartile ranges of pay rises also exhibit little variance in the spread of the middle 50 per cent of pay rises, as evident from the lengths of the boxes. What also emerges, however, from both the skewness statistics and boxplots is evidence of rising dispersion in pay increases over the period, particularly from 2014 when the asterisks in the figure reveal a growing incidence of relatively high pay rises and the mean rises also increase. This provides an indication of the erosion or attenuation of the 2 per cent pattern bargaining norm during the later years of the period. Of the above-the-norm increases in 2016 and 2015, the two highest (marked by the asterisks in the top right of Figure 5) reflected special circumstances. An increase of 21 per cent over 18 months was awarded by the Labour Court to workers in the sandwich maker Freshways to bring their pay into line with other workers in the prepared consumer foods sector. The claim was brought by SIPTU under the so-called 'right to bargain' procedure, whereby in circumstances where a firm refuses to recognize unions or engage in collective bargaining, a union can seek adjudication by the Court on whether terms and conditions of employment are out of line with those offered in comparable employments (*Industrial Relations News*, 9 June 2016). The highest increase in 2015 arose in the bus company Aircoach and involved a 'catch-up' award for a small number (10) of customer service workers in a context where

[4] Some commercial state-owned firms have however reengaged in pay bargaining.

the firm was beginning to see an increase in business following several difficult years (*Industrial Relations News*, 17 December 2015).

The influence of the 2 per cent norm can be confirmed by showing that pay rises over the period have been largely inert to prevailing or predicted macro-economic conditions. The standard means of estimating the effect of pattern bargaining on pay rises during well-defined bargaining rounds takes the following form (see Meyer 1995 and Traxler et al. 2008):

$$W_t{}^i = \beta^0 + \beta^1 U_t + \beta^2 \Delta P_t + \beta^3 \Delta Y_t + \beta^4 \Delta W_t{}^m + \Sigma_j\, \beta^j\, \mathrm{DS}^j + \varepsilon_t^i$$

$W_t{}^i$ pay increase of bargaining unit *i* in the course of a bargaining round *t,* (excluding putative pattern-setting bargaining unit).

U_t unemployment (or changes in the rate of unemployment ΔU_t) during the course of bargaining round *t*.

ΔP_t rate of inflation during the course of bargaining round *t*.

ΔY_t growth of gross domestic product during the course of bargaining round *t*.

$\Delta W_t{}^m$ rate of increase in pay in putative pattern bargaining unit *m* during the course of bargaining round *t*.

DS^j A set of *j* dummy (binary) sectoral variables included to test for possible differences in the influence of putative pattern bargains on unions organizing different bargaining domains or sectors.

Analysts differ with respect to macro-economic variables included in estimating equations. For example, some include the rate of change in labour productivity (Meyer 1995), or lagged pay increases from previous rounds (Traxler et al. 2008). They also differ with respect to whether predicted or prevailing values of macro-economic variables are the pertinent influences on pay bargaining. Macro-economic variables are sometimes included as ‘controls’ to test for the influence of the pattern setter and sometimes in anticipation that unions when negotiating pay rises may take account not alone of the pattern-setting settlement but also of prevailing or predicted economic conditions.

It will be clear from the outline of pay bargaining since 2011 that this full equation cannot be used to test for the effects of pattern bargaining in Ireland. First, well-defined pay rounds, delineated by short active bargaining periods, are no longer features of pay bargaining. Second, in contrast to what may be referred to as the Austro-German model of pattern bargaining, where the increases negotiated in pattern setting deals vary across rounds, the 2 per cent pay norm has remained in being since 2011 and so represents a constant rather than a variable over the period under examination. While the 2 per cent norm shows signs of attenuation and some unions have declared their intentions of pressing for higher pay increases – sometimes articulated as being within a range of 2-3 per cent or 5 per cent – no attempt to establish a new pattern through deals with pharmaceutical (or other) firms, has been evident. Union bargaining domains are also less well-defined and exclusive in Ireland than in the Austro-German industrial union systems, so disparities from the pattern rooted in the bargaining behavior of different unions are less directly identifiable from any sectoral disparities that may exist. Nonetheless, the fewer and smaller are any sectoral disparities vis-à-vis the pattern setter, the stronger the influence of the pattern setter over pay rises.

A modified and reduced form of the pattern bargaining equation can be estimated for all pay rises since 2011 to establish whether the rate of pay rises and recent changes therein reflect underlying macro-economic conditions – whether prevailing or predicted – and to test for sectoral disparities in pay rises as compared with chemicals and pharmaceuticals pattern-setting deals. Small or insignificant coefficients and R^2 values would point to the 'coercive' influence of pattern bargaining.

[Table 2 here]

The results reported in Table 2 confirm that pay rises since 2011 were quite inert to the specific macro-economic conditions examined – whether these were prevalent or predicted.[5] Column 2.1 presents the results for the effects on all pay increases (W_t) negotiated during each quarter from 2011 to mid-2016 of quarterly rates of unemployment (U_t) and of inflation (ΔP_t) and GDP growth (ΔY_t) over twelve months to the quarters in which pay deals were concluded. None of these variables are found to be directly associated with annualized pay increases. The results are not sensitive to the manner in which labour market influences are specified: they remain unchanged when changes in quarterly unemployment or quarterly vacancy rates are substituted for quarterly rates of unemployment. Nor are they affected if extreme values of W_t are omitted.

The results for a series of sectoral variables (DS^j) show that disparities with the pattern-setting pharmaceutical sector emerge only in the case of 'other services'. The greater part of this group of firms comprises businesses in ICT, logistics, privately owned transport, contract cleaning and security. The statistical result however is critically dependent on several 'outlier' pay deals, in particular the 15 per cent annualized 'catch-up' pay deal concluded in 2015 for 10 customer service staff in Air Coach, referred to earlier, and a 2015 7.4 per cent pay increase for 20,000 security workers, awarded by the joint industrial council for the sector in 2015. The security industry pay award includes an element of de facto retrospection, as well as compensation for the abolition of a range of pay premia (see *Industrial Relations News*, 26 September 2015). These rather special circumstances then explain the result, rather than any sector-wide departure from the 2 per cent pattern by the sector's main unions: SIPTU, Unite, NEETU and the Communications Workers' Union.

---

[5] Recently revised estimates of the rate of GDP growth for 2015 have caused consternation by appearing to show that the economy grew by 26.3 per cent – a phenomenon dubbed 'leprechaun economics' by Irish and international commentators. The revision reflected several once-off economic developments related mainly to the transfer of assets and profits on intellectual property to Ireland by a small number of multinational firms. We have overlooked these developments in favor of earlier data on GDP growth, which economic commentators view as more reliable. The revisions are described in Central Statistics Office, 'GDP Increases Significantly in 2015 – Explanatory Note', Dublin: CSO, 12 July 2015 and 'Ireland's Economic Growth Figures – Increase in GDP of 26.3%', Dublin: CSO, 13 July 2016.

Similar results emerge in column 2.2, where *predicted* rates of inflation, unemployment and GDP for the calendar year ahead are substituted for prevailing or observed quarterly values of these economic variables. Predicted economic conditions are again shown to have no significant effects on annualized pay increases.

Overall the regressions confirm that pay rises have been unresponsive to a series of macro-economic conditions or predictions and show that only one significant sectoral disparity with the pattern-setter has been evident. These results, combined with the continuing tight bunching of pay rises around the 2 per cent norm, evident in Table 2 and Figure 5, provide quantitative confirmation of the dominance of pattern bargaining in Ireland from 2011.

It would be invalid however to infer from the results that economic conditions had no effects on pay bargaining over the period. Media reports of union bargaining targets and the reasons espoused for these, as well as our research interviews with union officials centrally involved in the 2 per cent pay strategy, suggest that pay bargaining targets were affected by economic recovery. This is consistent with trends in Table 2 and Figure 5, which reveal a rise in pay dispersion, a growing positive skew in the scale of pay rises and a rise in the mean value of pay increases from 2014. It seems reasonable to infer that these trends reflect an underlying growth in economic confidence, feeding through into unions' pay ambitions. Doubtless, increases in economic confidence have been influenced by developments in GDP, unemployment and other variables and so economic confidence probably mediates these economic variables.

Annual Eurobarometer survey data on people's expectations with respect to the economic situation can be used to test quantitatively for the possible influence of growing economic confidence on pay deals since 2011.[6] In May of each year

[6] See the data contained in annual reports for Ireland from 'Standard Eurobarometer', European Commission (http://ec.europa.eu/public_opinion/archives/eb_arch_en.htm) and 'Eurobarometer Surveys' (http://ec.europa.eu/public_opinion/index_en.htm).

Eurobarometer asked a sample of approximately 1,000 people about their expectations regarding the economic situation in Ireland over the next 12 months. The proportions expecting economic conditions to be 'better' ranged from 14 per cent in 2011 to 46 per cent in 2015. When these data are used to develop an index of people's economic confidence (labeled Econ Conf), the results obtained (reported in column 2.3 of Table 2) are consistent with pay rises over the period from 2011 reflecting in part growing confidence in Ireland's economic conditions and prospects.

Explaining the Emergence and Maintenance of Pattern Bargaining

The standard international experience has been for pattern bargaining to take effect through well defined, highly concentrated and recurring pay rounds – irrespective of whether pattern bargaining has followed the US model of firm-level and sector-level bargaining (Cappelli 1990; Freedman and Fulmer 1982), or the European model of sector-level bargaining (Ibsen 2016; Traxler et al. 2008), and also irrespective of whether rounds typically involve pay deals of one year in duration or deals spanning two or more years. What has emerged in Ireland since 2011 is pattern bargaining without pay rounds. This development, unprecedented in Irish collective bargaining, reflects the uneven and gradual revival of (upward) pay bargaining, following the serious reverses of the period after 2008.

How can the emergence and, so far, the maintenance of pattern bargaining be explained? That the ECB's inflation prediction and the pattern of pay rises in Germany were taken into account by SIPTU in devising the 2 per cent strategy might suggest that the policy stipulations and monitoring provisions associated with the new EU 'economic governance regime' that began to take effect in 2011 directly impacted on the genesis of pattern bargaining. While the 2 per cent pay norm and pay-moderating pattern bargaining certainly align with the EU's macro-economic policy stipulations and the concerns of the macro-economic imbalance programme (MIP) (Marginson and Weltz 2014), the 2 per cent

---

Data for November 2015 was substituted for 2016, as results for the May 2016 survey have yet to be released.

strategy was not devised in any systematic manner in the context of the new EU governance regime and associated monitoring arrangements. The involvement of the social partners in the new governance arrangements was limited at both European and national levels (Sanz et al. 2016) and, moreover, from 2011 to 2013 Ireland remained exempt from the EU regime and instead was subject to the economic stipulations of the Troika assistance programme. The Troika programme contained few direct stipulations on pay other than reducing the national minimum wage and reviewing wage fixing in low-pay sectors. Rather more immediate, pragmatic and expedient concerns about reinstituting pay rises, while preserving competitiveness and jobs, were to the fore in union strategy. As Figure 1 suggests, developments in Irish pay costs since 2008 have remained well within the EU MIP threshold, obviating any requirement to take direct account of EU governance arrangements in developing pay policy.[7]

The genesis of pattern bargaining is rooted in union attempts to reinstitute pay increases by agreeing pay rises in a cluster of pharmaceutical, chemical and medical devices firms in which they were well organized and that remained profitable after the onset of the crisis, with a view to replicating these pay rises across other sectors. The replication process took effect gradually across sectors and firms, as economic recovery gathered pace, and this gradual and uneven process of economic recovery accounts for the non-recurrence of generalized pay rounds on the pattern of the past. The long and deep shadow cast by the recession also helps account for the modest pay norm established in 2011 and in the years that followed.

The 2 per cent benchmark was also in line with pay-cost increases in these sectors in other major European countries and seemed capable of wider replication within Ireland. The approach contrasted with the 1980s practice of unions setting pay headlines in the most profitable firms, while unions in other firms sought to obtain the highest possible rises given their commercial circumstances and bargaining power (*Industrial Relations News*, 17 April 2013).

[7] The MIP specifies that nominal unit labour cost increases in Euro Area countries should not exceed 9 per cent over a three-year period.

The 2 per cent pay norm was viewed as preserving or increasing real pay and safeguarding employment: hence unions' preferred label of 'pay and stability agreements' to describe the deals (*Industrial Relations News*, 9 January 2013).

The pattern was transmitted further by deals in the next most profitable sector: big export-oriented Irish food firms. Retail multiples were next in the sequence. From the start, observers portrayed the 'new model of private sector wage coordination' as 'much more strategic than the free-for-all of the pre 1987 era' and there were reports of SIPTU streamlining the union's pay database to equip local officials with information on pay deals in their areas (*Industrial Relations News*, 17 April 2013).

Once the 2 per cent pattern was established in a cluster of export firms and began to diffuse more widely, the norm became institutionalized in union policy and also appears to have gained pragmatic acceptance by employers: employer surveys suggesting that 2 per cent had become a benchmark for pay rises generally, including pay rises in non-union firms (see IBEC 2015). It was noted, that the '2 per cent norm [had] taken on something of the informal peer pressure rigidity of the old national wage agreements' (*Industrial Relations News*, 7 January 2015). The 2 per cent norm was further institutionalized through Labour Court recommendations in pay disputes –unions holding off on referring disputes to the Court until the norm had become widely established at firm level (*Industrial Relations News*, 7 January 2015). Once the norm was an established feature of pay bargaining, it was effectively 'informally rubber stamped' by the WRC and the Labour Court (*Industrial Relations News*, 16 June 2016). In fact, so well established and observed had the norm become that only about 5 per cent of pay deals in 2015 involved disputes that were referred to the WRC or the Labour Court – a rate of referral that remained in line with the pattern since 2011, in spite of the strong economic growth that had taken hold. While the 2 per cent norm had become widely institutionalized, the reopening of two year pay agreements in a cluster of pharmaceutical, chemical and medical devices firms, giving rise to what was described by some commentators as a 'second round' of pay rises in these sectors, further copper-fastened pattern bargaining. Reports in

2015 that the '2 per cent limit' was beginning to cause difficulties among union members in profitable companies suggested that the pivotal SIPTU manufacturing division had reconsidered the 2 per cent strategy and decided that negotiators should try to gain increases above 2 per cent, where this was possible (*Industrial Relations News*, 22 July 2015).

A second influence of pattern bargaining was the legacy of national pay agreements under social partnership. Seven national pay agreements over the 22-year period of social partnership instituted a unitary pay norm and multiannual pay agreements. That a pay norm of a similar kind formed the basis of pay bargaining from 2011 led some commentators to describe pattern bargaining agreements as 'shadow national deals' (*Industrial Relations News*, 22 July 2015). A further common feature of pattern bargaining that made pay rises conditional on 'co-operation with normal ongoing change' was also a feature of successive national pay agreements. Although the 2 per cent pattern was the target across the board, local scope existed with respect of the duration of pay agreements and was also reflected in the expanding range of fringe benefits that began to emerge in pay deals as the process developed and the economy improved.

If strategic considerations linked to reinstituting pay increases and calibrating these to preserve competitiveness and jobs were a prominent feature of pattern bargaining, the capacity of unions to co-ordinate pay bargaining had also increased significantly compared with previous cycles of decentralized pay bargaining. Important here were underlying changes that had occurred in union organization. One of the prominent themes in portrayals of pay rounds during the 1960s was the role of inter-union competition and conflict in the genesis of key wage bargains in construction which led to a number of pay rounds (McCarthy et al. 1974). While this theme was muted in commentary on pay rounds during the 1980s, there were few indications of strategic or coordinated bargaining by unions, and such coordination as occurred appeared to take the form of general guidelines on factors that should influence pay targets, especially inflation. The quite limited inclination or ability of unions to engage in more strategic pay coordination reflected what remained a complex and fragmented pattern of trade union organization. In all more than 80 trade unions represented members at the start of the decade and by the end of the 1980s 60 trade unions remained active (McPartlin 1997). A merger wave generated by the 1980s recession that continued into the 1990s reduced the number of unions to some 40 by 2011. The four unions frequently mentioned as key agents in the 2 per cent strategy, SIPTU, Unite, TEEU and Mandate, now account for some 53 per cent of all union members and for 85 per cent of total union membership net of public service unions (Department of Jobs, Enterprise and Innovation 2015).[8] The TEEU, Ireland's largest craft union, is party to a loose alliance with SIPTU. The general union Unite, with a membership of about 12 per cent of SIPTU's membership, appears generally to follow the larger union's deals. Mandate dominates retailing and can set union pay policy for the sector without having to be concerned about competition with other unions. The same largely holds for the finance sector where the Financial Services Union (formerly IBOA) dominates the bargaining domain.

The underlying pattern of union organization has thus become less fragmented and presents fewer obstacles to pay coordination. Unions have fewer incentives to engage in 'competitions in militancy' with the pattern setter through 'leapfrogging' claims and their members have less of an appetite to risk their jobs by joining in. Attempts to promote union revival have also prioritized inter-union co-operation and the pooling of resources (ICTU 2011). This too may have contributed to better co-ordination between the key unions.

A Drift to Uncoordinated Bargaining?

As already discussed, the strong economic revival of the period from 2014 shows signs of exerting significant and growing pressure on coordinated pattern bargaining. During 2015 a growing number of deals drifted above the 2 per cent norm, although most of these remained within a 2.5 to 3 per cent range. Reports of pay bargaining have begun to speak of a 'target range' rather than a 2 per cent

[8] As both SIPTU and Unite have significant public service memberships, this figure does not equate with their share of total private sector union membership.

norm (*Industrial Relations News*, 7 January 2016). During 2015 two thirds of IBEC member firms reported an increased demand for pay rises from employees (IBEC 2015). About 50 per cent of small businesses represented by the small-business association ISME expected to offer pay rises during 2015 (Fielding 2015).

SIPTU and the TEEU have declared a revised pay target of 5 per cent – but have failed to identify the period over which the 5 per cent is intended to be achieved and therefore the unions' annualized pay target remains vague. No formal revision of the annualized pattern bargaining norm to a 5 (or any other) per-cent target has occurred. Unions have also raised the prospect that a premium might be sought for agreeing to longer deals. But thus far, statistical analysis reveals no association between the length of pay deals and their annualized value to employees. A growing number of deals have involved 'extras' like lump-sum payments, gain-sharing schemes, bonuses, vouchers and leave enhancements. These extras are sometimes linked to specific productivity measures or are awarded to compensate for pay pauses (*Industrial Relations News*, 22 July 2015).

Few disputes and little industrial conflict have attended the revival of pay bargaining since 2011. In part, of course, this reflects the modest 2 per cent pay norm and the limited resistance this faced from many employers during the period of economic recovery. Overall since 2011 only 5 per cent of all pay deals triggered disputes that were referred to the state conflict resolution agencies. Where pay disputes have been subject to adjudication, recommendations issued by the Labour Court have been broadly consistent with the 2 per cent norm.

In the public service the 2015 agreement provides a framework for the restoration of public service pay up to 2018 and also provides for continuing reforms of public service delivery and the preservation of the conflict resolution process introduced under the first such agreement. Pressure on pay is also however evident in the public service, where 'retention payments' were introduced by the Central Bank. Allowances have been agreed by the Health

Service Executive and by some hospitals for Accident and Emergency nurses. Unions representing civil and public servants, teachers, health service workers and the police are also pressing for accelerated pay restoration or pay reviews. These pressures raise the prospect of the possible unraveling of the current framework.

Apart from the pressure exerted on pattern bargaining by economic revival, a number of interlocking pay disputes in the transport sector during 2016 directly threatened the 2 per cent pay norm. Foremost here was a long-running dispute involving tram drivers in the outsourced Dublin light rail or 'Luas' service, delivered by the French multinational, Transdev. Initially the tram drivers, represented by SIPTU, lodged a claim for a 50 per cent pay rise, citing parity with train drivers in the state-owned transport utility, CIE, as one of the grounds for the claim. While the claim was scaled back and other Luas categories settled for pay rises of 13 per cent over three years, the drivers persisted in pressing for rises significantly above the prevailing norm, instituting a rolling programme of one-day and shorter work stoppages in support of their claim. The Luas drivers claim fed directly back into claims pursued by their erstwhile comparators, CIE train drivers, as well as into claims by bus drivers. The tram drivers' dispute was eventually resolved in June 2016. The Labour Court recommendation that provided the basis for a settlement made provision for maximum pay rises of 18 per cent. Critical in interpreting the conformance or otherwise of the pay rises awarded with the prevailing norm is how the period over which the rise takes effect is represented. If this period is extended back to include a de facto pay pause the increases can be represented as being in line with earlier awards to non-driver Luas grades and within the evolving 2-3 per cent range for private sector pay deals during 2015 and 2016. The employers' body, IBEC, was quick to comment that the Luas deal remained broadly in line with private sector pay norms across the economy (*Industrial Relations News*, 16 June 2016). Some independent commentators also concluded that the manner in which the final settlement was structured by the Labour Court meant that the Luas drivers' 'breakout attempt' had been contained and that the 'pay consensus' had 'just about held' (*Industrial Relations News*, 9 June 2016).

A recommendation by the Labour Court in the connected dispute involving drivers at Dublin Bus proposed pay rises of 8.25 per cent over three years. Described as falling within the '1-3 per cent per annum norm in the private sector', the unions involved have expressed disappointment with the settlement and have advised their members to reject the Labour Court recommendation. Industrial action has not been ruled out (Industrial Relations News, 21 July 2016). Ongoing pay disputes in other CIE companies, the railway utility, Iarnrod Eireann and the national bus service, Bus Eireann, also threaten to result in industrial conflict, particularly if pay rises of the order contained in the Labour Court recommendation in the Dublin Bus dispute are applied to the other transport companies. Industrial action has also been threatened by craft workers in the state-owned electricity utility, ESB, though less in connection with the pay rise offered in a deal that broadly reflects the pattern bargaining norm, than because of concerns about the basis of progression through pay scales (*Industrial Relations Report*, 14 July 2016).

It is ironic perhaps that a union pay strategy initiated in high technology manufacturing firms has faced its stiffest test in a traditional sector, transport, with a legacy of industrial conflict and highly adversarial industrial relations. The pressures associated with economic revival, clearly apparent in the data analyzed earlier, seemed set further to erode the long-established pattern bargaining norm and, in the absence of any union initiative formally to revise and reestablish the norm through deals in target firms and sectors, possible to spell the end of pattern bargaining. A scenario that seems at least embryonically present in recent deals is that pay rises would become more closely tailored to the commercial circumstances of the firms and sectors in which they are negotiated – a reversion to uncoordinated bargaining of the 'catch-as-catch-can' character of 1980s pay rounds. But if pattern bargaining has shown signs of erosion in the face of economic recovery and sometimes increased union assertiveness, the decision of the United Kingdom to leave the European Union has introduced a new level of uncertainty into economic activity and pay bargaining. Brexit has major implications for Ireland. The UK remains Ireland's major trading partner and the decline that has occurred in the value of sterling has also affected the competitiveness of Irish firms trading into the UK. The Brexit factor and continuing economic uncertainty could dampen pay pressure, particularly if the UK's decision to exit the EU leads to a new recession. The future of pay bargaining thus remains very much an open and intriguing question.

Conclusion

Though Ireland has been validly portrayed as one of a cluster of European countries availing of financial assistance programmes, where pay-fixing regimes have shifted radically, it will be clear from the paper that the major influences on the new pay bargaining regime in Ireland were endogenous rather than exogenous in nature. The paper has examined the emergence of a new form of horizontal pay coordination in Ireland following the collapse of the vertically orchestrated network coordination of the social partnership era.

The genesis of pattern bargaining was rooted in union attempts to reinstitute pay increases following the cycle of concession bargaining during the years from 2008 to 2010. Pharmaceutical, chemical and medical devices multinational firms in the exporting sector became pivotal to a strategy to institute a 2 per cent pay norm. Once established in pay deals with firms in these sectors, the 2 per cent norm became the pattern for pay rises across the private and commercial state-owned sectors. The wider transmission of the pattern was facilitated by economic revival. With the advent of strong economic growth from 2014 a growing number of firms began to settle above the 2 per cent norm and pay rises became more varied, though most remained within a 2-3 per cent range. Key unions have also announced higher bargaining targets, without any evident formal revision of the pattern bargaining strategy.

Pattern bargaining reflected the legacy of social partnership, which had involved uniform pay norms across the economy. The level of coordination inherent in the new decentralized pay bargaining is without precedent in previous cycles of decentralized pay bargaining The capacity of unions to co-ordinate pay bargaining to a significantly greater extent than during previous cycles of decentralized bargaining reflects the emergence of a less fragmented union structure, where a small number of unions dominate collective bargaining and fewer incentives exist for competitive pay bargaining.

Whether pay-moderating pattern bargaining is prolonged, revised or erodes into uncoordinated bargaining remains an open question. Brexit and associated uncertainties might prolong the life of pattern bargaining. The union that devised the 2 per cent strategy could alternatively revise the pay norm but otherwise retain the overall approach to pay bargaining adopted from 2011. The progressive loosening of the 2 per cent pay norm and challenges mounted from within traditional sectors like transport could also undermine the strategy and pattern bargaining could turn out to be transitory.

References

Primary Source

Industrial Relations News.

Articles, Books and Reports

Aumayr-Pintar, C., Cabrita, J., Fernandez-Macias, E. and Vacas-Soriano, C. (2014). *Pay in Europe in the Twenty-First Century*, Dublin: European Foundation for the Improvement of Living and Working Conditions.

Baccaro, L. and Simoni, M. (2007). 'Centralized Wage Bargaining and the "Celtic Tiger" Phenomenon', *Industrial Relations*, 46(3): 426-55.

Cappelli, P. (1990). 'Is Pattern Bargaining Dead? A Discussion', I*ndustrial and Labor Relations Review*, 44: 152-5.

Central Bank of Ireland. (2009). *Quarterly Bulletin*: *October,* Dublin: Central Bank of Ireland.

CSO. (2016). 'Earnings and Labour Costs Quarterly', Dublin: CSO (25 February).

Department of Enterprise, Jobs and Innovation. (2015). 'Trade Union Membership Returns for 2015', Dublin: Department of Enterprise, Jobs and Innovation (unpublished).

Department of Finance. (2010a). *Strengthening the Capacity of the Department of Finance: Report of the Independent Review Panel*, Dublin: Department of Finance.

Department of Finance. (2010b). *EU/IMF Programme of Financial Support for Ireland*. Dublin: Department of Finance.

Department of Finance. (2009). *Supplementary Budget*. Dublin: Department of Finance.

Duffy, K. and Walsh, F. (2011). *Report of Independent Review of Employment Regulation Orders and Registered Employment Agreement Wage Setting mechanisms*, Dublin: Department of Enterprise Jobs and Innovation.

ESRI (Economic and Social Research Institute). (2015). *Quarterly Economic Commentary: Winter 2015*, Dublin: ESRI.

Fielding, M. (2015). Interview (Mark Fielding, CEO of Irish Society of Small and Medium Enterprises), RTE 'Morning Ireland' News Programme, 21 December 2015.

Freeman, A. and Fulmer, W.E (1982). 'Last Rites for Pattern Bargaining', *Harvard Business Review*, 60: 30-48.

Hardiman, N. (1987), *Pay, Politics and Economic Performance in Ireland, 1970-1987*, Oxford: Clarendon.

Higgins, C. and Roche, W.K. (2014). 'Networked Pay Coordination and the Containment of Second-Tier Pay bargaining: Social Partnership in Ireland at the Height of the Boom, *Economic and Industrial Democracy*, 35(4): 667-93.

Honohan, P. (2010). *The Irish Banking Crisis: Regulatory and Financial Stability Policy 2003-2008. A Report to the Minister of Finance from the Governor of the Central Bank*, Dublin: Department of Finance.

IBEC (Irish Business and Employers' Confederation). (2015). IBEC *Pay Update Survey 2015*, Dublin: IBEC.

IBEC (Irish Business and Employers' Confederation). (2014). *HR Update Survey Spring 2014*, Dublin: IBEC.

Ibsen, C.L. (2016). 'The Role of Mediation Institutions in Sweden and Denmark after Centralized Bargaining', *British Journal of Industrial Relations*, 54(2): 285-310.

ICTU. (Irish Congress of Trade Unions). (2011). Report of the Commission on *Report of the Commission on the Irish Trade Union Movement: A Call to Action*, Dublin: ICTU.

ICTU (Irish Congress of Trade Unions) and IBEC (Irish Business and Employers' Confederation). (2010). 'Private Sector Protocol', Dublin: ICTU and IBEC.

IRN (Industrial Relations News Report) and CIPD (Chartered Institute of Personnel and Development (2016). 'Private Sector Pay 2016', presentation to IRN conference, 'Great Expectations: Resetting Employment Relations in Recovery', Dublin, O'Reilly Hall UCD, 10 March.

Katz, H. (1993). 'The Decentralization of Collective Bargaining: A Literature Review and Comparative Analysis', *Industrial and Labor Relations Review*, 47(1): 3-22.

Kirby, J. (1987). 'Early Deals Higher than Expected', *Irish Times*, 23 February.

Labour Relations Commission. (2010). *Public Service Agreement 2010-2014*, Dublin: Labour Relations Commission

Labour Relations Commission. (2013). *Public Service Stability Agreement 2013-2016*, Dublin: Labour Relations Commission

McCarthy, C. (1973). *A Decade of Upheaval: Irish Trade Unions in the 1960s*, Dublin: Institute of Public Administration

McCarthy, E. (1987). 'The Pay Round – a Rejoinder', *Irish Times*, 9 March.

McCarthy, W.E.J., O'Brien, J.F. and Dowd, V. (1975). *Wage Inflation and Wage Leadership: A Study of the Role of Key Wage Bargains in the Irish System of Collective Bargaining*, Dublin: Economic and Social Research Institute.

McGrath, B. and Sheehan, B. (1982). 'The 22nd Wage Round. The "Free For All" That Never Was', Dublin: Industrial Relations News (July).

McDonagh, T. and Dundon, T. (2010). 'Thatcherism Delayed? The Irish Crisis and the Paradox of Social Partnership', *Industrial Relations Journal*, 41(6): 544-62.

McPartlin, B. (1997). 'The Development of Trade Union Organization', in Murphy, T. and Roche, W.K., eds., *Irish Industrial Relations in Practice*, Dublin, Oak Tree Press, 1997.

Marginson, P. and Welz, C. (2014). *Changes to Wage-Setting Mechanisms in the Context of the Crisis and the EU's New Economic Governance Regime*, Dublin: European Foundation for the Improvement of Living and Working Conditions.

Mulvey, C. and Trevithick, J.A. (1974). 'Some Evidence on the Wage Leadership Hypothesis', *Scottish Journal of Political Economy*, 21(1): 1-11.

Mulvey, C. and Trevithick, J.A. (1972). 'Wage Inflation and Wage Leadership in Ireland', in A.A. Tait and J.A. Bristow eds., I*reland: Some Problems of a Developing Economy*, Dublin: Institute of Public Administration.

Myer, W. (1995). 'Is Pattern Bargaining Dead? An Empirical Investigation with Micro Data for West Germany', *Konjunkturpolitik*, 41(3): 228-43.

National Competitiveness Council. (2015). *Ireland's Competitiveness Scorecard*, Dublin: National Competitiveness Council.

Nyberg, P. (2011). *Misjudging Risk: Causes of the Systemic Banking Crisis in Ireland*, Dublin: Department of Finance.

O'Brien, J.F. (1981), *A Study of National Wage Agreements*, Dublin: Economic and Social Research Institute.

O'Mahony, D. (1965). *Economic Aspects of Industrial Relations*, Dublin: ESRI.

Ribeiro, A.T. (2015). 'Recent Trends in Collective Bargaining in Europe', paper presented to Conference, 'The Great Transformation at Work', University of Bergamo/ADAPT, November.

Roche, W.K. (2013). 'Human Resource Management and Public Service Reform', *Administration*, 60(3): 211-18.

Roche, W.K. (2011). 'The Breakdown of Social Partnership', *Administration*, 59(1): 23-38.

Roche, W.K. (2007). 'Social Partnership in Ireland and New Social Pacts', *Industrial Relations*, 46(3): 395-425.

Roche, W.K. (1997). 'The State, Pay Determination and the Politics of Industrial Relations', in Murphy, T. and Roche, W.K., eds., *Irish Industrial Relations in Practice*, Dublin, Oak Tree Press, 1997.

Roche, W.K., O'Connell, P., Prothero, A. eds. (2016). *Austerity and Recovery in Ireland: Europe's Poster Child and the Great Recession*, Oxford and New York: Oxford University Press (forthcoming).

Roche, W.K., Teague, P., and Coughlan, A. (2015). 'Employers, Unions and Concession Bargaining in the Irish Recession'. *Economic and Industrial Democracy*, 36(4): 653-76.

Roche, W.K., Teague, P., Coughlan, A. and Fahy, M. (2013). *Recession at Work: HRM in the Irish Crisis*, New York & Oxford: Routledge,.

Roche, W.K. and Higgins, C. 'Networked Dispute Resolution: The National Implementation Body in Irish Industrial Relations, *Advances in Industrial and Labor Relations*, 22: 161-88.

Roche, W.K. and Teague, P. (2015), 'Antecedents of Concession bargaining in the Great Recession: Evidence from Ireland', *Industrial Relations Journal*, 46(5-6): 434-45.

Sanz, P., Welz, C. and Rodriguez Contreras, R. (2016). *Role of the Social Partners in the European Semester*, Dublin: European Foundation for the Improvement of Living and Working Conditions.

Teague, P. and Donaghey. J. (2009). 'Why Has Irish Social Partnership Survived?, *British Journal of Industrial Relations*, 47(1): 55-78.

Teague, P., Roche, W.K., Gormley, T. and Currie, D. (2015). *Managing Workplace Conflict: Alternative Dispute Resolution in Ireland*, Dublin: Institute of Public Administration.

Traxler, F., Brandl, B. and Glassner, V. (2008). 'Pattern Bargaining: An Investigation into its Agency and Context and Evidence', *British Journal of Industrial Relations*, 46(1): 33-58.

Turner, T. and Walsh, M. (2014). 'Economic Crisis and the Restructuring of Wage Setting Mechanisms for Vulnerable Workers in Ireland', *Economic and Social Review*, 44(2): 197-219.

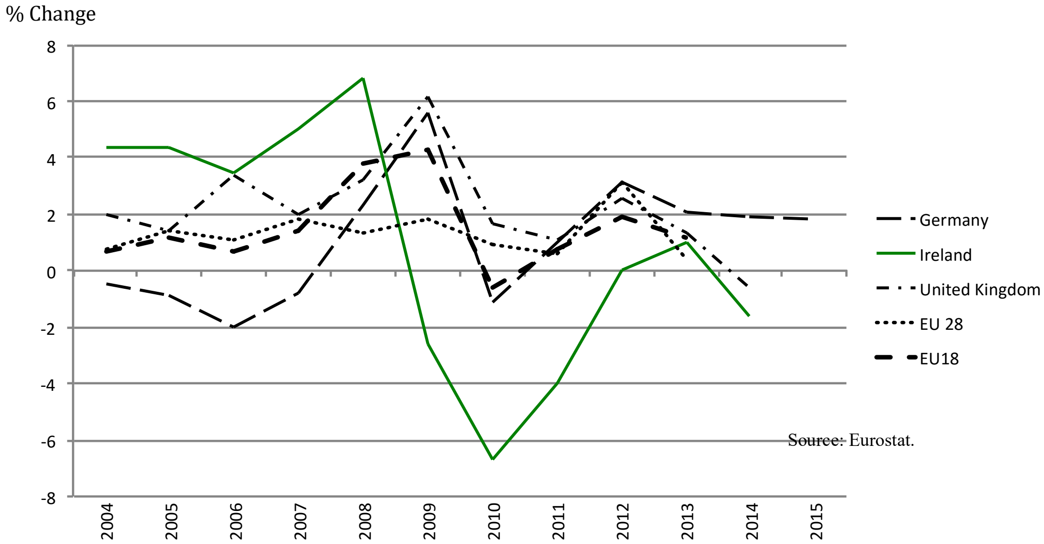
Visser, J., Hayter, S. and Gammarano, R. (2015). 'Trends in Collective Bargaining Coverage: Stability, Erosion or Decline', Geneva: International Labour Office.

Von Prondzynski, F. (1985). 'The Death of the Pay Round', *Industrial Relations News*, 13 March.

Voss, E., Schoenberg, K. and Rodriguez Contreras, R. (2014). *Collective Bargaining in Europe in the Twenty-First Century*, Dublin: European Foundation for the Improvement of Living and Working Conditions.

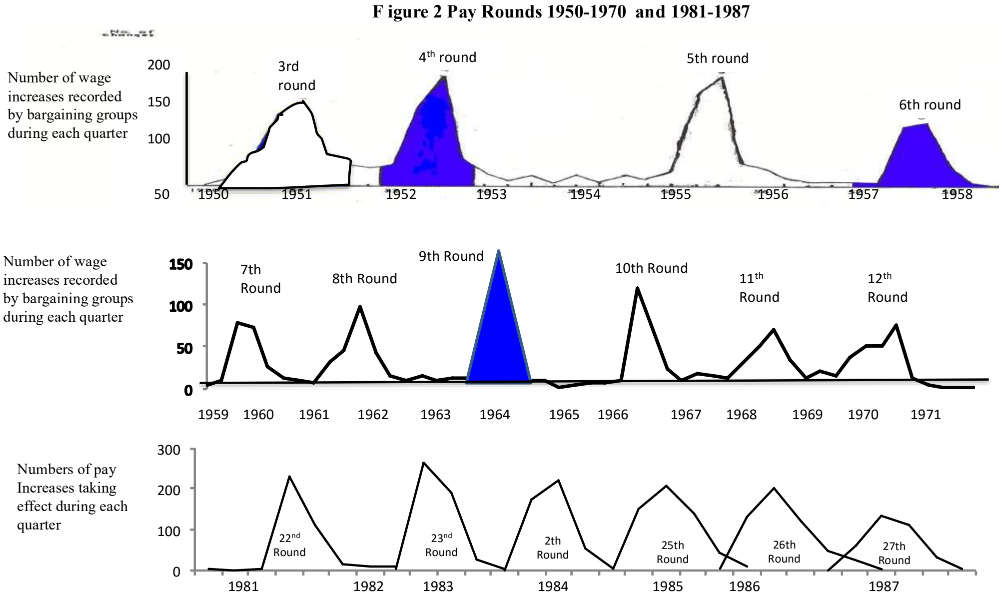
Wallerstein, M. and Golden, M. (2000). 'Postwar Wage Setting in the Nordic Countries', in T. Iversen, J. Pontusson and D. Soskice eds., *Unions, Employers and Central Banks*, Cambridge: Cambridge University Press.

Figure 1 The Trend in Nominal Unit Labour Costs in Ireland and the EU



Nominal Unit Labour Costs (NULCS) are defined as the ratio of labour costs to labour productivity. Labour cost is compensation per employee and labour productivity is gross domestic product (GDP) per person employed. See http://ec.europa.eu/eurostat/web/macroeconomic-imbalances-procedure/methodology and see also https://stats.oecd.org/glossary/detail.asp?ID=2809

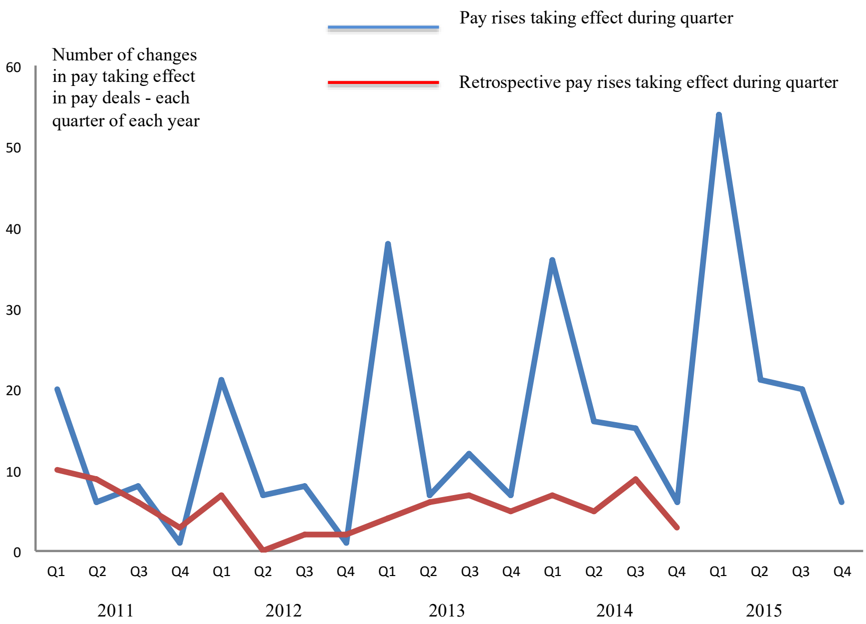
F igure 2 Pay Rounds 1950-1970 and 1981-1987



Pay round occurred under the aegis of a national level accord or agreement between union and employer confederations.

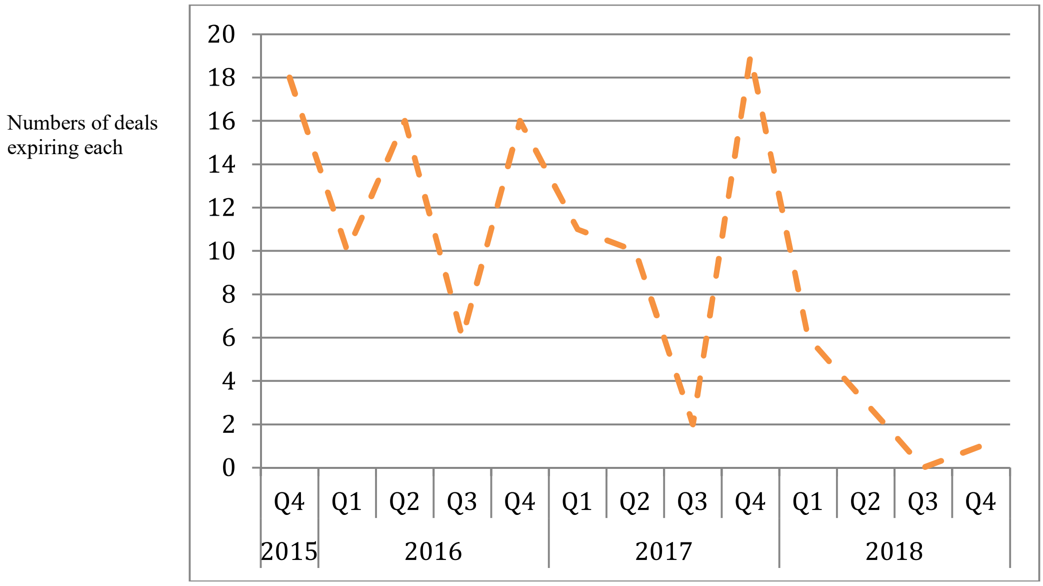
Sources: 1950s pay rounds based on, O'Mahony, D. (1965), *Economic Aspects of Industrial Relations*, Dublin: Economic and Social Research Institute. 1960s pay rounds based on data in McCarthy, W.E.J., O'Brien, J. and Dowd, V. (1975), Wage Inflation and wage Leadership, Dublin: Economic and Social Research Institute; 1980s pay rounds based on data in *Industrial Relations News*, 1980-1988.

F igure 3 The Pattern of Pay Fixing Since 2011



S ource: Pay deals reported in *Industrial Relations News.* (Data provisional)

Figure 4 Expiry Dates (By Quarter) of Pay Deals negotiated in 2015



Based on 122 pay deals reported in *Industrial Relations News,* commencing in 2015 for which data on termination dates were recorded

Figure 5 Boxplot of Annualized Pay Increases, 2011-2016

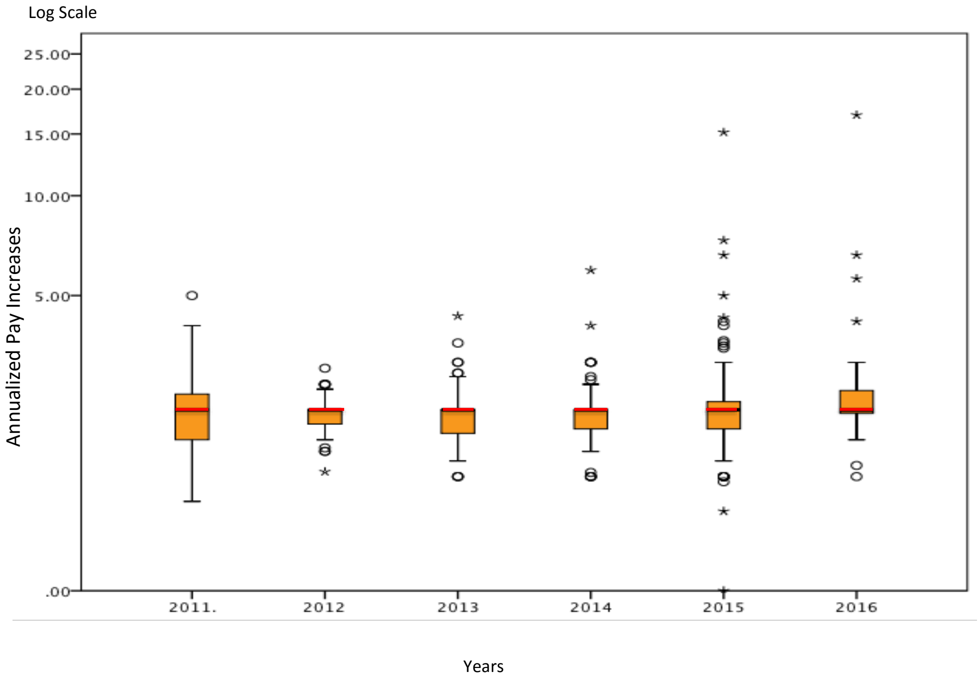


Table 1 Annualized Pay Increases 2011-2016: Summary Statistics

	Mean	*Median*	*Mode*	*Standard Deviation*	*Interquartile Range*	*Skewness*
2011	2.0	2.0	2.0	0.8	0.47	1.7
2012	1.9	2.0	2.0	0.4	0.29	0.2
2013	1.9	2.0	2.0	0.5	0.40	1.6
2014	2.0	2.0	2.0	0.6	0.33	3.3
2015	2.2	2.0	2.0	1.3	0.48	6.6
2016*	2.5	2.0	2.0	2.1	0.45	6.1

* To June 2016.

Table 2 Testing for Macro-Economic Influences and for the Influence of Economic Confidence on Annualized Pay Increases from 2011-2016

	2.1. *Current economic conditions*	2.2 *Predicted economic conditions*	2.3 *Economic confidence*
Constant	1.78*	2.56	1.83**
U_t	0.13	-0.07	
ΔP_t	0.02	0.20	
ΔY_t	0.03	0.25	
Econ Conf			0.01*
DS^j (Reference category: chemicals, pharmaceuticals & medical devices)			
Manufacturing	-0.77	-0.02	-0.05
Retail & distribution	-0.61	-0.58	-0.65
Financial services	-0.87	-0.84	-0. 90
Other services	0.66**	0.62**	0.54*
R^2	0.03**	0.03**	0.03**

Notes: Dependent and independent variables are defined in the modified version of the pattern bargaining equation, as outlined in the text of the paper.
Coefficients reported are unstandardized.
Pay agreements in a small number of primary extractive firms included in the manufacturing category and a small number of settlements in construction firms are excluded from the data.

** Significant at the 0.01 level.
* Significant at the 0.05 level.