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**Article**

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Management Revue

**Provided in Cooperation with:**

Rainer Hampp Verlag

*Suggested Citation:* Rohlfer, Sylvia (2012) : Perspectives on social pacts in Spain: Social dialogue and the social partners, Management Revue, ISSN 1861-9916, Rainer Hampp Verlag, Mering, Vol. 23, Iss. 1, pp. 49-65,  
[https://doi.org/10.1688/1861-9908\\_mrev\\_2012\\_01\\_Rohlfer](https://doi.org/10.1688/1861-9908_mrev_2012_01_Rohlfer)

This Version is available at:

<https://hdl.handle.net/10419/93036>

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Sylvia Rohlfer<sup>\*</sup>

## **Perspectives on Social Pacts in Spain: Social Dialogue and the Social Partners<sup>\*\*</sup>**

The return of social pacts in the context of the current economic crisis, as seen in southern European countries, invites the revival of the discussion about the development of social dialogue practice in its specific context. Based on a longitudinal analysis we examine the agenda of Spanish tripartite social pacts. We do this by assessing their priorities and the actors' strategies for their involvement in social dialogue by taking the overall political, legal and social context into account. The results are then used to discuss the future implications for Spanish social partners. Challenges regarding the future role of the social partners in collective bargaining, their political exchange and their dependence on political allies are observed.

**Key words:** social pacts, social dialogue practice, social partners, Spain  
(JEL: J50, J51, J53)

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\*\* Article received: December 14, 2011

Revised version accepted after double blind review: January 19, 2012.

## 1. Introduction<sup>1</sup>

The recent economic crisis that hit the European countries has led to slow growth, widening budget deficits and a sharp rise in unemployment. In this context, the social partners and governments in southern European countries revitalized corporatist structures with the hope to consult, negotiate and agree on mutual actions for economic recovery.

In Spain, corporatist structures and relationships emerged from the '80s onwards through which social pacts were negotiated and implemented. They aimed to adapt new economic policy changes mainly stemming from: the democratization of Spain, the new competitive demands coming from the creation of the European single market and from the urgent need of bringing debts, deficits and inflation under control for membership in the European Union (Perez Amoros & Rojo, 1991; Martinez Lucio, 1998). The return of the social pacts in the context of the latest economic crisis, as seen in Spain, invites a revival of the discussion about the development of social dialogue practice in its particular domestic context. This is particularly important for countries with less embedded and institutionalized forms of corporatist structures and relationships, and where social dialogue depends on a favorable context (Siaroff, 1990), such as Spain (Perez Amoros & Rojo, 1991; Molina & Rhodes, 2002).

The objective of this paper is to analyze the tripartite social dialogue in Spain since its inception in the 1980s. By analyzing each national tripartite agreement in turn, we examine their specific agendas. Drawing from a range of documents, such as the social pacts and related publications by the European Industrial Relations Observatory Online, we provide a longitudinal view on the developments in national tripartite social dialogue practice in Spain. Such a view is considered necessary, as current and future developments can only be understood by reexamining the evolvement of social dialogue (Crouch & Farrell, 2004) and hence helping understand the changing role of the parties involved. Moreover, to appreciate the recent trends in Spain we incorporate information about the general political, economic and legal background of Spanish industrial relations. Finally, we draw a broader view and seek to justify future implications of the tripartite social dialogue for the Spanish social partners.

The scope of this paper is restricted to the so-called "social pacts" or "grand pacts" in the academic and practitioner literature. These neo-corporatist forms of formal policy making (Parson, 1988) are agreements following a tripartite dialogue between the social partners and the respective government. These tripartite negotiations must be seen as an exceptional process standing apart from the regular conduct of collective bargaining and from company-level negotiations for employment and competitiveness.

## 2. Development of Social Dialogue Practice in Spain

In Spain, the legacy of the Franco era conditioned the country's economic and social organization in unique and path-dependent ways (Hamann, 2003; Martinez Lucio, 1998). Three aspects particularly influenced the economic and social organization in

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<sup>1</sup> The author thanks the anonymous reviewer for the helpful comments on the earlier draft.

Spain, including its industrial relations system: (1) the consolidation of democracy and Spain's economic development; (2) an extensive program of economic restructuring to meet the requirements for entry to the European Union and then to meet EU harmonization policies; (3) the highly fragmented labor market and peculiar intensity of Spanish unemployment, which rose to over 20% in the mid-1980s, to nearly 30% in the mid-1990 and then to more than 20% in 2010. In this context, the major players in the Spanish industrial relations system that emerged were the Trade Union Confederation of Workers' Confederations (CC.OO) and the General Workers' Confederation (UGT) on the union side along with the Spanish Confederation of Employers' Organizations (CEOE) and the Spanish Confederation of Small and Medium-Sized Enterprises (CEPYME) on the employer side. After the Franco era, these social partners were drawn into a broader political role, playing a central role in the stabilization of the system. Since then they have become considerably more autonomous from political parties. Instead of depending on ideologically related parties to put forward their interests, Hamann (2003) claims that the social partners now tend to engage in pragmatic collective bargaining, while also becoming more closely involved with state institutions and regulatory functions. Collective bargaining takes place within an industrial relations framework that is characterized by three key aspects relevant for analysis. First, Spanish unions can be seen as "voters" unions rather than being a "members" union (Martinez Lucio, 1998): formal trade union representativeness for the purpose of reaching collective agreements and for participation in tripartite bodies is assessed according its electoral success in workplace elections as much as on membership figures. Second, despite having a relatively healthy collective bargaining system, collective bargaining often results in a "poverty of bargaining" (Martinez Lucio, 1998, p. 444), because of: a narrow bargaining agenda (wages), ineffective coordination between agreements at sector and company level with ill-defined responsibilities of different levels, and a fragmentation of industrial sectors into a multiplicity of sub-sectors. Third, the Spanish system evolved towards an extreme labor market dualism with numerical flexibility being the most important divide between labor market segments: a stable segment composed of "insiders" with permanent contracts, rising wages and social benefits exists alongside an unstable segment made up of those employed on some type of fixed-term contract (Fernandez Macias, 2003). According to Fernandez Macias (2003), this extreme labor market division is seen in the context of: first, a strong union movement that can afford to give some protection to insiders (take, for instance, their defense of insiders with indefinite contracts), and second, the strong impact of the economic crisis on the labor market resulting in high unemployment levels.

**Table 1: Key characteristics of the Spanish industrial relations system**

Main Actors	Trade Unions	CC.OO
		UGT
	Employers	CEOE
		CEPYME
Relevant industrial relations characteristics	Low trade union density but high electoral representativeness at workplace level	
	"Poverty" in collective bargaining	
	Vulnerability of labor market due to its duality based on numerical flexibility measures	

We proceed with the analysis of social dialogue practice that is depicted in three distinct phases based on the different agendas of the various pacts (Table 2). The first phase covers the first two agreements during the 1980s that mainly focus on economic recovery and the stabilization of the democratic system. The second phase addresses issues of structural adjustments of the Spanish economic and social system and encompasses the agreements concluded during the 90s until 2007. The third phase starts at the end of 2007 and includes the social pacts concluded in 2008 and 2011.

### ***2.1. Phase one: Democratic consolidation and economic recovery***

Spain's return to democracy in the 70's was soon followed by economic liberalization and integration into the wider European Community. This time was a period of intense macro-level policy making, including the conclusion of two national tripartite agreements. The first tripartite social pact called "*National Agreement on Employment*" was signed in 1981; also known as the "pact of fear" because it followed an attempted right wing political coup by soldiers and members of the paramilitary Civil Guard, supporters of the late dictator General Franco. This agreement was followed in 1984 by the "*Economic and Social Pact*".

As reflected in their titles, these early pacts focused on managing the acute economic and social crisis, fostering economic growth, combating unemployment and defining the framework for economic and social policy. The 1981 agreement was concluded between the Government, the CEOE, the UGT and the CC.OO. In this agreement the unions settled for wage increases lower than the inflation rates forecasted for 1981 and 1982; the employers agreed to produce a job-creation scheme with the public employment office (INEM); and the Government decided to secure the creation of 350,000 jobs and to take measures in favor of the unemployed. From a union point of view, the agreement offered employment creation and long-term benefits of concertation in return for wage restraint.

In a similar vein, the 1984 "*Economic and Social Pact*" signed by the Government, the UGT, the CEOE and CEPYME, aimed to combat unemployment, which had become even more serious in the meantime, and establish the outlines of economic and social policy for 1985 and 1986.

These agreements were concluded during a period of "weak neo-corporatism" (Martinez Lucio, 1998) and were a first attempt of tripartite exchange. Unions, governments and employer associations fully supported tripartite social dialogue and the pacts were judged for having achieved positive results in at least two fields: assisting the legislative process linked to democratization and construction of an industrial relations system, as well as fighting against inflation through real wage reductions (Burgess, 1999; International Labour Review, 1995). At that time, wage moderation was tolerable for unions in return for government or employer concessions for job creation, and establishing their role in the industrial relations system (Burgess, 1999). Not only as a means of consolidating and strengthening democracy in Spain but also as a way of legitimizing themselves as actors and institutionalizing the industrial relations system. In particular, some of the unions' exchange for wage moderation was in the form of "organizational benefits" (Roca, 1991). Regarding employment, however, the

results were disappointing for them as unemployment increased. They had hoped for social benefits in return for the concessions they accepted. Martinez and Lucio (1998) see this as one of the principal causes of the decline in union interest in social dialogue from the mid-1980s. Regarding pay, the unions felt particularly disillusioned. While they believed that the pay bands established should only act as a critical minimum, collective agreements at sectoral and company level usually stayed within the bands established by national pacts and did not improve on them (Roca, 1991). As a consequence, pay bargaining took place mainly without any effective national framework or wage bands for the private sector at the end of this neo-corporatist phase, giving sector and firm-level leaders more control in negotiations (Jordana, 1996).

Also, for government and employer associations, the value of social dialogue diminished from the mid-1980s. The 12 years of PSOE government under Felipe González provided political and economic stability and helped cement the democratic institutions into the overall national framework. The need for national tripartite bargaining as a political stabilizer therefore disappeared. Moreover, after their second win in the 1986 elections, the PSOE felt confident enough to risk their close relationship with the unions by introducing some elements of economic and monetary discipline (Gillespie, 1990), i.e. an attempt to control public spending combined with means intended to increase the role of the private sector. In this context, strong concertation had no place. For the employer associations, social dialogue until 1986 was a rational strategy at a time of union strength when no side of industry wished to see a harsh confrontation due to the political vulnerability of the democratic system. However, recession and the union's own organizational difficulties in recruiting and maintaining members (Jordana, 1996) meant that employers were less encouraged to respond to union demands through corporatist arrangement such as social pacts: employers were not keen on receiving wage moderation in exchange for improved social provision and likely greater economic intervention by the government. They favored bipartite agreements on either a national or a regional level that did not involve broader social policy commitments by the government (Martinez Lucio, 1998).

## ***2.2 Phase two: Structural adjustment of the economic and social system***

During the 1990s the aspect of European integration, i.e. the opening of the Single Market in 1992 and the Maastricht Treaty convergence criteria for the European monetary union, conditioned the agenda of the social dialogue (Perez Amoroso & Rojo, 1991). The re-elected Socialist government affirmed their prime priority of reducing unemployment while also suggesting a social pact on competitiveness in order to prepare for the Single Market requirements planned for the end of 1992. Such a pact would have been Spain's first national level agreement since the 1984 Economic and Social Pact. Prime Minister Felipe Gonzalez invited employers and unions and proposed an agenda concentrating on labor market reform, wage and profit moderation, improvements in vocational training, the 1994 state budget, and reforms designed to both facilitate the labor market and promote investment and infrastructural development. The social partners accepted enthusiastically his invitation. The employers considered an agreement on these proposals to be essential but negotiations broke down in July 1991 because the unions claimed their suggestions had been overlooked (Inter-

national Labour Review, 1995, p. 411). In 1993, however, the social partners asked to revitalize negotiations. Again, dialogue broke down in October 1993 over the unemployment benefit reductions pursued by the government that eventually put their own proposal before the Parliament, which approved the labor market reforms that were endorsed by the employers and resisted by the unions. As a fact, the government became disillusioned on the force of social pacts as seen in the statement by Felipe Gonzales in October 1993:

“The great problem of the social pact is that the Government has nothing to give in exchange. We are asking for an incomes policy to improve competitiveness, for changes in traditional collective bargaining procedures and for a modification of the labour market that will make it more flexible [...] this requires a cultural change in union attitudes which makes it very difficult” (quoted in EIRR, March 1994, p. 21).

Nevertheless, this experience made by unions undoubtedly influenced their approach to subsequent social dialogue practice: tripartite national dialogue, in which the partners would link together issue areas as a way to favor agreements did not take place. However bipartite social dialogue resumed during the 90s to tackle an agenda consisting of labor market reform, and preparing Spain for the integration into the economic and monetary union (Perez Amoroso & Rojo, 1991). The social partners consolidated bipartite social dialogue through a set of major agreements, such as the 1997 “Labor Pact for Employment”. In the civil service, negotiations were held on pay, geographic mobility and employment stability. Therefore, the social dialogue gave way to pragmatism by the social partners: they managed to avoid pitfalls despite the existing difficult political climate and continued their dialogue without government involvement.

Only in one specific area did there continue to be tripartite negotiations over aspects of labor regulation: the Government and the most representative social partners reformed the continuous training system, which had until then been given less significance than occupational training (Manzanares & Caprile, 1997). In 1992 they signed the first “*National Agreement on Continuing Training*”, which overhauled the institutional, legal and financial framework of continuing training. The agreement stated the strategic nature of training by promoting competitiveness of enterprises and the professional and personal development of workers, as well as establishing the joint responsibility of employers, workers and their respective organizations for the promotion of training. FORCEM (*Fundación para la Formación Continua*) was established responsible for the management, monitoring and technical control of the continuing training of employees. This was followed by the second “*National Agreement on Continuing Training*”, signed by the same parties in 1996. It maintained the previously established continuous training system though changes were introduced with respect to widening eligibility for training, improving management systems and the certification of training activities. Objectives for the next four years were to improve the quality of training and participation in the system by SMEs and less qualified workers. The third “*National Agreement on Continuing Training*”, signed in 2000, consolidated continuous training, improving its effectiveness, quality, coherence, transparency and scope. The Government played a direct part in the administration and management of the continuing training system. FORCEM was replaced by a Tripartite Foundation for Training in Employment in order to support and simplify the financial and administrative man-



agement of training initiatives. Overall, these agreements show that unions and employers decided to ignore their differences and revitalize the tripartite talks on training issues.

As the Spanish economy recorded continuing growth and employment creation between the mid-90s and the first half of 2000, the government and social partners widened the scope of agreements. In 2001 the conservative government, the CEOE, the CEPYME, and the CC.OO signed the “*Pact on Pensions*” with the UGT remaining outside the new pension agreement. This major agreement on pension reforms aimed to improve funding and to enhance conditions for pensioners in aspects such as early retirement, minimum benefit levels and widow’s benefits. The agreement guaranteed the stability of the social protection system. It ensured funding provisions in the long run, and laid the basis for progressively taking into account the contributions made by employees during their working life when calculating pension entitlements. According to the conservative government, UGT’s position was due to political rather than trade union reasons, and the opposition Socialist Party was behind the disagreement whereas the UGT themselves considered the agreement as being negative for employees due to the newly established requirements for entitlements (Albarracin, 2001; Eironline, 2001b).

In retrospect, these developments in social dialogue between the second half of the 90s and early 2000 were influenced by the approach of the conservative government under Jose Maria Aznar. Martinez Lucio (1998, p. 454) observed that “*the PP government appeared to be developing an approach to bargaining based on the separation of negotiating forums and issues*” and therefore having little interest in a tripartite social dialogue in which issues were linked together. The two national agreements on continuing training and the pact on pensions conformed to this pattern, i.e. treating them as single issues. Regarding continuing training, the two agreements renewed the institutional framework of vocational training for employed people established by the first agreement in 1992, due to the positive results following the first agreement (Eironline, 2001). The social partners strengthened a model based on social dialogue and joint management by integrating the resources of the state administration with their actions (Sanchez-Reinon, 2001). While a bipartite and tripartite body established by the agreements on continuous training potentially broadened the role of employers and unions, it tended to be constrained and ritualistic during this period. First, the involvement was limited to a single subject matter. Second, the role of unions was narrowed down in the political process by limiting their partaking to a formal role in public bodies such as the Mixed State Commission for Continuing Training (*Comisión Mixta Estatal de Formación Continua*) or the Tripartite Foundation for Training in Employment (*Fundación Tripartita para la Formación en el Empleo*). Regarding the pact on pensions, the government was apparently willing to accept the economic implications of such agreement in order to avoid a mobilization of trade unionists and their followers of this and other sensitive social policy issues in the future (Martinez Lucio, 1998).

From 2001 onwards divergences grew among the parties on procedural issues of the social dialogue. These differences began with the January 2001 ruling of the National Court (*Audiencia Nacional*) stating that the civil service wage freeze introduced by the government was illegal because of the government’s commitment in a 1997



agreement to maintain civil servants' purchasing power. As a consequence, a period of uncertainty for tripartite social dialogue opened (Eironline, 2001b) which caused some ambiguity in the role of the social partners. First, the intention of the PP government was to respect the autonomy of the social partners and not participate directly in meetings: the social partners should reach bipartite pacts that were subsequently supported by government legislation (Caprile, 2000). Second, due to the failure of the social partners reaching an agreement on labor market reform, the government introduced "urgent measures for the reform of the labor market" through Royal Decree-Law 5/2001 of 2 March 2001, later presented as a draft bill. This reform was only supported by the employer's side, not by the two main unions, CC.OO and UGT. A month later, the agreement on pensions was concluded and although it avoided the threat of a general strike, it broke the unity between the unions as the UGT did not sign the agreement.

While Martinez Lucio (1998) predicted that the age of the grand pacts bringing together a range of policy areas and interventions appeared to be over in the second half of the '90s, Spain saw a number of tripartite agreements with this approach concluded as of 2004. The return of the socialist government in 2004 as well as continuing economic growth and decreasing unemployment gave new impetus to social dialogue practice. Just two months after elections the new PSOE government signed the *"Declaration on Social Dialogue: Competitiveness, Stable employment and social cohesion"*. It reaffirmed the aims of previous social dialogue with its declared aim of achieving higher levels of economic development, quality in employment, social welfare, regional cohesion and environmental stability. The declaration marked a change in the actors' approach though: while also providing means of responding to widespread demands about Spain's economic competitiveness, it addressed strong workforce demands for greater protection, as seen in hard and extended labor conflicts over plant closures, job cuts restructuring and relocation activities in several sectors (e.g. Martin Artilles, 2004a, 2004b; Albarracin, 2003). In addition, some commentators saw the document as bringing in some mild "Keynesian" elements to the previous purely "neo-liberal" policy approach (Albarracin, 2004). It opened new ways of accomplishing its goals through a model of "balanced and lasting economic growth" on the basis of greater public interference (Albarracin, 2004). It established a greater role for the social partners in employment and labor policies, whilst maintaining the economic model based on competition and development. The Declaration, for instance, maintained that the National Advisory Board on Collective Agreements, the National Board for Health and Safety at Work and the Labor and Social Security Inspectorate could be strengthened by increasing the involvement of the social partners; it also affirmed that public support was needed for collective bargaining to improve its regulative purpose and to rationalize the structure of it with the government, thereby reinforcing the role of the social partners. This declaration paved the way for more inclusive and negotiated forms of economic management, such as the neo-corporatist forms of formal policy making via social pacts.

The 2004 declaration was followed by the 2007 *"Agreement on the Reform of the Law Regulating the Social Security Fund"*. It was triggered by the fund's significant growth since 2001, when it was set up as part of the Pact on Pensions to meet the future

needs of the social security system. The agreement was signed by the government, the CEOI, the CEPYME, CC.OO and the UGT. The aim of the reform was to encourage the fund's management to be more flexible in order to combine safe investments with greater yields through risk diversification. The Agreement also established a National Council on CSR as a government advisory body that consist of delegates from the social partner associations, public administration bodies and non-governmental organizations. Furthermore, in 2007 the same parties reached an "*Agreement on Corporate Social Responsibility (CSR)*", which consisted of two parts: one part defining the concept and scope of CSR, while the second part comprising a set of proposals for promoting CSR practices in companies and public administration bodies. They agreed to the creation of a national council for the promotion and dissemination of good practice among companies and public administration bodies. The agreement also aimed to increase the clarity of CSR practices and to enhance the management skills and capacities of companies in relation to CSR. It promoted a growth model that was both ecologically sustainable and socially responsible, while involving the participation of the social partners. It therefore confirmed the tone set in the 2004 declaration (Arasanz Diaz, 2008). Nonetheless, the unions emphasized that CSR should not substitute the process of collective bargaining or any other form of joint regulation by the social partners. Once management assumed its commitment towards socially responsible working practices, these should be jointly negotiated with employee representatives to ensure that such practices were effectively applied and not remained a mere lip service by management. The employer organization CEOE, remained consistent with their objective of defending companies' freedom as corporate social responsibility was only voluntary assumed by management (Arasanz Diaz, 2008).

### **2.3 Phase three: Economic recovery and social cohesion**

Since then, however, the social dialogue between the government and the social partners has moved away from mainly focusing on structural issues. Until 2007, the Spanish economy was among the most dynamic in the EU (INE, 2010). After a decade of sustained economic growth, however, it began to show signs of slowing down; attributed to issues such as falling domestic consumption and a downturn in what had been a very dynamic construction and property sector. The global economic crisis worsened this situation due to Spain's high level of foreign debt. The combined effect of these factors had a severe impact on the labor market: Spain experienced the sharpest increase in unemployment among EU countries (INE, 2010). Therefore, from early 2008, the tripartite social dialogue intended to address the economic crisis and its social consequences based on a broad consensus by the social partners on challenges and objectives of the social dialogue. In general, the social partners agreed on the governments' diagnosis about the severe impact of the economic crisis on business activity and employment. The context stimulated their willingness to overcome differences and to accept the government's measures even though they were presented to them only shortly before the tripartite "*Declaration of principles for the promotion of the economy, employment, competitiveness and social process*" was endorsed (Arasanz Diaz, 2008). It clarified the social dialogue agenda for the coming years and was signed by the government, the CEOE, the CEPYME, the CC.OO and the UGT. It provided for a contin-

uation of the social dialogue process initiated under the previous government in 2004, and continued with the approach for greater public intervention and for a greater role for the social partner on a broad range of industrial relations issues. The declaration maintained the parties' willingness to further develop social security, growth and employment measures taken by the government. This included those governing the operation of public employment services and the employment protection system, including both active labor market policies and unemployment benefits. They also agreed on the need to move towards a more balanced pattern of growth and development, based on improving labor productivity and business competitiveness. Future structural measures left to be discussed included the reform of the vocational training system and the reform of the services sector, among others. Both employer and unions approved the measures seeking to lift the burden on companies, and recognizing their importance for the maintenance of business and employment. However, the CEOE believed that the measures did not go far enough to deal with the present crisis. They demanded more radical measures, such as greater flexibility and less costly dismissal provisions. These suggestions were met with hostility by trade unions.

The subsequent period was marked by a failure of the social dialogue to achieve agreements on employment policies and labor market legislation reform. In particular, differences came into view between unions, employer organizations and the government as conflicts grew over the government's austerity plan, a plan enacted in May 2010, and its labor market legislation reform, unilaterally implemented in June 2010 (Sanz de Miguel, 2011b). Both measures led to a shift in trade union strategy by involving the general public: the unions called for a public workers' strike in June and a general strike in September. Also, the first draft of the pension system reform announced by the government in January 2010 was heavily criticized by the unions, who consequently called for public demonstrations against the reform. Their main criticism was over the rise of the retirement age from 65 to 67 years of age. Conflicts also grew between the social partners over labor market legislation reform, with the CEOE arguing for increasing external flexibility in the labor market. The CC.OO and the UGT held the view that the unemployment problem could not be solved by means of legislation reform. They adopted a more defensive and reactive strategy, aiming to preserve employees' rights.

Social dialogue practice changed at the beginning of 2011, when tripartite negotiations regarding pension system reform at national level reopened. The bargaining agenda broadened for new topics such as industrial policy and active labor market policies. Hence the resulting 2011 *"Social and economic agreement for growth, employment and guaranteed pensions"* revitalized social dialogue in the area of employment and labor market regulation. The socialist government and the CC.OO, the UGT, CEOE and the CEPYME were able to reach important compromises on a range of industrial relations policy issues. This social pact was a tripartite set of agreements which covered pensions, active labor market policies and industrial, energetic and innovation policies. The unions agreed to raise the retirement age in exchange for the inclusion of new clauses (especially those concerning women and young employees), and a set of active labor market measures, some of them aiming at increasing the social protection of unemployed people. The social partners therefore kept their involvement in shaping in-

dustrial relations issues at a national level based on compromises from both sides. In addition, the parties committed themselves to reinforce the Industrial Observatories, which are tripartite bodies that look at sectors of the economy from an entrepreneurial, labor and technological perspective, analyze their strengths and recommend ways to improve them.

In retrospective, the 2008 declaration and the 2011 agreement provided for a continuation of the social dialogue initiated earlier, but with the agenda defined by certain challenges: arising not only from the economic recession, but also from the considerable tensions between the social partners. Whereas in the '90s, agreements had focused on single issues, the social partners and the government now aimed at addressing a wider range of issues in order to improve the competitiveness of companies and to reform the industrial relations framework. Nevertheless, the value of the 2008 declaration depended on specific agreements to be reached by the employer and trade union organizations on the issues identified. Furthermore, the 2011 agreement was achieved under very different circumstances than in 2004. With the 2011 elections around the corner, public debt issues, the deficit crisis and the high unemployment rate conditioned the agenda. They urged the government to do its best to conclude an agreement on sensitive topics, such as the pension system, in a short period of time. In this sense, Sanz de Miguel (2011b) argues that the government had been under pressure from two sides. First, the financial markets pressurized the governments by demanding public pension reform similar to other European countries. Hence reforms in this area were intended to raise the confidence among investors in Spain's ability to pay its debt commitments. Second, the government experienced pressure from the unions as they threatened them with a second general strike. Indeed, the 2011 agreement shows that the parties involved in the negotiations put aside some of their initial views, particularly the unions as mentioned above. Nevertheless, an absolute consent on these measures did not exist: the left-wing parties neither endorsed the pension reform nor the active labor market policies; the PP, the main opposition party, did not support the active labor market policies implemented unilaterally by the PSOE government by Royal Decree (Sanz de Miguel, 2010). Moreover, subsequent social dialogue in 2011 was put on hold, mainly by the employer associations. According to the unions, they wanted to wait for the November elections, after which they could probably find a more sympathetic climate under a centre-right government (Lopez, 2011).

To sum up, similarities in the agendas covered by social pacts allow for the breakup of social dialogue practice in Spain into three distinct phases since its inception in the 80s. Differences are observed with respect to the scope of the social dialogue agenda: the conservative government preferred restricting the scope of the bargaining agenda to single issue areas; whereas the occurrence of social dialogue in Spain is "rather neutral to government compositions" (Traxler et al., 2001, p. 302). Social pact negotiations at national level failed under socialist governments, as for example during the second half of the 80s and early 90s, but took place under a conservative government. Hence the occurrence of social dialogue did not change due to government composition but it did influence the scope of negotiations. Finally, we have seen that social

**Table 2: Overview table on the key characteristics of social pacts**

Year	Pact	Major issues	Scope of agenda	Signatories	Political affiliation of government	Contextual issues
Phase One: Democratic Consolidation & Economic Recovery						
1981	National agreement on employment	Wages, union rights, job creation, pensions	Multiple issue areas	Government, CEOE, UGT, CC.OO	UCD <sup>2</sup>	Democratic instability; economic transformation, unemployment
1984	Economic & social pact	Wages, job creation, pensions	Multiple issue areas	Government, CEOE, CE-PYME, UGT	PSOE	Weak institutionalism, economic transformation unemployment
Phase two: Structural Adjustment of the Economic and Social System						
1992	1 <sup>st</sup> National agreement on continuing training	Institutional, legal & financial framework of continuous training	Single issue area	Government, CEOE, CE-PYME, CC.OO, UGT, CIG <sup>3</sup>	PP	European integration, unemployment
1996	2 <sup>nd</sup> National agreement on continuous training	Eligibility by workers; management of system	Single issue area	Government, CEOE, CE-PYME, CC.OO, UGT, CIG	PP	Economic & employment growth
2000	3 <sup>rd</sup> National agreement on continuing training	Management of system	Single issue area	Government, CEOE, CE-PYME, CC.OO, UGT, CIG	PP	Economic & employment growth
2001	Pact on pensions	Funding requirements for entitlements	Single issue area	Government, CEOE, CE-PYME, CC.OO	PP	Economic & employment growth
2004	Declaration on social dialogue: competitiveness, stable employment & social cohesion	Economic expansion, quality in employment, social welfare, regional cohesion, environmental stability	Multiple issue areas	Government, CEOE, CE-PYME, CC.OO, UGT	PSOE	Economic & employment growth
2007	Agreement on the reform of the law regulating the social security reserve fund	Fund's management principles	Single issue area	Government, CEOE, CE-PYME, CC.OO, UGT	PSOE	Economic & employment growth
2007	Agreement on Corporate Social Responsibility	Concept & scope of CSR; promotion of CSR	Single issue area	Government, CEOE, CE-PYME, CC.OO, UGT	PSOE	Slow down of economic & employment growth
Phase three: Economic Recovery & Social Cohesion						
2008	Declaration of principles for the promotion of the economy, employment, competitiveness & social process	Social security, economic growth & employment measures	Multiple issue areas	Government, CEOE, CE-PYME, CC.OO, UGT	PSOE	Economic crisis, unemployment
2011	Social and economic agreement for growth, employment & guaranteed pensions	Pensions, active labor market policies, industrial, energetic and innovation policies	Multiple issue areas	Government, CEOE, CE-PYME, CC.OO, UGT	PSOE	Political elections, economic crisis, unemployment, international pressure

<sup>2</sup> Union of the Democratic Centre (UCD) was a federation of parties during the transition to democracy with the involvement of politicians from democratic, liberal and social-democratic parties.

<sup>3</sup> Galician Trade Union Confederation (CIG)

and economic contextual issues influenced the parties' willingness to engage in social dialogue as well as their strategies in negotiations.

### **3. Tripartite social dialogue and the implications for trade unions and employer associations in Spain**

Following our analysis on tripartite social dialogue the following observations stand out regarding the future role of the social partners in collective bargaining, the political exchange between them and their dependence on political allies.

First, the tripartite social dialogue has implications for the role of the social partners in the wider industrial relations system. In national-level tripartite bargaining, the social partners usually have to find a difficult balance between the public interest and the common interest of their respective constituencies, i.e. their members (Sugeno, 1994; International Labour Review, 1995, p. 416). If they neglect the public interest, they risk their public image and this damages their effectiveness regarding the goals they pursue. On the contrary, if they neglect the interest of their members, they jeopardize estranging their constituencies and undermining therefore their representativeness. Both points are of important when evaluating the future role of Spanish unions. At present, trade union density is relatively low at around 15.8%, although the results of elections to works councils indicate that unions have much wider support at the workplace (Fulton, 2011). Our analysis has shown that unions' strategies are heavily influenced by the immense public and governmental interest in employment creation. Considering the conflicting views held by employers and unions on how to achieve the creation of employment in the current situation, the notion of trade union "failure" in either pursuing the public or their members' interest must be revised in the light of this dilemma. If unions bring themselves into disrepute with their members by settling for too little in return for their agreement on employer demands for greater numerical flexibility and for productivity measures at workplace level, the government and employers would risk to be left without a representative bargaining partner. At the same time, however, ignoring the immense public interest in employment creation and job security and risking their image by stepping away from the bargaining table in social dialogue would diminish their high electoral representativeness at the workplace level based on votes from insiders and from those employees with temporary contracts and precarious job conditions. This could not only affect negatively future social dialogue processes at national and regional levels, but also jeopardize the unions' role in normal collective bargaining at company, sector and national level that flanks and supports national level economic and labor market policy.

Moreover, since 2007 the role of the social partners and the government has become even more complicated by being subject to pressures from the international financial markets and European institutions such as the European Commission and the European Central Bank. In 2011 the compromises between the social partners and the government were made possible by the threat of economic collapse and the possible speculations by international financial markets over Spain's creditworthiness due to its precarious fiscal and financial position (The Economist, 2011). The need to see the tripartite social dialogue as a political stabilizer and as a means to convey confidence to the financial markets accompanied the intended actions by the social partners and



the government in several issue areas. However, we have seen that in 2011 the unions could have exercised some degree of pressure on the government by threatening them with a second general strike that could have diminished the impact of measures already taken for Spain's economic recovery (e.g. Sanz de Miguel, 2011). We argue that in this context the pressure by the international financial markets and the European institutions played in favor to trade union strategy: the 2011 agreement was completed with the signatory parties putting aside some of their initial views and finding a compromise through "generalized political exchange" (Crouch, 1990; Molina & Rhodes, 2002, p. 318). In addition, the conclusion of the agreement was helped by the greater number of topics included in the negotiations which allowed the signatory parties to find a compromise on sensitive topics. The more recent Spanish experience therefore illustrates that future tripartite social dialogue may require a favorable context (Siaroff, 1999) in order to create willingness by the social partners to engage in social dialogue leading to a political exchange. However, this favorable context is not restricted to the domestic one and trade unionists have to deal with greater complexity by taking the European context into account. This is first of all, contrary to the point suggested by Molina and Rhodan (2002, p. 321), who argue that the integration of labor and business organizations into the decision-making process and the role of political exchange as a means of attaining concessions in policy making are sufficient for neo-corporatist forms of formal policy making to occur. We maintain that in the Spanish context, additionally a favorable condition for social partner compromise is needed in order to engage in national tripartite social dialogue. This may consist in an external national threat under conditions, in which neither the social partners nor the government are certain of a less than costly victory. Secondly, union leaders must seek the modernization of their strategy, i.e. to internationalize their discourse and action by leading the debates and mobilization for a progressive and inclusive globalization. This would provide real possibilities of advancing in a progressive way out of the crisis, where negotiated agreements are fully applied at the same time that new domestic and international opportunities are exploited. Furthermore, the internationalization of their discourse would help increase acceptance by the unions' constituencies and supporters as well as improve their public image since their actions would be better understood by members and supporters alike and thereby ensuring their broader electoral support at the workplace.

The above points relate to a connected issue, i.e. the underlying process of political exchange between the social partners. It's obvious that in the early tripartite bargaining agreements in Spain, it was less problematic to conclude social pacts when compromises were made on all sides, even in difficult times such as in 2011. Fajertag and Pochet (1997) already pointed out that wage restraint or increased labor market flexibility were more willingly agreed if, in exchange, the unions achieved improvements in procedural rights (e.g. their involvement in negotiations), conditions of employment and work (in respect of social security, occupational safety and health, for example), or if there were clear benefits in the form of job creation by public authorities and employers. As argued by Traxler (1997, p. 35), there are two prerequisites for political exchange in the process of agreeing social pacts: in terms of content, trade unions and employer associations must settle (or at least postpone) their conflict over

distribution; and in terms of procedural aspects, there must be a reciprocal allocation of representational and organizational privileges among the social partners. The Spanish case on recent social dialogue illustrates nicely that it is precisely when social dialogue involves the distribution of concessions and sacrifices rather than economic surplus that procedural topics gain significance. We have seen that in the period following the 2004 declaration a more prominent role for the social partners in employment and labor market policies was established. They obtained representational and organizational privileges by becoming more closely involved with state institutions and regulatory functions. Such a strategy of political exchange will remain crucial for the future as the budget deficit in Spain leaves the government without many opportunities for material concessions. At the same time, the social partners can remain at the negotiation table through the concession of organizational benefits. Furthermore, the transfer of regulatory functions to unions and employers may constitute a deliberate attempt by the government to construct a system of “regulation from below” with the aim to increase the acceptance of social and economic policy measures to be taken and to guarantee greater social cohesion.

Finally, we have seen that although the scope of the social dialogue changed due to government composition, it did not influence its happening. As a fact, the newly elected conservative government in December 2011 invited the social partners to negotiate employment market reform and to conclude a social pact on these issues before the 15<sup>th</sup> of January 2012. This gives certain hope for the future of social dialogue in Spain, in which governmental changes may not affect significantly the incidence of social dialogue. However, with the government remaining outside negotiations the focus in future social dialogue may shift from tripartite to bipartite social dialogue. This is not a new trend, as some observers have pointed out that it is as though previous social dialogues processes were self-sustaining in Spain: bipartism always took over where tripartite dialogue broke down and vice versa (International Labor Review, 1995). Hence macroeconomic and micro-policy reform is likely to continue with the involvement of the social partners. However, the question that remains for the social partners is: what type of political exchange and concrete measures can be obtained?

#### **4. Conclusion**

Our longitudinal analysis of the tripartite social dialogue at national level in Spain shows that the priorities set in social pacts shifted over time. During the 80s the first agreements signed aimed at economic recovery after Spain’s return to democracy. This was characterized by a difficult period of institutional weakness and acute economic crisis. During the ‘90s, priorities then shifted to structural adjustments of the economic and industrial relations frameworks by establishing and reforming the continuous training system, rationalizing the collective bargaining system, reforming the pension system and the Social Security Fund as well as promoting CSR among enterprises. With the first signs of the economic crisis in 2007 the social pacts aimed at fostering economic growth and social cohesion by combating unemployment and adjusting the economic and social frameworks by incorporating wider ranging issues areas rather than bargaining them separately in fragmented agreements.

Furthermore, changes took place in the Spanish industrial relations system. After a period of weak neo-corporatism, in which trade unions accepted wage moderation in return for concession in areas like job creation and for legitimizing their role in the industrial relations system, employment issues were not addressed in the coming years through tripartite national social dialogue. From the mid '90s onwards piece-meal changes in the industrial relations framework occurred centered around the pension and the continuous training systems. The second half of 2000 social pacts allowed for a more prominent role of the social partners in employment and labor market policies, which mainly related to social security issues, employment measures and the employment protection system. Moreover, the type of political exchange occurring between the social partners fostered their involvement with the focus on representational and organizational privileges rather than pursuing compensation for material concessions. As a consequence the social partners have kept their involvement in shaping industrial relations issues through social pacts at national level and there is hope that this involvement will continue under the newly elected conservative government.

In this respect, our analysis confirmed that the occurrence of social pacts is rather neutral to government composition and does not depend on a socialist regime. Although the strategies by the social partners changed over time due to the overall political and economic context, the social partners not always waited for the invitation by the government to revitalize tripartite talks on issue that they felt worth pursuing. Although the analysis of the nature of the social dialogue showed that considerable differences in strategies and the treatment of issues areas existed and continue to exist, economic contexts and international pressures induced a climate which will require the social partners to look for compromises. Moreover, the encounter of compromises may be helped by the integrative negotiations of disparate issues areas rather than bargaining issues separately.

Whereas the inclusion of the social partners in social pacts that are meant to convey confidence to the domestic and international financial markets is at least questionable, it has become clear, that unions have taken a slightly more proactive approach in the pursuit of their strategic aim. This may call for a modernization of their strategy by internationalizing their discourse and exploiting domestic as well as international opportunities for their objectives.

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