

## Social Partnership and the Enterprise Some Lessons From the Irish Experience

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### **Abstract**

*This paper examines the Irish experience of social partnership at organisation level. It argues that three features in particular distinguish the Irish case. One is the importance attached to a procedural consensus to advance partnership. Another is the stress placed on experimental action in the development of these arrangements. A third characteristic is the use of an essentially non-legalistic public support framework to foster and guide the evolution of enterprise partnerships. The paper argues that while these features have merit they have not been to overcome fully what is called the partnership trilemma. This has caused the spread of organisational partnerships to remain stunted.*

**Keywords:** *Employment relations, organisational change, manager-employee interaction*

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

An emerging theme in the comparative employment relations literature is that labour market institutions are in a period of transition. Economic and social transformations have caused established rules and procedures that incorporate people into the world of work to lose economic functionality and social coherence: they are unable to perform the tasks they were put in place to do (Osterman et al 2001, Teague 1999). But while established institutions may not be operating effectively, new arrangements to govern employment relations have yet to reach maturity. Thus, a governance gap prevails in many national labour markets: some employment relations institutions are not fully in tune with unfolding workplace practices or wider labour market patterns. This situation has encouraged new forms of public policies for the labour market as well as innovations to organisational-level employment relations regimes. These reforms, experiments is perhaps a better term, are diverse, but many share the common property of seeking to re-connect employer demands for high business performance with employee demands for meaningful and decent work.

Social partnership is a fertile field of employment relations innovations. A big debate has opened about the meaning and significance of this development (Bacon/Storey 2000 and Coupar/Stevens 1998). This paper contributes to this debate by examining the Irish experience of enterprise-based partnerships. The paper is organised as follows. The first section describes the launch of the enterprise arrangement in Ireland. It highlights the open-ended definition used to get activity on this topic off the ground. The following section outlines the development of a public support framework designed to foster partnership programmes in the absence of constraining legal rules. Next, the institutional character of private sector enterprise partnerships in Ireland is set out in stylised form. Then some of the more important theoretical issues associated the Irish experience are explored. The penultimate section analyses the diffusion of enter-

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<sup>1</sup> I would like to thank participants at seminars at Trinity College Dublin and National University of Ireland at Galway for critical comments on earlier versions of this paper. Any errors are mine.

prise partnership in the Irish public sector. The conclusions brings together the various arguments developed in the paper.

## **2. The Launch of Enterprise Partnership in Ireland**

Since 1987 the Irish labour market has been governed by a social partnership regime (O'Donnell/Thomas 1998). When this first got off the ground the main motivation was to govern the wage determination process so that a coalition could be formed between employers, trade unions and government to help address the dire economic situation that prevail in the country. Thus like many 'traditional' corporatist deals of the past the emphasis was on organising the collective bargaining system so that it was consistent with prevailing government macro-economic priorities (Teague/Donaghey 2004). But in the mid-nineties, concern emerged that the social partnership framework was too 'macro' in orientation, which caused employer-trade union interactions at the workforce to remain untouched by this principle (Gunnigle 1998). Both employers and trade unions supported the creation of 'enterprise partnerships', but for different reasons. On the one hand, employers viewed this development as a mechanism to improve competitiveness and performance inside organisations. There was much talk of enterprise partnerships replicating the 'shared understandings' that had been forged between employers and trade unions at the national level inside organisations (NESF 1997). By building consensus oriented employment relations at the organisation level, enterprise partnership was regarded as an innovation that would pave the way for the greater diffusion of new high performance work practices (Government of Ireland 1996, 2000). On the other hand, trade unions envisaged enterprise partnerships as the first step towards the long-standing labour movement aim of creating a system of industrial democracy at the workplace.

The first move towards promoting social partnership at enterprise level was made in 1996 in the national social agreement named 'Partnership 2000' (P2000). Enterprise partnership was defined as

'An active relationship based on recognition of a common interest to secure the competitiveness, viability and prosperity of the enterprise. It in-

volves a continuing commitment by employees to improvements in quality and efficiency; and the acceptance by employers of employees as stake holders with rights and interests to be considered in the context of major decisions affecting their employment.

[...] Partnership involves common ownership of the resolution of challenges involving the direct participation of employees/representatives and an investment in their training, development and working environment' (Government of Ireland 1996: 52)

An additional clause set out six operational principles that should guide the diffusion of enterprise partnership. These were: a focus on competitiveness, building on progress to date, no one model of partnership, Irish Congress of Trade Unions (ICTU) and Irish Business and Employer Confederation (IBEC) support, voluntarism and evaluation and monitoring. The national social agreement that ran from 2000-2002, the Programme for Prosperity, further builds on the initial definition by identifying nine areas identified as being "particularly relevant" in the partnership approach. These are: competitiveness, adaptability, flexibility and innovation in the enterprise; better systems of work organisation; training and development which is linked to lifelong learning; measures to promote equality of opportunity and family friendly working arrangements; problem solving and conflict avoidance; occupational safety, health and safety issues including physical environment of partnership and improvement; information and consultation; time off, facilities and training for staff representative; and financial forms of involvement.

From the outset, it was evident that the two core principles lying behind the 'Irish' approach to enterprise partnerships. First, such arrangements should be embedded as far as possible in actual developments in co-operative employment relations. Enterprise partnership cannot be imposed on organisations but 'owned' by the various constituencies inside the enterprise. Second, the competencies to engage in meaningful partnership activity are underdeveloped in many organisations. As a result, both employees and managers will need training so that they can interact with each other in a partnership way (see O'Donnell/Teague 2000).

### **3. Promoting Enterprise Partnerships**

A common argument in the employment relations literature is that without legal rules organisations fight shy of establishing institutionalised bodies such as works councils that seek to advance worker involvement. Freeman and Lazear (1995) provide a theoretical explanation as to why this is the case. They suggest that employees and employers may not engage in mutually advantageous co-operative interactions even if it is in the self-interest of both to do so. This is because a range of negative externalities, mostly in the form of information asymmetries, prevents the creation of adequate incentives to introduce institutionalised forms of employee involvement. On the one hand, management will vest them with too little power. On the other hand, workers will demand more power than is considered optimal by managers. As a result, a market failure emerges that cannot be credibly solved without legal rules. This is a tidy argument given plausibility by the evidence that in countries where there are no mandatory rules that oblige employers to create employee involvement institutions at the workplace these arrangements tend to be underdeveloped.

Yet in Ireland using the law to diffuse enterprise partnership was never seriously countenanced, largely for contextual reasons (Roche 1997). For the best part of forty years, successive Governments, irrespective of political hue, have followed an unbridled policy of economic openness. The main plank of this policy was the attraction of multinationals to the country. Introducing legislation that would require organisations to introduce enterprise partnership was seen as increasing labour market regulation in the country thus jeopardising the attractiveness of the country as a location for foreign direct investment. At the same time, it was recognised that enterprise partnership would be unlikely to get diffused widely without some level of public policy support precisely because of the market failure identified by Freeman and Lazear (1995).

Thus as a substitute for mandatory rules a new agency was established called the National Centre for Partnership (NCP) to promote the introduction of social partnership arrangements at the organisational level. This centre was to work in four ways. The first was to encourage the creation of networks of companies that had set up or

were in the process of setting up enterprise partnerships. It was envisaged that creating connections of this kind would allow managers and employers from different companies to share experiences and to learn from each other so that each would be a better position to solve problems associated with building partnership. No illusion existed about the need for both managers and employees to require intensive training to operate properly enterprise partnership. The second function of the new centre was to engage in research and dissemination activity. Enterprise partnership networks would be closely monitored so that 'best practice' diagnostic instruments and training modules could be devised that would the spreading of these arrangements to other companies. In addition, a variety of focused research projects were to be sponsored to deepen understanding of the partnership process in action – for example throwing light on the extent to which employee and management attitudes change with the introduction of collaborative employment practices.

A third function was to act as a verifier to the enterprise partnership process. Very often both employees and managers inside organisations seek assurance from external agents before creating enterprise partnerships. Managers want to be confident that these arrangements can bring improvements to competitive performance whereas trade unions seek reassurance that delivering better working conditions will be part of the agenda. The new centre would work with each party to show how partnership could advance competitiveness and fairness inside the organisation. In addition, the Centre would give its imprimatur to various training agencies which organisations and trade unions interpreted as a quality standard. The main employer and trade union organisations, IBEC and ICTU, augmented this role of the centre by creating several companies to provide advisory and facilitation services for organisations. An important side effect of as such activity is that it guaranteed organised labour a central role in the support framework for enterprise partnerships.

The fourth function of the centre was to experimental public policy. For the most part, this would involve the NCP co-ordinating new joint action by different arms of government and semi-public bodies to advance partnership at enterprise level. In its early years, the NCP did not live up to its initial billing. The core problem was that it had too few staff to carry out the tasks that it was set. In 2000 the

organisation was revamped without the portfolio of activities that it was initially given being touched. It was renamed the National Centre for Partnership and Performance (NCPP), given more staff and extra resources and reorganized so that activities could be developed in a more dedicated way. These changes have led to a more focused and concerted drive to diffuse enterprise partnership.

All in all, the NCP and its successor the NCPP can be considered an instrument of ‘soft’ regulation rather than hard law (see O’Gus 2000). On the one hand, it underscores the importance of building a public framework to address market (and institutional) failures in an employment system: the governance of the employment relationship is not left solely to employers. On the other hand, it departs from the traditional social democratic model of labour market coordination, which relies heavily on constraining laws and procedures. The work of the NCP was very much orientated towards developing ‘enabling’ schemes rather than relying on constraining rules. Pragmatic problem solving between managers and employees was encouraged, as was any initiative that promoted consensus building employment relations at the workplace. Collective bargaining of an adversarial kind as well as other forms of mobilisation that encouraged a ‘them and us’ employment relations mentality were not supported. To a large extent the NCPP can be considered an exercise in deliberative governance which seeks to advance public policy objectives through informed debate and preference-changing dialogue (Elster 1998). The collection and interpretation of evidence to monitor and evaluate the effectiveness of programmes are also regarded as important by this approach. Flexible policy-making and consensus-building activities are the two mainstays of the activities of the NCPP. These are attractive features as some of the limitations of an excessively legalistic approach to the governance of the employment are circumvented. Yet as the evidence below will show seeking to establish partnership based management-employee interactions without any legal framework can run into major difficulties.

#### **4. The Spread of Enterprise Partnerships in Ireland**

Because enterprise partnerships have developed in quite different ways in the public and private sectors it is appropriate to discuss the

two spheres separately. With regard to the private sector, there has been no systemic research on the diffusion of enterprise partnerships, but it is safe to say there has been no widespread adoption of these arrangements (McCartney/Teague 2004). Moreover, the open definition of enterprise partnerships and the subsequent attachment of 'partnership' to this definition have made more difficult the collection of any reliable data on this topic. Thus, for example, one possible option is to measure the extent of enterprise partnership by counting the number of enterprise level agreements that covered some or all of these issues. This is the approach adopted by the largest trade union in Ireland, the Services, Industrial, Professional and Technical Union (SIPTU). Its research department collects information on enterprise level agreements that cover certain 'partnership issues' that the Programme for Prosperity and Fairness (PPF) (see below) identified as 'suitable partnership topics' (Government of Ireland 1996: 53; 2000: 16). A summary of these agreements by partnership issue signed by the union between 1996- 2001 is presented in Table 1 below.

*Table 1: Partnership Agreements Achieved by SIPTU under P2000 and PPF*

<b>Partnership Issue</b>	<b>P2000</b>	<b>PPF</b>
Employee Involvement	5	1
Training and Support	32	2
Equality of Opportunity	39	4
Representative Arrangements	39	3
Financial Involvement	83	15
Composition of Workforce	8	3
New Forms of Work Organisation	58	7
Health and Safety	14	3
Conflict Resolution	7	3
Adaptability Flexibility etc.	25	1
Tax Breaks	2	1

Source: SIPTU Research.



These figures show that during the period SIPTU completed 355 separate agreements covering 72,000 members. Most of these agreements relate to the substantive areas of financial involvement (gainsharing, profit sharing etc.) and new forms of work organisation.

While these figures are impressive, care must be taken not to overstate the true extent of enterprise level partnership activity indicated by Table 1. For a start, the table only measures agreements that cover 'partnership issues'. It does not follow that all of these agreements were necessarily arrived at in a true partnership mode: many of the 'partnership' deals listed may be little more than extensions of existing collective agreements which were negotiated through traditional adversarial bargaining. Furthermore, the table includes some agreements that only cover a single issue or a narrow set of issues. Clearly these agreements represent a lesser form of partnership.

One further point of interpretation is that these figures are not an exhaustive inventory of enterprise partnership activity in Ireland. Firstly, they only include partnership deals concluded by SIPTU on behalf of its members. Therefore they do not take account of partnership deals between employers and other unions, and of agreements between employers and employees in non-unionised establishments. Moreover, the above statistics only cover formalised agreements, and therefore ignore any informal partnership activities that exist at enterprise level. At the very least, however, the table shows that SIPTU, the country's largest union is engaging heavily with partnership type issues at organisational level. And even if some of these agreements have quite a narrow orientation the potential is likely to exist for quite a number to develop into more powerful and far reaching partnerships.

An alternative way of measuring partnership activity is to look at the use of some modern work practices associated with a more participatory mode of employee relations. Figures on the percentage of establishments using specific partnership type practices are presented in Table 2 below.

**Table 2: The Incidence of Participatory Work Practices in Ireland**  
(Percentage of Establishments Adopting Each Practice)

Survey	Job Rotation	Team Working	Ad hoc Off-Line Task Forces <sup>2</sup>	TQM	Just-in-Time	On-Line Maintenance	On-Line Quality
European Foundation (1997)	—	42.0	36.0	—	—	—	—
IBEC (1999)	—	63.0	37.0	37.0	33.0	—	54.0
Doherty (1998)	—	27	70	—	—	—	—
McCartney and Teague (2004)	56.9	27.5	44.1	68.7	48.3	39.2	57.8
Roche and Geary (2000)	—	59.0	45.5	71.1	—	—	—

A number of points are notable from this table<sup>3</sup>. One is that there appears to be widespread experimentation with new forms of work practices that also overlap with partnership type practices in Irish establishments. Another is that most practices are used in a minimum of around 35% of establishments, and this rises considerably when we consider quality related practices such as TQM and on-line Quality

<sup>2</sup> Occasionally a distinction is drawn between permanent and *ad hoc* consultative mechanisms. McCartney and Teague view Quality Circles as *ad hoc* arrangements. However, the European Foundation and Roche and Geary use this label to describe ongoing mechanisms, preferring the label “*Ad Hoc* Task Forces” to describe occasional consultative groups. For consistency, the above table re-labels McCartney and Teague’s previously published Quality Circle figure as relating to *Ad Hoc* Task Forces.

<sup>3</sup> There are two exceptions to this rule. Firstly, team working has adoption figures ranging from the extremes of 16% (Sinnott 1994) to 63% (IBEC 1999). One possible explanation for this is that Sinnott’s data are somewhat older, and team working may have diffused further into Irish management practice since they were collected. Evidence from the recent UCD Production/Operations Management Survey indicates a rapid growth in team working in the three years prior to 1996 (see Geary 1999: 876). The second exception is TQM, with adoption estimates ranging from 37% (IBEC) to 71.1% (Roche/Geary 1998). This is probably due to the way TQM is defined, with IBEC’s definition focusing on ‘soft’ practices, e.g. maximising motivation and team spirit rather than on the concrete objectives of eliminating defects and getting things right first time (see IBEC 1999: p.17).

Control. While the diffusion of workplace innovation is high, indicating that many employers are experimenting with participatory work practices, it is also important to examine the nature of the changes that are taking place. One way of doing this is to look at the proportion of their employees that firms are involving in these ‘partnership practices’.

Two of our surveys provide data on the workforce penetration of partnership type practices, and these are reported in Table 3 below.

*Table 3: The Percentage of Establishments With 50% or More of Their Employees Engaged in Each Practice<sup>4</sup>*

Survey	Team Working	Ad hoc Off-Line Teams	TQM	Job Rotation
McCartney and Teague	64.3	71.1	79.1	54.2
EPOC	58	73	—	—

Sources: Special tabulations by John McCartney, European Foundation (1997: 66).

This table shows that the majority of the establishments experimenting with new forms involve more than half of their employees.

A further way of assessing the depth of change in Irish work practices is to examine how far-reaching the partnership practices are in terms of content. A key indicator of this is the level and scope of employees’ decision making authority within teams. Several surveys have collected information on this matter which is compiled in Table 4.

<sup>4</sup> The reported figures are percentages of the establishments that actively use each practice.

**Table 4: The Levels of Autonomy Permitted to Team Members**

Area of Decision Making	% of Workplaces Which Give Team Members Decision Making Rights		
	UCD <sup>5</sup>	Doherty	EPOC (10 Country Average)
Allocation of Work	41	—	47
Scheduling of Work	47	33	53
Assessing/Resolving Problems With Other Teams	36	—	39
The Quality of Work	71	—	40
Improving Work Processes	90	34	53
Attendance and Absence Control	32	16	29
Time Keeping Control	51	16	42
Selection of Team Members	15	14	—
Selection of Team Leader	24	—	—
Develop Budgets	—	9	—
Deal with Behavioural/Disciplinary Matters	—	8	—

A number of points arise from this table. First of all, some establishments which have adopted team working are delegating significant amounts of decision making authority to employees at ground level. Moreover, companies that use team working give a significant proportion of employees the right to engage in process development without referring back to management. Yet another finding is that substantial numbers of work teams are given control of quality activities and the authority to schedule their own work. This is clearly in keeping with the principle of delegating decision making to those with the most day-to-day experience. Finally, employers are more willing to delegate decision-making authority on practical operational matters. However, they are less willing to loosen their tight control on 'management prerogative' issues such as attendance, disciplinary matters and budgeting.

Of course caution must be used in interpreting these figures. An unresolved matter is whether delegation is unambiguously positive (Geary 1999). Along with new decision making rights comes extra responsibility, and it can be argued that team working may be used to squeeze more effort out of individual employees. Thus, the extent

<sup>5</sup> The reported values refer to whether team members *play the leading role* in making decisions. This may be a more restrictive definition than those of the other surveys, possibly resulting in lower values (Source: Geary 1999: 877).

to which team working represents a far-reaching form of partnership, rather than just a management tool for increasing efficiency, is open to debate. On the other hand, it is clear that decision-making rights rather than simple consultation “privileges” are being delegated to workers within teams. This is significant insofar as it indicates a definite (if sometimes limited) recasting of the relationship between management and employees, and as such it would be inaccurate to dismiss these developments as unimportant.

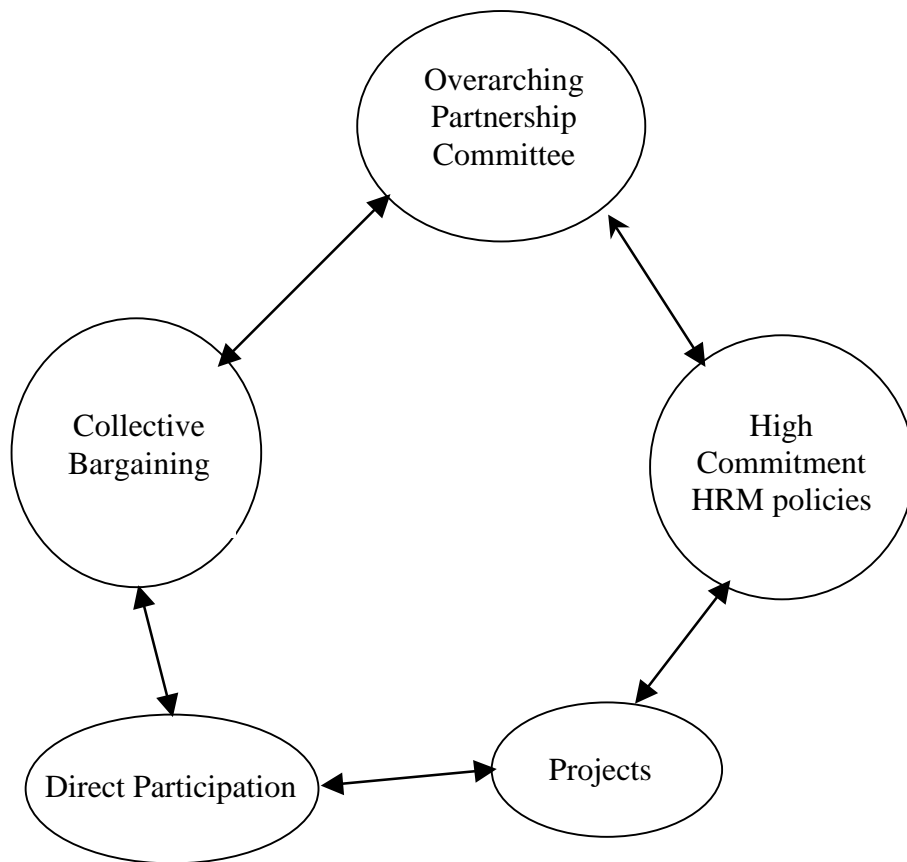
### **5. The institutional character of private sector enterprise partnerships**

An influential idea in the economics of organisations is that enterprises should strive for complementarity between structures, practices and procedures. (Milgrom/Roberts 1992) The thinking is straightforward enough: organisations where a strong ‘fit’ exists between different competencies are more likely to steal a march on rivals. Complementarity allows the collective impact of competencies to be greater than the sum of the individual parts. Aoki (1994) used this approach to deepen understanding of the dynamics of the Japanese firm. The thinking also has left a strong imprint on the literature about the diffusion of high performance HRM practices. A feature of this literature is the assumption, even belief, that it is more advantageous to introduce new work practices in bundles. The literature on enterprise partnership has also been influenced by these ideas (Kochan 1999). Thus for any arrangement of this ilk to be robust and properly ‘embedded’ it must involve a series of interdependent and mutually reinforcing changes. The significance of this approach is that introducing enterprise partnerships must involve transformative organisational change (Guest and Peccei 1998).

But the development of enterprise partnership in Ireland does not fully chime with this theoretical perspective. A more appropriate framework for the interpretation of the Irish experience is the evolutionary view of the firm which sees organisations develop through a process of guided evolution whereby new practices are introduced incrementally and tried and tested procedures mutate (Nelson and Winter 1982). A core operating assumption behind the fostering of enterprise partnership in Ireland is that these arrangements have dif-

ferent starting points and advance at different speeds. In institutional terms, interviews with trade unions, employers and public officials who are actively involved on this matter as well as some selective case-studies suggest that some the ‘best’ enterprise partnerships some of the following design features (see Figure 1).

*Figure 1: (Loose) Design Features of Enterprise Partnerships*



Enterprise partnership is normally set up by an agreement involving management and employee (usually trade union) representatives. This agreement sets down the institutional character of the envisaged arrangement. It is normally signed only after management and

unions have carried out a lengthy diagnostic review. A diagnostic review is a set of procedures which organisations use to give management and unions a better understanding of the type of partnership agreement an organisation can 'hold' in prevailing commercial circumstances. Furthermore, it is an opportunity for employees and management to forge a consensus about the shape and character of a prospective partnership deal. A partnership agreement is less an elaborated model of how the organisation should be and more the institutional expression of the consensus reached by management and employees during the diagnosis review. At the same time a partnership agreement usually sets up a company-wide partnership forum or committee. Invariably, the partnership forum established is an overarching, open-ended, arrangement charged with the responsibility of initiating, co-ordinating and reviewing partnership activity.

To advance these objectives, partnership committees frequently establish sub-groups or projects. Case-study evidence suggests that well functioning sub-groups are the engine room of a successful enterprise partnership. Project groups work on matters such as reforming the company pension scheme, devising a new financial participation arrangement, and establishing the ground rules for the introduction of new employment practices such as team-working. By working on specific tasks, or attempting to invent solutions to agreed problems, these bodies drive purposeful joint action between management and employees. Sub-groups, which encourage management and employees to search for superior ways of doing things, make enterprise partnership simultaneously process and task driven: the boundary between process and outcome becomes blurred. The implication of this approach is that fairness at work can only be agreed, analysed and changed if it can be translated into practices that guide actual behaviour.

The emerging 'model' of enterprise partnership stands apart from, but nevertheless is associated with both the 'works council' and 'HRM' approaches to employee involvement and participation. These two established approaches use distinctive and contrasting practices and procedures to organise the employment relationship. First, work councils are representative and indirect forms of worker participation, and thus epitomise collective employment relations.

In contrast, HRM approaches espouse decentralised forms of involvement that tend to focus on the individual. Thus it lays greater stress on direct forms of involvement. Second, whereas work councils cover strategic matters as well as operational and implementation matters, HRM tends to concentrate on the last two matters. Third, an important function of work councils, at the least in the German model, is to oversee the implementation of substantive and procedural rights proscribed in German labour law whereas the HRM model is about solving problems that arise in the day-to-day running of the business or productive system. Fourth, work councils are mandatory institutions in the sense that managers are obliged by law to follow a proscribed list of rules and procedures when consulting with employees. HRM, on the other hand, is an instrument which leaves the depth and scope of any employee involvement scheme more or less in the hands of the managerial team. Fifth, the 'value system' underpinning works councils is integrative bargaining whereas HRM is heavily orientated towards 'empowerment' and performance (see Muller-Jentsch 1995 and Schuler and Jackson 1999).

The 'Irish' version of enterprise partnership contains elements of each approach, but cannot be considered a full-blown version of either. It interfaces with both approaches. On the one hand, it is fully compatible with new employment practices such as direct participation or team-working, total quality management and job rotation. At the same time, there is a collective and strategic dimension to its activities. Thus, for example, project or sub groups of the enterprise partnership have the potential to deal with matters that are once removed from the immediate operation of the business and have far-reaching implications for the organisation as a whole – a new pension scheme or a new system of work-sharing for example. To properly design and introduce such work innovations requires managers to share information of a strategic kind with employees (Easton et al 2000). At first blush, the Irish model is nearer to the HRM model when we consider the matter of mandatory rules. But this is less the case now with the recent adoption of the new EU Directive on information and consultation rights of employees. Although this law falls short of the German co-determination legislation, it nevertheless establishes a broad legal framework for employee involvement. Management has no longer a unilateral pre-



rogative on this matter in any of the member-states. All in all, the value system of the Irish version of enterprise partnerships is a hybrid of the work councils and HRM approaches as it seeks improved organisational performance and competitiveness through procedures and relationships closely associated with integrated bargaining (Walton et al 1994).

In Ireland little attempt has been made to use enterprise partnership to substitute, supplant or wither away established collective bargaining procedures. It is not the case that once an enterprise partnership arrangement is created then management and unions completely abandon tried and tested mechanisms for governing the employment relationship. Where both approaches exist in the same organisation the tendency is for these to sit uneasily together with each other. The evidence from Ireland is that it is not possible to identify a neat and tidy boundary between the two. Nevertheless, the unspoken expectation is that partnership will sooner or later modify the approach all sides take to employment relations negotiations, replacing conflictual and adversarial approaches with problem-solving and co-operative approaches: to use the language of Walton and McKersie (1965) partnership will induce a shift from distributional to integrative bargaining. Thus the relationship between collective bargaining, new employment practices and partnership procedures differs from organisation to organisation: sometimes the interactions are complementary, in other cases they are not. This characteristic reflects the customised nature of enterprise partnerships and to some extent corresponds to experience elsewhere (see Rubenstein and Kochan 2004 and Easton et al 2003).

## **6. Understanding Enterprise Partnership in Ireland**

Thus the enterprise partnership model unfolding in the Irish private seeks to establish a procedural consensus between management and unions about how the direction and pace of change should unfold inside the organisation (Teague 2004 forthcoming). The idea of enterprise partnerships as a procedural consensus has considerable attraction but also a major weakness that has limited its diffusion within Ireland. Let us first focus on the positive features. One view of partnership is that when it is first set up it needs time away from

the commercial 'front-end' of the organisation so that management and workers can develop sufficient confidence in each other when facing the vagaries of business life. An uneasiness exists about this view in Ireland, largely because it is seen as an overly 'process'-driven approach to partnership development. The suspicion is that enterprises have neither the time nor resources to engage in such trust creating activity. In most circumstances enterprise partnerships make a pragmatic trade-off between trust and time. Thus a preference has emerged for enterprise partnership to link trust formation with 'hard' tasks associated with business performance. A 'surfeit' of trust is not seen as necessary to make enterprise partnership meaningful. (Kern 1998). This view is in line with the theoretical literature that argues trust between economic or social actors can deplete if it is not tested (Gambetta 1988). Regarding enterprise partnership as a procedural consensus encourages management and workers to jointly analyse problems with a view to forging solutions that are acceptable to both (Favereau 1994).

Consider the following example. In many organisations employees have greater knowledge about the operational aspects of the business than managers. On the other hand, managers have privileged access to strategic information, such as market or financial trends, which is not always shared with employees. Clearly, it is in the interests of both parties to collude as they have complementary assets (Coriat and Dosi 1998). At the same time, collusion cannot be assumed *ex ante* as neither side will want to sell themselves short. As a result, an incentive system needs to exist inside the organisation to ensure that information flows freely and is processed effectively (Wachter and Whyte 1990). Financial participation is the most common instrument used to encourage collusive behaviour. The vast majority of enterprise partnerships in Ireland contain a financial participation plan whether it is in the form of an employee share or profit scheme or gain-sharing plan. By introducing a financial participation plan, particularly if it is a profit-sharing or share options arrangement. In so doing the partnership agreement is trying to reshape the incentive structure of the organisation so that a 'common fate' is forged between managers and workers (see Gomez-Mejia, 2000).

A sceptic could argue that financial participation could be intro-

duced without an enterprise partnership agreement. But as frequently pointed out in the literature pay innovations that have been jointly designed by managers and unions are more likely to solve problems that stand in the way of collusive behaviour between the two (Charny 1999). One problem is establishing the variable component of the pay package at a level that will have an appreciable impact on the attitudes and behaviour of managers and unions without exposing either to excessive risk. Another is to ensure that if bad commercial times arrive there is not a hostile backlash from employees as they experience a fall in the variable component of pay. Potentially enterprise partnership can help organisations meet both challenges.

Consider the first problem. No easy to apply formula exists whereby a financial participation measure connects incentives to motivation. Even a rule of thumb guide appears unsuitable. For example, McKersie (1996) has argued that an ESOP needs to provide employees with a 12 per cent stake in the company before any discernible change in their expectations and behaviour can be realistically expected. While this may be appropriate for some sectors it may not be feasible in others. To apply this rule to parts of the petro-chemical industry, for example, would turn employees into multi-millionaires overnight. Thus, no golden formula exists to guide the instalment of pay innovations like ESOP. Diffusion can only come about through a process of negotiation and deliberation inside the company.

Enterprise partnership facilitates this process for its *raison d'être* is to prompt collaborative management-employee interactions that lead to organisational innovations. It can also be used as a procedure to monitor and evaluate the ESOP or whatever financial measure may be in place. Finally, it can act as the arena for the settlement of disputes that may arise about the operation of a financial participation arrangement. Thus partnership is a piece of employment relations machinery that speaks to the diverse objectives of agents inside the organisation. It sets in train active procedures and relationships that continually challenge management and employees to modify their behaviour in a manner that benefits both parties. The desired outcome is more likely to be the embedding of reward systems that balances fairness and performance inside the organisation

better than more orthodox schemes.

Thus on paper viewing enterprise partnerships as a procedural consensus has merit. But it would be misleading to say that fully mature or what might be called pristine partnerships have spread widely in Ireland. The main problem is that while a procedural consensus helps address the difficulties associated with obtaining genuine joint action by management and trade unions it cannot surmount what can be called the partnership trilemma. An enterprise partnership is unlikely to function in a full fashion manner if managers insist that developing partnership cannot intrude into their right to manage, where unions insist that partnership must be kept at arms length from collective bargaining activity and yet partnership is given a mandate to bring about meaningful cooperative interactions at the workplace. To create an employment system inside a company that contains all three properties is a recipe for either deadlock or for weak partnership arrangements (Marks et al 1998).

A procedural consensus can help develop pragmatic arrangements in the face of this trilemma, but it is unlikely to resolve it fully, at least not in a sustainable. The import from this assessment is that enterprise partnership irrespective of organizational form and stage of development must be considered by management to be more than a device to secure employee cooperation for management devised corporate strategies. For its part, organised labour must recognise that for a partnership arrangement to work it must actively and meaningfully engage with management to seek solutions to business problems. If these two preconditions are not present an enterprise partnership is going to struggle to reach full maturity (Guest and Pecceci 2001).

## **7. Enterprise Partnerships in the Public Sector**

Much of the philosophy driving the creation of enterprise partnerships in the private sector has been behind the setting up of similar arrangements in the public sector. Thus there is much talk of 'enterprise' partnerships in the public sector being a vehicle for the modernisation of service delivery and new collaborative forms of work between managers and employees. At the same time, there are im-

portant differences in terms of context and experience that merit the diffusion of partnership arrangements in the public sector to be examined separately. Like the private sector, the big move to creating organisational partnership occurred in Partnership 2000. This national social agreement outlined six principles that should guide the diffusion of partnership principles into different parts of the public sector. These were ensuring better quality in the delivery of services, effective performance management at all levels, flexibility in the deployment of resources, training and development, the effective use of ICT and an open participative approach (Government, 1996; 69) Thus partnership was viewed as being intrinsic to the process of organisational change in the public sector.

A three tier institutional structure was envisaged for organisational partnerships in the public sector. In the Civil Service, for example, an overarching partnership body was set up at the centre to guide and monitor partnership-led activity in the sector. The work of the body was to be largely strategic in character. In particular, it was to ensure that a link existed between the activities of partnership arrangement and the wider programme for public sector modernisation known as the Strategic Management initiative. In addition the central body to monitor progress of lower level partnership committees and to address problems of any significance that had crept into the process. At the intermediate level, each department was to create a partnership management committee. Every departmental partnership management committee was given a fair degree of autonomy to decide its own organisational form, but each was mandated to develop a modernisation strategy to customise the implementation of nationally or centrally agreed policies and initiatives. In the civil service there are 32 different departments and thus it was expected that 32 partnership committees would be formed in this part of the public sector. At the ground level, each Division or even work section was to have its own partnership committee to agree a programme of action for the immediate working environment. Thus the partnership structure inside the public sector was seen as having top-down and bottom-up dimensions that would lead to a comprehensive, inter-linked process of organisational change.

Successive national social agreement have put in place a range of incentives for both managers and workers to set-up and operate this

institutional framework for social partnership. Thus Partnership 2000 contained a local bargaining clause for public service workers which allowed for additional increases of up to 2% in the third phase of the public service pay plan. This increase would be contingent on public sector employees helping to create the appropriate institutional mechanisms for partnerships in their respective areas of work. A slightly tougher incentive regime was written into the subsequent national social agreement the Programme for Prosperity and Fairness (PPF) signed in 2001. Whereas, the local bargaining increase was effectively tied the creation of partnership committees in the previous agreement, this time around the local increase, which was set at 4 per cent, was only to be paid after it was shown that the workings of the partnership committees had lead to some form of modernisation or improvement in service delivery. Thus each partnership committee had to submit a local action plan in the first year of the agreement that would detail the modernisation initiative to be enacted and then in the following write a report showing whether or not change actually occurred. A quality assurance body consisting of private sector managers and employees assessed the various plans to assess if the changes embarked upon warranted the payment of the 4 per cent. The consensus is that this arrangement did not produce significant progress even though virtually all public sector workers received the local award.

Equally it is widely agreed that for all the talk of the partnership framework acting as conduit for public sector modernisation, it has been a process dominated activity, achieving little in terms of concrete outputs. For example, a recent report that evaluated the functioning of partnership committees in the civil service reached a number of conclusions (O'Dywer et al 2002). First of all, the partnership committees that have been created have failed to establish a distinctive identity and a clarity of purpose, causing both managers and employees to be uncertain about the role and objectives of these arrangements. Second, differing views exist about the effectiveness of partnership arrangements. On the one hand, senior managers and trade unions were of the view that most partnership committees successfully completed designated tasks. On the other hand, middle-ranking managers and employees considered partnership processes to be slow and cumbersome. Third, views also differed amongst union and management about how partnership arrangements should

evolve, particularly in regard to the institutional configuration these bodies should take and the relationships that should be established collective bargaining procedures. All in all, the report suggested that while advances have been made the partnership process has yet to reach full potential.

Overall, the unfolding of partnership arrangements in the public sector has fallen short of initial expectations. Opinion differs as to the cause of this gap between expectation and actual experience. A popular view is that both public sector managers and trade unions have not displayed the required level of leadership and commitment to make the partnership experiment a success. But this is not an entirely satisfactory explanation. A more plausible reason is that the development of partnership bodies was tied to the programme for public sector modernisation without being sufficiently connected to the prevailing collective bargaining or people management regimes inside the public sector. But it is precisely by influencing collective bargaining behaviour or by helping in the design and delivery of new human resource policy that partnership arrangements can help address barriers to improved organisational performance. Thus for example partnership arrangements could be used to promote integrative forms of bargaining in situations whereby adversarial relationships are causing repeated and costly collisions between managers and unions.

Allowing respective collective bargaining, human resource management and partnership channels to operate more or less independent from one another inside an organisation is a recipe for confusion. In the Irish case, it has led to the underdevelopment of the partnership channel, causing management and trade unions to continue with established ways of doing things so to avoid uncertainty (Turner et al 2003). In this situation, clarion calls for greater management and trade union leadership in support of enterprise partnership are unlikely to cut much ice. The big lesson from the Irish public sector experience is that partnership principles have to be applied clearly and consistently at all levels of the organizations and a transparent and widely understood connection has to exist between the partnership framework, mainstream collective bargaining and the management of the employment relationship. This is not happening at the moment in Ireland. If partnership is going to be the

vehicle for the delivery of public sector modernization, then there has to be a systematic rethink about its organizational design and purpose. Roche (2002) neatly sums up the situation when he argues that the Irish public sector is in need of 'second-generation partnerships'.

## **8. Conclusions**

Enterprise partnerships are unlikely to emerge as a new widely adopted framework for organisational level employment systems in Ireland, at least if current circumstances remain unchanged. These arrangements fall short of this status because they have not spread sufficiently in the private sector and have run into deep problems in the public sector. Nevertheless, it is an experiment that is interesting not least because it is an institutional manifestation of what Streeck has called competitive solidarity. According to Streeck, intensified market pressures, experienced almost everywhere, are causing a shift from protective and redistributive to productive and competitive forms of solidarity. This shift is happening in virtually all spheres of social and economic governance, not least in employment relations systems. In Europe, the new social pacts that have emerged in several countries are less an institutional expression of class compromise and more an attempt to align labour market behaviour with the dynamics of deeper market and monetary integration in the EU. At the enterprise level, even the most advanced forms of employee involvement are undergoing change. Twenty years ago German works councils enforced a range of substantive employment rights and permitted workers to be the 'co-managers' of the internal labour market. Increasingly these now act as a forum for management and unions, at least those unions that represent insider employees, to develop agreed corporate strategies. Thus we have institutional continuity at the same time as transformation in function.

Enterprise partnership in Ireland is an institutional variant of this broader, one could even say global, trend towards competitive solidarity. The trend is for these arrangements to emphasise competitiveness and organisational performance rather than fairness and rising living standards. As a result, enterprise partnership cannot be



regarded as an example of old style industrial democracy. At the same time, it adds up to more than mainstream human resource management. For a start, enterprise partnership offers a challenge to the leadership model of organisational change that pervades the management literature on the topic. In stylised form, the leadership model emphasises the actions of an elite group of managers in bringing about performance improvement. But strict adherence to this model can produce negative side effects inside organisations. First of all, over-ambitious managers eager to stamp their presence on organisations may find the 'vision thing' too enticing and inflict unwarranted levels of change. Another problem is that managers seeking to display leadership qualities may engage in cavalier delegation practices that cause resentment and disengagement amongst employees. In these circumstances, information-sharing and close collaboration between managers and employees become more difficult. Managerial unilateralism of this kind is challenged by enterprise partnership through encouraging a more inclusive approach to the change process. In other words, enterprise partnership holds out the promise of an employee influence over the pace and direction of change at the workplace. In the current climate this is no small matter.

Another feature of the Irish model of enterprise partnership that marks it apart from standard Human Resource Management (HRM) practices is that it prevents the management of the employment relationship being squeezed out of the public domain and internalised within organisations. It re-affirms that the rights and responsibilities used to incorporate people into the world of work remain a legitimate arena for public intervention and not simply a matter of private contract. But the problem is that the public interventions used to advance enterprise partnership have been of the soft regulation variety. Many of these interventions, have been necessary and worthwhile. Greater understanding of how to work in a partnership manner has occurred due to the activities of the NCPP and other similar initiatives. Yet these have not been sufficient to induce greater buy-in from employers, or trade unions for that matter, to the partnership approach.

The Irish experience suggests that attempting to provide public support for enterprise partnership in the *absence* of a legal framework

does not lead to widespread diffusion. A more appropriate way matter is to promote partnership in the *shadow* of the law. In a nutshell without some form of statutory provision on employee involvement the partnership approach to management-trade union interactions is going to remain an exception rather than the rule. One possibility is that the newly adopted EU Directive on Information and Consultation may provide the much-needed legal framework. Ireland does not have to comply fully with the Directive until March 2008 and the necessary enabling legislation that will introduce this piece of European law into domestic law has still to be written. Thus it is too early to say how enterprise partnership will be influenced by this change in the legal context. At the moment the conclusion has to be that promoting enterprise partnerships in Ireland has been an interesting experiment, but one in need of rescue.

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