

Center for European Studies
Working Paper Series 75 (January 2001)

'Still the Century of Corporatism?'
Corporatism in Southern Europe.
Spain and Portugal in Comparative Perspective

by Sebastián Royo

Assistant Professor of Government, Suffolk University,
and Affiliate, Harvard Center for European Studies

ABSTRACT

This paper analyzes the resurgence of national-level social bargaining in two European states: Portugal and Spain. It argues that this development derives from the combination of two main factors: the weakening of trade union organizations at the branch and firm level, and the emergence of new institutions to promote tripartite social bargaining. These developments contributed to a transformation in the pattern of industrial relations. In both countries new emerging constraints and incentives to change largely determined the interaction and strategies of the social actors. In addition, in a new economic, political, and social environment the strategies of the social actors were less conditioned by pre-existing institutions. On the contrary, the changing balance of power affected their predisposition to pursue other strategies through a new set of institutions. Finally, the paper also examines the implications of the Portuguese and Spanish experiences for the broader debate on European Monetary Union

INTRODUCTION

This paper analyzes the resurgence of national-level social bargaining in two European states: Portugal and Spain. It focuses on domestic responses to, and policy consequences of the European integration process. The paper seeks to account for the responses of these two countries to the pressures exerted by these processes. In the opinion of some scholars, the combined impetuses of globalization and the process of European monetary unification have imposed exigencies of increasing competitiveness on national economies which have compelled countries to deregulate their labor markets, welfare systems and industrial relations (Crouch and Streeck 1997). According to this view, these pressures for change have undermined coordinating capacity and eroded social bargaining. This paper challenges the interpretation according to which the responses of European countries to these pressures are uniform. Contrary to this prediction, this paper shows that in Spain and Portugal globalization and EMU have promoted rather than undermined social bargaining. Unable to escape from economic interdependence the Iberian countries have experimented with social concertation as a means to address and resolve tensions between economic interdependence and political sovereignty, and between monetary and exchange rate policies (see Cameron 1998).

In addition, this paper seeks to address the impact of globalization¹ and European economic integration on the literature of neo-corporatism. The neo-corporatist literature seemed to show in the 1970s that centralized social bargaining (or concertation) could mitigate the tradeoffs between inflation and unemployment by allowing economic actors and governments to coordinate their actions and resolve certain collective action problems (Schmitter 1981, Cameron 1984, Bruno and Sachs 1985). This early optimism was subsequently dispelled. Much of the literature of the 1980s argued that centralized bargaining could succeed only in countries which met certain institutional criteria: highly encompassing and cohesive business and labor organizations, coordinated collective bargaining, and Social Democratic parties in government. Changes in the world economy, however, led other scholars (Scharpf 1987, Iversen 1999) to argue that the decline

¹ For the purposes of this project we adopt the IMF's definition of globalization: "the growing interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in world and services and of international capital flows, and also through the more rapid and widespread diffusion of technologies" (IMF, World Economic Outlook, 1997).

of Fordism, the liberalization and integration of financial markets, and changes in sectoral and occupational structures had undermined the bases for centralized bargaining. This tendency, according to these authors, would be reinforced by events such as the European Monetary Union that would further de-couple the level at which macroeconomic policy was set (Iversen 1999). In other words, these developments would confirm the undoing of Schmitter's "Century of Corporatism" (1974) (Pérez 1998, Royo 1988, Royo 2000).

This conclusion, however, is challenged by the resurgence of national level bargaining on income policy and other economic issues in a number of European states such as Italy, Spain, the Netherlands, Portugal, or Ireland during the 1980s and 1990s. This paper analyzes the resurgence of national-level social bargaining in two such European states: Portugal and Spain. It argues that this development derives from the combination of the weakening of trade union organizations at the branch and firm level (evidenced by the relative decline in union density and the incapacity of trade unions to mobilize workers in a response to manpower policies to liberalize the labor market) and the emergence of new institutions to promote tripartite social bargaining in both countries (the Spanish Economic and Social Council, CES and the Portuguese Permanent Committee for Social Concertation, CPCS). The consolidation of the CES and CPCS has resulted in the institutionalization of the political struggle among the government, employers, and trade unions, and it has contributed to a transformation in the pattern of industrial relations. The paper argues that the choices made by the social actors were less conditioned by pre-existing institutions. On the contrary, in both countries the changing balance of power affected the predisposition of the social actors to pursue their strategies through a new set of institutions. At the same time, new emerging constraints and incentives to change largely determined their interaction and strategies. Finally, the paper also examines the implications of the Portuguese and Spanish experiences for the broader debate on European Monetary Union (EMU), and the role that centralized social bargaining may play in EMU.

THE QUEST FOR THEORY

In his seminal article, "*Still the Century of Corporatism?*" (1979) Philippe C. Schmitter rescued the concept of corporatism. He defined it as "a system of interest and/or attitude

representation, a particular modal of ideal-typical institutional arrangement for linking the associationally organized interests of civil society with the decisional structures of the state," (Schmitter 1979, 9). In this article Schmitter highlighted the discrepancies between corporatism and pluralism, described the differences between state and societal corporatism, and argued that the corporatization of interest representation was related to certain imperatives of capitalism to reproduce the conditions for its existence by incorporating subordinate classes and status groups to the political process (Schmitter 1979, 24-25). Finally, Schmitter explored Mihaïl Manoïlesco's claim that the twentieth century would be the century of corporatism (Manoïlesco, 1936). According to his analysis if "it all began during and immediately after World War II," then we have to admit that "we are presently right smack in the middle of the century of corporatism and hence condemned to live with it for another fifty or so years." (p. 40). Yet, he stressed the new tensions facing both societally and statist corporatist systems and concluded that the inability of corporatist systems to resolve these tensions would lead to their eventual (and sooner than anticipated) demise.

In spite of the tensions advanced by Schmitter, the persistence and success of societal corporatist systems in the last quarter of the Century seemed to validate Manoïlesco's claim. Indeed, the superior economic performance of countries in which social bargaining has flourished, particularly the 'organized' economies of Northern and Central Europe in the 1970s-1980s, instigated a new wave of literature that sought to explore the institutional conditions associated with these cases of success (Katzentein 1985 Goldthorpe 1984, Berger 1981). These scholars sought to analyze why attempts at social bargaining have been more successful in these countries and not in others, and they have focused on institutional conditions, as the explanatory variable, to account for the success of social bargaining in certain countries. For instance, the failed experiment with social bargaining in countries such as Britain in the 1970s confirmed, according to them, the hypothesis that corporatist policies could only work under certain institutional conditions. Based on the analysis of cases of success, the corporatist literature has highlighted three aspects of the institutional setting to account for the successful implementation of solidaristic policies and social bargaining in countries such as Austria, Sweden, Norway, the Netherlands, and Belgium.

According to this literature, the prisoner's dilemma associated with wage restraint suggests that the more encompassing the union movement, the greater the concentration among unions, and the more centralized the authority of the peak associations, the more likely it was that wage restraint would be achieved (Cameron 1984; Golden 1993; Golden, Wallerstein, and Lange 1999, 195). Therefore, the success of corporatist bargaining depends on the organization of unions: their monopoly of representation; their strength and inclusiveness (i.e. the union density); and the level of union coverage (which refers to the proportion of employers who are covered by collective bargaining contracts and indicates the extent to which unions affect wage levels in the economy). These features ensure the capacity of unions to comply with centralized agreements, while minimizing the costs associated with wage moderation.

The second variable highlighted by the literature to account for the success of social bargaining (or concertation) has been the structure of the system of collective bargaining—that is, the degree of coordination and/or centralization of the wage bargaining system. This variable, according to the literature, is critical to guarantee the implementation of incomes policy because it determines whether the social actors will take into account the macroeconomic considerations of wage bargaining (Scharpf 1991, 178-192; Golden 1993, 439-454). According to this view, highly centralized bargaining allows unions to internalize the negative externalities of excessive wage settlements (i.e. inflation and unemployment), thus helping them to solve a collective action problem. Calmfors and Driffill (1988) developed an influential theoretical hump-shaped model connecting the degree of centralization in wage bargaining with the level of unemployment across industrialized countries for the period 1974-1985. They concluded that unemployment was lower at the extremes of the model, that is in countries that had either highly centralized or highly decentralized wage-bargaining systems, while countries with intermediate systems of wage bargaining performed the worst. This study has been criticized on conceptual grounds (see Soskice 1990; Golden 1993) and the hump-shaped relationship was disproved by the increase in unemployment in countries with highly centralized wage bargaining institutions in the late 1980s (i.e. Sweden).

A final group of scholars has emphasized the importance of another factor, namely, the organization of employer associations (Swenson 1992, Pontusson and Swenson 1996). According to this view, a cohesive and centralized employers organization will fa-

cilitate centralized bargaining with unions, while fostering agreements that will increase the competitive position of firms (i.e. by including vocational training schemes that will increase productivity), thus, allowing firms to increase real wages while containing labor costs (Hall and Soskice 1999, Soskice 1999).

The main problem with this literature, as has been extensively developed elsewhere (Royo 2000, Pérez 2000), is that it renders a highly deterministic path for economies that do not fit into the conceptual model (i.e. the so-called 'under-organized' economies). According to this view, in the absence of supportive institutional factors that will bolster social concertation attempts, countries (such as Spain, Portugal, or Italy) lacking the institutional preconditions of the corporatist countries should abandon attempts at social concertation, deregulate their labor markets, and decentralize their wage bargaining systems (see Pérez 1998, 5-6). In other words, they should shift toward the liberal-market model exemplified by the United States and Britain. Contrary to this prediction, however, since the 1970s (Spain) and the 1980s (Portugal) there has been a resumption of national social bargaining in both countries.

Furthermore, the consolidation of social concertation in Spain and Portugal also weakens the arguments that have attempted to account for the collapse of social democratic corporatism in the 1980s in traditional corporatist countries such as Sweden and Denmark. This collapse led other scholars to conclude that pressures induced by technology restructuring changed the international economic environment in the 1980s rendering corporatism unfeasible (Scharpf 1991, 26-28). The conventional wisdom about the domestic effects of changes in the production system is that they have undermined the structural bases of corporatism by significantly weakening organized labor movements. These changes resulted in higher demand for scarce highly skilled labor, which in turn fostered wage differentiation and labor segmentation. They also had a serious impact on concertation because they shifted the balance of power between labor and capital in favor of the latter. At the same time, the increasing wage differentials also hindered concertation because centralized bargaining did not offer enough flexibility to take into consideration particular circumstances that would justify wage differentials. In contrast, wage differentiation fosters decentralized bargaining. These developments have led some scholars to conclude that labor market institutions have lost their ability to tailor wage

developments to external competitiveness constraints (Iversen 1996, Pontusson and Swenson 1996).

A somewhat different argument made in the literature postulates that the combination of increasing exposure to trade, capital mobility, and swelling direct foreign investment has contributed to limit the effectiveness of domestic governments to develop domestic economic strategies, has prompted a policy race to the neoliberal bottom and, thus to the abandonment of Social Democratic corporatist strategies (Scharpf 1991, 258). According to this view, these developments have rendered expansionary macroeconomic policies far less feasible, thus eroding the prospects for concertation, because the threat of 'exit' by mobile asset holders has forced governments to scrap Keynesian expansionist policies, and implement supply side policies which lowered taxes and industry subsidies in order to promote efficient market allocation. Otherwise investors would move their capital and investment to less taxing and more profitable environments. In this new environment, the implementation of traditional Keynesian-expansive policies would only result in higher inflation and balance of payments crisis. These authors (Scharpf 1991; Regini 1995) have concluded that corporatism and demand Keynesianism were only successful in the context of the 1970s.

A number of authors have challenged this interpretation (Garrett 1997, Swank 1997, and Royo 2000). These authors point out that contrary to the prediction that the decline of Fordism, the liberalization and integration of financial markets, and changes in sectoral and occupational structures had undermined the bases for centralized bargaining, social democratic corporatism has lost no further ground in many countries like Belgium, Austria, Norway, Germany, Austria, and the Netherlands. Furthermore, the decade has witnessed the cooperation between governments and labor in nontraditional SD corporatist countries such as Spain, Portugal, Australia, Italy, Greece, the Czech Republic, and Ireland. In these countries governments have solicited the involvement of their peak federations of labor and business in major economic policy decisions. Structural changes and similar constraints imposed by the international economy did not prevent those governments from reaching agreements with unions, and in many cases, from implementing incomes policies. In these countries, labor leaders have cooperated to improve macroeconomic performance, which has helped to elicit support from the business sector, and have been able to transfer the support of most workers to the agreements. And all this

despite the fact that labor market institutions are not so encompassing as those of the traditional SD corporatist countries (i.e., union density and collective bargaining coverage are comparatively low, and authority is not highly concentrated). As a result of these policies, these governments have experienced better economic performance.

In Spain incomes policy was effectively sustained for almost a decade (from 1978-1986) and, after the collapse of social concertation in 1986, and following the defeat of the Socialist government in 1996, there has been a resurgence of national social bargaining exemplified by the 1997 agreement between employers and unions to articulate the levels of collective bargaining and reduce dismissal costs for certain categories of workers.

In Portugal this development has been more explicit and dramatic. So far in Portugal, there have been social concertation agreements for the following years: 1987, 1988, 1990, 1992, 1996, and in 1996 another Agreement of Strategic Concertation for the 1997-1999 period. This last agreement is particularly significant because it includes most areas of macroeconomic and social policies.

The following sections analyze the resurgence of national-level social bargaining in Portugal and Spain. I argue that in both countries the changing balance of power affected the predisposition of the social actors to pursue their strategies through a new set of institutions. New emerging constraints and incentives to change largely determined their interaction and strategies.

DEVELOPMENTS IN SPAIN AND PORTUGAL

SPAIN

Concertation in Spain emerged in the late 1970s, at the time of the transition to democracy. The transition to democracy took place in midst of one of the worst economic recessions experienced in Spain since the 1950s. The second oil crisis, the lack of competitiveness of the Spanish economy, a wages explosion, and the international economic crisis, resulted in a sharp increase in unemployment (14.6 per cent by 1981), and inflation (15.2 per cent by 1981). These developments provided the context for the emergence of agreements between the social actors-business, unions, and the government. The political and economic crisis convinced the new democratic government of the need to implement

incomes policy based on top level agreements among the two major labor confederations, the employers associations, and at times the government. This process was known as 'social concertation' and it began with the *Pactos de La Moncloa* of 1978, which were signed by all major political parties as part of the transition to democracy process. The *Pactos de la Moncloa* were followed by five additional agreements. The purpose of these agreements was to define the new industrial relations setting, to restrain wage demands to control inflation and foster the recovery of business profits, and to contain labor militancy, which might pose a threat to the stability of the new regime by provoking the army and the extreme Right. From the late 1970s until the mid-1980s, five major agreements were reached between the government, unions and business. The government only signed two of them (the 1982 ANE and the 1984 AES). While concertation took place under conservative governments (1978-1982 and again in 1997), the socialists were only able to reach two concertation agreements to cover three years (1983, 1985, and 1986). Figure 1 includes the agreements and its signatories:

Figure 1: Concertation Agreements in Spain 1979-1986

| <u>AGREEMENTS</u> | <u>YEARS</u> | <u>ACTORS</u> |
|--------------------------------------|--------------|-------------------------|
| Acuerdo Básico Interconfederal (ABI) | 1979 | CEOE-UGT |
| Acuerdo Marco Interconfederal (AMI) | 1980-1981 | CEO-UGT-USO |
| Acuerdo Nacional de Empleo (ANE) | 1982 | CEOE-UGT-CCOO-GOVT. |
| Acuerdo Interconfederal (AI) | 1983 | CEOE-UGT-CCOO |
| Legislative Imposition | 1984 | ----- |
| Acuerdo Económico y Social (AES) | 1985-1986 | UGT-CEOE-GOVT./UGT-CEOE |

On balance, the final assessments of these agreements is very positive. There is generalized consensus that concertation contributed greatly to the consolidation of the new democratic regime. They fostered consensus and facilitated agreements over the content of the new Constitution, thus, contributing to social peace and providing the foundation on which the transition process was consolidated. Moreover, concertation also fostered the development of new laws regulating the industrial relations framework, helped mitigate industrial conflict, and contributed greatly to the institutional consolidation of the unions and their recognition as the legal representatives of workers, thus 'normalizing' industrial conflict. Finally, concertation also contributed to the integration

of the social actors, unions and business' organizations, in the new political and economic system.

From a macroeconomic standpoint, concertation also had very positive effects. By introducing macroeconomic considerations into collective bargaining, concertation made possible that wages behaved according to inflationary objectives, and inflation was reduced from 26.4% in 1977 to 8.8% in 1986. Moreover, wage moderation and lower inflation resulted in higher business profits which, in turn, fostered confidence, investment, and jobs in the second half of the 1980s. Indeed, concertation increased the profitability of capital via wage moderation, lower inflation and labor costs, and social peace. In Spain, labor costs accounted for at least 60% of the total costs of Spanish businesses incurred in the 1970s. From 1982 to 1986 wage moderation and social peace helped to lower that figure by 6.4 percentage points, which contributed to the recovery of business profits. Higher business profits, in turn, increased the profitability of business investment and increased the capacity of business to reinvest. As a result of this development, starting in 1985, investment picked up and increased from 18.9% in 1985 to 24.4% (or 7.5%) in 1989 (Folgado 1989, 494). Investment growth also contributed to job creation in the second half of the 1980s, when employment grew an average of 2.9% yearly. Finally, concertation fostered social peace and reduced industrial conflict and resulted in a dramatic decline the number of strikes during the concertation years (in 1977 there were 16,641.70 days lost by strikes, and in 1985 2,803) (Royo 2000, 96-108).

In spite of its effectiveness, the concertation process broke down after 1986. One of the consequences of the concertation process had been a substantial decline in real wages (between 1979 and 1986 the average cumulative growth of real gross salaries had been -1.2%, see Roca 1993, 215-217). For 1987, and seeking to compensate for this loss in the purchasing capacity of workers, the unions demanded wage increases 2 points above the government inflation target. In this new context of unions' demands, the government decided to abandon the concertation process. In response, after another failed attempt to reach an agreement in 1988, the UGT decided to break its relationship with the government and to develop a new unitary strategy with the CC.OO. that evolved into a more confrontational stance against the government policies and culminated in the general strike of December 1988 (see Gillespie 1990, Astudillo 2000, and Royo 2000)

The collapse of concertation had very negative consequences for the Spanish economy. Conflict re-emerged again after 1986 (in 1987 strikes shot up and there were 5,020 working days lost, and in 1988, excluding the general strike, 6,843) (see Roca 1993, 258). Furthermore, after concertation broke down, wages grew beyond government's inflation targets on a regular basis, particularly at the end of the 1980s (see Table 1), forcing the government to tighten up monetary policies; this in turn resulted in further increases in unemployment. Since the socialist government's economic strategy hinged on the cooperation of the union, the collapse of concertation ultimately doomed the success of its policies.

The failure of concertation in Spain after 1986 has been explained in terms of the lack of institutional capacity to implement effective incomes policy on the part of the unions (see Boix 1998, Astudillo 2000, and Maravall 1997). These authors have focused on the fragmentation and competitive nature of the labor movement with the two main unions (UGT and CC.OO) vying with each other for members and votes, the low levels of unionization, and finally, the 'intermediate' structure of the collective bargaining system. Stated differently, according to this view, this failure seems to confirm the corporatist literature's prediction that attempts to implement corporatist strategies in countries lacking the institutional preconditions of the 'organized' economies will fail and will be bound to abandon this strategy (Pérez 1998).

However, as other authors have indicated (Royo 1998 and Royo 2000) this explanation fails to take into consideration the effectiveness of concertation in controlling wages and reducing inflation:

Table 1: Wages versus Inflation, 1984-1990

| Year | Wage Increases | CPI (Real) | Real Wage Growth |
|--------------|---------------------------|-------------------|-----------------------------|
| 1982 | 12 | 14.4 | -2.4 |
| 1983 | 11.4 | 12.2 | -0.8 |
| 1984 | 7.8 | 11.3 | -3.5 |
| 1985* | 7.9 | 8.5 | -0.6 |
| 1986* | 8.2 | 8.8 | -0.6 |
| 1987 | 6.5 | 5.2 | 1.3 |
| 1988 | 6.4 | 4.8 | 1.4 |
| 1989 | 7.8 | 6.8 | 1.0 |
| 1990 | 8.3 | 6.7 | 1.4 |

EL País, November 18, 1996. Developed with data from the from the Ministerio de Trabajo y Seguridad Social.

* Last two years of concertation.

These authors have also challenged the interpretation that links the collapse of concertation in Spain to the lack of institutional capacity to support an effective incomes policy on the part of the Spanish unions. Royo explains the breakdown of the Spanish experiment with social bargaining after 1986 in terms of the institutional dependence and subordination of the main trade union (the UGT) on the Spanish Socialist Party, which led the Socialist government to default repeatedly on promises made to the union (see Royo 1998 and Royo 2000).

Furthermore, contrary to the prediction that the liberalization and integration of the Spanish economy coupled with the absence of institutional preconditions, would favor a progressive decentralization of wage bargaining and the liberalization of Spanish labor markets, the 1990s has witnessed the re-emergence of social bargaining at the national level in Spain. This process started in 1994 between the unions and employers, but the electoral defeat of the socialists in the 1996 general election and the victory of the conservative *Partido Popular* in Spain brought about an unanticipated development: the resurgence of national-level bargaining between the government, business, and labor unions on diverse regulatory items. This development further challenges the conventional wisdom about the undoing of corporatist institutions by the pressures of international

market competition and integration. This resurgence was particularly surprising given the perception of Spain as lacking encompassing labor market institutions.

In Spain, although there has not been a return to incomes policy negotiated centrally at the national level, there has been a return to national-level social bargaining in the 1990s. Since 1994 cooperation among the bargaining actors has been very significant. In 1994 the business confederation, *Confederación Española de Organizaciones Empresariales* (CEOE) and the two major union confederations (CC.OO. and UGT) signed the 'Interconfederal Agreement to Regulate Labor Ordinances and Labor Regulations.' This pact sought to fill the gaps left by the repeal of the Labor Ordinances established during the Franco regime in 22 subsectors that still lacked a replacement agreement and to regulate the devolution of regulatory competencies to the collective bargaining process.

The return to social bargaining at the national level on other key issues continued in 1996 when the same actors signed the 'Tripartite Agreement for the Extra-Judicial Resolution of Labor Conflicts,' which developed a new system to resolve labor conflicts that may emerge between workers and employers. The pact established mechanisms for mandatory mediation and voluntary arbitration of collective bargaining conflicts (including conflicts over labor mobility, minimum services prior to strikes, layoffs, and modifications of work conditions) (Fraile 1999, 299-200). The main goal of this agreement was to avoid the formalization of this kind of conflicts in labor courts. Furthermore, in 1996 the unions and the conservative government negotiated an agreement on pension reform largely based on a previous agreement signed by the major political parties (the Toledo pact). This agreement aimed at improving the financial situation of the pension system and to make it more equitable. The CEOE refused to sign it because it did not include lower payroll taxes.²

In 1997 the unions and employer organizations signed a 'Tripartite Agreement on Professional Training' to foster cooperation between unions and employers to train workers. The most significant agreement, however, was negotiated between the two largest confederations (UGT and CC.OO.) and the employers' association (CEOE) in 1997 to

² The reform included the following measures: it widened the pension base from the last 8 years of contributions ceiling to the level of the highest one, it separated funding for basic pensions from the contributory system while creating a reserve fund, and it set curbs on fraud and disability pensions. The reform also indexed pension to inflation, eased eligibility for old age pensions and early retirement, raised

limit employers' liability to high redundancy costs and to restructure the collective bargaining system. As a result of this negotiations the social actors signed two new agreements in 1997, the 'Interconfederal Accord for Employment Stability,' and the 'Interconfederal Agreement on Collective Bargaining and Coverage Gaps' These agreements had the following goals (De la Dehesa 1997, 45; Fraile 1999, 299-300):

- (1) to promote permanent employment by tightening the use of fixed-term contracts and shifting financial incentives.
- (2) to introduce new indefinite contracts with lower redundancy costs and reduce social contributions to promote indefinite contracts over temporary ones.
- (3) to reform article 52-C of the Workers' Statute that regulates the termination of all contracts for objective reasons to facilitate its implementation by labor courts.
- (4) to rationalize the existing collective bargaining system and to deal with the phasing-out of the Labor Ordinances. It called for a clearer articulation of the levels of collective bargaining, stipulating that it would be desirable to reserve some items, including wage increases, for national-level sectoral bargaining. The accord also set general guidelines about the different responsibilities among bargaining levels (see Fraile 1999, 299-300).

These agreements constituted an important milestone, not only because they were negotiated pacts, (as opposed to the previous two reforms of 1984 and 1994 that were introduced by the socialist government) but also because dismissal costs were one of the most contentious issues between employers and the unions.³

Finally, although there has not been a return to incomes policy in Spain, wage demands have been moderate and only slightly above expected inflation, and most recent wage settlements have reflected this strategy. This development had very positive conse-

the minimum pension for young widows and broadened conditions for orphan pensions. See Fraile 1999, 290-291.

³ Union leaders labeled this agreement as 'a clear example of social consensus in Spain,' see 'All Sides Hail Spain's Job Pact,' in *Financial Times*, April 10, 1997, p. 3. Unions agreed to this reduction in return for a promise by employers to convert temporary contracts into indefinite ones. The result of this reform after 2 years has been the creation of two million new indefinite contracts. However, one of the major objectives of the reform, which was to reduce the level of temporality (at 32.5 percent the highest in Western Europe), has not been achieved. For an analysis of the consequences of the reform see: Pérez Infante 1998, 150-153.

quences for the Spanish economy. Economic performance in the second half of the 1990s has been characterized by lower fiscal deficits, reduced inflation, and currency stability. Spain's cyclically adjusted fiscal deficit has been reduced from 5.5 percent of GDP in 1992, to 1.6 percent in 1998, and inflation dwindled from 5.1 percent in 1993 to 2.1 in the 12 months to May 1999. Moreover, interest rates have fallen from 13.4 percent in October 1992 to 4.8 percent in July 1999, and employment grew at 2.9 percent in 1997 and 3.4 percent in 1998 (with growth forecast by the OECD at 2.6 percent in 1999 and 2.4 percent in 2000). The convergence process laid down in the Maastricht Treaty (public spending is only 41 percent of GDP), combined with social peace and wage moderation fostered by the return of national social bargaining, have contributed to a new virtuous circle characterized by sustained rapid growth, improving fiscal position, lower unemployment, and higher investment and productivity which in turn will promote rapid growth.⁴

PORTUGAL

In Portugal the emergence of social concertation has been more explicit and sustained over time, and it has included incomes policy. In Portugal social concertation started later, in 1987, but as opposed to Spain, concertation did not collapse in the 1980s and it has been consolidated in the 1990s. So far in Portugal, there have been social concertation agreements the following years: 1987, 1988, 1990, 1992, 1996, and 1996 and an Agreement of Strategic Concertation for the 1997-1999 period.⁵

The emergence of national social bargaining in Portugal took place at the outset of a dramatic economic crisis that took place from 1983-85. To give an idea about the magnitude of the crisis, in one year (1984) the GDP declined 1.6%, investment fell 18%, unemployment shot up to 8.3%, inflation reached 29.3%, disposable family income decreased by 3.7%, and private consumption was down 3.0%. The legislative elections of 1983 had resulted in a 'Center Block' coalition between the conservative Social Demo-

See also 'La reforma laboral logra dos millones de contratos, pero la tasa de temporalidad no cede,' in *El Pais*, Monday May 17, 1999.

⁴ See Martin Wolf 'The Gain in Spain' in the *Financial Times*, Wednesday July 7th, 1999, p. 10. See also the IMF's *Public Information Notice* No. 99/65 'IMF Concludes Article IV Consultation with Spain,' June 30, 1999 in which the IMF praises the Spanish government for its economic policies.

⁵ In 1991 the social actors signed two complementary agreements regulating professional training, hygiene, and security in the workplace.

cratic Party (PSD) and the Socialist party (PS) under the leadership of Mario Soares, (leader of the PS) as Prime Minister. This government implemented an IMF stabilization plan, and created the Standing Committee for Social Concertation (CPCS) a state institution for tripartite macroeconomic and social bargaining in 1984 (see below).

The first agreement was concluded in 1986. Negotiations among the social actors (excluded CGTP) proceeded throughout 1986. Under the guise of 'recommendations on incomes policy' the members of the CPCS (the UGT, the government, and the three representative employers' associations, CIP, CCP, and CAP⁶) reached an incomes policy agreement which fixed wage increases at 7% subject to actual inflation. This agreement dealt almost exclusively with the rate of growth of nominal wages for 1987 and it was based on forecasts of inflation that proved correct, thus contributing to curbing inflation.

The process of social concertation continued after the legislative elections of 1987 when the PDS won a parliamentary majority. In October of that year the CGTP, with the public support of the Communist party (PCP), decided to enter the CPCS. The unions linked the government's program of structural reform (aiming at the revision of labor legislation, privatization, and the revision of the Constitution and the Agrarian Reform) to incomes policy. On January 18, 1988, the social actors represented in the CPCS reached a new agreement on incomes policy (except the CGTP and the CIP, who refused to sign it).

Contrary to expectations, the disinflation process stopped in 1988, and UGT withdrew its support for the agreement when the government refused to adjust wage increases to recognize higher inflation (Campos Lima and Naumann 1997). The consequence of this development was that no agreements were reached for 1989 and 1990, although moderation continued to prevail in collective bargaining. The increase in inflation, however, fueled by huge budget deficits pushed the social actors again to the bargaining table. In 1990 the government presented a social pact to the social partners, the *Programa de Progresso Económico e Social para os Anos Noventa*. This initiative led to intense negotiations that concluded in the *Acordo Económico e Social* (AES) signed by all CPCS

⁶ The Confederation of Portuguese Industry (CIP), the Confederation of Portuguese Commerce (CCP), and the Confederation of Portuguese Agriculture (CAP). The Communist union (CGTP) which had refused to take its seats in the CPCS and pursued a strategy of strike politicization, refused to participate in this agreement. The government negotiated with the unions (UGT) and introduced three new versions of the

members except the CGTP, which participated in the negotiations but refused to sign it.⁷ This ambitious pact included the reduction of the working week from 48 to 44 hours, with a gradual reduction to 40 hours by 1995, as well as a wide range of issues to be regulated by future legislation: dismissals, health, safety and hygiene at work, unemployment benefits, vocational training, working-time flexibility, supplementary social security in cases of industrial restructuring, collective bargaining, and employment of minors. A recommendation on wage policy was also included (capping wage increases at 13.5%). Furthermore, the agreement also approved (for the first time in the course of tripartite negotiations) the annual revision of the national minimum wage at 40,000 escudos. The AES led to a new *Pacote Laboral* in 1991 to revise the legislation on firing for inadaptation, work of minors, work hours, holidays, the rules of collective bargaining, and arbitration of labor conflict.⁸ In July of 1991, all the CPCS members including, for the first time, CGTP signed two 'sub-agreements' on work safety/hygiene, and professional training.

Following the general elections of October 1991, which resulted in a PSD absolute majority, the social actors reopened negotiations in the CPCS with the aim of reaching a new AES. After gruesome and protracted negotiations over wage increases (marked by the government's insistence to contain wage costs), the three main employers' confederation, the UGT and the government signed a new agreement on February 15th of 1992. This pact set wage increases at 9.75%, and minimum wage increases at 11%.

After a four-year lapse, peak-level bargaining continued with two agreements in 1996. The most significant one was the *Acordo de Concertação Estratégica*, ACE (the 'Strategic Concertation Agreement') that covered the 1997-99 period. It comprised a catalogue of macro-economic aims and a program for employment and competitiveness. Among the issues included in this pact were: the contractual distribution of productivity gains, the promotion of competitiveness among Portuguese companies, and a policy of

Pacote Laboral. The unions, however, considered the modification insufficient and continued their campaign against the reform.

⁷ The CGTP, demanding 15% in wage increases and a minimum wage of 41,500 escudos, refused to sign the agreement, although its secretary general, Carvalho da Silva, insisted that 'positive things have been negotiated' and agreed to take the agreement to the CGTP plenary for debate. This provoked a major struggle within CGTP (see Stoleroff 1992, 143-144). The CAP also refused to sign this agreement

⁸ The reform introduced in January was turned down by the Constitutional Court in March. The government introduced a revised version that was approved in August of that year.

overall wage growth consistent with goals to achieve international competitiveness and the integration of Portugal into the European Monetary Union.

There is significant disagreement in Portugal over the actual impact of these agreements.⁹ Most scholars recognize the contribution of the concertation process to the political process and the establishment of a bargaining mindset among the social actors. Indeed, the process of social concertation has been credited for its contribution to social bargaining, solidarity, and social cohesion. It has also helped to develop institutional mechanisms that have allowed the social partners to participate in the decision making process, thus deepening democracy, and fostering social peace (Da Silva Lopes 1999, 95). The impact of these pacts on economic performance and the labor relations, however, is open to controversy. Economic performance improved dramatically throughout the 1990s (i.e. inflation was reduced from 13.4% in 1990 to less than 3% in 1999 and the economy grew an average of 6.4% throughout that period), but the line of causality between these agreements and the economic results is not clear. It is important to highlight that (contrary to Spain) the main trade union confederation, the CGTP, did not sign any of the main agreements. Therefore, the institutions of social concertation in Portugal have not influenced labor relations in Portugal as dramatically as they have in Spain.

Furthermore, although wage restraint contributed to the impressive rate of economic growth in Portugal during the last 15 years, it cannot be solely attributed to the process of social concertation. Wage moderation has been the result of a combination of factors, including: the role of the informal economy exercising downward pressure on wages, the economic crisis, the high levels of unemployment during the recessions, and the relative weakness of Portuguese unions.

The main impact of the social pacts has been that they introduced macroeconomic considerations into collective bargaining and pegged, for the first time in 1986, wage increases to *expected* inflation (as opposed to *past* inflation). This new mechanism made possible that wages behaved according to inflationary objectives. Indeed, it is to be stressed that in the years where there have been social dialogue agreements the figures for inflation rates indicate a significant fall (Mozzicafreddo *et al* 1997, 76). At the end,

⁹ For a detailed analysis of the impact of these agreements see among others: Stolefoff 1992, 25, Da Silva Lopes 1999, 94, Mozzicafreddo *et al* 1997, 75-82, and Pires de Lima 1999. See also Natif (1995, 127-152) for an examination of the structural and institutional constraints upon adoption of a neocorporatist order in Portugal.

the recommendations on wage policy included in the agreements were fulfilled (and this is even more remarkable if we take into account the fact that CGTP did not sign them) and this allowed for a reduction of unit labor costs and contributed to the disinflation process. Finally, they also contributed to social peace (see table 2).

These developments were accompanied by the reduction of interest rates in the second half of the 1990s, the income derived from privatizations, European funds, and improvements in fiscal efficiency. The combination of all these factors allowed Portugal, which as late as 1997 was considered an outside candidate for joining the euro-zone, to comply comfortably with the Maastricht criteria in a relatively painless way. Indeed, Portugal was the only country able to reduce its budget deficit to below 3 percent of GDP (the Maastricht criteria) while increasing current government spending (see *Financial Times*, Wednesday March 31, pp. 11-13). And this stands in stark contrast to the disappointing performance of the Spanish economy after concertation failed in 1986.

Table 2: CPI, Contractual Wages, Productivity, and Unemployment in Portugal 1981-1997 (percentage change over previous years).

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| CPI | 19.6 | 11.8 | 9.4 | 9.6 | 12.6 | 13.4 | 11.4 | 8.9 | 6.5 | 5.2 | 4.1 | 3.1 | 2.3 |
| Wage growth | 22,5 | 17.8 | 14.4 | 9.9 | 10.6 | 14.1 | 14.2 | 10.9 | 7.9 | 5.1 | 5.0 | 4.7 | 3.6 |
| Real Wages | 2.9 | 6.0 | 5.0 | 0.3 | -2.0 | 0.7 | 2.8 | 2.0 | 1.4 | -0.1 | 0.9 | 1.6 | 1.3 |
| Unemployment | 8.5 | 8.5 | 7.0 | 5.7 | 5.0 | 4.5 | 4.3 | 4.1 | 5.5 | 6.9 | 7.2 | 7.3 | 6.9 |
| Productivity | - | - | 3.7 | 2.3 | 2.6 | 2.3 | -0.7 | 8.8 | 2.4 | 0.8 | 2.4 | 2.5 | 2.3 |
| R* | - | - | 7 | 6 | -- | -- | 13.3 | 9.75 | -- | -- | -- | 4.5 | 3.5 |
| Strikes | 504 | 363 | 213 | 181 | 307 | 271 | 262 | 409 | 230 | 300 | 282 | 274 | 265 |

Sources: ILO, *Yearbook of Labour Statistics*. Geneva: Switzerland. Various Years and OECD: *Economic Surveys. Portugal 1998*. Paris: OECD, 1998 and OECD: *Economic Surveys. Portugal 1999*. Paris: OECD, 1999. The average productivity increase for the 1987-1996 period was 2.7%.

* R= Recommendation on wage policy included in the centralized agreements

THE EMPIRICAL PUZZLE: EXPLAINING THE RESURGENCE OF NATIONAL SOCIAL BARGAINING

The development of national social bargaining in Spain and Portugal challenges the extended notion that social bargaining can only be successful in the context of encompassing labor and business institutions. It also defies the idea that globalization will force countries towards a neoliberal model. It is true that there have been setbacks in the institutionalization of this process: i.e. changes in labor market regulations have been implemented unilaterally by the governments of both countries with strong opposition from unions (i.e. the 1994 labor reform in Spain or the 1990 *Pacote Laboral* in Portugal). Furthermore, in Spain the breakdown between the government and the unions caused the collapse of concertation after 1986. Nevertheless, as indicated in the previous section, in both countries there has been a general trend toward a greater institutionalization of collective bargaining to resolve regulatory issues and reform the labor relations settings. *How can we explain such a development?*

The political economy literature offers some interpretations of the rise of social bargaining in some European countries in the 1990s. I shall now briefly examine these explanations, their strengths and shortcomings. Each one of these interpretations sheds some light over this empirical puzzle, but they fail to provide a satisfactory explanation for this development.

According to some of the literature, the re-emergence of national social bargaining could be explained as a consequence of the pressures faced by Spain and Portugal to participate in the EMU project. Indeed, it has been argued that the difficulties that these countries experienced fulfilling the EMU convergence criteria and now to continue complying with it, fostered the development of social pacts as symbols of the national goal to achieve EMU membership, a goal which precluded internal divisions (see Regini 1999, 19). There is little doubt that EMU offered the Spanish and Portuguese social actors an important incentive to reach agreements. The consequence of this interpretation, however, would be that this strategy would collapse once the objective to participate in EMU has been achieved (both countries became founding members of EMU on 1 January 1999). Nevertheless, the institutionalization of incomes policy in Portugal and the resurgence of social bargaining in Spain suggest otherwise. This explanation also fails to explain why concertation processes started in Spain and Portugal (or Ireland for that

matter) long before the process of EMU was initiated. Moreover, it is important to emphasize that these strategies were strongly supported by businesses and the governments in both countries (Stoleroff 1992, 141; Royo 2000, 285) and that they took place in the context of labor reforms that intended to promote bargaining decentralization (Pérez 1998, 12). Finally, as Regini indicates (1999, 19) this interpretation fails to account for a number of cases (i.e. the Netherlands) where there has been emphasis on concertation even though fulfillment of the EMU criteria was taken for granted.

A second interpretation explains this development in terms of the balance of power among the actors involved (see Regini 1999, 20). For instance, some scholars have explained the re-emergence of national social bargaining in Italy as resulting from the weakening of its actors who needed to rely on each other to address the mounting economic and social challenges (Salvati 1995). As Regini indicates (1999, 20), however, this explanation cannot be generalized to other nations (i.e. Sweden) where trade unions are still very powerful, and yet centralized collective bargaining and solidaristic wage policies have collapsed. Conversely in other countries (i.e. Portugal, Spain, the Netherlands, and Ireland) the trade unions are still rather weak and yet concertation has flourished.

Another explanation has focused on the economic structure and the interest of actors. Some scholars (Regini 1997; Regini and Regalia 1997; Rhodes 1997) have developed a micro-economically-centered analysis to explain the return to national social bargaining in Italy in the 1990s. According to them, this development reflects an attempt by employers to reconcile the need to control costs through more flexibility in hiring practices and the need for cooperative relations at the firm level in order to remain competitive. In other words, these arrangements constitute an institutional mechanism to support business competitiveness through consultative practices.

This analysis is similar to the arguments forwarded by Garrett (1997) and Soskice (1999). They have argued that in Social democratic corporatist countries, organized business has sought regulation (instead of deregulation) in order to confront more effectively the new challenges posed by globalization, seeking to preserve for their companies the financial systems, training frameworks, and research networks that allow them to remain competitive in international markets. The problem with this explanation, however, is that it is difficult to generalize. In Britain (like in Italy), for instance, firms operate in a deregulated context that is not conducive to the production of collective goods that may

improve their competitive position. Yet, British firms are not seeking to correct this imbalance (see Regini 1999 22-23).

Yet, another interpretation has attributed the emergence of social bargaining to the aim by the European economies to converge on an intermediate model (i.e. Rhodes model of 'competitive corporatism,' 1997). According to Regini (1999, 24) this interpretation helps to account for processes of change and divergences. The main shortcoming of this explanation, according to him, is that it fails to consider that the system toward which most countries seem to be converging (the German model) it is currently strained with tension and unrest, and it is the subject of strong pressure for change. Therefore, how can it 'continue to orient the responses of other European economies?' (Regini 1999, 24)

These analyses are important in explaining the lack of convergence towards a British-style deregulation of labor markets in many countries. Some observers of the industrial relations scene have emphasized, however, that they neglect another critical explanatory factor, namely the inability of employers and governments to impose wage moderation and curb inflationary expectations in the absence of centralized bargaining (Pérez 1998, 13-23). Analyzing the return to national social bargaining in Italy and Spain in the 1990s, Pérez argues that these agreements reflect the inability of Spanish and Italian producers to control costs and the failure of their governments to achieve macroeconomic policy objectives in the 1980s. According to her argument, governments in Spain and Italy failed to restrain wages by relying on a tight monetary policy and a strong currency stance, because employers could not control costs in a fragmented and decentralized bargaining context in which inflation was exacerbated by the overvaluation of the currency. Therefore, the government and businesses were interested in the return to national bargaining as a way to achieve their goals.

The main problem with this economic centered analysis, however, is that it has been developed with the aim to demonstrate that there has been a process 'from decentralization to reorganization' in collective bargaining to control wages supported by the government and business. The empirical evidence shows, however, that this has not been the case. In Spain and Portugal there has been little decentralization, therefore, it is hard to conclude that there has been a 'reorganization' of collective bargaining. It is true that there has been a resurgence of social bargaining at the national level to address

industrial relation issues. This process, however, has not included a 'reorganization' of wage bargaining in either country, which challenges the notion that there has been a process of decentralization of collective bargaining and deregulation of labor markets. On the contrary, in spite of attempts to decentralize the collective bargaining process (i.e. the labor reform of 1994 in Spain), the structures of collective bargaining have remained remarkably stable in both countries. While there has been an increase in the number of agreements signed at the company level in Spain (72.7% in 1998), the number of workers covered by such agreements has decreased (from 17.2% in 1984 to 10.6% in 1997). In Portugal these figures have remained stable (70.6% of the collective agreements were sectoral in 1991, and 73.4% in 1996). Finally, in contrast to Italy, it is important to emphasize that unions in Spain and Portugal (particularly the CGTP) oppose a return to a formal incomes policy framework and this has not taken place recently.

Furthermore, the economically centered analysis offered by Pérez is important in explaining the interests of employers and the government in the return to national social bargaining to impose wage restraint and meet inflationary objectives (particularly in the context of the EMU convergence criteria). This argument, however, fails to account for the unions' decision to accommodate business and governments' demands and return to national social bargaining in both countries. Indeed, it is important to emphasize that national social bargaining collapsed in Spain after 1986, and that in spite of repeated attempts on the part of the government to negotiate incomes policies with the unions (i.e. the 1990 'Competitiveness Pact,' or the 1991 'Social pact for Progress'), the PSOE government was unable to secure support from the unions. This had much to do with the experience of the 1980s when unions saw the employment potential of their wage restraint undermined by tight monetary policies, and with the breakdown of the relationship between the PSOE and the UGT brought up by the hegemonic position of the party vis-à-vis the union and the uneven institutional links between both organizations (see Royo 1998 and Royo 2000). Given the costs that concertation had for the unions in the early 1980s, *how can we explain unions' role in a return to national social bargaining in both Spain and Portugal?*

This development derives from the combination of two factors. First, the weakening of trade union organizations at the firm level evidenced by the relative decline in union density, and the incapacity of trade unions to mobilize workers in a response to

manpower policies to liberalize the labor market. In other words, with their support for these macro-economic agreements labor sought to mitigate the decline in its bargaining power at the workplace level. Second, the emergence of new institutions to promote tripartite social bargaining in both countries (the Spanish CES, and the Portuguese CPCS) which resulted in the institutionalization of the political struggle among the governments, employers, and trade unions, and it has contributed to a transformation in the pattern of industrial relations. In the next sections I will argue the choices made by the social actors were less conditioned by pre-existing institutions. On the contrary, in Spain and Portugal the changing balance of power affected the predisposition of the social actors to pursue their strategies through a new set of institutions. At the same time, I will show how new emerging constraints and incentives to change largely determined their interaction and strategies.

a. The Weakening of Trade Union Organizations

In Portugal, and Spain the weakening of trade union organizations at the workplace was evidenced by the relative decline in union density, and by their incapacity to mobilize workers in a response to manpower policies to liberalize the labor market. The changing balance of power affected the predisposition of the unions to pursue their strategies through a new set of institutions. In both countries, the labor movement failed to translate its unity into effective power as manifested in their incapacity to resist legal reform initiatives aimed at liberalizing the labor markets in both countries (in Portugal the 1989 *Pacote Laboral*, and in Spain the 1994 *Reforma Laboral*). With their support for tripartite concertation agreements labor in both countries sought to mitigate this decline.

The proportion of union members in the labor force in both Spain and Portugal has declined sharply over the past two decades. In Portugal union membership (as a percentage of wage and salary earners) has declined 44.2% between 1985 and 1995 and stands at 25.6%. Trade union density in Spain is even lower at 18.6% after a sharp decline throughout the 1980s (ILO, *World Employment Report 1996-1997*, Geneva: ILO, 1997). Indeed, a detailed analysis of this trend, reinforces the thesis of this paper that trade unions' weaknesses forced them to seek support from new constituencies returning to national social bargaining.

First, the unions' interest in returning to national social bargaining was motivated by the realization that their strategies were eroding both their influence in the policy-making process and support from their constituencies. Indeed, trade unions in Spain and Portugal are still identified with the core permanent workforce (i.e. only 18% of the CC.OO. members are temporary workers at a time when 34% of Spanish workers were temporary, see Jordana 1996, 21-220). This development has been further hastened by the spectacular growth of temporary employment which has led to the dualization of the labor force, accentuating the labor market segmentation between *insiders* (workers on permanent contracts with more stable, secure, and long-term prospects) and *outsiders* (workers on temporary contracts in a more precarious situation) within firms. This has provided a buffer that insulates permanent workers from layoffs, leading them to bargain for higher wages.

This dualization of the labor force was particularly worrisome for unions because it constrained their bargaining strength, and deprived them of members. For instance, the level of temporary work among new workers in Spain rose from 61% in 1987 to 81.5% in 1990 (see Bentolila, Segura and Toharia 1991, 237-238; and Richards and Polavieja 1997, 13-23). In Portugal the proportion of temporary workers is significantly lower and has moved between 10% and 13% during the 1990s (Bover, García Perea and Portugal, 1997, 16-17). This development had clear effects on workers' involvement with the unions,¹⁰ and has led to the profound segmentation of workers.

Increasing segmentation was compounded with industrial restructuring (and the economic crisis of 1992-93) forcing the closure of large plants and massive layoffs, thus leading to the shrinking of the manufacturing sector-traditionally the source of union strength. At the end, these developments forced unions to re-evaluate their strategies in order to dispel the increasing perception that they only represented and defended the interests of *insiders* at the expense of the unemployed. In other words, with these centralized agreements unions sought to counter the conventional wisdom that views them as entrenched institutions that promote the interests of insiders, while helping to improve macroeconomic conditions that contribute to Spain's and Portugal's accession and continued participation in the European Monetary Union. They took advantage of a political

¹⁰ Richards and Polavieja (1997, 32-39) show that labor market precariousness reduces union involvement because it seriously impedes collective action, and it produces sentiments and attitudes of apathy towards unions. They conclude that temporary workers neither identify with, nor feel represented by, the unions.

context that provided opportunities for political bargaining at the national level to achieve these goals.

Furthermore, in Portugal and Spain management recourse to manpower policies based upon unstable, fixed-term contracts has not prevented the appearance of contradictory tendencies in the labor market. While average real wages grew moderately (see Tables 2 and 3), a tight labor market in some areas of rapid employment growth (particularly in the case of services, banking, and insurance) led to increasing bargaining power in favor of certain workers who have been willing to negotiate away from the collective bargaining process (Stoleroff 1992, 138; Barreto and Naumann 1998, 416-418). At the same time, it was also very significant that the sectors that came to take much of the lead in wage setting in both countries were the ones over which the national unions had lower levels of control in which the level of unionization was only half that in industry (Pérez 1998, 18; Barreto and Naumann 1998, 418-419), reflecting the small size of most firms. These developments increased unions' pressures to seek a new articulation of collective bargaining that would allow them to retake the initiative in the wage setting process and mitigate the decline in their bargaining power at the workplace level.

The strategic shift in favor of national social bargaining by the unions was also motivated by the labor movement's failure to translate its unity into effective power as manifested in their incapacity to resist legal reform initiatives aimed at liberalizing the labor markets in both countries. In Portugal the introduction by the government of the new *Pacote Laboral* to reform the labor market in November of 1987 led the unions to organize a campaign against the proposal and to link income policy concessions to labor law concessions. The main thrust of the proposed reform was to ease the legal rules on temporary work (a process that has started in 1976), and to broaden the criteria of fair dismissals to include workers' inability to adapt to changes in the nature of the job and 'loss of confidence.' Unions vehemently opposed the reform and intensified industrial conflict to challenge the government. This conflict was viewed by unions, employers, and the government, as a "tour de force" to define the new pattern of industrial relations in Portugal and led to a decisive showdown: the general strike of March 28, 1988. The strike failed to force the government's hand and confirmed the incapacity of labor to mobilize workers in a collective response to manpower policies.

The failure to prevent the approval of the *Pacote Laboral*, coupled with the acceleration of the privatization process, the partial loosening of job security during Cavaco Silva's second government, and the revision of the Constitution (resulting in the modification of the most progressive articles), showed that Portuguese labor was not able to translate its unity into effective power. On the contrary, these reforms were accomplished within a corporatist structure that contributed to prevent a political crisis, or a crisis of legitimation. The defeat of labor during the struggle over law reform reduced 'the scope of objectives that labor can realistically establish for itself within Portuguese industrial relations and politics' (Stoleroff 1992, 137). In other words, labor emerged weakened for the struggle and this institutional recess facilitated the consolidation of tripartite concertation. At the end, labor support for these macro-agreements mitigated the decline in its bargaining power at the workplace level.

In Spain following the unraveling of social concertation in 1987 (see Royo 1998 and Royo 2000) unions found themselves in a weak position, with very low membership concentrated in declining industries, dependant on state funding, and with low contractual powers. Unions' difficulties were further aggravated by the alarming use of temporary contracts, which threatened their organizational future. With the organization (and the massive success) of the 1988 general strike, the main two confederations (UGT and CC.OO.) solidified a new strategy based on three pillars: Unity of action, the abandonment of social concertation, and the appeal to new constituencies to broaden their bases of support. The success of the strike allowed unions temporarily to regain a role in the political arena, which helped them to stem their organizational decline (unions' membership grew to about 15% in 1994). As in Portugal, however, Spanish unions were unable to reverse the government's manpower policy initiatives.

The struggle between unions and the government centered on the ways to achieve the Maastricht criteria for EMU membership. The socialists' convergence plan led to two more general strikes. The first one in May 1992, took place over the so-called '*decretazo*' -i.e a government decree establishing cuts in unemployment coverage by reducing the amount and length of benefits, tightening eligibility conditions, and increasing the required period of work to collect benefits from six months to one year. The second one took place in January 1994 over a government proposal to reform labor laws that sought to flexibilize work conditions and increase the scope of collective bargaining.

As in Portugal, increasing mobilization and union unity did not lead to labor victories. The failure of the unions to stop labor law reform and force a political crisis through continued social mobilization forced them to re-evaluate their strategies and adopt a more conciliatory stance that included resuming partial tripartite agreements with the government and the employers. This strategic shift was further hastened in Spain by the internal problems experienced by the two main confederations, with the UGT attempting to turn the page on the collapse of its housing initiative, and the CC.OO. to put aside internal ideological differences. These problems led to the emergence of new leadership in both unions that sought to strengthen the unity of action strategy while resuming partial agreements with the government and the employers' association.

The change of strategy was hastened by the impact of the economic crisis of the early 1990s, labor rigidities, and the opening of the Spanish and Portuguese economies to external competition. These factors forced Portuguese and Spanish firms to develop new competitive strategies, seeking greater flexibility, internal mobility, and the externalization of production to small nonunionized firms. Product decentralization is reflected in the growth in the number of small firms (under 50 workers)-which increased in Spain from 95.1% of firms in 1978 to 98.1% in 1989, and in Portugal from 95.4% in 1989 to 96.7%, and their share of employment which grew from 38.4% to 52.2% in Spain and from 42.3% to 50.3% in Portugal during the same periods (Fraile 1999, 280; Richards and Polavieja 1997, 31; Barreto and Neumann, 1998, 400). In Portugal there is a higher proportion of small firms than anywhere else in the EU, with 79.4% of firms employing fewer than 10 workers in 1994. The combination of all these factors has led to the increasing individualization of labor relations, has contributed to lower labor costs, and has given firms more flexibility in the work organization and in the deployment of labor through mobility, overtime, part-time work, and rotation. These developments had worrisome consequences for unions and forced them to revalue their strategies.

In summary, in Spain and Portugal, the combination of high unemployment and high temporary works, coupled with changes in the occupational structure and the individualization of employment relations forced unions to reassess their approaches.¹¹

¹¹ In Portugal, partly due to political reasons and its links with the PCP, the CGTP has been more reluctant to embrace this new approach and has refused to sign centralized agreements. They have continued with a strategy of "conflictive engagement."

The unions eventually realized that these developments threatened their survival and decided that they had to counter them. Given the emerging distance between the trade unions and a growing section of the workers, they felt that they had to narrow that gap. In this context they decided to develop a new strategic design committed to the expansion of their support base. This led them to develop a broader strategy with which to tackle unemployment and promote job stability through national social bargaining with the government and/or employers. In order to achieve these objectives unions refocused their attention on the firm to increase membership and regain control over the work councils and the contractual process vis-à-vis employers. They also developed unitary bargaining platforms that focused on certain strategic areas: temporary contracts, unemployment, work organization, training, information rights, and health and safety (Fraile 1999, 297) aimed at bridging the divide between insiders and outsiders. These platforms would be the objective of national bargaining with employers and/or the government and would lead to the re-emergence of national social bargaining. This new approach signaled a strategic shift on the part of the unions, which were now willing to accept more internal flexibility in the organization and deployment of labor within the workplace, in exchange for greater employment stability. By promoting centralized bargaining and a new articulation of the collective bargaining system, they were making sure that peak confederations will remain significant players.

The strategic turn in favor of social bargaining was accelerated as a result of the combined processes of economic liberalization, privatization, and European integration (see Stoleroff 1992; Barreto and Neuman 1998). These developments had a significant impact in the industrial relations setting in both countries. At the macroeconomic level, the drive to prepare Spain and Portugal for full integration within EMU influenced their governments' anti-inflationary stance. In this regard, centralized bargaining has been an adequate instrument for the application of the governments' policies (particularly in the case of Portugal in which the government participated in the wage negotiations through the CPCS). Since wages are such an important component of unit costs, wage bargaining became a cornerstone of these governments' anti-inflation policy (and the prospect to meet the EMU criteria), therefore, enhancing the political function of the unions and the concertation process.

At the micro level these processes have intensified competitive pressures and contributed to a shift in the balance of forces away from labor. Firms in both countries have been forced to design new strategies to confront new competitive challenges and have had to develop restructuring schemes, that in many cases have led to the emergence of tripartite negotiations (i.e the textile industry in Portugal). At the same time, unions have been forced to accept new pressures to adjust working conditions and wages to the level of more advanced countries in order to increase competitiveness and create new jobs. Finally, European integration has forced the social actors to address the discrepancies between Spanish and Portuguese provisions regulation labor markets and collective bargaining and those prevailing in other EU countries. In this context, unions in both countries have taken advantage of a political context that provided opportunities for political exchange at the national level. This process was facilitated by the emergence of new institutions that fostered consensus among the social actors.

b. The Emergence of the CES and the CPCS

The Spanish and Portuguese experience with social bargain suggest that one of the key difficulties in building coordinating capacity among the social actors is the need to build up common procedures based upon precedents, decision rules, and shared bodies concerning information transfers. In this regard, the creation of formal institutions that foster consensus and understanding among the social actors may be able to contribute to the development and consolidation of the social bargaining processes. Indeed, the *Comissão Permanente de Concertação Social* in Portugal (CPCS or Standing Committee for Social Concertation) and the *Consejo Económico y Social* in Spain (CES, or Economic and Social Council) have played a critical role in promoting tripartite social bargaining in both countries, by bringing business, the government, and unions together, and fostering the informal institutional mechanisms that facilitate social bargaining. This development has resulted in the institutionalization of the political struggle between the government, employers, and trade unions, and it has contributed to a transformation in the pattern of industrial relations.

The Portuguese CPCS was created in 1984 by the 'Center Block' (PS-PSD) government. As a consequence of the Constitutional reform of 1989 (see Manuel 1996, 64), the CPCS was 'replaced' in 1991 by the *Conselho Económico e Social* (CES) and was

transformed into a commission within the CES. The new institution inherited the functions of the CPCS and acquired new consultative responsibilities. So far the new CPCS has participated in three agreements for the years 1992, 1996, and 1997-1999.

In Spain the Economic and Social Council (CES) was created in 1991. It was established as an independent and consultative institution that guarantees the participation of the economic and social actors in the economic and social legislative and policy-making processes. The CES has no formal responsibilities involving social concertation. However, it has worked as a forum of discussion and debate about socio-economic issues that has helped to bring together the social actors.

The CPCS and the CES have been key players. They have contributed to a shift in the context of the class struggle and have become critical instruments in the consolidation of national social bargaining in both countries. This is so because their reports about socio-economic legislative proposals promote the development of consensual positions (i.e. a 'common position' is more likely to influence the parliamentary debate and to affect the final legislation). Therefore, this process offers incentives for the reconciliation of disputing positions and has facilitated the rapprochement of the social actors. Furthermore, the bargaining dynamic generated through this process has helped to overcome traditional antagonisms and has fostered the search for joint positions among the social actors. At the end, the permanent bargaining that takes places in the CES and the CPCS has resulted in an improved climate among the labor market actors and in the relationship between the social actors and the government.

CONCLUSIONS

The resurgence of national level bargaining on incomes policy and other economic issues in Portugal and Spain derives from the combination of the weakening of trade union organizations at the branch and firm level and the failure of these governments to achieve macroeconomic policy objectives. I have argued that new emerging constraints and incentives to change largely determined their interaction and strategies. Moreover, the choices made by the social actors were less conditioned by pre-existing institutions. The changing balance of power affected the predisposition of the social actors to pursue their strategies through a new set of institutions. In this regard, the emergence of new institutions to promote tripartite social bargaining in both countries

(the Spanish CES and the Portuguese CPCS) has contributed to a transformation in the pattern of industrial relations in both countries.

What are the prospects for national social bargaining in both countries? It is still not clear whether current trends will persist in the future, whether they will consolidate the traditional dominant role of the state in industrial relations, or permit the social actors to take the initiative and assert their autonomy. Wage moderation, however, is key to closing the gap with the EU's richer countries (GDP per head in Spain is only 79% of the EU average while Portugal's is 74%), exploiting Europe-wide specialization, and attracting investment from its European partners (average hourly compensation in manufacturing is still less than half the German level).

The success (or failure) of these initiatives will determine the consolidation of this approach. At the same time, the preceding discussion suggests that the motivations that led the social actors to return to national social bargaining, are more structural than the goal of participation in EMU and are likely to persist after the onset of EMU. The social actors should have powerful incentives to continue this approach given the difficulties that the government and employers had in the past controlling overall wage growth without the support from unions, coupled with the erosion that further fragmentation would have on the position of the main confederations. Furthermore, the examination of the role played by the CES and the CPCS suggest that a cooperative strategy based on social bargaining will last longer the more the social actors have been able to develop a capacity for strategic learning.

The Portuguese and Spanish experiences have implications for the broader debate on European Monetary Union. This discussion is also relevant to existing explanations of European monetary integration.¹² Now that the Euro unites the area's 11 national economies wage settlements matter more than ever. Excessive wage increases in one country will mean a loss of competitiveness vis-a-vis its neighbors and could test a country's

¹² For an analysis of the reasons that have compelled European countries to move towards monetary integration see: Moravcsik 1998; Cameron 1998; Dyson and Featherstone 1999; Henning 1998. These authors explore the process of European monetary integration. They seek to shed further light on why the member states of the EC sought to extend supranational authority in the domain of monetary policy. These authors emphasize the role of economic interdependence, issue linkage, institutions, domestic politics, systemic influences, and the need to address and resolve tensions and conflicts over monetary and exchange-rate policy. These arguments are relevant to the discussion about social concertation because they raise issues that are directly related to the decisions by the social actors in Portugal and Spain to experiment with social bargaining. I will explore these issues extensively in a forthcoming book.

ability to stay in EMU. Therefore, the main challenge for EMU countries will be to craft wage agreements that do not undermine competitiveness by raising unit labor costs above those of its Euro-zone neighbors. A real risk facing the European Central Bank (ECB) is that the four Euro-zone countries with highest inflation rates-that is, Spain, Portugal, Italy, and Ireland- will experience consistently higher inflation than their fellow Euro-zone members over the coming years testing the ability of the single currency to hold together.¹³

It is important to emphasize that the participation of these countries in the EMU project will not necessarily help their governments and employers to control wages. On the contrary, the ability of the Spanish and Portuguese governments to overcome this challenge is limited by the ECB's power to set interest rates for the Euro-zone as a whole. Therefore, Portugal and Spain will continue facing the problem of controlling wages in a relatively fragmented and decentralized bargaining structure.¹⁴ EMU may ease tensions in wage bargaining by breaking down market barriers that have protected sheltered sectors, thus exposing them to greater competition and not permitting them to externalize some of the costs of militancy through markup pricing. At the same time, however, since devaluations are ruled out within EMU, the need to control wages to maintain external competitiveness should encourage the social actors to reinforce the institutional mecha-

¹³ According to the *Financial Times*' "Mediterranean trio seen as threat to euro-zone inflation hopes." (January 19th, 2000, p. 3) in 1999 France recorded its lowest inflation since 1954 at 0.5% (this year is expected to have an average rate of 1.1%); Germany averaged 0.7% (1.4% is expected this year). In Italy, Spain and Portugal, however, the expectation is that average inflation in the year 2000 will be 1.9%, 2.5%, and 2.3% respectively (compared with 1.7%, 2.3% and 2.2% in 1999). This inflation differential points to a productivity gap between these countries and the Franco-German core (productivity in 1999 was 25% lower in Italy, 35% lower in Spain, and 76% lower in Portugal than in Germany, while all the other euro-zone countries have brought their productivity within 10.5% or less of the German level). If this differential is sustained over a long period of time it may test the trios ability to compete in the euro-zone with their neighbors. According to this article, if the Mediterranean countries maintain the same levels of productivity growth of the 1990s it will take Italy 18 years, Spain 34 years, and Portugal 74 years to come to within 10 points of Germany. Since different productivity rates in a monetary union are expressed through different inflation rates these 3 countries are expected to endure higher inflation for years to come.

¹⁴ This problem is particularly acute in Spain where public sector wage settlements tend to set the national benchmark, and where some wage contracts contain clauses not only for productivity-related rises but for post-dated compensation for the difference between expected and annual inflation. For instance, these clauses came into effect last year when the government had to increase the inflation forecast. The consequence was that overall unit labor costs rose by 1.3% in 1999. For the year 2000 wages are expected to increase between 2.75% and 3%. The government inflation target is 2%, but inflation is likely to increase between 2.3 and 2.8%. See *Financial Times*, "Euro-zone pressures likely to squeeze out big wage increases" December 24th, 1999, p.2.

nisms that have resulted in wage moderation--i.e. a centralized framework bargaining (see Pérez 1998, 21-23).

Recent studies (Iversen 1999, Hall and Franzese 1998) have emphasized the superior economic performance of certain combinations of bargaining arrangements. Iversen highlights the benefits of an industry-or sector-based bargaining system combined with a non-accommodating macroeconomic regime. According to this analysis, the "collective-action problem facing unions in intermediate centralized systems, which can lead to excessive wage demands and unemployment, is 'solved' (or at least dissipated) by an agent (i.e. an autonomous central bank) that is deliberately nonaccommodating to union objectives" (Iversen 1999, 34). The Portuguese and Spanish experiences, however, reflect the limits of monetary policy when the bargaining parties lack a sufficient, autonomous coordinating capacity in a relative fragmented and decentralized bargaining context (Pérez 1998, 22). As other authors have pointed out (Hall and Franzese 1998), a positive outcome is strongly dependent on the organizational coordination capacity of unions and employers which will make them responsive to threats from the monetary and fiscal authorities. The social actors in Spain and Portugal, however, lack the organizational features that have facilitated the coordination of wage bargaining at different levels in other countries (i.e the leadership role played by IGMetall in Germany). As we have seen, in Spain and Portugal attempts on the part of the governments to impose wage discipline through very tight monetary policies backfired in a fragmented and relatively decentralized bargaining context. National social bargaining has proven to be the most effective way through which employers, governments, and unions were able to moderate wage growth and maintain the international competitive position of their firms (Pérez 1998, 22).

Finally, European Monetary Union will mean further restrictions on domestic economic policies because monetary union subjects macroeconomic policy in the EMU area to a single monetary authority, the independent European Central Bank. Although some scholars have already predicted the dismissal of centralized concertation schemes, new analyses are proving the importance that incomes policy will have in the context of the monetary union (Iversen 1999, Royo 2000). Incomes policy, with its influence on labor relations and labor costs, seems to continue to be an adequate instrument to enhance competitiveness and contribute to the convergence objective pursued by the

European economies. The benefits of centralized wage bargaining, however, hinge largely on the ability of union leaders to control overall wage growth in order to avoid monetary policy measures that will result in higher unemployment (Pérez 1998, 22). The EMU will result in the decentralization of the level of wage bargaining across the EU because overall, the most encompassing union organizations will be less inclusive, and, therefore, they may have less incentives to internalize the inflationary pressures of wage increases. The risk will be that in the new EMU context, in which wage bargaining is relatively fragmented but there is a single monetary authority for the area, wage bargainers will be less responsive to threats from the ECB. Nevertheless, since unit labor costs will still remain a critical factor in improving competitiveness, there will be strong pressures on governments, employers, and unions to pursue national social bargaining.

REFERENCES

Astudillo, Javier, 2000: 'Socialism Without Workers? Socialist and Labor in Spain (1982-1993).' Paper presented at the CES, Harvard University. Monday April 20th.

Barreto, José, 1992: 'Portugal: Industrial Relations Under Democracy,' in A. Ferner and R. Hyman, (eds.) *Industrial Relations in the New Europe*. Cambridge: Blackwell.

Barreto, José, and Richard Naumann, 1998: 'Portugal: Industrial Relations Under Democracy,' in A. Ferner and R. Hyman, (eds.), *Changing Industrial Relations in Europe*. Oxford: Blackwell.

Bentolila, S., J. Segura, and L. Toharia, 1991: 'La Contratación Temporal en España,' in *Moneda y Crédito*, 193: 225-265.

Berger S., ed., 1981: *Organizing Interests in Western Europe*. Cambridge: Cambridge University Press.

Blanchard, Olivier J., *et al.*, 1995: *Spanish Unemployment: Is There a Solution?* London: Center for Economic Policy Research.

Boix, Carles, 1998: *Political Parties, Growth and Equality: Conservative and Social Democratic Strategies in the World Economy*. New York: Cambridge University Press.

Bover, Olympia, Pilar García Perea and Pedro Portugal, 1997: 'A Comparative Study of the Portuguese and Spanish Labour Markets.' Servicio de Estudios. *Documento de Trabajo # 9807*. Madrid: Banco de España.

Bruno, M. and J. Sachs, 1985: *Economics of Worldwide Stagflation*. Cambridge, MA: Harvard University Press.

Calmfors, Lars and John Driffill, 1988: 'Bargaining Structure, Corporatism, and Economic Performance,' in *Economic Policy*, 3: 13-61.

Cameron, David, 1984: 'Social Democracy, Corporatism, Labor Quiescence, and the Representation of Economic Interest in Advanced Capitalist Society,' in John Goldthorpe (ed.), *Order and Conflict in Contemporary Capitalism*. New York: Oxford University Press, 143-78.

Cameron, David, 1998: "Creating Supranational Authority in Monetary and Exchange Rate Policy: The Sources and Effects of EMU," in Sandholtz, Wayne and Alec Stone Sweet, *European Integration and Supranational Governance*. New York: Oxford University Press.

Campos Lima, Maria Da Paz and Reinhard Naumann, 1997: "Social Dialogue and Social Pacts in Portugal," in Giuseppe Fajertag and Philippe Pochet, *Social Pacts in Europe*. Brussels: ETUI.

Crouch, Colin, and Wolfgang Streeck, eds., 1997: *Political Economy of Modern Capitalism: Mapping Convergence and Diversity*. Newbury Park, CA: Sage Publications.

Da Silva Lopes, Jose, 1999: 'El Consejo Económico y Social de Portugal, in Federico Durán López, (ed.), *El Dialogo Social y su Institucionalización en España e Iberoamérica*. Madrid:CES.

De la Dehesa, Guillermo, 1997: 'El Mercat de Treball a Espanya. Problemaes i Propostes de Reforma,' in *Revista Econòmica de Catalunya*, no. 32.

Durán López, Federico, 1999: 'La Participacion en las Relaciones Laborales y en el Gobierno de la Economía: el Consejo Económico y Social Español,' in Federico Durán López, (ed.), *El Dialogo Social y su Institucionalización en España e Iberoamerica*. Madrid:CES.

Dyson, Kenneth and Kevin Featherstone, 1999: *The Road to Maastricht*. New York: Oxford University Press.

Folgado, José, 1989: *Concertación Social y Política Presupuestaria*. Doctoral Dissertation. Unpublished Manuscript. Universidad Autónoma de Madrid.

Fraile, Lydia, 1999: 'Tightrope: Spanish Unions and Labor Market Segmentation,' in Andrew Martin and George Ross, (eds.), *The Brave New World of European Labor*. New York: Berghahn Books.

Garrett, Geoffrey, 1998. *Partisan Politics in the Global Economy*. New York: Cambridge University Press.

Gillespie, Richard, 1990: 'The Break-up of the 'Socialist Family': Party-Union Relations in Spain 1982-1989,' in *West European Politics*, January.

Golden, M., 1993: 'The Dynamics of Trade Unionism and National Economic Performance,' in *American Political Science Review*, 87, no. 2: 439-56.

Golden Miriam, Michael Wallerstein, and Peter Lange, 1999: 'Postwar Trade Union Organization and Industrial Relations in Twelve Countries,' in H. Kitschelt, Peter Lange, Gary Marks and John D. Stephens (eds.), *Continuity and Change in Contemporary Capitalism*. New York: Cambridge University Press.

Goldthorpe John, ed., 1984: *Order and Conflict in Contemporary Capitalism*. Oxford: The Clarendon Press.

Hall, Peter, and David Soskice, 1999: 'Varieties of Capitalism: The Institutional Foundations of Comparative Advantage' paper presented to the Seminar on the State and Capitalism since 1800 at the CES, Harvard University. December 10th.

Henning, Randall, 1998: "Systemic Conflict and Regional Monetary Integration: The Case of Europe," in *International Organization*. Summer, v.52, n.3.

Iversen, Torben, 1996: 'Power, Flexibility and the Breakdown of Centralized Wage Bargaining: The Cases of Denmark and Sweden in Comparative Perspective,' in *Comparative Politics*, 28, July: 339-436.

Iversen Torben, 1999: *Contested Economic Institutions: The Politics of Macroeconomic and Wage-Bargaining in Organized Capitalism*. New York: Cambridge University Press.

Katzenstein, Peter, 1985: *Small States in World Markets*. Ithaca, N.Y.: Cornell University Press.

Manoïlesco, Mihaïl, 1936: *Le Siècle du Corporatism, "Nouvelle Edition."* Paris.

Manuel, Paul C., 1996: *The Challenges of Democratic Consolidation in Portugal*. Westport, CT: Praeger.

Maravall, José María, 1997: *Regimes, Politics, and Markets*. New York: Oxford University Press.

Moravcsik, Andrew, 1998: *The Choice for Europe*. Ithaca, N.Y.: Cornell University Press.

Monteiro Fernandes, Antonio de Lemos, 1999: 'La Concertación Social y el Tripartismo: La Concertación Social en Portugal,' in Federico Durán López, (ed.), *El Dialogo Social y su Institucionalización en España e Iberoamerica*. Madrid:CES.

Mozzicafreddo, Juan, José Manuel P. Leite Viegas, Joao S. Batista, 1997: "Social Dialogue in Portugal," in Rainer Pitschas et al, *Policies on Labor Relations and Social Dialogue in European Countries*. Baden-Baden: Nomos Verlagsgesellschaft.

Natif, Daniel 1995: *Democratization and Social Settlements: the Politics of Change in Contemporary Portugal*. Albany, NY: State University of New York Press.

OECD. 1999/2000. *Economic Survey: Spain*. Paris: OECD.

OECD. 1999 *Economic Survey: Portugal*. Paris: OECD

OECD. *Economic Outlook*. Various Years. Paris: OECD

Pérez, Sofia, 1998: 'Yet the Century? The Return to National Social Bargaining in Italy and Spain, and Some Possible Implications.' Paper prepared for delivery at the 1998 Annual Meeting of the American Political Science Association, Boston, August.

Pérez, Sofia, 2000: 'From De-Centralization to Reorganization: The Resurgence of National-Level Social Bargaining in Italy and Spain,' in *Comparative Politics*.

Pires de Lima, Marinús, 1999: "Reflexões sobre Negociação Colectiva e a Concertação Social em Portugal." Paper presented at the Conferencia Internacional sobre a Reforma do Pacto Social. Lisboa. 8-9 November.

Pontusson, Jonas and Peter Swenson, 1996: 'Labor Markets, Production Strategies, and Wage Bargaining Institutions: The Swedish Employer Offensive in Comparative Perspective,' in *Comparative Political Studies*, 29, no. 2: 223-250.

Regini, M. 1995: *Uncertain Boundaries: the Social and Political Construction of European Economies*. New York: Cambridge University Press.

Regini, Marino, 1996 (1997): 'Still Engaging in Corporatism? Recent Italian Experiences in Comparative Perspective,' in *European Journal of Industrial Relations*, vol. 3, no. 3: 259-278.

Regini, Marino, 1999: 'Between De-regulation and Social Pacts. The Responses of European Economies to Globalization'. *Working Paper # 133*. Madrid: CEACS

Regini, Marino and Ida Regalia, 1997: 'Employers, Unions, and the State: the Resurgence of Concertation in Italy?,' in *West European Politics*, 25, no. 1: 210-230.

Richards, Andrew and Javier García Polavieja, 1997: 'Trade Unions, Unemployment and Working Class Fragmentation in Spain,' *Working Paper # 112*. Madrid: CEACS.

Roca Jusmet, Jordi, 1993: *Pactos Sociales y Políticas de Rentas*, Madrid: Ministerio de Trabajo y Seguridad Social.

Rhodes, M., 1997: 'Globalisation, Labour Markets and Welfare States. A Future of Competitive Corporatism?' in M. Rhodes and Y. Meny, *The Future of European Welfare. A New Social Contract?* London: Macmillan.

Royo, Sebastián, 1998: *Social Democracy and the Collapse of Concertation in Spain*. Ph.D. Dissertation. Typescript. Boston: Boston University.

Royo, Sebastián, 2000: *From Social Democracy to Neoliberalism: the Consequences of Party Hegemony in Spain 1983-1996*. New York: St. Martin's Press.

Royo, Sebastián, 2001: "The Collapse of Social Concertation and the Failure of Socialist Economic Policies in Spain," in *South European Society & Politics* (forthcoming).

Salvati M., 1995: 'The Crisis of Government in Italy,' in *New Left Review*, 2/3.

Scharpf, Fritz W., 1991: *Crisis and Choice in European Social Democracy*. Ithaca: Cornell University Press.

Schmitter, Phillippe. 1979. 'Still the Century of Corporatism?,' in Philippe Schmitter and Gerhard Lehbruch (eds.) *Trends Towards Corporatist Intermediation*. NY: Sage.

Schmitter, Phillippe. 1981. 'Interest Intermediation and Regime Governability in Contemporary Western Europe and North America,' in Suzanne Berger, (ed.), *Organizing Interest in Western Europe*. Cambridge: Cambridge University Press.

Soskice, David, 1990: 'Wage Determination: The Changing Role of Institutions in Advanced Industrial Countries,' in *Oxford Review of Economic Policy*, 6, no. 4: 36-61.

Soskice, David, 1999: 'Divergent Production Regimes: Coordinated and Uncoordinated Market Economies in the 1980s and 1990s,' in H. Kitschelt, Peter Lange, Gary Marks, and John D. Stephens, (eds.), *Continuity and Change in Contemporary Capitalism*. New York: Cambridge University Press.

Stoleroff, Alan, 1992: 'Between Corporatism and Class Struggle: the Portuguese Labour Movement and the Cavaco Silva Governments,' in *West European Politics*, Vol. 15, No. 4 (Oct. 1992), pp. 118-150.

Swank, Duane, 1998: 'Global Markets, Democratic Institutions, and the Public Economy in Advanced Industrial Societies.' Paper presented at the Center for European Studies, Harvard University. Revised Draft, February 18.

Swenson, Peter, 1992: 'Union Politics, the Welfare State, and Intraclass Conflict in Sweden and Germany,' in M. Golden, and J. Pontusson, (eds.), *Bargaining for Change*. Ithaca, N.Y.: Cornell University Press.