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“Putting up the best goodies and seeing who would vote for them …”

The Politics of Economic Performance, and the Trade Union Movement, 1970-
1982

Gary Murphy and John Hogan

Abstract

Here we argue that the relationship between the main Irish political parties and the trade unions, in the 1970s, was largely based upon political imperatives, with an economic subtext. The absence of strong ideological difference between the two largest Irish political parties meant they were willing to deal with the trade union moment in a somewhat similar fashion. At the start of the 1970s, the Fianna Fail government prodded the ICTU into a “voluntary” national wage agreement. This agreement was regarded as a means of stabilising the economy, attracting foreign investment, and improving Fianna Fail’s image with the electorate. While the governments throughout this period did adopt certain trade union policies as public policy, this was only done when it suited the administration. The objective was never to create a Scandinavian style corporatist state. All agreements with the ICTU, whether conducted under the auspices of the Fianna Fail, or coalition, government, had the same ultimate objective – economic progress to ensure political success. When this objective could no longer be satisfied the unions found themselves removed from the corridors of power.

Introduction

In 1979, the then 29 year old Fianna Fáil backbencher, Charlie McCreevy, at the beginning of his long and often controversial career, noted that the: “the way in which the 1973 General Election was conducted, with both parties putting up their ideas on what they would do, led me to feel that in future elections there would be more of putting up the best goodies and seeing who would vote for them”. He went on to say that in the 1977 election, when both parties brought out their policies, he reached a different conclusion. Declaring that the document Fianna Fáil placed before the electorate was well researched and caught their attention, he nevertheless noted that “our victory at that time gave us to understand that, whereas we may have won on 16
June, the attitude of the electorate was: If you do not deliver, when the next election comes around, the electorate will give you their answer”.\(^1\) Going on to praise the integrity of the Fianna Fáil government, McCreevy argued that they were setting about achieving their targets from the 1977 election, despite many commentators being of the view that these objectives were impossible to reach. Yet, between the 1977 and 1981 elections, borrowing, direct taxation, inflation and the national debt all soared. This was the context for the resurgence of Fine Gael who won an increase of 22 seats, bringing them to a total of 65 in June 1981. Fianna Fáil’s loss of 7 seats, leaving them with a total of 77, denied them an overall majority, and seemed to confirm McCreevy’s hypothesis on delivering the goods. Essential to the politics of the period was the relationship between the political parties and the trade union movement; a relationship, which we argue was central to political competition.

This article thus examines the relationship between the trade union movement and the alternative government formations of Fianna Fáil, and Fine Gael and Labour in the decade between 1970 and 1982, and argues that the key to understanding political competition lies in the nature of the governing parties’ response to macroeconomic crisis and change. We use two case studies from 1970 and 1980-1 to advance the hypothesis that governments’ utilised the trade union movement as an instrument of economic control. We argue that 1970 and 1980 marked the opening and closing chapters in a complex and indeed competitive relationship that governments had with the trade union movement in this period.

In 1970 the then Fianna Fáil government of Jack Lynch brought the trade union movement into the policy making process as a way of ensuring economic stability.
However, in the electorally congested 1981-2 period, the trade union movement was shifted aside after the second national understanding, when the Fine Gael – Labour government isolated the trade union movement in an attempt to stave off a macroeconomic crisis. In that context we challenge the view that the EEC’s anti-inflationary guidelines for entry into the European Monetary System (EMS) pressured the political parties into produce a concordat with organized labour (Foster, 2007: 17). Instead, we offer the view that the governing parties relations with the unions were based around maximising political performance at the ballot box.


Much has been written concerning the electoral politics of the 1970s and how stable the Irish political system was in this period. The 1969 general election saw Fianna Fáil gain an overall majority and win their fourth general election in a row. The fluid political situation following the election of the first inter-party government in 1948, which saw four changes of government in the 1948, 1951, 1954 and 1957 elections, seemed to be well and truly over with Fianna Fáil’s victory in 1969. Yet, four years later, in 1973, Fianna Fáil lost six seats, falling to 69, and was unexpectedly defeated by a combination of Fine Gael and Labour. Having steered the country through the 1972 referendum on EEC membership, Fianna Fáil had confidently expected to be returned to power, but were surprised by the resurgence of Fine Gael who had their largest number of seats and received their highest first preference share since 1932. Nevertheless, Fianna Fáil’s share of the vote in the 1973 election went up to 46.2 per cent from 45.7 per cent in 1969, while Fine Gael’s increased by one percentage point to 35.1 from their performance in both the 1965 and 1969 elections. The consistency
of such voting stability was mirrored in a study of voting patterns in the 1972 EEC referendum which also seemed to confirm the ‘highly entrenched character of party loyalties’ (Garvin and Parker, 1972: 3-39).

The 1977 election, however, seemed to suggest a change and saw an even more startling and unexpected result when Fianna Fáil gained its largest seat share ever of 84, and its second largest percentage of the vote share with 50.6%. This result came on the back of a campaign which has gone down in history as the quintessential example of auction politics, with Fianna Fáil making an array of spending promises, most spectacularly pledging to abolish car tax and local government rates to mention just two, unlike any other in the history of the state. Such promises were based on the government’s proposals to pump prime the economy through a form of deficit financing fiscal policy which was to achieve significant if unarticulated growth rates and achieve full employment by 1983. McCreevy, for one, mentioned a growth rate of 6 per cent per annum in Gross Domestic Product in 1979 although he did point out that this did not mean that jobs would grow by an equivalent amount. In any event all this was to be driven by the almost Orwellian sounding Department of Economic Planning and Development. This sort of étatisme, as Foster (2007: 17) points out, came easily to an Ireland with a tradition of governments, mostly Fianna Fáil, used to restricting property rights, compulsorily acquiring land and monopolising energy and transport on behalf of the state. Nevertheless, the defeat of the coalition government came as a surprise to most political commentators. Fine Gael, in particular, suffered losing 11 seats, falling to 43. The 1977 election, however, presaged the dramatic electoral upheaval of the early 1980s, which saw three elections within the space of eighteen months between June 1981 and November 1982. Moreover, the emergence
of the Progressive Democrats in 1985 added into the political mix a cocktail of unknown proportions which, at the very least, threatened the stability of the party system. The crises in Fianna Fáil surrounding Charles Haughey, from when he beat George Colley to become leader in December 1979 to the expulsion from the party of Des O’Malley in 1985, also underscores the point that this period was one where the stability of the party system was in some doubt.

Yet, in terms of political competition views of traditional voter loyalty were borne out in Carty’s (1981) study of voters and the party system in the 15 elections prior to 1981. Particular attention was paid to voter loyalty in the two largest parties Fianna Fail and Fine Gael, and to a lesser extent in the Labour Party:

[n]ot only has the fundamental division between the parties that polarizes the system been remarkably stable, but the electoral support given to at least two of the system’s three principal parties has been quite consistent. The persistence of this pattern through fifteen general elections implies that the parties are supported by stable blocs of voters (Carty, 1981: 63).

Similarly, Gallagher (1981: 269) pointed out that the history of the Irish Republic since 1960 offered an example of considerable societal change, but correspondingly little change in the political parties or the political system. By 1985, Marsh was confirming voter stability, noting that ‘in general there is little evidence of volatility in Ireland, rather there is considerable stability’ (Marsh, 1985: 183). This led Sinnott to conclude that consistent support for the parties in general was not severely dented
until 1987. ‘[T]he 1987 election was different. Voting consistency as a whole was down to 59 per cent’ (Sinnott, 1995: 147). This was from a high of 90 per cent in 1969. ‘The main though not the sole source of this increased volatility was the arrival of the Progressive Democrats’ (Sinnott, 1995: 147). Another sign of the stability of political competition was that voter volatility in 2002 was three times the level recorded in the early 1980s (Mair and Weeks, 2005: 156). This can probably be attributed to declining turnout and the surge of vote and seat share of independent candidates since the 1980s. Thus, it seems reasonable to state that in the period 1969-1982 there was no crisis in party competition. Notwithstanding this, the political parties in the period between 1970 and 1982 were faced with significant macroeconomic difficulties which had a profound impact on electoral competition which we will assess in the next section.

The Politics of Economic Performance

The politics of the 1970s was dominated primarily by the economy. Ireland has had a tradition of tripartite consultation in the public policy sphere since the early 1960s. It was during this era that the economic interests (farmers, trade unions and business associations) were invited to participate in the work of a number of national bodies who were concerned with formulating a new approach to economic management (Horgan, 1997: 228–49; Murphy, 2003: 105–18). This approach, co-ordinated by the Taoiseach, Seán Lemass, had as its ultimate aim entry to the European Economic Community, which the government of the day assumed would happen sometime in 1963–64. It was with this goal in mind (and the perceived need to show a united front to Western Europe) that the economic interest groups were co-opted into this tripartite arrangement towards economic management (Murphy, 2003: 115–22). By 1970,
however, with Fianna Fáil having twice failed to take Ireland into the EEC and with the various political parties, the trade union movement and the employers’ organisations frustrated by the very fractious nature of industrial relations, there was uncertainty as to the political implications of the breakdown of Lemass’s proto corporate state. Essentially, all economic interest groups were operating with government within a charmed circle of power.

The consequence of the free for all pay round system of the 1960s was to imperil attempts to control and centralise collective bargaining. Industrial relations deteriorated in the late 1960s, and the daily news was dominated by major industrial confrontations. The high level of industrial conflict in 1969 and 1970 was widely regarded as representing a crisis in collective bargaining. In this context, the NIEC’s 1970 Report on Incomes and Prices Policy regarded economic expansion and decentralised collective bargaining as incompatible (McCarthy, 1973: 151).

1970: A Bargain is Struck

By 1970 the common consensus amongst most national and international commentators was that the Irish economy was in some difficulty. The rate of economic expansion had slowed considerably from that experienced in 1967 and 1968 (OECD, 1971: 5). The Economist commented that the rate of inflation was running at about 8.5 per cent, while the Irish Times pointed out that the improvements in living standards that had been earned in the 1960s were in danger of being lost due to inflation.3 The ESRI (1970: 1) noted that the statistics for industrial output, employment, volume of imports, and retail sales all indicated economic stagnation. The OECD (1971: 5) argued that ‘this was partly due to the direct and indirect effects
of labour disputes.’ Economic crisis resulting from a rising level of industrial conflict, and forceful trade union wage pressure, ultimately impelled the government to adopt a more interventionist approach (McCarthy, 1973).

In this context the Fianna Fáil government’s economic policies, and its relationship toward the trade unions, changed. The developing impetus within the party for this change was clearly signalled in 1969, when Taoiseach Jack Lynch, in addressing the Fianna Fail Ard Fheish, stated that in terms of industrial relations, the party’s primary objective was: ‘the attainment and maintenance of industrial harmony.’ In essence, ‘the chief lesson emerging from the operation of collective bargaining in the 1960s was that decentralised wage rounds as they operated were by their nature unstable and prone to inflation’ (Gunnigle et al., 1999: 193). With stagnating production appearing alongside a price and wage explosion, economic conditions deteriorated during the course of 1970. The combination of relatively slow growth, strong inflation, and a large current external deficit, presented a dilemma for economic policy. The ESRI (1971: 1) argued that ‘the authorities [did] not appear to have a great deal of room to manoeuvre in their short-term demand management.’ The balance of payments deficit imposed a strong constraint on the degree of expansion that could be permitted. As prices became the primary concern of the government, the budgetary strategy was aimed at moderating the rise in government spending so as not to contribute to inflation (OECD, 1972: 15).

The government pressured the unions into accepting the first national agreement for six years in December 1970. This proved a watershed of sorts in that it precipitated the dismantling of the boundary separating politics and industrial relations (Roche,
1989). With active state involvement in industrial relations came direct trade union involvement in public policy making. By the mid 1970s the new collective bargaining approach was to be marked by quid pro quo arrangements on taxation issues between unions and the state.

The 1970 budget argued that ‘it is beyond doubt that the principal need at present is for a more orderly and rational development of incomes if we are to bring the present inflationary situation under control.’ Another lesson from the 1960s was the need for a joint body to administer the national pay agreements. It was against this background of industrial strife, and economic difficulties, that the NIEC prepared its Report on Incomes and Prices Policy. A consequence of this was the reconstitution of the ELC in May 1970. This was significant in the long-term restructuring of the adversarial conduct of industrial relations (McGinley and Filby, 1997: 202). The government became a participant in the ELC with the intention of influencing the wage round norm. As the Minister for Finance, George Colley, stated, the economy could not afford to pay wage increases that were not related to productivity increases. He said the pressing urgency of the situation would force the government’s hand.

Taoiseach Jack Lynch warned that, following the collapse of talks at the Employer-Labour Conference on a voluntary national incomes policy, the government would take action aimed at stabilising prices and protecting employment. The chairman of the ELC, Basil Chubb, believed that the time had come for the government to show its hand in some form of wage restraint and price control. He argued that action was needed to ‘see the country through the present situation which, in fact, was a dangerous one from the point of view of exports and was placing at danger all the progress that had been made in the last few years.’ Thereafter, the government took
the rather drastic measure of threatening to introduce statutory controls on wages and salaries in the form of a Prices and Incomes Bill (OECD, 1971: 16). The Minister for Finance, George Colley, justified the bill on the grounds of the grossly accelerated rate of price increases.\textsuperscript{11}

The Changed Government – Trade Union Relationship

In the wake of the above, the trade unions’ access to the Taoiseach changed significantly. Although there had been a number of meetings held between the ICTU and the Ministers for Finance and Labour, there was no encounter with the Taoiseach in 1969, and none up to October 1970.\textsuperscript{12} However, following the government’s introduction to the Dáil of the Prices and Incomes Bill there were three meetings in quick succession.\textsuperscript{13} At each of these encounters the ICTU sought the withdrawal of the Bill\textsuperscript{14}, which subsequently occurred on 17 December.\textsuperscript{15} Ultimately, the threat of the Bill’s introduction resulted in the first national agreement for six years in December 1970, this despite ICTU opposition to being coerced into a deal, and its advocacy of free collective bargaining (Weinz, 1986: 98). The \textit{Irish Times} regarded this agreement as constituting an economic life-preserver for the country, and at the same time an important experiment in industrial relations.\textsuperscript{16} However, it should be noted that between the announcement of the government’s initial proposals and the ratification of the national agreement the government was forced to make a number of concessions, the most notable of which was the withdrawal of its Prices and Incomes Bill (ICTU, 1971). However, government budgetary prerogatives were not impaired by the 1970 NWA.
In this context, the relationship between the trade unions, the employers’ peak organisation, and the government, had changed. The 1970 agreement marked the beginning of a decade long engagement in centralised collective bargaining. Moreover, it marked a significant change in the politics of pay determination. Over the decade from 1970 to 1980 a further eight central agreements were concluded that would profoundly altered the Irish industrial relations climate. Between 1972 and 1978 six of these agreements were reached by way of bipartite negotiations between unions and employers. The other two agreements reached in 1979 and 1980, National Understandings (NU), were arrived at through tripartite negotiation. All the centralised pay agreements were negotiated through the ELC. However, in reality the distinction between bipartite and tripartite negotiations cannot be identified distinctly over this decade (Roche, 1994: 158).

**The Trade Unions Take a Hand in Policy Making**

By the mid-1970s the new collective bargaining approach was marked by quid pro quo arrangements on taxation between the unions and state, and the integration of government budgetary policy into national pay determination. This constituted ‘the most profound change in the nature, functions and prerogatives of democratic government in the history of the state’ (O’Brien, 1981: 144). With active state involvement in industrial relations came direct trade union involvement in public policy making. These agreements were more formal in character than their historical antecedents, such as the National Wage Recommendation of 1964. The agreements from the 1940s to 1970s, while prototypes for what was to come, were conceived as ad hoc responses to particular economic situations. They were not seen as a serious
first step towards the development of permanent institutions for the orderly adjustment of employee incomes (O’Brien, 1981: 8).

Clearly, in the 1970s, the relationship in the economy between the trade unions, the employers’ peak organisation, and the government had undergone a profound change. This change manifested itself in increased trade union representation on government committees. In effect, the 1970 agreement proved a watershed, as the boundary separating politics and industrial relations was to be dismantled by the state and unions (Roche, 1989: 121). Although, by the late 1960s the ICTU had significant representation on government committees, this was to expand during the 1970s. The bargaining institutions became more significant than any other institution of joint planning. All centralised pay agreements were drafted and concluded by the employer and trade union representatives in the reconstituted ELC, and thereafter adopted as state policy (Hardiman, 1988: 53).

This institutionalisation of pay bargaining, through the ELC, enhanced the influence and political leverage of Congress and its constituent unions. In particular, Congress could normally deliver on agreements; a major reason for this was the level of democratic accountability among the unions. This allowed Congress to approach government with a mandate on issues other than pay and conditions. The OECD (1972: 15) observed that the government was left with the task of maintaining the conditions favouring the observance of the agreements. Between 1969 and 1971 there was a marked increase in the level, and content, of the trade union policies incorporated into the government’s policies. In 1969 the trade unions were to an extent frustrated with the government. During the late 1960s the ICTU had
unsuccessfully sought the introduction of legislation on the minimum notice on the termination of employment.\textsuperscript{18} The unions, frustration boiling over, went so far as to accuse the Minister for Labour of lying to the Dáil on 5 March 1969 when he said he had received no ICTU request to consult on 1963 trade union bill which still had not become law.\textsuperscript{19}

Yet a different pattern would emerge in 1970. Early in that year the ICTU made a successful submission to the Minister for Labour on the need for improvements in the 1967 Redundancy Payments Act. The 1970 budget\textsuperscript{20} made changes to the income tax system sought by Congress.\textsuperscript{21} On 6 November 1970 the ICTU sought an increase in workers’ insurability under the Social Welfare Acts.\textsuperscript{22} The following April the Minister for Social Welfare announced an increase in the insurability limit.\textsuperscript{23} The ICTU contacted the Minister for Education in May 1970, and again in March 1971, on UCD’s decision to restrict entry to its night courses. The issue was subsequently resolved to the ICTU’s satisfaction. The ICTU also had input into both the Pensions and Sick Pay proposals of the government in 1970.\textsuperscript{24} The Industrial Relations Act of 1971 largely followed the proposals put forward by the ICTU. The National Prices Commission was established by the Minister for Industry and Commerce in line with Congress’s proposals to the Minister. In December 1971 the Department of Labour invited ICTU input on the updating of existing health and safety regulations in factories.\textsuperscript{25} The list goes on, and this process was to continue throughout the rest of the decade.

Thus, during the 1970s, Irish industrial relations reached high levels of centralisation. The conduct of industrial relations moved towards the neo-corporatist model. As the
state sought to promote central wage deals between unions and employers, their federations became major actors in policy formulation. As the decade wore on talks on pay became increasingly tripartite, and trade union influence over public policy expanded. Working parties consisting of public servants, union, and employer representatives became an increasing feature of policy making. Meetings between representatives of the social partners and ministers became commonplace. The NWA of 1975, although concluded in a climate of economic difficulty, and without establishing the principle of a trade-off between pay and public policy commitments, created a degree of expectation that the NWAs and budgets to follow might be linked, as they ultimately were in 1977.

Over the course of the decade governments went from using budgetary policy to underwrite national pay deals, to placing a range of public policy issues on the negotiation table. What had been a decentralised system of pay determination and industrial relations, underpinned by an auxiliary tradition of state policy, had been recast in a neo-corporatist mould. The ICTU, through its dialogue with government, possessed influence over the most important economic policy instruments in the hands of the State (Roche, 1994: 165). As Chubb pointed out: “with the ‘National Understanding’ the government had formally acknowledged a new positive role for the major pressure groups in an important sector of economic policy-making and had incurred commitments to them; they in turn had incurred reciprocal obligations involving the conduct of their members” (Chubb, 1992: 127).

In retrospect, it was industrial relations problems attributed to the wage round system, and free collective bargaining, such as inflation, loss of competitiveness, and
industrial conflict, along with reassessment of bargaining by the state, unions and employers, that represented the mediate influences in the centralisation of collective bargaining (Roche, 1994: 177). However, a distinct change in the power balance between the corporate groupings became evident by the late 1970s. By 1978 the employers appeared weak. In contrast the ICTU had grown stronger due to the state’s willingness to grant it concessions. This was demonstrated for all to see in 1980 when the main decisions concerning the second NU were taken by Congress and government, and then communicated to the employers (Weinz, 1986: 99). When the employers resisted the implications of this the Taoiseach pressured the FUE into concession.\(^\text{26}\) The NU reached in 1980 was to be the last central pay agreement until 1987. The antecedents to this agreement may be traced to the renegotiations of the 1975 NWA. However, if the 1977 NWA was intended to help the Coalition government’s re-election efforts it proved to be of little use. In June 1977 Fianna Fail was returned to government with the largest majority ever won in an Irish general election after their auction manifesto proved a resounding success with the voters.

**The Department of Economic Planning and Development**

In its 1977 manifesto, which opened with the words “the real threat to the future of our country lies in the economy,” Fianna Fáil, committed itself to a full employment strategy.\(^\text{27}\) The fact that issues of employment, and the economy, were central to this document, with Northern Ireland, for instance, relegated to two brief paragraphs in the back, shows clearly where Fianna Fail’s priorities lay.\(^\text{28}\) However, it recognised that full employment could not be achieved without considerable state intervention and a deepening of the tripartite relationship between government, labour, and business. To this end the document comments: ‘Fianna Fail will establish a special Employment
Action Team representative of Government Department, Local Authorities, Trade Unions and Community Organisations.29 This economic scheme was to be driven by the Department of Economic Planning and Development, under Martin O’Donoghue. The main reason for this new bureaucratic entity was the increasing difficulty in separating the NWAs from other issues, such as budgetary strategy and welfare provisions. While the new department formalised the process of tripartite negotiations it is now commonly held to be a mistake by the Taoiseach Jack Lynch as its existence created both tensions and rivalry with the Department of Finance (Lee, 1989, Arnold, 2001).

Two critical strategy documents, National Development 1977-1980, and National Development 1979-1981, produced by Minister Martin O’Donoghue addressed the concerns of Congress in large part (Arnold, 2001). While it is unlikely that Congress had a direct input into the formulation of the government’s strategy “it is evident that O’Donoghue and the Taoiseach, Jack Lynch believed that Congress support was indispensable to the achievement of the government’s aims” (Girvin, 1994, p.129). Party political expediency for Fianna Fáil pointed to the desirability of securing good relations with the trade union movement and convincing it in the words of Lynch himself that the basic objectives of Fianna Fáil and the ICTU were “close and perhaps identical” (Hardiman, 1988: 211). This view was echoed by Dr. Brendan Dowling TD, who stated in the Dail debate on the Green Paper - Development for Full Employment, that Fianna Fail was ‘the real labour party which has the backing of the majority of trade unionists’.30 However, this project was overtaken by circumstances. Internal divisions emerged within the government and the second oil crises
perpetuated the recession, and facilitated the emergence of monetarist policies in Europe, most notably in neighbouring Britain.

Another NWA was reached in 1978, but only after increasingly difficult negotiations (O’Brien, 1981). The terms of the agreement were seen to impose excessively strict limitations on trade union action without providing enough in return. By 1979 there existed an elaborate structure of bipartite and tripartite working parties, covering issues from taxation to health, under the control of O’Donoghue’s department. However, a special delegate conference of the ICTU in November 1978 had, for the first time since 1970, rejected a motion favouring the opening of talks on another national agreement. The budget in February 1979 went some ways towards meeting the ICTU’s demands for equity in taxation, and extra public spending was committed to job creation. In April a National Understanding (NU) was reached with the government. However, a subsequent Special Delegate Conference of Congress in May 1979 rejected the new agreement. The government’s response was to threaten legislative intervention in the form of a 7 percent pay limit. Fearing this ‘alternative’ Congress and the employers’ delegates opted to accept a slightly revised national understanding following new negotiations.

1978 had been a bad year for industrial relations with over 620,000 days lost in strikes (MacNeill, 1980). In early 1979 the high profile Post Office strike, which lasted from February to July, along with other less notable strikes in the public service, dented the government’s image and contributed to Fianna Fail’s under performance in the first direct election to the European Parliament in June. 1979 also saw the major tax marches against what were seen as punitive rates of PAYE. Again, in this context,
Hardiman (1988: 212-213) suggests that the government consequently attached importance to the successful negotiation of the first NU for political reasons, as well as in connection with economic management.

**Economic Crisis and the Decline of Trade Union Influence**

Irish economic performance in the early 1980s was very different from that of the preceding decade. The latter years of the 1970s had initially seen the economy recover from the downturn that followed the 1974 oil crisis. Inflation and unemployment began to fall, while strong growth returned (Leddin and Walsh, 1998: 26). Real GDP increased on average by about 5.3 per cent from 1976 to 1979 (OECD, 1982: 8). The OECD (1982: 10) went on to argue that the Fianna Fáil government that came to power in 1977 employed an expansionist fiscal policy at a time when the economy was already growing at an unsustainable rate.

Strong pro-cyclical fiscal policies led to a major deterioration in fiscal balances, with the public sector-borrowing requirement rising from around 13 per cent of GNP in 1976 to almost 17 per cent by 1979. The structural problems highlighted by the first oil crisis had remained unresolved by the time the second oil crisis struck in 1979. The OECD (1983: 7) observed that internal and external imbalances in the economy grew worse in the wake of the second oil shock, with an exacerbation of inflationary pressures and record deficits in both the current external balance and the public sector accounts. The average rate of consumer price increase in 1980 was 18.25 per cent.\(^3\) The economic downturn that followed this event affected Ireland badly. For the OECD “the second oil shock, the protracted international recession and the failure to
achieve the fiscal policy retrenchment originally sought led to a worsening of imbalances in the two years to 1981” (OECD, 1983: 10).

Adjustment to the EMS, which Ireland entered in 1979 after severing the link with Sterling, proved uncertain, and inflation ironically fell at a slower rate in Ireland than in the Britain during the early 1980s. Following rapid growth in the second half of the 1970s domestic demand fell sharply in 1980 and remained weak in 1981. At the same time, the OECD (1982: 7) pointed out that inflation accelerated and the current external deficit widened substantially. The Irish Independent went on to argue that tackling inflation, the elimination of government borrowing, and increased incentives for industry were all essential to righting the economy. The NESC (1983: 3) pointed out that GDP growth fell to 1.1 per cent, and this became a fall of 1.4 per cent in GNP due to outflows associated with the servicing of the external debt. With a marked slowdown in growth, the rate of unemployment and inflation began to rise towards historically high figures, this despite government commitments to making the achievement of full employment its prime objective (OECD, 1982: 10). According to The Irish Times manufacturing industry, battling through a severe recession, had lost 9,300 jobs. By 1981 Irish national debt had reached £10.195 billion, of which £3.7 billion was external in nature (Leddin and Walsh, 1998, pp. 155-156). Leddin and O’Leary (1995: 167) state that at this time the public sector borrowing requirement peaked at the very high level of 20.1 per cent of GNP, while the current budget deficit stood at an equally unsustainable 7.3 per cent of GNP. The Central Bank pointed to the fact that consumer prices rose by 20.5 per cent in 1981, while the deficit on the current account of the balance of payments was £1,327 million, equivalent to 13 per cent of GNP.
The early 1980s were to see a dramatic change in the government’s economic policies. John Carroll, the president of the Irish Transport and General Workers’ Union (ITGWU), argued that with over 126,000 people unemployed the economy found itself in a crisis situation.\textsuperscript{36} Fine Gael’s, Alexis Fitzgerald, remarked that there were more people unemployed by June 1981 than at any other time in the country’s history and went on to argue that Fianna Fáil had reduced the national growth rate from over five per cent in 1977 to zero, and in the space of four years had doubled the borrowing level that took 57 years to build up.\textsuperscript{37} In fact the government’s spending was so high that the total amount budgeted for 1981 had been mostly consumed by June of that year. By mid-1981 concern for the deteriorating economic performance, and more particularly the need to control public expenditure, reduce the deficit, and prevent excessive reliance on foreign borrowing, dictated the adoption of progressively tighter fiscal policies. Direct household taxes rose and disposable income fell substantially. The longstanding system of income determination also changed with the breakdown of talks on a national agreement, and a shift to freer collective bargaining in November 1981. Thereafter, the OECD (1985: 7) points out, fiscal policy in Ireland became directed to correcting massive economic imbalances that peaked in 1981.

The negotiation of second NU in 1980 had followed a similar pattern to those of 1979. However, the institutional channels through which negotiations were conducted were different this time. The non pay elements of the agreement were negotiated directly with the Taoiseach and senior ministers. Congress supplied a pre-budget submission which received a reply from Government in the budget speech in February 1980.
(Budget, 1980). In 1980, Taoiseach Charles Haughey, who had come to power in December 1979, after unexpectedly winning a leadership contest after the resignation of Lynch, met with the ICTU five times. He considered meeting the ICTU a fundamental part of the role of Taoiseach. At the time Haughey needed to prove his authority to a divided party with an election victory. This need appeared to colour the approach his government adopted to trade union pressure on pay and other issues. Essentially the government was reluctant to adopt measures which could prove politically unpopular. Although high levels of current expenditure produced a budgetary over-run in 1979 and 1980, the government continued its expansionary policies in 1980 and 1981. This was on account of the worsening international economic situation resulting from the second oil crisis, and the sharply accelerating increases in Irish unemployment and emigration. However, this situation was in itself bringing about renewed inflationary expectations amongst Irish workers.

Meanwhile, the Federated Union of Employers (FUE) had changed its views on centralised bargaining. In September, as the talks entered their final stages, they collapsed twice in ten days. This resulted in intervention by the government. The Taoiseach managed to press the FUE national executive into resuming negotiations by pledging them guarantees on the content of the 1981 budget. The second NU was ratified in September 1980 (O’Brien, 1981). However, the conclusion of this second understanding drew the resentment of the FUE at the undue political pressure brought to bear upon it. From a government/trade union relationship perspective, one astute journalist, Joseph O’Malley from the Sunday Independent, argued that ‘with a seat in the Cabinet, the trade unions could hardly have done better or secured more from Fianna Fáil (quoted in Hardiman, 1988: 212).
No further centralised agreement proved possible after 1981. Although talks opened towards negotiating a new arrangement, an impasse was soon encountered on pay terms between employers and unions. 1981 saw the election of a coalition government comprising Fine Gael and the Labour Party. In the run up to the election Fine Gael had emphasised the need for corrective action to improve the state of the economy (Coakley, 1981). Consequently, the newly elected government was unwilling to intervene to avert a breakdown of the discussions. National pay bargaining collapsed in 1981. No event particular to that year can account for the demise of the national agreements (Redmond, 1985). While economic circumstance in 1981 were worse than those pertaining during the period since 1970, the trend of economic decline was no steeper than that which formed the background to the 1979 and 1980 NUs (Roche, 1989). The seeds of collapse, the agreements’ failure to correct national economic problems, and to close the gap between their objectives and achievements, had been sown over a number of years. Ultimately, unrealised expectations and undelivered commitments bought about the demise of national bargaining.

From mid 1981 onwards, in the context of worsening economic conditions, wage rounds again became decentralised (Cox, 1983). More importantly, from a party political perspective, Fine Gael and Labour could not but be aware of the closeness of the ICTU to Fianna Fáil, notwithstanding that the 1979 National Understanding had initially been rejected by the ICTU, leading Brian Lenihan to famously remark that it was the fault of ‘reds’ with ‘alien ideologies’ (quoted in Foster, 2007: 17).
Political and Economic Instability

By 1982 all political parties were committed to curbing public spending. This objective was not compatible with underwriting collective agreements on the sorts of terms that had characterised the two NUs. As a consequence, trade union influence on public policy was to be reduced drastically during the first half of the 1980s. The period from June 1981 to November 1982 was distinguished by a level of political instability not previously experienced in Ireland. Three general elections were contested, each of which brought with it a change of government. The minority Fine Gael-Labour Party coalition, falling on budget day 1982 after introducing an upwardly redistributive budget that led the independent deputies sustaining it to withdraw their support, was succeeded by a minority Fianna Fáil administration in March 1982. Thereafter, Haughey met with the ICTU only twice. This Fianna Fáil government promised a more humane approach towards balancing the books. However, Taoiseach Haughey soon reversed policy course (Hardiman, 1988: 179). Fianna Fáil’s budget of March 1982 makes no reference to reviving the NUs. The publication in the autumn of Fianna Fáil’s economic plan *The Way Forward*, based on redirecting wealth upwards, proved too much for the minority government’s left-wing parliamentary support, namely independent deputy Tony Gregory, and three Workers’ Party TDs. Gregory and the Workers’ Party deputies choose to withdraw their support from Fianna Fáil in protest at *The Way Forward*. Fine Gael subsequently tabled a motion of no confidence in the government, and when the vote was taken on 4 November the government was defeated by 82 votes to 80. Another general election was held in November 1982, and this saw Fianna Fáil replaced by a majority Fine Gael-Labour coalition government.
Economic instability also peaked in the 1981-2 period (Mjoset, 1992: 381). For national development the governments of 1981 and 1982 were of such short duration, and unstable character, that no discernible economic policies emerged. With the national debt, and current budget deficit, spiralling out of control, the latter having reached £12.8 billion and the former £998 million by 1982,42 a coherent policy approach was essential for corrective purposes. By the time the second Fine Gael-Labour Coalition of the 1980s came to power in November 1982 the national debt had exceeded GNP. According to Jacobsen (1994: 149) the fact that Fine Gael profited from the 24 November election [1982] ‘might well be a tribute to the potency of free market ideology.’ However, it is much more likely that, in an era of white collar protest about taxation and declining union membership, all the parties realised there simply was no other choice but to reduce public spending in an attempt to retain control over macroeconomic policy, and stave off the spectre of IMF domination. For instance, ICTU membership, which rose from 312,000 to 408,000 between 1960 and 1970, and reached a peak of 527,200 in 1980, declined to 457,300 by 1987 (Roche and Larragy, 1989).

The state of the public finances would not permit any government much scope for action on issues of trade union concern.43 By 1982 all the major parties agreed on the need to stabilise the national debt/GNP ratio (Mjoset, 1992: 381). The state’s policy for much of the 1980s was to maintain the trade unions at a remove from policy making (Roche, 1994: 172). After 1981 the government’s policies towards the trade unions were to see the ICTU marginalised as a policy making force. Ultimately, the trade unions were, as put forward by the Fianna Fáil TD Seán Calleary, to face unprecedented attacks from the government on pay and negotiating procedures.44 The
state changed its overall policy from focusing on employment to balancing budgets, export growth, and international competitiveness. In that context trade unions’ access to the Taoiseach diminished dramatically after 1981. The ICTU met with Taoiseach Garret FitzGerald only once in 1983, and not at all in 1984. Persistent turbulence over public service pay, and the coalition government’s disinclination to return to tripartism, made for difficult relations between the government and the trade union movement in general. Meetings between the government and the ICTU at this time were formal, tense, and in general unproductive, and remained so throughout this government’s term (FitzGerald, 1991: 454). In his autobiography FitzGerald (1991: 454) goes on to say that ‘the only personal recollection I have of a genuine worthwhile discussion with the unions is of an encounter between the ICTU and the Fine Gael Ministers that took place in our party office’. He further observes that certain of the unions’ hostility towards the government might have related to the fact the Labour Party constituted part of a government taking a determined stand on pay and decentralised collecting bargaining. This was despite the fact that the majority of union members seemed to vote for Fianna Fáil.

Moreover, at this time, there was a dramatic change in the level of trade union policies that were incorporated into the government’s policies. By the late 1970s the trade unions’ polices had been regularly finding their way into the government’s legislation. The Minister for Labour was continuously accepting representations from the ICTU on various Bills and Acts. The Department of Labour approved the amendments sought by the ICTU to the Safety in Industry Bill in July 1979, and the Payment of Wages Act 1979. At the ICTU’s urgings, on 6 February 1980 the Minister for Labour implemented EEC recommendation on 40-hour working weeks.
In April 1980 the ICTU set out its views on the Redundancy Payments Acts to the government. The following March the Minister for Labour informed Congress that, with the consent of the Minister for Finance, he had implemented their requested changes. In early 1981 the Department of Labour introduced legislation on the protection of young people in employment, which conformed to Congress’s proposals. In April the Night Work (Amendment) Bill was passed by the Dáil. This had been sought by Congress in its Executive Council Report to the 1980 Annual Delegate Conference. Under the second NU Congress had an input into the Maternity Protection of Employees Bill, the Social Welfare (Amendment) Bill, and the Working Hours Bill. However, in July 1981 the ICTU condemned the deflationary policy of the budget introduced by Fine Gael Minister for Finance John Bruton.

By January 1982 the ICTU was at loggerheads with the Fine Gael-Labour Coalition over their proposed budget. Congress sought a reduction in the tax burden on workers, by increasing taxes on farmers and the self-employed. Following the change of government in March 1982 Fianna Fáil’s budget incorporated a number of the ICTU’s pre-budget submissions relating to increases in the rate of social insurance benefits, and child allowances. However, the ICTU was simultaneously growing annoyed at the government’s lethargy in implementing certain legislation, such as the Green Paper on Services for the handicapped. Although the ICTU expressed support for the EEC Commission’s proposal for a council directive on voluntary part-time work, the government opposed this. Determined to deflate the economy, the government also rejected the unions’ policy on pay in the public and private sectors. The government did pass the Trade Disputes Act in July 1982, extending the
protection of the 1906 Act to all workers apart from the security forces.\textsuperscript{59} However, on 30 July 1982, a government statement on public expenditure policy insisted that public employees would not be paid any further special pay increases that had been agreed with the ICTU in January. In the Fine Gael/Labour budget of February 1983 the tax burden on PAYE workers was increased, and social welfare was reduced,\textsuperscript{60} to the dismay of the ICTU.\textsuperscript{61} Thereafter, it was clear that on the issues of taxes, wages, and welfare, the government and the ICTU were firmly in opposing camps. The ICTU’s pre-budget submission on housing was also ignored by the government in 1983.\textsuperscript{62} It seems clear that the glory days of trade union influence on government policy making ended with the political and economic instability of the early 1980s. In this light it is noticeable that the form of social partnership adopted after the 1987 general election was considerably different from the agreements of the 1970s.

**Conclusion**

The fact that successive government were willing to deal with the unions in a similar manner highlights the lack of strong ideological differences between the political parties. In essence, the 1970 national agreement was born out of economic necessity, and political expediency, and not some deep desire on the part of Fianna Fail to engineer the development of a Scandinavian style corporatist state. Thereafter, the policies introduced during this period of “corporatism” were marked by a certain contingency. As we have seen, when it suited the government trade union policies were broadly approved, finding their way into public policy. There can be no doubt that after the industrial relations unrest of the late 1960s, closer relations with the unions was beneficial to the political parties seeking to sell Ireland as an attractive location for FDI, and in their objectives of industrial relations tranquillity.
However, as the economic situation worsened in the late 1970s, trade union demands became impossible to implement in an increasingly uncertain political period. Throughout the 1970s the relationship between the political parties and the ICTU never constituted a sectorial corporatist relationship as advanced by Lehmbuch (1984). While the Coalition and Fianna Fail governments sought to establish a working relationship with the ICTU, they lacked a coherent approach. The Labour Party coalition with Fine Gael proved highly contentious for the trade unions. For instance, ITGWU delegates to the Labour Party conference in 1974 accused the party of having sold out to Fine Gael (Hardiman, 1988). While in the early 1980s ITGWU policy also opposed Labour Party participation in coalition government.

During the 1970s governments tended to oscillate between supporting negotiations with the trade unions and sustaining voluntary employer-labour agreements on the one hand, and threatening statutory controls on the other. The threat to legislate on a statutory pay norm was sometimes used to hasten a “voluntary agreement” – this coming mostly out of economic necessity. Thus, the political parties economic priorities were always the subtext to negotiations. Instances include the proposal to enact a statutory prices and incomes policy in 1970, a wage freeze in the summer of 1975 and at various points during 1976, and a binding pay guideline in 1979.

For Fianna Fail and Fine Gael, their relations with the unions constituted a delicate balancing act, juggling the priorities of the national economy, from whence the majority of their votes came, and the priorities of the unions, which constituted a smaller, if not inconsiderable, constituency. When the interest of these two
constituencies coincided, or could be made to coincide, as in 1970 through threats, then everyone was a winner. However, when their interest diverged, the weak ideological base underlying the catch-all nature of Irish politics dictated that the political parties prioritised the needs of the economy above the needs of the union movement and its membership. In this, Fianna Fáil, in particular, had the extravagant luxury of knowing that they won more working class votes than the Labour Party. The view of several commentators that the trade union movement regarded the Labour Party as the natural party of protest and Fianna Fail as the natural party of government indeed held true (Hardiman, 1988, 212; Gallagher, 1982).

While some may argue that the trade union movement found participation in the centralised agreements provided scope to advance its interests with both employers and government simultaneously, we advance the view that the political parties saw union involvement as a means of advancing their own objectives at the ballot box. They regarded the unions as an interest group they could bring into the charmed circle of power, until it no longer suited their needs, then could dispense with, until circumstance dictated differently. Thus, in the period 1970-1982 the trade union movement found itself in the somewhat unenviable position of being expedient friends with whatever parties happened to be in government. After the promises of Fianna Fáil’s 1977 election manifesto ultimately failed to materialise in the macroeconomic crisis of the late 1970s and early 1980s the goodies that were to be put before the electorate in 1981 and 1982 were of a decidedly sour kind to the trade union movement.

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