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One of the interesting phenomena of recent years is the resurgence of a national social dialogue between trade unions, employers' associations and governments in many European countries. In a number of cases – notably in Ireland, Italy, Portugal, Spain, and Finland - this has taken the form of social pacts. In other countries, like Austria, Norway and the Netherlands, the long-standing tradition of social partnership and consultation economy has been revived as the standard operating procedure in wage bargaining and social and economic policy-making. In Belgium (in 1993 and again in 1995-96) and in Germany (1995-96) attempts to negotiate a National Pact for Employment failed, but new proposals are on the table. In Germany the new Left-Green government of Mr. Schröder has staked its success on the 'Alliance for Jobs' based on a tripartite exchange with the unions and employers federations. An overview of recent social pacts and agreements— both the success cases and the failures— is presented in Table 1.

Table 1: Social Pacts and National Agreements in Europe

Austria	Institutional Social Dialogue (*Paritätische Kommission*)	
Belgium	Global Pact 1993	failed (law)
	Future Pact 1996	failed (law)
	Central agreement 1998-99	within narrow legal limits
Denmark	informal wage moderation norm (D-mark zone), 1987	
Finland	Stability Pact (markka) 1991	failed
	Social Pacts I 1996-97 and II 1998-99	
	Social Contract 2000	failed
France	attempt to establish national social dialogue in 1997	failed (law)
Germany	Alliance for Jobs 1995-96	failed
	Alliance for Jobs, Training and Competitiveness 1999-	
Greece	Pact of Confidence 1997	'stop-go social dialogue'
Ireland	PNR, National Recovery 1987-91	
	PESP, Economic and Social Progress 1991-94	
	PCW, Competitiveness and Work 1994-97	
	Partnership 2000 1997-2000	
Italy	national agreement to end *scala mobile* 1992	
	Ciampi Protocol 1993 (reform wage setting)	
	Pension reform 1995	govt. with unions
	Employment Pact 1996 (labour market reform)	
	Social Pact for Growth and Employment 1998 (Christmas Pact)	
Netherlands	Wassenaar (wage moderation) 1982	bipartite
	Convergence and Concertation (institutions) 1993	
	A New Course (decentralisation) 1993	bipartite
	Flexibility and Security ('flexicurity') 1996	bipartite
Norway	Incomes policy agreement 1987-88	bipartite
	Solidarity Alternative 1992-1997	
	Basic Agreement 1998-99	failed
Portugal	Economic and Social Agreement 1990	without largest union
	Short Term Social Concertation Agreement 1996	without largest union
	Strategic Concertation Agreement 1997-99	without largest union
	Europact 2000	failed
Spain	Toledo Pact on Future of Social Security 1996	govt. with unions
	Stability of Employment and Bargaining Pact (reforms) 1997	bipartite
Sweden	attempts at establishing 'Euro' wage norm	failed
	Pact for Growth 1998	bipartite, failed

note: tripartite unless indicated otherwise
source: CEC 2000; Fajertag and Pochet 1997, 2000

I do not wish to argue that social dialogue is universally embraced in Europe or that the pacts mentioned above are functioning smoothly. Of the large European countries Britain— even in the days of Blair— is conspicuously absent in Table 1. Attempt to reach agreement between employers, unions and the government in France foundered in 1997 when the Socialist government announced new legislation on the 35 hours working week. More recently, in July 2000, the agreement between some unions and the national employers federation to reform the national unemployment security scheme was discarded by the government. The German Alliance for Jobs, Training and Competitiveness is off on a difficult start. The future of the Italian concertation is uncertain with the elections in 2001, a more assertive leadership among employers and the re-ignited rivalry among national union leaders. In Greece and Portugal concertation is still on shaky grounds among employers and large parts of the union movement. In Table 1 we note that failures are frequent, even in countries with an established historical record of social concertation (Sweden, Norway, Finland, Belgium). However, the fact that there are attempts to reach these national pacts or agreements is in itself significant

The contents of the 1990s reform pacts

Four major issues make up the agenda of the recent social pacts in Europe. These are: (1) the design of an inflation-proof and productivity-oriented wage policy, in accordance with the membership criteria of Economic and Monetary Union; (2) the reduction of non-wage costs through a change in the financing of social security with less negative effects on employment; (3) the adjustment of social security and old age pensions to new patterns of work and life, with more career interruptions, part-time and atypical employment; and (4) the negotiation of flexible labour time arrangements responding to needs of workers (families) and employers. Not every agreement or pact deals with the same issues. Some deal only with pensions, others with wage moderation, a third with institutional frameworks for multi-level bargaining in order to combine improved central co-ordination within a decentralized industrial relations setting. Issue linking but also issue side-stepping is a prominent and much criticized feature of social pactism or concertation. The pacts of the 1990s clearly indicate that the issues of employment, wage setting, labour law and social security are interrelated even where policies are decided and implemented in different arena's and by different combinations of interest groups and public authorities (Visser and Hemerijck 1997).

The comparison with the income policies of the 1970s

It is tempting to interpret the current social pacts as a revival of the national incomes policies that dominated the wage policy scene in many European countries during the 1960s and 1970s (Flanagan, Soskice and Ulman 1983). There are however some very significant differences, as will be seen from Table 2.

Table 2
Comparison of Social Pacts in 1990s with Incomes Policies of 1970s

	1960s or 1970s	**1990s**
Policy context	National economic policies Accommodating monetary policies Manufacturing Baby boom	Internationalisation EMU Services (ICT) Greying
Labour market	Full Employment Employment Protection	Unemployment Flexibility (and security?)
Social protection	Expansion of coverage	Reform (securing future)
Wage policy goals	Productivity Redistribution	Competitiveness Moderation (payment by results?)
Wage setting	Centralisation Control	Decentralisation Coordination
Institutional framework	Bipartite and / or state interventions	Re-ordering of responsibility and

	policy instruments between social partners and state

source: derived from CEC 2000

The income policies and social contracts of the 1960s and 1970s were attempts to secure union support for anti-inflationary wage setting in a context of increased international turbulence. They were designed to allow governments and central banks to pursue expansionary fiscal and soft monetary policies, needed to defend high (public) employment levels and finance a still expanding welfare state. As long as governments were committed to full employment, trade unions held a strong political bargaining position. Delivery of wage control in the exposed (manufacturing) sector was seen to be crucial and it was here that the power and militancy of trade unions was based. Trade unions, weakened by unemployment and membership decline, come to the negotiating tables of the 1990s from an entirely different position. Under EMU, monetary (and to some extent fiscal) policy has been placed beyond their reach. Employment creation in services and adaptation of social security and pensions to changes in demography and labour market behaviour present an inescapable agenda for reform to the unions and governments, whatever their political background or alliances. The pacts of the 1990s are attempts to reconcile the EMU-target criteria of tight money, low inflation and reduced public deficits with the objectives of greater economic growth, increased competitiveness and employment. With unemployment levels as high as they are – 9 per cent of Europe's labour force is unemployed and almost half of those without jobs are longer than one year unemployed – wage moderation and flexibility are inevitable ingredients of today's reform packages. Today's negotiations are about the introduction of payment by results or profit-related pay systems, and the allowance of more individual choice within collective agreements. Finally, an important feature of past incomes policies was its insistence on the principles of voluntary (bipartite) agreements and yet frequent state interventions in wage setting or dispute resolution. The more innovative pacts of the 1990s (Netherlands 1993, Ireland 1997, Italy 1993 and 1998, Spain 1997) are working on a new division of responsibilities between social partners and public authorities in an environment that is less controlled by them.

European integration

It appears that the European monetary project has been a major contributing factor in the revival of social dialogue at the national level. The negotiation of social pacts in for instance Italy, Finland, Spain, Portugal and (more recently) Greece, and the attempt to conclude a pact in Belgium, were prompted by the need to qualify for entry into the Economic and Monetary Union. While these pacts highlight the need to fight unemployment, they also and perhaps more surprisingly aimed at securing the country's entry in the EMU. The convergence criteria agreed in Maastricht (1991) – low inflation, lower deficit spending, lower public debts – appear to have triggered a set of 'alliances between the government, business and labour aimed at "making the country fit for Monetary Union"' (Streeck 1998).

The race towards membership in the EMU played the same role as did the national crisis or awareness of vulnerability in the Netherlands in 1982, Ireland in 1986, Finland in 1991, or Italy in 1993. In 1982 unemployment increased with 10-15,000 people per month and one in four young people was unemployed in the Netherlands. The feeling that 'a limit was reached and a change in policy and mentality was needed' (Visser and Hemerijck 1997: 13) played an important role in the turnaround that led to the agreement of Wassenaar of 1982. In 1986 the Irish economy 'was almost universally seen to have reached its nadir' and the first of a series of four central agreements, valid from 1987 till today, was negotiated, so to speak, 'out of the last ditch' (Roche 1992: 325). With the collapse of the Soviet Union and the crisis in the paper industry, the Finnish economy was in dire straits in the early 1990s. Political corruption and the collapse of the Italian party system in 1993 encouraged trade unions and employers to help secure Italy's membership of Europe.

There was another lesson that may have driven union leaders, employers and governments to search for 'positive sum' solutions. In the 1980s European trade unions were taught the bitter lesson of Mrs. Thatcher's' uncompromising approach. They discovered that a policy of non-cooperation and union militancy (remember the Miners' Strike of 1985?) did nothing to stop her and wasted away union power. The lesson is that a determined government with a strong and enduring electoral mandate can defeat a union movement as powerful as the British (remember the Winter of Discontent of 1978?). In the mid 1990s European politicians learned another lesson, however. A policy of social security and pension reform against the unions, as was tried by Berlusconi in Italy in 1994 or by Chirac andJuppé in France a year later, easily backfires and brings political defeat. Reforming the welfare state remains an undertaking that is bound to be unpopular with Europe's electorate (Pierson 1996). Hence, it needs all the care and support it can get.

A New Peace Formula?

Social dialogue can be defined a process in which actors inform each other of their intentions and capacities, elaborate information provided to them by experts, and clarify and explain their assumptions and expectations (Visser 1999). Social dialogue lies in the fuzzy zone between bargaining and problem solving, two of the three decision-making styles that are commonly distinguished (the third one being confrontation, see Scharpf 1993). In the case of bargaining, each side sticks to his or her interests or preferences. One may or may not reach a compromise or agreement, for instance by splitting the difference. In problem solving, the bargaining partners develop a joint utility function, in the sense that they arrive at a consensus of 'wanting the same thing'. Such a reconciliation of purposes is more likely the result of repeated interactions in which parties learn to interpret reality in broadly the same way and to value each other's contribution. Joint institutions of unions and employers, such as the Foundation of Labour in the Netherlands, the Social Partnership institutions in Austria, or the National Economic and Social Forum in Ireland, can be very helpful in preparing the ground for bargaining. Their main function is the creation of a forum for the 'joint observation of facts'. They allow policy makers who represent diverse interests to discuss and evaluate the 'state of the world' before they start bargaining over the distribution of adjustment costs. This helps them to concentrate on 'win win' solutions (or side-step the issue until they can work out a 'win win' solution). There may be further advantages, like the enhancement of informality and confidentiality, the development of a shared understanding of the key mechanisms in the formulation and implementation of policies, a better understanding of the interdependence between actors and policies, and a greater sense of fairness and sharing of benefits. Potentially, a protracted experience of social dialogue involves the participants in 'a process of deliberation which has the potential to shape and reshape their understanding, identity and preferences' (NESF 1997: 33).

Social learning

Not all social pacts start off with being popular. Nor does social dialogue always bring the promised results. As was noticed before, in Belgium and Germany initial attempts failed. Even in the Netherlands, where the consultation economy revived and became the object of international praise, there are memories of a ‘Dutch disease’, of trade unions and employers at loggerheads and stubborn unwillingness of all parties concerned to tackle the continuing crisis of disability pensions. This underscores the problem that social dialogue may not only lead to consensus (it sometimes doesn’t) but also needs consensus or a ‘problem solving’ style of decision making. If the participants keep each to their own scripts and use social dialogue for bargaining purposes, it may make things worse, since each participant can hide behind the vetos of the others. The ‘unanimity rule’ implicit in social dialogue gives participants unmatched power to hold out, prolong discussion and produce a stalemate in decision making. This was well noted by Windmuller in his analysis of the Dutch concertation economy thirty years ago. ‘The implicit commitment to go to extraordinary length to find compromise solutions through institutionalised consultation may also result in an excessive tendency to allow mediocrity and safety to prevail where calculated risk taking might reap a harvest of excellence’ (Windmuller 1969). Hence, it may be vital that there is a ‘stick in the window’ or ‘shadow of hierarchy’ (Scharpf 1993) if issues become deadlocked or the costs of non-agreement are shifted to outsiders (future generations, for instance).

A concerted approach to problems and policy failures is based, in the typology of Hirschmann (1970), on the deployment of ‘voice’. Participants are obliged to explain the reasons for their decisions and views to each other, to their rank and file, and to the general public. They must deliberate a wider range of policy issues and take consideration of more alternative policy options. This creates a pressure to compromise, which over time may produce a sense of mutual trust and become an element of ‘loyalty’. To use a phrase of Italy’s former union leader Bruno Trentin: ‘Social dialogue is not like a streetcar which one can board or leave when and if one likes’. Continued participation helps to increase compliance, since promises not kept amount to loss of bargaining credibility in the next round. This is particularly important with regard to policies that are difficult to monitor and take a long time to implement or show effect.

European social dialogue

The resurgence of national social pact has produced renewed interest in the possibilities and conditions of social and employment pacts at the level of the European Union. Early 1996 Commission President Jacques Santer announced, prematurely as it turned out, a 'Confidence Pact on Employment'. The *European Trade Union Confederation* (ETUC), Europe's principal trade union federation, has pushed in the direction of institutional dialogue and partnership with employers and governments for the purpose of increasing its influence over economic policy. While the ETUC supported EMU, in spite of some misgivings among member unions, the organization is consistent in its claim that more political control over monetary issues and more attention to employment issues are needed. Since 199, ETUC leaders and their counterpart on the employers' side meet frequently with the president of the new European Central Bank. Since the Maastricht Treaty of 1992 and within the rules of the Social Policy Agreement, European unions and employers have a modest, but recognized role in the development and implementation of European legislation on labour standards. Within the framework of the European guidelines for best practice in employment policy, inaugurated at the special Luxembourg Summit of 1997, national governments are pressed to involve unions and employers in the development of the so-called national action plans on employment that are the basis for surveillance. Since the Cologne Summit of 1999, there is a framework for regular top-level dialogue between the ECB, the European Council and Commission, and the social partners. One can see this as (relatively cheap?) investments in a climate that contributes to moderate wage growth and support for social security reforms with the ultimate aim of improved competitiveness, more jobs and a continuing welfare state.

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