

*Center for European Studies
Working Paper Series 122*

Still Two Models of Capitalism? Economic Adjustment in Spain

by **Sebastián Royo**

Associate Professor of Government and Director,
Madrid Campus, Suffolk University,
Affiliate and Co-chair of Iberian Study Group,
Harvard Center for European Studies
Suffolk University
Government Department
Beacon Hill
41 Temple St. 5th Floor
Boston, MA 02114
sroyo@acad.suffolk.edu
www.cas.suffolk.edu/royo
617-573-8343
Fax: 617-367-4623

ABSTRACT

The proponents of globalization contend that European countries are now converging on an Anglo-American model of capitalism. Contrary to this prediction, this paper will show that in Spain globalization and EMU have promoted rather than undermined coordination among economic actors. Unable to escape from economic interdependence the Spanish economic actors have developed coordinating capacities at the macro and micro levels to address and resolve tensions between economic interdependence and political sovereignty. In this paper I show that there is at least one more variety than the two—LME and CME—that Hall and Soskice cite and also that it is possible to develop coordination capacities in countries that lack a strong tradition of such capacities. In particular, this paper analyzes the resurgence of national-level social bargaining in Spain in the 1990s. This development was the result of the reorientation of the strategies of the social actors. In a new economic and political context, marked by a process of institutional learning, trade unions have supported social bargaining as a defensive strategy to retake the initiative and influence policy outcomes.

Introduction

Is globalization forcing non-“Coordinated Market Economies” (CMEs) such as Spain to converge on an Anglo-American model? 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. This paper describes a research project¹ that challenges the interpretation according to which the responses of European countries to these pressures are uniform, and the argument that increasing exposure to trade, foreign direct investment, and liquid capital mobility have prompted a pervasive race to the neoliberal bottom among countries. Contrary to those predictions, it shows that in Spain globalization and economic integration have promoted rather than undermined the development of cooperative institutional settings and “institutional complementarities.” Unable to escape from economic interdependence, Spain has experimented with *social concertation*—that is, centralized agreements between business and labor organizations, often with the participation of the state, on wages and other social goals—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 article seeks to address the impact of globalization and European economic integration on the literature of neocorporatism. The neocorporatist 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 that 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 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 European Monetary Union that would further decouple 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 2000).

¹This paper is part of a larger research project that analyzes instances of coordination in non-CMEs. It focuses on two European countries (Spain and Portugal) and a Latin American one (Argentina). This research project pursues two main objectives. First, to review the political economy literature on institutions and to explain the ways in which they affect the behavior of economic agents. Moreover, since companies are the locus for wealth creation, it becomes crucial to understand how government actions, local contexts, and institutional settings could enhance their competitiveness and foster markets for ideas, capital, and people (Hamel 2000). In addition, at a time in which there are significant competitive pressures across countries to deregulate and increase competitiveness, it is important to analyze the impact that different institutional settings have on business activities. It is also necessary to explore the prospects of building coordination capacity in countries that lack a propitious institutional framework. Thus, this project (which will include the analysis of other instances of cooperation at the micro level in later stages) will help to answer key questions such as: what kind of institutions favor enhanced competitiveness and promote entrepreneurship and innovation? how can firms exploit to their advantage the institutional setting in which they are operating? how much institutional change is possible? and, can the knowledge and experience accumulated during institutional reforms in industrialized countries be used in other countries?

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 article analyses the resurgence of national-level social bargaining in Spain. In this country social bargaining emerged in the 1970s and, after a breakdown in the second half of the 1980s, it resurfaced in the mid-1990s. It will question how national-level social bargaining reemerged in Spain during the last decade, despite unpropitious institutional and structural conditions.

The resurgence of social concertation in Spain has been the result of the reorientation of the strategies of the social actors. In the new context of the 1980s and 1990s, trade union organizations have supported tripartite bargaining as a defensive strategy to retake the initiative and influence policy outcomes. In addition, the resurgence of social bargaining has been fostered by a process of institutional learning, which led union leaders to conclude that previous confrontational strategies were detrimental to the interest of their constituencies, and threatened their own survival.

Spain offers an ideal venue for examining the relationship between corporatist arrangements and globalization because it is one of the few instances in which social bargaining emerged in an institutional and structural context markedly different from that of the small European states of Northern and Central Europe. Spain cannot be classified as a Liberal Market Economy (LMES) (i.e., like Britain, Australia, or the United States), or as a Coordinated Market Economy (CMES) (i.e., like Germany, Japan, Sweden, Austria, or the Netherlands). On the contrary, Spain displays what some authors have referred to as a distinctive "Mediterranean" style of capitalism (Rhodes 1998). Hence, Spain offers an opportunity to research the impact of a different institutional setting on social democratic corporatist policies.

In addition, analysis of the Spanish experiences with social bargaining will show that arguments about the demise of national autonomy in the global economy are overdrawn. Increasing foreign direct investment, exposure to trade, and liquid capital mobility did not prevent the emergence and consolidation of social bargaining in Spain. The Spanish government and the social actors faced strong political incentives to cushion, through social bargaining, the dislocations generated by the integration of the Spanish economy in the European Community (1986) and European Monetary Union (1998). The combined impetuses of globalization and monetary integration promoted, rather than hindered, social bargaining.

The study of the Spanish case will confirm that the link between changes in the international economic environment and the process of domestic policy making also depends on domestic political and economic factors. They provide their own set of incentives for domestic actors to entertain certain political strategies.

The paper is divided into four main sections. First I discuss the methodology and the theoretical framework. In the second section, I outline the process of social concertation in Spain from a comparative perspective. In the third section, I look at the empirical puzzle and explain the return of social bargaining in Spain. I conclude the paper by looking at future prospects.

Methodology

In order to account for the resurgence of social bargaining in Spain, this article has chosen a historical and institutional approach that considers the objectives of policy-makers and social actors, as well as the way that they interpret existing economic and political conditions. This approach allows the researcher to examine the ways institutions structure the relations among actors and shape their interests and goals, thus constraining political struggles and influencing outcomes (Steinmo, Thelen, and Longstreth 1992: 2).

Most of the research material for this project has been gathered in Spain. In order to pursue this analysis, the author conducted an extensive review of the secondary literature and has interviewed scholars, social actors, and policymakers. He has met with employers and representatives from the main business confederations in Spain, and has conducted interviews with the leaders of the major trade unions, as well as leaders and representatives of the main political parties. In addition, he has interviewed former and current high-ranking officials from state agencies: ministries of labor, economics, the central bank, and the institutions in charge of fostering social bargaining (the Consejo Económico y Social, or CES). Finally, he has conferred with leading scholars and specialists in politics, industrial relations, and economics in Spain and the United States. Overall, he has interviewed over twenty-five people.² In addition, secondary sources of data come from the libraries and records of selected government departments and the social actors. These records provided data on the organization, structure, and strength of the social partners and their strategies.

The Theoretical Context

Basic factor endowments such as labor, land or capital, influence economic and business strategies and condition managerial decisions. The role of these factors has been extensively analyzed by the literature (Porter 1990; Kotler *et al.* 1997; Fairbanks, Lindsay and Porter 1997). Institutional factors also hinder or facilitate the strategies of governments and companies. Nevertheless, more recently the political economy literature has attempted to explain cross-national patterns of economic policy and performance (Hall 1999; Iversen 1999), and institutional theories have focused mainly on the analysis of organizational change (Powell and Dimaggio 1991). In this manner, institutional economists have attempted to explain the ways in which institutions and institutional change affect the performance of national economies (North 1990; Alston, Eggertson and North 1996).

Building on the new economics of organization, a group of scholars has developed a new theory of “*comparative institutional advantage*” that offers new explanations for the response of firms and nations to the challenges of globalization and economic integration (Hall and Soskice 2001). They argue that the institutional frameworks within which firms operate may condition what they can do. The key conclusion of these authors is that there is more than one path to economic success and that nations do not have to converge to a single Anglo-American model. The focus of this literature, how-

²Interviews took place in Spain in 1996-97, 2000-01, and 2003-04. For an extensive comparative study of social concertation in Spain and Portugal, from which this article draws, see Royo 2002.

ever, has been on the so-called “*liberal*” and “*coordinated*” industrialized economies of Western Europe, North America, and Asia. This research project builds on these findings and tests these hypotheses on Spain, a country that cannot be easily classified as either a “*liberal*” or “*coordinated*” economy. The institutional frameworks that exist in Spain defy easy classifications. Contrary to predictions, however, Spanish economic institutions are not converging toward an Anglo-American model.

This paper illustrates that outcome differences at the macro level reflect divergences at the micro level, as the social actors pursue new strategies to respond to competitive pressures (Thelen 2001: 72). In Spain the decision by economic actors to develop coordination capacities has been influenced by the position of the country in the international division of labor. The predominance of labor-intensive low-value-added firms over high-skilled-based ones has influenced the choices of governments, unions and firms, and it has determined their policy preferences. This is so because in Spain, with a predominance of low-value-added firms, firms base their competitiveness mainly on low costs, high versatility, and the ability to adjust rapidly to changing market conditions. Hence, there is a greater need for generalized labor market flexibility, and a lesser one for the development of a highly educated and cooperative labor force. Spanish firms derive their institutional competitive advantage from the capacity of their institutional context efficiently to provide firms with weak collective goods, high versatility and rapid adjustment to changing markets (Regini 2000).

Furthermore, it shows that coordination is a political process. In a context of structural changes we have to examine the political settlements that motivate the social actors. It agrees with Thelen (2001: 73) that the focus on the “political dynamics” helps to underline that coordination is not just a “thing that some countries have and others lack.” Indeed, the Spanish experience shows that coordination is possible in countries that “lack” the appropriate institutional setting, and that it can be sustained over a period of time. In Spain the social actors have rejected the lower-cost alternative of pure deregulation and decentralization and, instead, lacking the strong non-market coordination mechanisms that characterize CMEs, have developed innovative strategies to secure cooperation. This decision underlines a shift in power relations caused by structural changes that has resulted in a new dynamic equilibrium between union and employers.

Social Pacts in Spain

Social pacts emerged in Spain in a context marked by the democratic transition and the economic crisis of the late 1970s and 1980s. The intensity of the crisis convinced the Spanish social actors of the need to implement an incomes policy based on top-level agreements among the major labor confederations, the employers associations, and at times the government. This process was known as “social concertation.” Originally, the purpose of these agreements was to restrain wage demands to control inflation and foster the recovery of business profits, as well as to contain labor militancy, which might pose a threat to the stability of the new regime by provoking the army and the extreme right (Royo 2000: 5). In Spain, the social actors signed six major agreements in the late 1970s and mid-1980s (see Miguélez and Prieto 1999, Roca 1993, Solé 1985, Giner and Sevilla 1984). The government only signed two of them. Concertation collapsed after 1986 and re-emerged in the mid-1990s (see Table 1).

The Empirical Puzzle

What is remarkable about the emergence of social concertation was that Spain lacked a tradition of social bargaining among democratic actors. In fact, it had no experience with the neocorporatist agreements that had been an integral part of the industrial relations setting in many other European nations. In Sweden, Austria, the Netherlands, Finland, and Belgium, among other countries, social bargaining had been the preferred mechanism to regulate relations among social actors after World War II. In these countries social democratic parties remained in power for an extensive period of time, and they sought to implement traditional social democratic policies to achieve full employment. At the core of such policies lies a compromise among business, the state, and the organized working class in which all partners cooperate to promote what might be described as a virtuous circle of full employment, economic growth, and welfare state redistributive measures. Social concertation plays a critical role in such social democratic experiments because it is the institutional instrument that “delivers” incomes policy, or the wage restraint that results from top-level negotiations between business organizations and trade unions. Under these agreements unions agree to wage moderation in exchange for material and political compensation from business and the state. (Royo 2000: 9-11). The success of this strategy, however, depends on unions’ cooperation in implementing incomes policy and controlling inflation. According to the corporatist literature, the organizational prerequisites for concertation include the presence of highly centralized and encompassing unions and employer associations, and a peak-level system of wage bargaining (Lehmbruch and Schmitter 1982; Goldthorpe 1984).

A comparison of these institutional factors across European countries suggests that Spain does not meet some of the institutional criteria advanced by the neocorporatist literature for the success of concertation schemes. The structure and organization of Spanish economic actors, especially its labor unions, did not foresee the successful implementation of social concertation agreements in this country. Union membership rates in Spain are among the lowest in the OECD, and they are far lower than the rates of unionization of traditional neocorporatist countries, such as Sweden.

At the same time, Spain does not have the monopolistic and encompassing unions that exist in other countries such as Germany, Austria, or Sweden. In Spain the labor movement is dominated by two major confederations: UGT and CCOO, which compete for worker support. The number of workers covered by collective bargaining agreements is high (over 60 percent), and the industrial relations setting is characterized by three-tier bargaining, which occurs at the central, sectoral, and firm levels. Most workers, however, are covered by agreements negotiated at the sectoral level. Therefore, Spain is often labeled as a country with an “intermediate” system of wage bargaining, more centralized than the ones existing in countries such as France or Britain, but less so than the systems prevalent in Austria or Sweden.

Table 1: Main Social Pacts, Content, and Leading Signatories, 1977-2004

AGREEMENT	YEARS	SIGNATORIES	MAIN CONTENT
Moncloa Pacts	1977	Government and political parties	Incomes policy
Basic Interconfederal Agreement (ABI)	1979	CEOE-UGT	Labor regulations
Framework Interconfederal Agreement (AMI)	1980–1	CEOE-UGT-USO	Incomes policy
National Employment Agreement (ANE)	1982	CEOE-UGT-CCOO-government	Incomes policy
Interconfederal Agreement (AI)	1983	CEOE-UGT-CCOO	Incomes policy
Social and Economic Agreement (AES)	1985–6	CEOE-UGT-Government CEOE-UGT	Incomes policy
Interconfederal Agreement to Regulate Labor Ordinances.	1994	CEOE, CCOO UGT	Labor regulations
Agreement to set up institutions to supervise the implementation of the 1994 pact.	1996	CEOE, CCOO UGT	Implementation mechanisms
Agreement to increase risk prevention in the workplace	1996	CEOE, CCOO UGT	Safety rules
Agreement to boost social provisions for rural employment.	1996	CEOE, CCOO UGT	Employment in rural areas
Tripartite Agreement for the Extra-Judicial Resolution of Labor Conflicts (ASEC)	1996	CEOE, CCOO UGT	Resolution of labor disputes
Agreement on pension reform.	1996	CCOO, UGT and the government	Pension system
Tripartite Agreement on Professional Training and Continuing Education	1996	CEOE, CCOO UGT	Professional training
Interconfederal Agreement for Employment Stability (AIEE).	1997	CEOE, CCOO UGT	Reduction of temporary contracts
Interconfederal Agreement on Collective Bargaining	1997	CEOE, CCOO UGT	Articulation of collective bargaining
Interconfederal Agreement on Coverage Gaps	1997	CEOE, CCOO UGT	Labor ordinances
Agreement over Part-Time Work.	1997	CCOO, UGT and the government	Promotion of part-time contracts
Agreement to incentive stable labor contracts & penalize temporary ones	1998	CCOO and the government	Reduction of temporary contracts
Agreement to increase certain minimum Social Security pensions	1999	CCOO, UGT and the government	Increase pensions
Pact to constitute the Foundation for the Prevention of Labor Risks	1999	CCOO, UGT and the government	Health and safety in the workplace
III Agreement on Continuous Training.	2000	The government, CCOO, UGT, CIG, and CEOE	Training
II Agreement for the Extra judicial Resolution of Labor Conflicts (ASEC II)	2001	CEOE, CCOO, UGT	Resolution of labor disputes
New agreement on pensions and social protection.	2001	CCOO, UGT and the government	Pension system
Interconfederal Agreement for Collective	2001	CEOE, CCOO, UGT	Wage bargaining

Bargaining 2002.			framework
Interconfederal Agreement for Collective Bargaining 2003	2003	CEOE, CCOO, UGT	Wage bargaining framework
Interconfederal Agreement for Collective Bargaining 2004	2003	CEOE, CCOO, UGT	Wage bargaining framework
Competitiveness, Stable Employment, and Social Cohesion (Joint Declaration)	2004	Government, CEOE, CEPYME, CCOO, UGT	Framework for social dialogue

CEOE: *Confederación Española de Organizaciones Empresariales*, CCOO: *Comisiones Obreras*, UGT: *Unión General de Trabajadores*; CEPYME: *Confederación Española de Pequeñas y Medianas Empresas*.

Furthermore, the institutional setting in Spain differs in several important respects from liberal and coordinated market economies common in other OECD countries. Like other European countries (such as France or Italy), Spain has transformed its economic management system over the last three decades through reforms that borrow from both models of capitalism, but the state and state actors continue to play an important role. Spain conforms to a large extent to the so-called “state capitalism” model (Schmidt 2002: 141-46), in which the government is still a major institutional actor and leads business-labor relations, even after the processes of liberalization and integration into the European Union in the 1980s-1990s. Indeed, the Spanish government remains an important actor actively involved in the resolution of coordination problems among economic actors. It intervenes in technology transfer, allocation of credit, and the labor market. In addition, the financial system is not particularly conducive to the long-term financing of companies or the financing of new entrepreneurship initiatives; the industrial relations system does not always allow for cooperative industrial relations within firms and coordinated wage bargaining across companies; and the educational and training systems do not foster training for young people or incremental skill acquisition, in which firms may be closely involved. Finally, the inter-company system does not generally facilitate technology and standard setting cooperation among companies.

Table 2: Trade Union Membership in Spain, 1993-2003³

Spain	1993	1998	2003	Change 93-03
CCOO.	654,000	713,000	958,000	+46.9%
UGT	740,000	796,000	944,000	+27.6%
USO	Na	72,000	106,000	+47.2%*
CGT	Na	Na	100,000	
ELA-STV	Na	Na	103,596**	
Total	Na	Na	2,108,000	

* Change from 1998 to 2003.

Source: EIRO. ** ELA

This unpropitious institutional setting, however, has not precluded the reemergence of social concertation in Spain over the last decade. On the contrary, coordination among economic actors has flourished in Spain as the social actors have developed distinctive processes of social bargaining to reform social policies and regulate the labor

³Most union members belong to the trade unions listed. However, there are some other organizations such as a number of regional trade unions, and the Independent Trade Union Confederation of Public Servants (*Confederación Sindical Independiente de Funcionarios*, CSIF)—for which no membership information is available. The data are self-reported by unions.

market. While some scholars (Schmidt 2002: 127) attribute the direction of reform in state capitalist countries towards greater coordination to “the relative levels of unionization and central organization of employers’ associations and unions,” in Spain the relative level of unionization and the organization of unions and employers’ organizations has not changed significantly over the last decade and unions and employers are not much stronger than they were a decade ago. Moreover, unlike Italy, the state has not always been a central actor in this process and the social actors have reasserted their autonomy. This is the central puzzle of this project: *How can we account for such development? How is it possible that countries that do not have the institutional complementarities that characterize “coordinated market economies” have been able to develop coordination mechanisms among the economic actors?*

The Spanish Case in Comparative Perspective

The return of social bargaining in Spain was not a unique development. On the contrary, throughout the 1980s and 1990s social bargaining resumed in countries like Ireland, Italy, and Portugal that also lacked a strong democratic corporatist tradition. These countries had a tradition of corporatism derived in part from Roman Catholic social teachings. As in Spain, in these countries the “inadequate” structure, strength, and organization of the economic actors; the lack of a tradition of Social Democratic government; and the relatively decentralized structure of wage bargaining did not preclude the emergence of social concertation. In all cases unions agreed to participate in social bargaining and entered social pacts for reasons of convenience. Indeed, the European Monetary Union (EMU) process, changes in the balance of power among the actors involved, transformations in the economic structure, the inability to curb inflation, or the convergence towards an intermediate model, led the social actors to the social bargaining table to confront these challenges (Regini 2000, Rhodes 1998).

In Portugal social bargaining surged in the mid-1980s and was sustained during the last decade (Royo 2002: 89-112). There were three main periods. The first one was from 1986 to 1995. This was a decade dominated by the Prime Minister Anibal Cavaco Silva, leader of the conservative Social Democratic Party (PSD). His governments conducted an aggressive policy of economic liberalization, privatization, and deregulation of the labor market. Dr. Cavaco Silva, however, was also a strong believer in the social concertation process, and starting in 1986 he negotiated landmark agreements between the unions (mainly UGT) and employers’ associations. His last agreement was the 1992 “Agreement on Incomes Policy.” The electoral victory of the Portuguese Socialist Party (PS) in the 1995 general election marked the beginning of a new political cycle and a new phase of social dialogue. The new government vowed to develop and implement its policies with the participation of the social actors. The result of this approach was the signing of two agreements in 1996, one a short-term pact and the other a strategic agreement that covered the last three years of the legislature (1997–1999). The PS government was reelected in 1999 and it continued its negotiations with the social partners within the Permanent Council for Social Concertation (CPCS). In 2001 the government and the social actors signed two new agreements on professional training and work safety. These were the last agreements.

Ireland also provides an interesting case marked by a tendency to deal with industrial relations issues (including wages) in a centralized way. Since the 1970s almost all pay agreements have been either negotiated centrally or have followed a general norm. However, the basic relationship between trade unions and employers has been an antagonistic one, and the industrial relations system has been characterized by widespread restrictive practices. Large general unions dominate the labor movement, and the Irish industrial relations system had historical roots in the British model (although current trends are moving it away from this source). Following difficulties reaching and implementing national collective agreements in the 1940s, 1950s, and 1960s, yearly national wage agreements started in 1971 and continued through 1978. Over the last three decades the corporatist trend has been reinforced. The “National Understanding for Economic and Social Development” was signed in 1979 covering such issues as wages, taxation, employment, social welfare and health. This agreement marked a significant departure: for the first time the government became directly involved in national negotiations with the social partners. A second “National Understanding” followed it but from 1981 through 1987, there were no centralized agreements. Social bargaining resumed in October of 1987 with the “Program for National Recovery” covering the period to the end of 1990, which included industrial relations, social and economic issues, and continued in 1990 with the “Program for Economic and Social Progress,” which also included specific macroeconomic and industrial policies. Social bargaining continued throughout the 1990s. In 1996 the social partners signed the “Partnership 2000 for Inclusion, Employment and Competitiveness,” a program of economic and social policy that also included a pay agreement. This agreement consolidated the pattern of agreed national programs and extended their scope with a new emphasis on inclusion and employment (Von Prodynski 1999: 63-69).

In Italy social bargaining has proceeded intermittently. There were incomes policy agreements in 1977 and 1983. In 1984, however, disagreements among the main trade union confederations brought the process to an end. Following a period of fragmentation that led to bargaining decentralization, national-level negotiations resumed in 1992 when the unions agreed to abolish the *scala mobile* and freeze company-level bargaining for two years to support the government austerity program. In 1993 they signed a new agreement establishing an incomes policy framework based on a two-level bargaining structure. In 1998 the *Patto di Natale*, reaffirmed this framework and introduced European inflation as a referent (Pérez 2002; Regini and Regalia 1997; Rhodes 1998).

From a theoretical and comparative standpoint what is interesting about these countries is that generally speaking they all lacked the kind of encompassing bargaining organizations and centralized systems of wage bargaining that characterize successful efforts at centralized social bargaining in traditional neocorporatist countries. In this regard, the Spanish case is attractive as a microcosmic example of the dynamics that follow from Europeanization and the attempt to impose monetary discipline in a fragmented bargaining context. It helps illustrate ways in which these pressures influence the preferences of the social actors. In addition, there are some features that differentiate the Spanish experience from that of other these other countries (and from the first phase of social concertation in Spain):

1. The length of the process: social bargaining resumed in 1993, has extended over a decade, and continues into the new millennium.

2. The scope: since 1994 there have been twenty main agreements.
3. The content: these agreements have been very ambitious and have covered multiple issues from pensions, to wages, to labor market regulations.
4. The commitment to social bargaining across the partisan divide: social dialogue started under a Socialist government in 1993 and continued with a conservative party in power. The new socialist government elected in 2004 has reaffirmed its commitment to this process.
5. The endurance: despite setbacks (i.e., the general strike of 2002 over labor market reform) social bargaining has continued and new agreements have been signed
6. The increasing autonomy of the social actors: while the government played a central role during the first phase of social concertation, during the last decade trade unions and employers associations have been the central actors of this process and have reaffirmed their autonomy from the government.
7. The Spanish model of social bargaining has superseded the traditional corporatist exchange based in the extension of social rights in return for wage moderation and cooperative industrial relations. These pacts have also included other issues such as internal and external flexibility, and welfare policies.

The Relevance of the Spanish Case

The rationale for selecting Spain was based on the following factors: first, Spain differs along a range of dependent and independent variables from the LMEs and the CMEs, which allows for the evaluation of competing arguments. Second, coordination has flourished in Spain, yet there are significant differences in the degree of coordination within the country over time. The examination of Spain's experiences provides numerous comparisons across periods of interactions among business, unions, and the government. Finally, historical analysis of the development of coordination over the last two decades also provides fertile ground for the examination of causal factors over time.

The Spanish case offers insights that are relevant to the field of comparative political economy. There are three main reasons why this country provides an ideal setting to study the development of coordinated capacity. First, as we have seen, much of the political economy literature has examined differences among the political economies of the developed world, and more specifically the so-called "organized" and "liberal" economies of Northern Europe, Asia, and North America. This project will highlight one of the main shortcomings of these analyses, namely, their failure to account for developments in countries that do not fit easily into these defined institutional categories. The main conclusion of these scholars is that there are two main economic/institutional models for firms and countries to respond to the challenges of globalization: the organized model of the Northern European countries, or the liberal one of the Anglo-American ones. Given the difficulties of transforming institutional settings to build coordinating capacities, for countries lacking the institutional capacities of the organized market economies—such as Spain—the only alternative would be to follow the Anglo-Saxon model. This has not been the case in Spain. In this country, the government and

the social actors have attempted to develop new solutions and outcomes based on new institutional settings that do not conform to the liberal model.

The second reason why Spain is an ideal venue for examining the development of cooperation capacities is that the Spanish case offers one of the few instances in which institutional reforms to build coordination capacity emerged in a context markedly different from that of the small European states of Northern and Central Europe. Spain cannot be classified as liberal market economies (i.e., like Britain, Australia, or the United States), or as organized market economies (i.e., like Germany, Japan, Sweden, Austria, or the Netherlands). On the contrary, Spain displays what some authors have referred to as a distinctive style of capitalism (Rhodes 1997). Hence, Spain offers an opportunity to research the impact of a different institutional setting on economic performance and firms' behavior.

Finally, analysis of the Spanish experience will show that arguments about the demise of national autonomy in the global economy are overdrawn. Increasing foreign direct investment, exposure to trade, and liquid capital mobility has not prevented the emergence and consolidation of new institutions that facilitate coordination capacities. In Spain the social actors faced strong incentives to cushion, through institutional reform, the dislocations generated by the integration of the country in the global economy. In this country the combined impetuses of globalization and monetary integration promoted, rather than hindered, cooperation and the development of institutional mechanisms that promote cooperation and the provision of collective goods.

Explaining Labor's Return to Social Bargaining

The decision by Spanish unions to return to the bargaining table can be seen, for the most part, as a defensive strategy motivated by their weakening at the firm level as a result of structural and political changes. It was also motivated by their failure to translate their capacity to mobilize workers effectively in response to manpower policies aimed at liberalizing the labor market through legislation or government action from 1989-1993. In Spain, the labor movement failed to translate its unity into effective power as manifested in their inability to resist legal reform initiatives aimed at liberalizing the labor markets (i.e., the 1994 *Reforma Laboral*). In other words, with its support for tripartite concertation agreements, labor sought to mitigate the decline in its bargaining power at the firm and enterprise levels. This section will argue that the changing balance of power affected the predisposition of the unions to pursue their strategies through a new set of institutions.

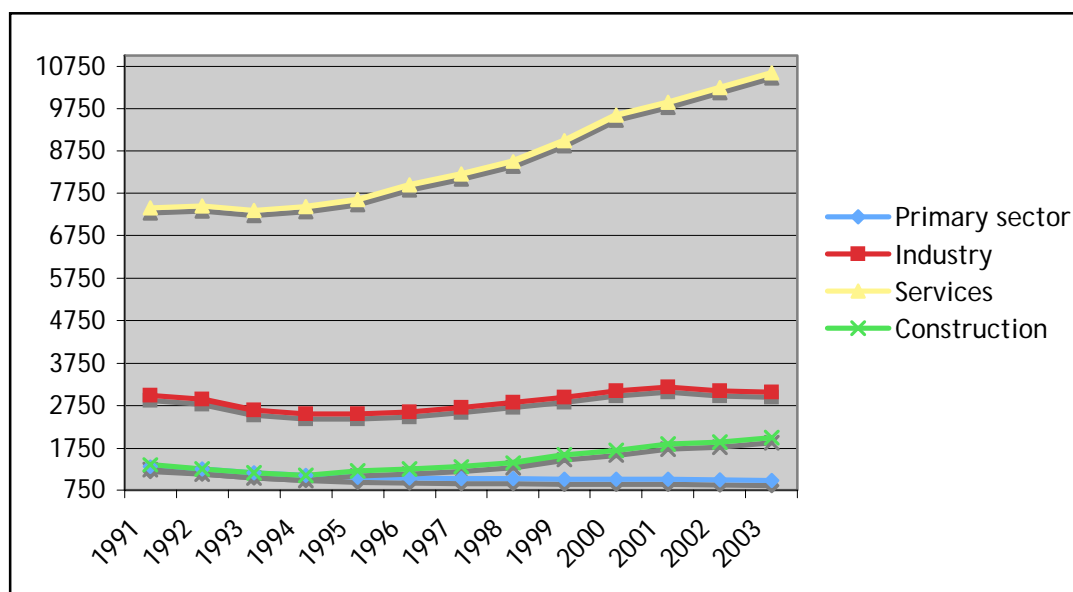
Increasing Labor Market Segmentation and Individualization of Labor Relations

The weakening of trade union organizations at the firm level in Spain is manifested in the relative decline in union density, which hindered unions' capacity to mobilize workers in response to manpower policies to liberalize the labor market. In Spain, following the unraveling of social concertation in 1987 (see Royo 2000), unions found themselves in a weak position, with very low membership concentrated in declining industries, dependent on state funding, and with low contractual powers. The proportion of union members in the labor force in Spain declined sharply following the transition to

democracy. Since the early 1980s trade union membership has remained low and changes to membership have been mostly caused by structural changes in certain sectors. This downward tendency, however, was reversed in Spain in the 1990s. The net union density rate in Spain rose from 13.32 percent in 1990 to 16.38 percent in 1993 (before falling back to 15.82 percent in 1994), challenging the thesis of union decline in the Spanish context (see Jordana 1996). A detailed analysis of this trend, however, reinforces the thesis of this article that the trade unions' weaknesses forced them to seek the support of new constituencies through a return to national social bargaining.

First, the economic crisis of the early 1990s, labor rigidities, and the opening of the Spanish economy to external competition forced Spanish firms to build new competitive strategies, seeking greater flexibility, mobility, and the externalization of production to small non-unionized firms. Product decentralization was reflected in the growth in the number of small firms (with under fifty workers), which increased from 95.1 percent of firms in 1978 to 98.1 percent in 1989, and their share of employment, which grew from 38.4 percent to 52.2 percent during the same period in Spain (Fraile 1999: 280; Richards and Polavieja 1997: 31). According to the Central Directory of Enterprises (DIRCE) as of January 1, 2003, there were in Spain 2,808,385 small and medium enterprises (SMEs)—defined as enterprises that employ between 0-249 workers. This represents 99.87 percent of the business census in Spain (a total of 2,813,120 enterprises, excluding agriculture and fisheries). According to the European Observatory of SMEs, in 2000 the average size of Spanish enterprises, which represent around 13.5 percent of the European total, was five workers (in Europe the average is six, and only Italy with three and Greece with two have lower averages). Since 1985, the first year that the National Statistic Institute (INE) started to compile the DIRCE, the number of SMEs has increased by 511,688 productive units, and between 1995 and 2003 the number has grown 22 percent. The most productive period has been between 2001 and 2003 when 167,626 new SMEs have been created (a 6 percent growth). In 2004 there are 6.7 SMEs per 100 inhabitants, 14.8 per 100 active workers; and 16.7 per 100 employed. Most of the SMEs operate in the service and commerce sectors (real state, tourism, minority trade, food, social services, education, health, and beverages). In these sectors the level of unionization was only half that in all manufacturing, reflecting the small size of most firms and the prominence of professional and technical staff (in 2001 31.7 percent of Spanish worked in management positions classified as technical managers and medium level professionals, while only 11.2 percent were classified as working in positions that did not require qualifications). In addition, most of the new jobs have been created in the service sector (employment in the service sector grew from 7.4 million people in 1991 to over 10.5 million people in 2003), and construction (from 1.3 million in 1991 to 2 millions in 2003):

Figure 1: Evolution of Employment by Economic Sectors, 1991-2003 (000, Annual Average)



Source: INE, Encuesta de Población Activa

These are sectors in which unions have had difficulties increasing affiliation:

Table 3: Union Density (%) by Sector 1991-97

Sector	1997	1992	1993	1994	1995	1996	1997
Agriculture	9.4	12.6	12.6	13.6	11.8	12.0	11.3
Mining, Manufacturing, Utilities	21.8	23.4	27.4	27.3	25.6	25.2	24.3
Construction	9.6	11.7	13.8	13.6	11.5	11.3	10.7
Commerce	6.3	7.7	7.8	7.4	6.7	6.5	6.4
Transport and Communications	31.9	36.3	38.4	38.0	34.6	33.3	31.9
Finance and Business Services	20.0	22.1	23.0	23.7	20.5	19.9	20.2
Public and Private Services	10.0	11.2	12.6	13.1	13.5	13.6	13.7
Total	16.1	18.1	19.8	19.5	18.2	17.8	17.8

Source: Van Der Meer 2000. Data from: UGT, CCOO, CSI-CSIF, ELA-STV, and CIG.

The combination of all of these factors led to the increasing individualization of labor relations, contributed to lower labor costs, and gave firms more flexibility in the organization of work and in the deployment of labor through mobility, overtime,⁴ rotation and part-time work.

⁴Overtime work is still a significant component of working time among Spanish workers and firms: in 2003 70 percent of the collective bargain agreements included clauses on overtime. More than 35 percent of these pacts established monetary compensation for overtime, and 45 percent of them compensated more for overtime hours than for regular ones. See CES, 2004: 346.

Table 4: Wage earners and Occupied in Part-time Work⁵

Year	Occupied		Wage-earners	
	Thousands	% of Total	Thousands	% of Total
1996	982.8	7.7	709.6	7.3
1997	1,050.7	7.9	794.7	7.8
1998	1,074.5	7.8	838.9	7.9
1999	1,158.6	8.0	928.7	8.1
2000	1,214.8	7.9	986.9	8.0
2001	1,266.6	7.9	1,036.8	8.1
2002	1,277.8	7.9	1,077.3	8.2
2003	1,336.4	8.0	1,129.3	8.3

Source: INE, *Encuesta de Población Activa*

In addition, this individualization of employment relations, which threatens unions' organizational future, was further hastened by the spectacular growth of temporary employment. From 1984 through 1997 the number of temporary contracts increased from 7.5 percent to 39 percent of the total. Subsequently the level of temporary work among new workers in Spain rose from 61 percent in 1987 to 81.5 percent in 1990, doubling the proportion of the active population on temporary contracts during that period from 15 percent to 30 percent, (and accounting for 90 percent of all employment contracts). In addition, almost 50 percent of the staff is temporary in small firms, and the country has the highest level of temporary work in the EU—currently 33.69 percent of the salaried workforce (see Bentolila, Segura, and Toharia 1991: 237–38; Richards and Polavieja 1997: 13–23).⁶

Table 5: Workers by Contract Type, 1996-2003, (000)

Type	1996	1997	1998	1999	2000	2001	2002	2003
Indefinite	6,383.5	6,724.5	7,125.7	7,697.6	8,354.7	8,735.4	9,066.7	9,440.9
Temporary	3,273.4	3,396.3	3,525.6	3,776.8	3,931.1	4,051.4	4,075.1	4,156.9
Temporary Level*	33.9	33.5	33.1	32.9	32.0	31.7	31.0	30.6

* Temporary level as a percentage of temporary workers of all workers.

Source: INE, *Encuesta de Población Activa*

The increasing level of temporality had clear effects on workers' involvement with the unions and it had profound consequences on the structure of the labor market,

⁵The number of part time-workers has remained stable in Spain at around 8 percent. In comparison the average in the EU is 18 percent. Only a fifth of those who work part-time in Spain (81.5 percent of them women) would not rather have a full-time job. The reason for this has to do with the fact the jobs involved are mostly poorly paid, have little social recognition, and require low qualifications. Seventy percent of these jobs are in services and most of them temporary. Home service (maids) is the sector in which this kind of employment is the most popular, with 49 percent of the employed working part-time. See EIRO 2003; and CES 2004: 218-20.

⁶Despite the efforts from the trade unions, fixed-term employment has remained persistently high, and it is increasing in the public sector where it represented over 20 percent of all employment in 2003. One of the reasons is the high rate of turnover experienced by temporary workers (in abuse of the law): in 1994 each temporary worker had signed an average of two contracts per year, but in recent years the figure was three. Half of the temporary contracts have a duration of less than a month. See EIRO, 2003 *Annual Review for Spain*.

leading to a growing segmentation of workers between insiders (workers on permanent contracts with more stable, secure, and long-term prospects) and the unemployed and outsiders (workers on temporary contracts in a more precarious situation) (Richards and Polavieja 1997: 32–39).⁷ Labor segmentation provided a buffer that insulated permanent workers from layoffs, allowing them to bargain for higher wages, and led to a two-tier labor force, thus accentuating the insider-outsider division within the national workforce. In addition, increasing segmentation was accentuated by industrial restructuring, which led to the closure of large plants and caused massive layoffs, thus shrinking further the manufacturing sector—traditionally the source of union strength (i.e., in 1995 only 18 percent of CCOO’s members were temporary workers at a time when 34 percent of Spanish workers were temporary; see Jordana 1996: 21–22).

These developments were particularly worrisome for Spanish unions because they constrained their bargaining strength and deprived them of members, threatening their survival. Therefore they decided that they had to counter them. In the end, the combination of high unemployment and the large number of temporary workers, coupled with changes in the occupational structure and the individualization of employment relations, forced Spanish unions to reassess their approaches. Union leaders realized that if they wanted to bridge the divide between insiders and outsiders and extend their influence beyond their core constituency, they had to develop a new strategy with a general commitment to the reduction of unemployment and the promotion of greater job security. In other words, with these new agreements unions sought to counter the conventional wisdom that views them as entrenched institutions that promote the interests of insiders (see Jimeno and Toharia 1993; Bentolila and Dolado 1994), while helping to improve macroeconomic conditions that would contribute to economic recovery. 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 firms to increase membership. They also developed unitary bargaining platforms that focused on certain strategic areas—temporary contracts, unemployment, work organization, training, information rights, and health and safety—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 reemergence 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 (Fraile 1999: 297–99).⁸

⁷Richards and Polavieja show that labor market precariousness reduces union involvement because it seriously impedes collective action, and it produces sentiments and attitudes of apathy toward unions. They conclude that temporary workers neither identify with, nor feel represented by the unions. In addition, they report that temporary workers are less likely to have access to wage-related benefits, earn lower wages (approximately 10 percent less than permanent workers), are not entitled to as many welfare benefits. They suffer harsher working conditions, are more likely to suffer accidents, and have fewer possibilities for promotion and for the acquisition of skills.

⁸See interview with Cándido Méndez, Secretary General of UGT, in *El País*, “La reforma laboral no ha producido ningún efecto positivo,” Friday, October 27, 1995, p.58. See also “Los sindicatos proponen hoy a la

In this regard the 1997 *Interconfederal Agreement for Employment Stability* (AIEE) was a direct response to the dramatic increase of temporary workers in Spain since the 1984 reform of the Workers' Statute.⁹ In a context of relatively high dismissal costs, employers had been using these contracts as instruments to introduce flexibility and to be able to adapt their labor force to market conditions and demand. They recognized, however, the perverse consequences of this development (Jiménez Aguilar 1997: 12–13).¹⁰ Hence, the view that a new regulation of permanent contracts was needed in order to increase employment stability and minimize the increasing segmentation of the labor market gained support among employer and union leaders. Although at the beginning of the bargaining process the negotiating platform introduced by the unions did not include this new approach, the negotiating process and the final agreement demonstrated the unions' new strategic outlook. In reference to this new strategy CCOO stated that:

Bargaining with the CEOE, on the one hand, and with the Government, on the other, appears from the outset as a strategic challenge for the future of the syndical movement. To be able to respond to workers' demands, and to do so guaranteeing that the union gains contractual capabilities, are essential questions. Therefore the first task, chronologically and quantitatively, was to give impetus to a multidimensional bargaining process. A process born out of the syndical initiative, which responds to the need to address the problems of the less favored groups, and that at the same time, reinforces the strategy of unity of action with UGT.

This process was born on May 9, 1996, in response to the directives from the Sixth Congress, which led the union to focus on the improvement of employment conditions and collective bargaining as priority objectives, and also as part of the campaign "For stable employment and with rights" launched in the first months of that year. In sum, [we developed this process] with the objective to influence employment conditions, which currently due to the high levels unemployment, temporality, and turnout deepen the differences in working conditions among different collectives, provoke a social cohesion deficit, fragment industrial relations, promote disloyal business competition based in lower labor costs, and relegate quality as a secondary source of competitiveness (CCOO 2000: 24-25).

Pressures to Articulate Further the Collective Bargaining System

Management recourse to manpower policies based upon unstable, fixed-term contracts led to the appearance of contradictory tendencies in the labor market. While average real wages grew moderately, a tight labor market in some areas of rapid em-

patronal CEOE el reparto del empleo y medidas contra la precariedad laboral," in *El País*, Thursday, May 9, 1996.

⁹It was also the result of the frustration of the social actors with the 1994 labor reform. See "Patronal y sindicatos negocian medidas para crear empleo estable porque la reforma laboral no funciona," in *El País*, Friday, May 10, 1996.

¹⁰One of the leaders of the CEOE, Jiménez Aguilar, has recognized that the increasing segmentation of the labor market between permanent and temporary workers "hinders workers' professional training, their motivation, and in sum the competitiveness of the firm and the quality of its products."

ployment growth (particularly in the case of services, banking, and insurance) led to increasing bargaining power in favor of certain workers who were willing to negotiate apart from the collective bargaining process (Stoleroff 1992: 138). At the same time, it was also very significant that the sectors that came to take much of the lead in wage-setting were ones over which the national unions had lower levels of control. (i.e., the service and construction sectors) (Pérez 1998: 17). In addition, as we have seen in the service sector the level of unionization was only half that in all manufacturing, reflecting the small size of most firms (see Richards and Polavieja 1997). These developments were reinforced by the economic crisis of the early 1990s, which resulted in sharp increases in unemployment, and further eroded labor's capacity at the level of firm and branch collective bargaining. All these changes increased pressures on unions to seek a new articulation of collective bargaining that would allow them to retake the initiative in the wage-setting process.

Pressures to seek a new articulation of the collective bargaining system were hastened by the termination of the remaining labor ordinances. The 1994 Labor Reform, which also broadened the content of collective bargaining, repealed the labor ordinances and gave the social actors freedom (with certain limits) to negotiate new terms of employment (e.g., work shifts, labor mobility, wages, working conditions, training, functional mobility, job classifications, promotions, technological innovation, and changes in the organizations of work) previously regulated by law. In other words, the reform shifted powers to the market. In a competitive context marked by intensive firm restructuring in which issues of work flexibility played a critical role, some employers pushed for a legal framework that would facilitate the individualization of employment relations and the marginalization of work councils.¹¹

Figure 2: The Role of Works Councils in Spain according to the Workers' Statute:

- | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> - Monitor the implementation of labor laws, social security, employment, and health and safety regulations, and conditions of work established by agreement or custom and practice. Verify that they are applied correctly; - Take the appropriate legal steps in pertinent cases; - Participate in welfare measures for workers and their families organized by the company based on collective agreements; - Work together with management to ensure the fulfillment of productivity targets; - Inform the workforce of changes or developments might that may affect them. - Conclude company or workplace agreements - Call a strike in the establishment in which they operate |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Source: EIRO

¹¹During an interview with Antonio Moreno, Secretary of Industrial Relations of the CEOE, in May of 2003, he stressed that some employers prefer unilateral reforms from the government because they perceive that they may be faster and deeper. He indicated, for instance, that in 1997 *Fomento del Trabajo Nacional*, the CEOE's territorial organization in Catalonia, was critical of the 1997 agreement. They would have preferred an imposed solution from the government that would have introduced a new contract with lower and fixed dismissals costs. He also stressed that although the CEOE supported the articulation of collective bargaining and resisted the PP's attempts to reform unilaterally the existing system, many of their affiliates were pushing for decentralization and wanted the government to impose the reform.

This development put pressure on unions to get back to the bargaining table to stem this threat. With their support for these macro agreements labor sought to relieve the decline in its bargaining power at the workplace level, and to regain the initiative in the collective bargaining process, while mitigating the difficulties that they were facing in organizing workers in the workplace. With the agreement of 1997, the union leaders supported publicly the need to strengthen the collective bargaining system and to foster collective bargaining within the enterprises.¹² CCOO included this goal as part of its rationale for pursuing social bargaining: "...with the objective to influence the collective bargaining system debilitated due to the existing coverage gaps, as well as the excessive atomization, and the disarticulation that currently exist" (CCOO 2000: 25).

The Failure of Confrontational Strategies

The strategic shift in favor of centralized social bargaining was also motivated by the unions' failure to translate their unity into effective power as manifested in their inability to resist legal reform initiatives aimed at liberalizing the labor market. Union leaders came to the conclusion that their confrontational strategies were eroding their influence in the policymaking process and support from their constituencies.

With the organization (and the massive success) of the 1988 general strike, the two main confederations (UGT and CCOO) 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 (see Fraile 1999: 286–87). The Socialist government, shocked by the success of the strike, shelved the youth employment plan that had triggered the strike, increased wages for public sector employees and pensioners to compensate for the 1988 deviation in targeted inflation, and signed an agreement with the unions in 1990 on pensions, unemployment benefits, public-sector wages, minimum wages, and bargaining rights for public-sector workers. The success of the strike allowed unions to regain a role in the political arena, which helped them to reverse their organizational decline. They were unable, however, to reverse the government's manpower policy initiatives.

In the early 1990s, the struggle between the unions and the government centered on ways to achieve the Masstricht criteria for EMU membership. The Socialists' convergence plan led to two more general strikes. The first one, which occurred in May 1992, took place over the so-called *decretazo*—a government decree establishing cuts in unemployment coverage, which reduced the amount and length of benefits, tightened eligibility conditions, and increased 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 make working conditions flexible and increase the scope of collective bargaining. The 1994 reform removed restrictions on mobility, decentralized collective bargaining, eased dismissals (it broadened the dismissal causes to include organizational, technological, and productive reasons), legalized temp agencies, repealed the remaining labor ordinances by 1995, and expanded the types of temporary contracts (it introduced a new "apprenticeship contract" for young workers under twenty-five, and a new flexible part-time contract free of payroll taxes). The reaction of

¹²See quotes in Espina (1999, p. 394) with interview with Antonio Gutiérrez in *ABC* April 27, 1997 and with Cándido Méndez in *La Vanguardia* on November 1, 1996.

the unions to the unilateral reforms of the government was to try force its hand through the intensification of industrial conflict and the increasing politicization of their strategies. At the same time, they attempted to derail the implementation of the reforms during collective bargaining, intensified industrial conflict, and organized general strikes. Although the general strikes were successful (for instance between three and five million workers supported the January 1994 strike in Spain) and the unions demonstrated, once again, their mobilization capacity, they had limited political impact and the government reforms were finally enacted. Indeed, increasing mobilization and union unity in Spain did not lead to labor victories.

Table 5: Industrial Conflict in Spain, 1990–2003

Year	Number of Strikes	Number of Participants (000)	Days Lost (000)
1990	1,231	864	2,442
1991	1,552	1,944	4,421
1992	1,296	5,169	6,247
1993	1,131	997	2,013
1994*	890	5,428	6,255
1995	866	570	1,443
1996	807	1,078	1,553
1997	670	577	1,529
1998	618	672	1,264
1999	739	1,125	1,477
2000	727	2,061	3,577
2002*	729	1,242	1,917
2002	684	4,528	4,938
2003	674	728	789

* Include general strikes

Sources: CES: *España, Memoria Sobre la Situación Socioeconómica y Laboral*. Various years. Data from: MTSS: *Estadísticas de Huelgas y Cierres Patronales*, and MTAS: *Boletín de Estadísticas Laborales*.

Unions also tried to influence the electoral process. In successive elections union leaders, who felt they had a responsibility to alter the parliamentary balance, called for a punishing vote against the government to pressure it to give in to their demands (see Espina 1999). This strategy, however, was not translated into political successes in the electoral arena. On the contrary, the parliamentary elections that followed the general strikes in the 1980s led to the reelection of the incumbent government up to 1996 (the Socialist Party, PSOE, won twice—in 1989 and 1993). The failure of this strategy demonstrates that manifestations of opposition against specific governmental policies on the part of the citizens are not incompatible with electoral support for the government that has adopted these policies.¹³

In the end, this confrontational strategy failed to influence policy outcomes, and higher wage demands and industrial conflict contributed to deteriorating economic con-

¹³Some scholars have argued that voters behaved like rational actors and recognized that general strikes were not the appropriate venue for adopting and changing important political decisions (see Espina 1999, 380-83; Boix 1998). According to Espina, this development demonstrates the structural separation between the political and industrial relations systems.

ditions and higher unemployment. At the same time, such confrontational strategy left unions virtually outside of the policymaking process, with little influence over the course of the reforms. The failure of Spanish unions to stop labor law reform and force a political crisis through continued social mobilization forced them to reevaluate their strategies and adopt a more conciliatory stance that included resuming partial tripartite agreements with the government and the CEOE. The CCOO's leader recognized the limits of confrontational strategies when he stated that general strikes "are very extreme instruments of syndical action, very strong, as well as very difficult to manage, and to follow up the day after."¹⁴ By promoting centralized bargaining and a new articulation of the collective bargaining system, they were making sure that peak confederations would remain significant players. José María Fidalgo, the CCOO leader, confirmed, "we are coming from a very conflictive period in which we have achieved very few of our objectives despite successive general strikes. From CCOO's perspective we are interested in social bargaining because imposed reforms erode the power and influence of the union. They also eliminate rights that later on are very difficult to recover. Therefore, we do not want to be spectators, but instead 'jump into the airplane cabin,' and participate in the changes. We want to participate and fulfill a social function that will legitimate our role."¹⁵ Antonio Ferrer, a member of the UGT's Executive Committee, confirmed that: "we want to participate in the policymaking process and influence labor and socio-political issues."¹⁶

Internal Changes Within Unions

This strategic shift was further hastened by the internal changes experienced by the two main confederations, with the UGT attempting to turn the page on the union's involvement in a corruption scandal, and the CCOO trying to overcome internal ideological differences. These problems led in both unions to the emergence of new leadership that sought to strengthen the unity of action strategy while resuming partial agreements with the government and the employers' association. Between 1994 and 1996 there was a dramatic transformation of the union landscape motivated by the results of the work council elections and internal changes within each major trade union confederation.

As we have seen, following the general strike of 1988, Nicolás Redondo, the UGT's secretary general, and the group of leaders that supported him, decided to pursue a confrontational strategy against the government. This decision was motivated by their disenchantment with the Socialist government policies and their conviction that their previous moderate stance had not benefited workers (Royo 2000). This strategic shift coincided with the election of Antonio Gutiérrez as secretary general of CCOO in the Congress that took place in November of 1987. As a result of his election, the more radical sector, led by Antonio Moreno, lost hegemony within the union. This sector, however, retained significant power until the 1992 Congress, because it still controlled secretariats like employment, institutional relations, and collective bargaining. Gutiérrez, who represented a more modern and moderating outlook, came to power with the commitment to

¹⁴See interview with José María Fidalgo in *El País*, Sunday, April 22 2001. He restated this point during the interview that I had with him in May of 2001.

¹⁵Interview with the author on 5/7/2001.

¹⁶Interview with the author on 5/7/2001.

reestablish the “unity of action” with the UGT. Consequently, between 1988 and 1991, coinciding with a period of economic expansion, the unions followed a confrontational stance and refused to negotiate centralized agreements, giving instead the initiative in wage negotiations to their sectoral federations.

One of the main consequences of these developments was the increasing autonomy of unions from the political parties. The UGT had followed the Socialist Party, PSOE's, lead after the party's victory in the 1982 elections and had subordinated the interests of the union to those of the party. For instance, some of the UGT's leaders were elected to Congress under the PSOE lists. However, the general strike of December of 1998 drove a wedge between the party and the union that culminated in the final breakdown in the relationship (Gillespie 1990). The Communist Party, PCE (and later on *Izquierda Unida*, a coalition of leftist parties that included the PCE) still exercised considerable influence within the CCOO. The election of Gutiérrez, who supported an autonomous stance from the PCE/IU, would start to change this dynamic. By the mid 1990s, the process of separation between unions and political parties was a reality (Royo 2000).

The unwillingness of the unions to negotiate with the government during the economic crisis of 1992-1993 led the Socialist government to issue a unilateral labor reform in 1994 motivated by the need to confront that dramatic surge in unemployment (over 20 percent). The reaction of the trade unions to the unilateral labor reform of 1994 illustrates the micro debates that took place within the labor movement. Within the CCOO the confrontational group, led by Moreno, presented a report (supported by *Izquierda Unida*) to the Confederal Council of the union on February 1994 in which they proposed an all-out confrontation with the socialist government. This report concluded that the alliance between the socialists and the nationalist parties had led to conservative policies that had to be confronted head-on by the union in order to fulfill its mission. This was a continuation of the confrontational stance of the previous years. With this strategy they sought to complement the political opposition of *Izquierda Unida* (now led by Julio Anguita) against the socialists. Gutiérrez, who was becoming increasingly convinced of the futility of this strategy, and wanted to strengthen the autonomy of the union vis-à-vis IU, opposed this view. The defeat of CCOO in the 1986 and 1990 syndical elections had already given him the opportunity to advance more moderating positions within the union,¹⁷ and he had initiated the strategic shift in favor of social bargaining during the CCOO Congress of 1992, when the minority sector (which supported the confrontational stance advocated by the UGT) lost further weight within the union.

The results of the 1994-1995 syndical elections however, provoked a cataclysm within both unions. In Spain the work council elections determine the representativeness of unions, which happen to be the only institutions with the legal capacity to bargain at levels above the firm. This system provides a great deal of autonomy to the union confederations because their strength is not determined by the number of affiliates but, instead, by the number of votes that they receive in these elections. They provided a test of workers' support for the confrontational unitary strategies that unions had started in 1988. The results of the 1994-1995 syndical elections, however, showed workers' dis-

¹⁷His interpretation of the situation was that moderation had led UGT to electoral victories, while confrontation had led CCOO to the erosion of its electoral support among workers. Interview with author December 1996.

content with this strategy: the UGT and CCOO lost almost 40,000 work council delegates (out of the 186,500 delegates that had been elected from both unions in 1990, or 6.5 percentage points compared with the elections of 1990). In addition, the UGT, which had been the winner of the previous syndical elections in 1986 and 1990 (at a time when the union supported a more moderate strategy), lost its dominant position in favor of CCOO, which emerged as the victor (CCOO won 37.8 percent of the delegates, and UGT, losing 7.3 percentage points from the previous elections, won 34.7 percent). Another worrisome development for the unions was the fact that only 203,002 syndical delegates were actually elected, out of a possible 433,946. This meant that the number of workers' representatives elected was below 50 percent, and that more than half of the enterprises (particularly small and medium enterprises) would not have workers' representatives.¹⁸ Finally, and this may be the most significant factor, in large companies with more than 250 workers, nonsyndical candidates registered a spectacular advance (a 20 percent gain) with 15,708 delegates (UGT won 11,204 and declined 19.3 percent, and CCOO 14,912, and declined 8.6 percent). As Espina (1999, 386–87) indicates, the workers' message was obvious: they opposed the confrontational strategy of the main labor confederations, and by voting for nonsyndical candidates, Spanish workers supported a strategy more centered on the specific problems of the firms.¹⁹ These surprising results raised the potential of an alternative to the traditional unions, which provoked a serious alarm in the union leadership and led them to reconsider their strategies.

Table 6: Elections to the Work Councils, 1978–95

UNIONS	1978	1980	1982	1986	1990	1995*
CCOO	34.57	30.86	33.40	34.54	36.9	37.79
UGT	21.70	29.27	36.70	40.92	42.0	34.92
USO	3.77	8.68	4.6	3.80	2.9	3.68
ELA-STV	0.90	2.20	3.30	2.92	3.2	3.62
INTG/CIG	—	1.20	1.20	1.20	1.5	1.76
Other Unions	20.80	12.20	8.70	9.95	7.1	-
Nonunion	18.13	14.60	12.10	7.6	3.8	3.27

*Since 1994 the elections do not take place during a three-month period like before. Instead it is an open process, although most of the elections take place during the last three months of the four-year period. The last electoral period started on July 1, 2000 and lasted though December 31st, 2003.

Sources: Data from the *Ministerio de Trabajo and Seguridad Social* and *Confederación de CCOO*.

The results of the 1994-1995 syndical elections proved that the confrontational strategy would not pay off electorally and also that that the unions risked further erosion if they continued on this path. They validated the position of moderating groups within both trade unions and gave them the opportunity to seize the initiative and change the policy stance. In this new context, the leadership of the CCOO, led by Gutiérrez, which had been pushing for a more moderate stance in the 1987 and 1992 union

¹⁸See *El Mundo*, Saturday, December 9, 1995, p. 33: "CCOO desplaza a UGT como primera fuerza sindical y crece el apoyo a los nacionalistas."

¹⁹For an analysis of the impact of these electoral results on UGT's strategies, see the interview with Cándido Méndez, Secretary General of UGT, in *El País*, "La reforma laboral no ha producido ningun efecto positivo." Friday, October 27, 1995, p. 58.

congresses, used these electoral results in the 1996 CCOO Congress as evidence of the need to shift the union strategy in support of a more consensus-based strategy that would focus on labor and industrial problems and leave behind a political agenda (see Espina 1999: 386–87). This push allowed Gutiérrez to marginalize the minority sector within the union that still supported a confrontational strategy (it had the support of about 30 percent of the union), and to exclude it from the main executive positions within the union.²⁰ The defeat of this faction led to a strategic shift in favor of social bargaining and the resurgence of social pacts.

In the UGT this debate took place at a time when Nicolás Redondo was planning to retire from the UGT as a result of internal problems, a development that would present an opportunity for the more moderate faction within the UGT to take control. The 1995 Congress elected a new more moderate leader, Cándido Méndez, who had not been directly involved in the confrontation between the UGT and the PSOE's leaderships. This Congress witnessed a confrontation between the supporters of the ongoing confrontational strategy and other sectors of the union, led by the industry federations, which supported a more constructive and pragmatist strategy. This internal struggle finished with the incorporation of a significant number of delegates from the latter sectors, which shifted the balance of power within the executive bodies in favor of moderation.²¹

The debate within the CCOO about social bargaining and the strategic direction of the union raged on into the new millennium. The CCOO held its seventh Congress in April 2000 and elected José María Fidalgo as Gutiérrez's successor (the latter could not run for reelection after twelve years at the helm due to term limits). The selection of Fidalgo, with Gutiérrez's support, was not without controversy. The secretary of the metalworkers' federation, Ignacio Fernández Toxo, had also wished to present his candidacy. Fidalgo won with 70 percent of the votes but was unable to win the support of the minority group that still promoted a more radical strategy and did not want Fidalgo to continue the policies of his predecessor. The minority faction obtained 30 percent of the executive posts, but once again, it failed to win any secretariats and was not represented in the day-to-day management of the union.²² Despite Fidalgo's pledge to work for the integration of the minority faction, his decision to negotiate new agreements with the conservative Popular Party's [PP] government exacerbated tensions with Moreno's faction.

The absolute majority of the PP government from 2000 to 2004 led to a more complicated context that hindered the relationship with the government. The UGT and CCOO tried unsuccessfully to negotiate some form of regulation to provide greater protection for temporary workers and to penalize the abuse of temporary contracts. The government's unilateral labor market reform of May 2002 met with the opposition from

²⁰See interview with Antonio Gutiérrez, former Secretary General of CCOO, in *El Mundo*, "Mantener a los críticos en la cúpula crearía confusión," Sunday, January 14, 1996, pp. 33–34. Both Antonio Gutiérrez and José María Fidalgo confirmed in interviews with the author that the opposition to the social concertation process was one of the key cleavages in this internal conflict. The victory of their positions facilitated the implementation of this strategy.

²¹This strategic shift was confirmed during the interviews that I conducted with the leaders of the unions, including Antonio Gutiérrez, in December of 1996.

²²This was in contrast to the situation at the regional level. In Catalonia the 40 percent minority has negotiated responsibilities in the management bodies.

the unions and a general strike on June 20, 2002. The success of this strike led the government to withdraw its proposals and repeal the law.

This period also witnessed increasing turbulence between the two leading confederations. UGT refused to accept the agreement that CCOO reached with the government and employers in 2001 to reform the state pension system,²³ and CCOO refused to support a two-hour general strike organized by UGT in April 2003 to oppose the involvement of Spain in the war in Iraq.

While the UGT has remained quite stable internally, the situation has deteriorated further within the CCOO. The confederation held its eighth congress in April 2004 and this time there were three groups among the delegates: Fidalgo's group with 60 percent of the delegates, Moreno's with 23 percent, and a new group led by Rodolfo Benito (a former member of Fidalgo's team who had left in 2002 due to differences of opinion) with 17 percent of the delegates. Differences among these groups revolved around the distribution of power within the union and accusations about the lack of respect for opinions from minorities and regional federations (in which the minority tendencies are in the majority, like Madrid). The most important debate, however, was, once again, about the bargaining stance of the union. The critics accused Fidalgo of being too keen on reaching agreements and to accept pacts that are very detrimental to workers (like the one on pensions that was opposed by UGT). Indeed, there is a clear divide between the minority groups who seek to use conflict as a bargaining tool to achieve benefits to workers, and the majority one, which views negotiations and social bargaining as a way to achieve favorable outcomes for workers. In addition, the majority rejects the minority's overly political outlook about the role of the union. These positions have widened the differences about the strategic orientation of the union. In the end Fidalgo was re-elected with 59 percent of the vote against the 29 percent obtained by Moreno. The program of action for the next four years, however, received 78 percent of the votes. This program emphasizes the need to improve employment and maintain the system of social protection.

The 2003 syndical elections reinforced the CCOO's position within the labor movement. These election results seem to indicate some recovery by the unions relative to non-union representatives.²⁴

Table 7: Number of Trade Union Representatives Elected During the 2003 Work Council Elections

Trade Union	CCOO	UGT	ELA-STV	CIG	Total
	105,232	99,546	9,035	4,595	218,408

Sources: Data from the *Ministerio de Trabajo and Asuntos Sociales*.

In the end, the failure of labor confrontational strategies of the late 1980s and early 1990s, which contributed to the deterioration of economic conditions and aggra-

²³The agreement included the possibility of increasing the number of years of employment that would be used to calculate pensions, therefore opening the door to the possible reduction of pensions. The UGT adamantly refused to consider this possibility.

²⁴The confederation has gained 14,762 delegates vis-à-vis the election of 1999. The CCOO had 37.79 percent of the delegates in 1999 and 38.86 percent in 2003. The UGT had 37.01 percent in 1999 and 36.56 percent in 2003. Data from: CCOO.

vated the employment crisis of the early 1990s, led Spanish unions to reevaluate their strategies and complete a learning process that transformed their politics, strategies, and organizations in a radical way.

Liberalization and European Integration

The unions' strategic shift was accelerated as a result of the combined processes of economic liberalization, privatization, and European integration. These developments had a significant impact in the industrial relations setting. At the macroeconomic level, the drive to prepare Spain for full integration within EMU influenced the government's anti-inflationary stance. Since wages are such an important component of unit costs, wage bargaining became a cornerstone of the government's anti-inflation policies (and the prospect for meeting the EMU criteria), therefore enhancing the political function of the unions and the concertation process. Unions agreed with the EMU objective and supported wage moderation as an instrument to achieve it.²⁵

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 Spain 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. 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. In addition, Spanish firms' efforts to improve their competitiveness through further rationalization and labor market flexibility have led to tremendous changes in the business landscape with important implications for the unions. Restructuring and the privatization of publicly held companies have also influenced the strategies of Spanish unions. Outsourcing, downsizing, and reengineering have provoked significant changes in Fordist large-scale companies that used to be labor fortresses. As a consequence of these processes, employment in large and medium firms (over fifty employees) has declined considerably while the share of smaller firms (where unions are weaker) in employment has increased. Finally, European integration has forced the social actors to address the discrepancies between Spanish laws regulating the labor market and collective bargaining, and those prevailing in other EU countries.

To sum up, the combination of these developments resulted in a learning process on the part of the unions' leadership, which became convinced of the limits of a confrontational strategy, and led to new pragmatic and constructive strategies that facilitated their return to the bargaining table and thus the resurgence of social concertation in Spain (Espina 1999).²⁶ This new strategy was reinforced by the increasing autonomy of the unions from political parties.²⁷ The first result of this new approach was the signing of the bipartite agreement to resolve labor conflicts outside of the courts. This agreement signaled the beginning of a new phase marked by the resurgence of social bargain-

²⁵This was confirmed by my interviews with Antonio Gutierrez on 12/1996, José María Fidalgo on 5/2001, and Antonio Ferrer on 5/2001.

²⁶Espina (1999) views this development as the capstone of an "institutional learning process."

²⁷Cándido Méndez, the Secretary General of UGT, in answer to a question about *Izquierda Unida*, stated in 1995 that "our strategies cannot be conditioned by any political position no matter how respectable it may be," in *El País*, "La reforma laboral no ha producido ningun efecto positivo." Friday, October 27, 1995, p.58

ing. This new process was facilitated by the electoral victory in 1996 of the conservative Popular Party. This victory, by a very slim margin, had a dual effect. On the one hand, the government, which had included in the electoral program the need to negotiate with the unions, promoted social bargaining as an instrument of legitimization to dissipate fears about the course of its policies. On the other hand, the unions, which had had a nasty breakdown with the Socialist government that had affected their outlook and made any agreement virtually impossible, took advantage of this new political environment to retake the initiative and play a role in the policymaking process. At the same time, the strategy to establish independent negotiating tables (in a way in which disagreements in one table would not hinder advances in others) and to start negotiating the issues over which the level of consensus among the social actors was greater, facilitated the development of the bargaining process. This new dynamic facilitated bargaining, fostered consensus building among the social actors, and promoted the institutionalization of the process.

In a changing environment unions took advantage of a new 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. In the end, economic restructuring and the relative weakening of trade unionism may have—and this is the paradox—contributed to the institutionalization of industrial relations.

Conclusion

This article stresses the need to explain social actors' attempts to develop new solutions and change outcomes. Spain lacks encompassing labor market institutions, yet social concertation flourished in the 1980s-1990s. Hence, the institutional context per se is not able to explain the behavior of Spanish actors. The analysis of this case confirms that the consolidation of concertation does not depend solely on the organization of the actors, but also on the interests and strategies of the social actors themselves. This article examines the ways in which exogenous factors induce the social partners to review their positions and strategies vis-à-vis existing arrangements. It stresses the need to complement neoinstitutional explanations with a new set of hypotheses concerning actors' behavior (see Regini 2000: 9).

The resurgence of social concertation in Spain has been the result of the reorientation of the strategies of the social actors. Developments within the international economic environment and within the domestic structure have changed the balance of power among the social actors. These changes have facilitated the emergence of new strategies among the social actors and influenced their predisposition to negotiate and settle their differences through social bargaining. Preexisting institutions did not condition as much the choices made by the social actors. At the same time new emerging constraints and incentives to change largely determined their interaction and strategies.

As we have seen, in a new economic and political context, trade union organizations have supported tripartite bargaining as a defensive strategy to retake the initiative and influence policy outcomes. The decision by the unions to return to the bargaining table was for the most part a defensive one, motivated by their weakening at the firm

level (evidenced by the relative decline in union density²⁸) and their incapacity to effectively mobilize workers in a response to manpower policies to liberalize the labor market. In other words, with their support for these macroeconomic agreements, unions sought to mitigate their decline in bargaining power at the workplace level. With these pacts they have also tried to counteract the reduction in their capacity for collective action, which was a consequence of being sidelined by employers and governments, as well as the erosion of their influence in the policymaking process.

In addition, the resurgence of social bargaining has been fostered by a process of institutional learning and increasing autonomy of unions from political parties, which has led the social actors to conclude that previous confrontational strategies were detrimental to the interest of their constituencies and threatened their own survival. This development also reflects an attempt by the social actors 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 agreements have constituted an institutional mechanism to support business competitiveness through consultative practices (see Regini 2000).

Spanish unions did not face the same levels of resistance against these agreements (and particularly towards wage moderation) as unions in the Netherlands and other countries faced. First, the levels of membership were already very low and therefore they did not have much to lose. In addition, since the main trade-off (lower dismissals costs) did not affect older workers with permanent contracts (the core support of unions) the risk of further defections was very low. On the contrary, by addressing the main concern of temporary workers (more stable contracts) these agreements helped unions to build support from a younger generation of workers, women, and the unemployed.

For their part, the government and employers' associations decided that while competitiveness and costs were contingent on the increasing flexibility of labor and firms, they also depended on the ability of the national system in which they operate to provide collective goods—namely, education, training, wage coordination, and labor cooperation. Hence, they acknowledged that the crucial problem for their firms was the need to institutionalize further the production of collective goods (Regini 2000: 19). Consequently, employers gave priority to continuing social concertation and supported cooperative strategies as instruments to further competitiveness.²⁹ They understood that the most effective way to achieve wage moderation and to liberalize the labor market would be through the acquiescence of unions.³⁰ Confrontation led to higher wages and the paralysis of the reform and liberalization processes in the second half of the 1980s

²⁸According to the European Industrial Relations Observatory On-line (EIRO) "crude" union density figures in Spain stand at between 10-19 percent, the lowest in the EU with Estonia, Latvia, and Poland.

²⁹Although employers' associations publicly and frequently express their antagonism toward trade unions, criticize an environment which they consider hostile to them, and demand greater labor market flexibility, in private, during the course of the interviews that I conducted with employer associations' leaders in Spain in 2000, 2001 and 2004, they recognized the need for greater cooperation and stressed the benefits of concertation.

³⁰While the government had been one of the leading actors in the first period of social bargaining, in the 1990s it played more of a secondary role. The social partners asserted their autonomy and rejected an interventionist approach. The Government enacted the legislation to implement the agreements, but the bulk of the bargaining and the trade-offs took place between the unions and employers.

and first half of the 1990s because unions had effective veto power through mobilizations. Social bargaining, on the other hand, had resulted in wage moderation and offered a gradual and stable path toward reform and liberalization of the labor market (Royo 2002: pp. 176-77).

One of the main challenges for the so-called under-organized economies, such as Spain, is to build the coordinating capacity among the social actors that will allow them to respond to international pressures and solve the economic problems that result from increasing international competition and market integration (Hall and Soskice 2001). While changes in production regimes and occupational structure demand greater flexibility, increasing competition rewards institutional mechanisms that facilitate cooperation among the social actors and tilt the balance of wage-setting toward the tradable sector of the economy. The experience of Spain suggests that market integration and international competition also create pressures that promote social bargaining.

Paradoxically, the economic pressures that are eroding the coordination mechanisms of Coordinated Market Economies (CMEs), are offering incentives to the Spanish social actors to address new challenges through social pacts. Spanish governments are also trying to make labor markets more flexible, but distributional conflicts are not necessarily leading to a neoliberal solution. Indeed, in Spain the main forces of change—namely, financial integration, difficult macroeconomic circumstances, technological changes, the transformation in the nature of business, and new demands on educational and professional training systems—have led the social actors to implement significant changes in the Spanish systems of corporate governance. In addition, fiscal decentralization, little labor mobility, EMU, and relatively inflexible labor markets are also exerting particular pressures in the Spanish economy.

In this light, the Spanish agreements conform to a mixed (mid pluralist) model of corporatism that is rather different in form from the traditional Social Democratic (SD) corporatism of the Scandinavian countries (Rhodes 1998).³¹ This new form of neocorporatism focuses on reduced labor costs and competitiveness (Hassel and Ebbinghaus 2000), and it is characterized by concertation among weaker organizations (as opposed to the centralized peak organizations with a monopoly of representation that characterize the Scandinavian countries), with governments acting as instigators of social pacts to reform labor legislation or social programs (Rhodes 1998: 183; Hassel and Ebbinghaus 2000: 80). These scholars have noted that the main problem with the new form of corporatist pacts is that the political exchange is far less certain and predictable. Fiscal, economic, and competitive pressures prevent governments from compensating unions with an expansion of social and welfare programs. In this new economic environment, the rewards and incentives of social bargaining are not as immediate and evident as they used to be. Consequently, the terms of the bargain are likely to change from one set of negotiations to the next, and the social actors have less incentives to engage in this political exchange. Hence, these arrangements are more likely to be less stable and subject to periodic breakdown.³²

³¹Rhodes has defined this new form of corporatism as “competitive corporatism.”

³²The general strike of 2002 in Spain organized by the unions, in response to a unilateral labor reform by the government, illustrates this point. The success of this strike led to government to back off, modify the

In sum, the analysis of the Spanish case shows that countries are not stuck in a particular pattern of labor relations and practices. It rejects institutional deterministic approaches and illustrates that although institutions are path dependent, they still offer constraints and opportunities for change. In the industrial relations arena Spain is moving from “state capitalism” to “managed capitalism.” The election of a new Socialist government in March of 2004 opens up a new scenario with strong correlations between the positions of the government and the social actors. The Ministry of Labor has declared publicly that there would be no reforms by decree, and the new Prime Minister, Rodríguez Zapatero, has opened up a round of dialogue with unions and employers to initiate a new phase of social bargaining.

reform and satisfy most of the unions’ demands. Despite this confrontation, unions and employers reached new agreements (including a collective bargaining one to set wage increases for 2003) in subsequent months.

Table 8: Real Wages (RL) and Labor Productivity (LP) in the European Union, 1961-2000

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	1961-70	1971-80	1981-90	1991-2000
Austria														
Real wages	2.5	1.4	1.7	0.5	0.6	-0.2	-1.0	2.3	1.8	1.2	4.6	4.2	1.6	1.1
Labor productivity	1.8	0.9	1.0	2.3	1.5	2.6	0.7	1.9	1.1	2.1	5.1	2.9	2.2	1.6
RW - LP	0.7	0.5	0.7	-1.8	-0.9	-2.8	-1.7	0.4	0.7	-0.9	-0.5	1.3	0.6	-0.4
Belgium														
Real wages	4.6	2.1	0.0	2.2	0.5	0.0	1.4	0.5	1.2	1.1	4.3	4.7	0.4	1.4
Labor productivity	1.9	2.0	-0.8	3.4	1.8	0.7	2.7	1.5	0.9	1.7	4.4	3.2	1.8	1.6
RW - LP	2.7	0.1	-0.8	-1.2	-1.3	-0.7	-0.7	-1.0	0.3	-0.5	-0.1	1.5	-1.4	-0.2
Denmark														
Real wages	1.4	1.9	1.8	2.0	2.6	0.7	2.0	0.9	2.0	1.3	3.9	1.6	0.5	1.7
Labor productivity	2.0	2.2	2.3	6.2	3.0	1.5	1.0	0.5	1.3	2.1	3.4	1.6	2.0	2.2
RW - LP	-0.6	-0.3	-0.5	-4.2	-0.4	-0.8	1.0	0.4	0.7	-0.8	0.5	0.0	-1.5	-0.5
Finland														
Real wages	4.4	1.3	-1.4	1.1	-0.2	2.9	-0.3	1.7	2.1	2.7	3.7	3.6	2.5	1.4
Labor productivity	-0.7	4.2	5.4	5.1	2.2	2.6	2.9	3.0	1.7	2.0	4.4	3.2	2.6	2.8
RW - LP	5.1	-2.9	-6.8	-4.0	-2.4	0.3	-3.1	-1.3	0.4	0.7	-0.7	0.4	-0.1	-1.4
France														
Real wages	1.4	2.2	0.7	0.2	0.9	1.2	0.8	1.6	1.3	0.8	4.9	3.6	1.1	1.1
Labor productivity	1.0	2.3	0.8	2.4	1.2	1.3	1.9	2.1	1.3	1.5	4.9	2.9	2.1	1.6
RW - LP	0.4	-0.1	-0.1	-2.2	-0.3	-0.1	-1.1	-0.5	0.0	-1.7	0.0	0.7	-1.0	-0.4
Germany*														
Nominal wages	1.9	5.3	0.6	0.7	1.8	1.1	0.6	0.3	0.9	0.8	4.6	2.9	0.8	1.4
Labor productivity	2.5	3.9	0.5	2.7	1.8	1.5	2.3	1.8	1.1	2.3	4.2	2.6	1.7	2.0
RW - LP	-0.6	1.4	-0.1	-2.0	0.0	-0.4	-1.7	-1.5	-0.2	-1.5	0.4	0.3	-0.9	-0.6
Greece														
Real wages	-3.7	-2.6	-4.0	-0.4	2.8	1.4	5.4	0.8	1.3	2.0	6.3	3.2	0.1	0.2
Labor productivity	5.6	-0.7	-2.5	0.1	1.2	2.8	3.8	0.3	2.1	2.4	9.3	3.0	-0.3	1.5
RW - LP	-9.3	-1.9	-1.5	-0.5	1.6	-1.4	1.6	0.5	-0.8	-0.4	-3.0	0.2	-0.4	-1.3
Ireland														
Real wages	2.5	4.1	1.1	0.7	-1.0	1.1	2.0	-0.8	2.1	2.1	4.1	4.2	2.1	1.4
Labor productivity	1.9	2.3	2.0	2.6	4.2	3.9	4.9	3.8	3.4	3.6	4.2	3.7	3.8	3.2
RW - LP	-0.6	-1.8	-0.9	-0.9	-5.2	-2.8	-2.9	-4.6	-1.3	-1.5	-0.1	0.5	-1.7	-1.8
Italy														
Real wages	1.1	1.2	0.6	-0.4	-0.8	1.1	1.6	-4.2	0.6	0.5	5.9	3.0	1.0	0.1
Labor productivity	0.6	1.4	2.2	3.2	2.9	0.8	1.4	0.6	0.3	1.4	6.2	2.6	1.6	1.5
RW - LP	0.5	-0.2	1.6	-3.6	-3.7	0.3	0.2	-4.8	0.3	0.9	-0.3	0.4	-0.6	-1.4
Luxembourg														
Real wages	4.8	1.0	4.3	-1.2	1.5	0.6	-0.5	-1.0	0.9	0.8	2.5	3.9	1.6	1.1
Labor productivity	2.0	2.0	6.8	1.6	1.3	0.2	3.9	0.6	0.5	1.4	2.9	1.4	2.7	2.0
RW - LP	2.8	-1.0	-2.5	-2.8	0.2	0.4	-4.4	-1.6	-0.4	-0.6	-0.4	2.5	-1.1	-0.9
Netherlands														

Real wages	1.7	2.3	1.4	0.4	0.0	0.3	0.1	0.6	1.9	0.9	5.1	3.0	0.2	1.0
Labor productivity	0.9	1.0	0.9	3.6	0.8	0.5	1.0	1.0	0.9	1.1	3.9	2.7	1.6	1.2
RW - LP	0.8	1.3	0.5	-3.2	-0.8	-0.2	-0.9	-0.4	1.0	0.2	1.2	0.3	-1.4	-0.2
Portugal														
Real wages	5.3	5.7	-0.7	-0.7	2.0	3.1	1.3	-0.4	2.5	2.8	6.6	5.6	1.4	2.1
Labor productivity	-0.4	4.2	1.0	3.3	3.6	2.3	2.1	0.9	1.7	2.0	6.2	4.7	3.0	2.1
RW - LP	4.9	-1.5	-1.7	-4.0	-1.6	0.8	0.8	-1.3	0.8	0.8	0.4	0.9	-1.6	0.0
Spain														
Real wages	2.3	3.3	2.4	-1.2	-1.8	0.5	0.6	0.5	-0.2	0.3	7.1	4.6	0.7	0.7
Labor productivity	1.3	2.3	1.8	2.8	0.9	1.1	1.1	0.2	0.4	1.0	6.7	4.2	2.2	1.3
RW - LP	-1.1	-1.1	-0.6	-4.0	-2.7	-0.6	-0.5	0.3	-0.6	-0.7	0.4	0.4	-1.5	-0.6
Sweden														
Real wages	-0.8	2.9	1.7	2.4	-0.7	5.3	1.8	1.9	3.3	2.4	4.1	1.6	0.7	2.0
Labor productivity	0.4	3.2	3.2	4.9	2.3	1.7	2.6	1.7	1.1	1.7	3.9	1.2	1.3	2.3
RW - LP	-1.2	-0.3	-1.5	-2.5	-3.0	3.6	-0.6	0.2	2.2	0.7	0.2	0.4	-0.6	-0.3
UK														
Real wages	2.1	1.5	1.4	1.8	0.1	0.2	1.7	2.3	2.6	2.2	2.7	1.7	2.2	1.6
Labor productivity	1.6	2.2	3.8	2.6	1.2	1.3	1.7	1.1	0.4	2.0	2.6	1.6	2.2	1.8
RW - LP	0.5	-0.7	-2.4	-0.8	-1.1	-1.1	0.0	1.2	2.2	0.2	0.1	0.1	0.0	-0.2
European Union														
Real wages	1.7	2.8	0.8	0.4	0.4	0.8	0.9	0.3	1.3	1.1	4.5	3.0	0.9	1.1
Labor productivity	1.5	2.5	1.6	2.8	1.7	1.3	1.8	1.3	0.9	1.8	4.6	2.7	1.9	1.7
RW - LP	-0.2	-0.3	-0.8	-2.4	-2.3	-0.5	-0.9	-1.0	0.4	-0.7	-0.1	0.3	-1.0	-0.6

Real wages = real compensation per employee, deflator GDP, annual percentage change; labor productivity = GDP at 1995 market prices per person employed, annual percentage change; RW- LP = real wages minus labor productivity; * 1961-91 West Germany.

Source: European Commission, *European Economy* No. 68 (1999)

References

- Alston, Lee J., Thrainn Eggertsson and Douglass C. North, 1996. *Empirical Studies in Institutional Change*. New York: Cambridge University Press.
- Bentolila, Samuel, and Juan J. Dolado, 1994. "Labour Flexibility and Wages. Lessons from Spain," in *Economic Policy* 18: 55-99.
- Bentolila, Samuel, J. Segura, and L. Toharia, 1991. "La Contratación Temporal en España," in *Moneda y Crédito* 193: 225-265.
- Boix, Carles, 1998. *Political Parties, Growth and Equality. Conservative and Social Democratic Strategies in the World Economy*. New York: Cambridge University Press.
- Bruno, Michael and Jeffrey Sachs, 1985. *The Economic of Worldwide Stagflation*. Cambridge MA: Harvard University Press.

- Cameron, David, 1984. "Social Democracy, Corporatism, Labor Quiescence and the Representation of Economic Interest in Advanced Capitalist Society," in John H. Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism*. New York: Oxford University Press.
- Cameron, David, 1998. "Creating Supranational Authority in Monetary and Exchange Rate Policy. The Sources and Effects of EMU," in Wayne Sandholtz and Alec Stone Sweet, *European Integration and Supranational Governance*. New York: Oxford University Press.
- CES, 2004, *Memoria sobre la Situación Socioeconómica y Laboral de España, 2003*. Madrid: CES.
- Crouch, Colin, and Wolfgang Streeck, eds., 1997. *Political Economy of Modern Capitalism. Mapping Convergence and Diversity*. Newbury Park CA: Sage Publications.
- CCOO, 2000. *Documentos Aprobados en el Séptimo Congreso*, Madrid: Confederación Sindical de Comisiones Obreras.
- Downs, Anthony, 1957. *An Economic Theory of Democracy*. New York: Harper Collins.
- EIRO, 2003. *Trade Union Membership Online*,
<http://www.eiro.eurofound.eu.int/2004/03/update/tn0403105u.html>.
- Espina, Alvaro, 1999. "El 'Guadiana' de la Concertación Neocorporatista en España. De la Huelga General de 1988 a los Acuerdos de 1997," in Faustino Miguélez and Carlos Prieto, eds., *Las Relaciones de Empleo en España*. Madrid: Siglo XXI.
- Fairbanks, Michael, Stace Lindsay and Michael E. Porter, 1997. *Plowing the Sea: Nurturing the Hidden Sources of Growth in the Developing World*. Cambridge MA: Harvard Business School Press.
- 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.
- Gillespie, Richard, 1990. "The Break-up of the 'Socialist Family'. Party-Union Relations in Spain 1982-1989," in *West European Politics* 16,1 (January).
- Giner, S., and E. Sevilla, 1984. "Spain. from Corporatism to Corporatism," in A. Williams, ed., *Southern Europe Transformed*. London: Harper & Row.
- Goldthorpe, John, ed., 1984. *Order and Conflict in Contemporary Capitalism*. Oxford: The Clarendon Press.
- Hall, Peter A., 1999: "The Political Economy of Europe in an Era of Interdependence," in Herbert Kitschelt et al., eds., *Change and Continuity in Contemporary Capitalism* New York: Cambridge University Press.
- Hall, Peter, and David Soskice, eds., 2001. *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*. New York: Oxford University Press.
- Hassel, Anke and Bernhard Ebbinghaus, 2000. "From Means to Ends. Linking Wage Moderation and Social Policy Reform," in Giuseppe Fajertag and Philippe Pochet, eds., *Social Pacts in Europe. New Dynamics*. Brussels: ETUI.
- Iversen Torben, 1999. *Contested Economic Institutions. The Politics of Macroeconomic and Wage-Bargaining in Organized Capitalism*. New York: Cambridge University Press.
- Jiménez Aguilar, J., 1997. "EL Nuevo Dialogo Social Desde la Perspectiva de las Organizaciones Empresariales." Paper presented during the *Jornadas sobre el Dialogo Social*. Cursos de Verano de la Universidad Complutense. El Escorial, July 9.
- Jimeno, J. F., and L. Toharia, 1993. "The Effects of Fixed Term Employment on Wage. Theory and Evidence from Spain," in *Investigaciones Económicas* XVII,3: 475-494.
- Jordana, Jacint, 1996. "Reconsidering Union Membership in Spain, 1977-1994. Halting Decline in a Context of Democratic Consolidation," in *Industrial Relations Journal* 27,3.
- Kotler, Philip, Somkid Jatusripitak, Suvit Maesincee and Somkid Jatusri, eds., 1997. *The Marketing of Nations: A Strategic Approach to Building National Wealth*. New York: Free Press, 1997.
- Lehmbruch, Gerhard, and Phillippe Schmitter, eds., 1982. *Patterns of Corporatist Policy-Making*. London: Sage.

- Miguélez, Faustino, and Carlos Prieto, eds., 1999. *Las Relaciones de Empleo en España*. Madrid: Siglo XXI.
- North, Douglass C., 1990. *Institutions, Institutional Change and Economic Performance* New York: Cambridge University Press.
- Pérez, Sofía, 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.
- Porter, Michael, *The Competitive Advantage of Nations* New York: The Free Press, 1990).
- Regini, Marino, 2000. "Between Deregulation and Social Pacts. The Responses of European Economies to Globalization," in *Politics & Society* 28,1 (March): 5-33.
- Regini, Marino and Ida Regalia, 1997, "Employers, Unions, and the State: the Resurgence of Concertation in Italy?" in *West European Politics* 25,1: 210-30.
- Rhodes, Martin, 1998. "Globalization, Labour Markets and Welfare States. A Future of Competitive Corporatism?" in Martin, Rhodes and Yves Meny, eds., *The Future of European Welfare*. New York: St. Martin's Press.
- Richards, Andrew, and Javier García Polavieja, 1997. "Trade Unions, Unemployment and Working Class Fragmentation in Spain," *Working Paper # 112*. Madrid: CEACS.
- Roca, Jordi, 1993. *Pactos Sociales y Políticas de Rentas*, Madrid: Ministerio de Trabajo y Seguridad Social.
- 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, 2002. "A New Century of Corporatism? Spain and Portugal in Comparative Perspective," in *West European Politics* 52,3 (July).
- Scharpf, Fritz W., 1987. "The Political Calculus of Inflation and Unemployment in Western Europe," *CES Working Paper Series #6*. Cambridge MA: Center for European Studies, Harvard University.
- Schmidt, Vivien A., 2002. *The Futures of European Capitalism*. New York: Oxford University Press.
- Schmitter, Philippe C., 1974. "Still the Century of Corporatism?" in *Review of Politics* 36,1: 85-131.
- Schmitter, Philippe C., 1981. "Interest Intermediation and Regime Governability in Western Europe and North America," in S. Berger, ed., *Organizing Interests in Western Europe*. New York: Cambridge University Press.
- Solé, C., 1985. "Neocorporatisme i pluralism en les societats democràtiques; un debat obert," in *Papers. Revista de Sociologia* 245. Universitat Autònoma de Barcelona, pp. 13-23.
- Stoleroff, Alan D., 1992. "Between Corporatism and Class Struggle. The Portuguese Labour Movement and the Cavaco Silva Governments," in *West European Politics* 15,4: 118-50.
- Steinmo, Sven, Kathleen Thelen, and Frank Longstreth, eds., 1992. *Structuring Politics. Historical Institutionalism in Comparative Analysis*. New York: Cambridge University Press.
- Thelen, Kathleen, 2001. "Varieties of Labor Politics in the Developed Democracies," in Peter Hall and David Soskice, eds., *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*. New York: Oxford University Press.
- Van der Meer, Marc, 2000. "Spain," in Bernard Ebbinghaus and Jelle Visser eds.. *The Societies of Europe. Trade Unions in Western Europe Since 1945*. New York: Grove's Dictionaries, Inc.
- Von Prodzynski, Ferdinand, 1999. "Ireland: Corporatism Revived," in Anthony Ferner, and Richard Hyman, eds., *Changing Industrial Relations in Europe*. Oxford: Blackwell.