Executive Summary

International Labour Organization

Blunting neoliberalism: Tripartism and economic reforms in the developing world

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Tripartism, also known as social or policy concertation, refers to the consultation and negotiation of public policies between representatives of national governments, trade unions and employer associations, who may also play a direct role in their implementation. These practices have a long tradition in Western Europe and have spread in recent decades beyond the classic corporatist countries to others that had previously been thought to be infertile ground for tripartism. However, much less is known about the role played by tripartism in other regions of the world.

This volume covers eight case studies from sub-Saharan Africa, East Asia, Central and Eastern Europe, and Latin America. It focuses on the impact of tripartism on national policy-making in the 1990s and early 2000s, a period characterized by the predominance of neoliberalism. During this time, the IMF and the World Bank pushed reforms through a standard policy package known as the "Washington Consensus", featuring trade and financial liberalization, deregulation, privatization, and orthodox, restrictive macroeconomic policies. Governments in many countries embarked on market-oriented reforms, seeking greater integration into the global economy. These policies, however, have come under increasing criticism as results proved uneven and mostly disappointing.

Did tripartite negotiations alter the pace, sequence or content of economic reforms? Did they affect the environment in which reforms are implemented? These questions are explored through case studies of countries that exhibit varying degrees of tripartism: South Africa, Zimbabwe, the Republic of Korea, Singapore, Poland, Slovenia, Chile and Uruguay.

These case studies provide rich empirical material to show that, when relatively strong, tripartism has made reforms more equitable and politically sustainable, reducing their social impact. Tripartite negotiations did not change the fundamental thrust and content of reforms in the 1990s, which retained their market orientation, but they did help countries reconcile economic and social goals. Rather than construct an alternative to neoliberalism, tripartism took out its sharper edges.

Research design

Three hypotheses, drawn from the literature on the political economy of reforms and on tripartism in advanced industrial countries, guided the research:

1. Tripartism produces economic reforms that reconcile efficiency and equity – e.g. by moderating the pace of change or compensating losers.
2. Tripartism makes economic reforms more politically sustainable – e.g. by signalling agreement on reforms, generating buy-in from key social actors.
3. Tripartism increases the manoeuvring room for national policy-makers vis-à-vis international actors – e.g. governments can leverage domestic consensus around policies that deviate from external recommendations.

These hypotheses were tested through case studies from different parts of the developing world. For each of the four regions covered, two cases exhibiting contrasting forms of tripartism but similarities in other respects were selected for comparison.

Tripartism is not a simple yes/no binary variable but a matter of degree. Although many developing countries have tripartite institutions, these are often too weak to have a significant impact on policy-making, as they only function sporadically, are purely advisory, or operate within authoritarian contexts that restrict the actors' autonomy. The mere presence of tripartite bodies, or even the extent of their statutory prerogatives, cannot serve as a proxy for measuring the incidence of tripartism.

The distinction between strong and weak tripartism involves multiple dimensions, and it is therefore difficult to rank countries neatly on a weak–strong continuum. Five indicators were used to gauge the strength of tripartism in a given country: (1) scope of policy consultations and negotiations, (2) number of agreements reached, (3) scope of agreements, (4) continuity of practices and (5) strength and autonomy of labour representation. The first four indicators measure the incidence, breadth and fruitfulness of tripartite exchanges while the fifth deals with underlying organizational conditions.

Main findings

The evidence presented in this book clearly supports the first hypothesis mentioned above, that relatively strong tripartism produces economic reforms which reconcile efficiency and equity. Whereas tripartite negotiations did not fundamentally alter the content of market-oriented reforms, they brought attention to equity issues and mitigated their social costs. The mechanisms vary from country to country but include different combinations of the following: efforts to reduce dislocation and moderate the pace or limit the scope of structural change; measures to compensate losers and to promote adjustment through training and industrial policy; policies that bolster worker rights and social protection; efforts to reduce income inequality.

In the most successful cases, incomes policy has been key to tripartite agreements and a useful tool for macroeconomic management. Slovenia, for instance, has used tripartite wage-setting since the mid-1990s to bring down inflation and limit wage dispersion as it transitioned to a market economy while keeping unemployment low. Singapore has used tripartite wage-setting since the 1970s to promote moderate wage growth and wage flexibility, move the economy into higher value-added sectors and respond to external shocks. In addition to incomes policy, both countries have extensive training programmes, products of tripartism which have been combined with industrial policies and active state intervention in Singapore, and with strong job protection legislation and gradual restructuring in Slovenia, to ensure smooth economic adaptation at a low social cost.

Tripartism has bolstered universal welfare schemes and progressive taxation in Slovenia, and has been instrumental in expanding social protection over time in Singapore. These policies helped Slovenia become the first transition country to join the Euro currency area in 2007 with good employment figures and low income inequality. Singapore, meanwhile, has a long record of macroeconomic stability and low unemployment, but high income inequality. Although tripartism in Singapore is institutionalized and has influenced policy formulation, the trade unions' limited autonomy from government may explain the low emphasis on egalitarian distribution. However, equity concerns have been evident in the policy responses to the 1998 Asian financial crisis and the growing attention paid in recent years to the plight of low-wage workers.

The findings also support the hypothesis that tripartism makes economic reforms more politically sustainable. This may be true even in cases of weak tripartism such as Chile, where the 1990 Framework Agreement signalled labour's acceptance of the liberalized economy inherited from Pinochet as well as business's acceptance of increased social spending under democracy. The contrast between Poland and Slovenia helps illustrate this point: whereas government unilateralism in Poland has often resulted in protests, such as those of miners, which had to be settled through costly measures, unions in Slovenia gained a stake through tripartism in negotiated reforms that enhanced their sustainability.

Tripartism has sometimes played an important stabilizing role during crises. The 1998 social pact negotiated in the Republic of Korea helped assure the IMF and capital markets that the Government would take resolute action against the Asian financial crisis. Similarly, tripartite consensus helped Uruguay in 2002 to restore public confidence in the banking system and avoid the social and political upheaval the financial crisis unleashed in neighbouring Argentina. Tripartism has helped reduce uncertainty and ensure governability during democratic transitions in South Africa, Chile and Uruguay.

There is little evidence in the case studies to support the hypothesis that tripartism increases the manoeuvring room for domestic policy-makers vis-à-vis international actors. The only exception is pension reform in Slovenia, where tripartite consensus was crucial for rejecting the World Bank's blueprint in favour of an approach that was deemed more appropriate for local conditions.

From a labour perspective, the tripartism examined in this book has served a largely defensive purpose and is, in this respect, considerably different from the type of tripartism that provided the building blocks of the classic social corporatist model that captured the European experience in the post-war Keynesian era. This model was based on the notion of "political exchange", by which trade unions exchanged a commitment to moderate wage demands for full employment policies and the development of comprehensive welfare states. South Africa provides a good example of the constraints tripartite institutions face when trying to implement redistributive policies under current conditions, and more generally of the difficulties faced by social democracy in the developing world. This country emerged from the apartheid regime committed to redressing inequalities and with participatory institutions in virtually all policy fields, ensuring strong tripartite involvement in policy formulation. Yet in 1996, in the midst of a currency crisis and associated capital flight, the Government unilaterally abandoned its early left-Keynesian economic programme for a more orthodox macroeconomic strategy based on fiscal deficit reduction, relaxation of exchange controls and privatization, bypassing tripartite institutions and declaring the decision "non-negotiable" despite strong objections from its trade union allies. This in turn limited the scope for social spending, preventing more ambitious social policy proposals from being adopted.

Despite its limitations, the impact of tripartism on neoliberal economic reforms has not been trivial. Tripartite negotiations have enabled social actors to step in with policies to minimize dislocation, promote adjustment and bolster social protection at a time of extensive structural change. Sceptics would suspect such deals to come at a price, viewing tripartism as a mechanism for insiders to protect narrow interests to the detriment of outsiders and of economic efficiency. However, the extent to which tripartism can be assumed to cater to narrow interests varies depending on factors such as the extent to which trade unions and employer associations are representative and encompassing, their strategic orientation and their desire or ability to build coalitions including outsiders. The case studies find little evidence of a downside to tripartism along these lines.

One may conclude from these findings that strong tripartism can help countries negotiate globalization pressures and achieve a more socially balanced growth.

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