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COMMISSION STAFF WORKING DOCUMENT

Industrial Relations in Europe 2012

Chapter 2: Industrial relations developments in the new member states in Central and Eastern Europe

There is a large degree of heterogeneity across the different CEECs. Industrial relations structures and processes remain relatively quite weak in some, and the crisis has hit hard. Future challenges include building the social dialogue and national industrial relations systems.

Based on a draft by Marta Kahancová (Central European Labour Studies Institute, Bratislava)

Introduction

EU enlargement in 2004 and 2007 increased the diversity of industrial relations systems across the EU. In particular, the 10 new Member States in Central and Eastern Europe (the CEECs) increased the variation in structural and institutional characteristics of industrial relations in the EU. Compared to the member states that joined by EU prior to 2004 (EU-15), CEEC industrial relations, with the exception of Slovenia, are characterised by weaker trade unions, a lack of employer willingness to organise in employers' associations, a lower incidence of bipartite collective bargaining, persistently lower bargaining coverage, greater government involvement in social partnership but at the same time a contested position of tripartite concertation and social dialogue. This chapter presents an overview of industrial relations in the CEECs since the 1990s.

The chapter argues that while there is wide diversity between these countries, industrial relations institutions (and actors) in CEECs remain weak and fragmented, and some developments in this respect are worrying, as some reforms underway undermine the consensus which is needed for an effective involvement of social partners in adapting to change: in a number of these countries responses to the crisis are generating increasingly conflictual industrial relations. In some cases, the question of the compatibility of these reforms with international agreements or conventions has been raised. There is a need to revitalise national industrial relation systems and to support their actions in order to promote and restore consensus to ensure the long term sustainability of the economic and social reforms underway.

The focus is on the main differences in structural indicators between the EU-15 and the CEECs, as well as on the internal diversity among particular CEECs and country clusters. The chapter also explores the potential of CEEC social partners to stabilise and innovate on industrial relations structures through responding to labour market developments after EU enlargement and the economic crisis. Finally, the chapter evaluates the future of industrial relations in the CEECs with a particular focus on the capacity of industrial relations institutions to accommodate Europeanisation of social dialogue and collective bargaining practices.

Industrial relations in most EU-15 Member States in Western Europe have evolved systematically since the post-war period in the context of democracy and a market

economy. By contrast, industrial relations in the CEECs developed in the context of state socialism until the end of 1980s and embarked on transition to independent social dialogue and collective bargaining under democracy and market economy in the course of the 1990s. Efforts aimed at European integration and joining the EU in 2004 and 2007 further shaped industrial relations developments in these countries, as a result of implementing the *Acquis Communautaire* and national-level social partner organisations joining EU-level organisations.

Focusing on main industrial relations trends throughout the 1990s and 2000s in the CEECs, the **first aim** of this chapter is to highlight the most important characteristics of these countries' industrial relations systems that have crystallised during the past two decades of transition and EU accession; identify the main differences of CEEC industrial relations systems in comparison with the EU-15; and address trends in the Europeanisation of social dialogue practices. The chapter's **second aim** is to shed more light on industrial relations developments *within* the CEEC region. Although the CEECs share similar historical legacies and recent economic challenges, there are also significant differences in these countries' political economies and industrial relations systems. Uncovering variation in economic structure, labour market performance and industrial relations helps to understand why certain countries have been more successful than others in implementing European standards in social dialogue, maintaining/building bipartite collective bargaining structures, or responding to the economic crisis through national-level pacts and greater involvement of the social partners in policymaking. Whereas the previous two aims draw on developments in the past two decades, the chapter's **third aim** is to evaluate the capacity of the CEEC social partners to shape policies, labour market developments and employment conditions across the CEECs in response to recent economic challenges. The challenges considered are twofold: the first is the large-scale work-related mobility from some CEECs to EU-15 countries after EU enlargement, which led to labour shortages in domestic labour markets. The second challenge is the economic crisis, which had various impacts on CEEC labour markets through unemployment, employment flexibility and austerity measures. Several recent cases will be presented in order to highlight the responses of social partners and the role of social concertation for governing post-crisis labour market challenges. Attention will also be paid to developments in public sector industrial relations in the context of exposure to post-crisis austerity.

The final, **fourth, aim** of this chapter is to evaluate future prospects for the role of social dialogue and collective bargaining in the CEECs. In order to do this, the author will not only rely on statistical evidence on trends in associational membership and bargaining coverage, but predominantly on the potential for action, organisational capacity, resource building, and policy influence, based on recent case study evidence on how bargaining institutions have responded to the challenges raised by EU enlargement and the economic crisis, and how industrial relations actors build diversified resources and are using recent economic challenges to improve their capacity and strengthen their legitimacy.

Box 2.1: Data sources

Given the general lack of comparative data on industrial relations in the CEECs, this chapter draws on several data sources. In addition to Eurostat, the most important source for indicators of union and

employer density, bargaining levels and bargaining coordination is the latest version of the ICTWSS - *Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts* - database (version 3.0, 2011). Although the coverage of CEECs is more limited in this database than the coverage of EU-15 countries, the ICTWSS is the only available source of comparative information on institutional and structural characteristics of industrial relations systems covering also the new member states. Information in the database comes from national surveys, the European Social Survey, and administrative data obtained from unions and from the European Industrial Relations Observatory (EIRO) of the European Foundation for the Improvement of Living and Working Conditions. Regular comparative EIRO reports are also a good source of evidence on developments in the CEECs. Additional sources include Eurobarometer, Eurostat, ILO's Laborsta, the OECD Employment Outlook, and the UN Population Statistics. These data sources are supplemented by case studies of collective bargaining, trade union action, and industrial relations revitalization trends in the CEECs. Case studies derive from research conducted by the author and other dedicated researchers within various EU research projects, including the sixth and seventh framework programs (e.g., *FP6 EQUALSOC*¹ and *FP7 GUSTO*²) and other projects contracted by the European Commission (e.g., *BARSORI - Bargaining for Social Rights: Reducing Precariousness and Labour Market Segmentation through Collective Bargaining and Social Dialogue*). Finally, the chapter draws on a number of academic articles and books (e.g. Meardi 2012, Bohle and Greskovits 2012) that analyze developments in political economy and industrial relations in the CEECs.

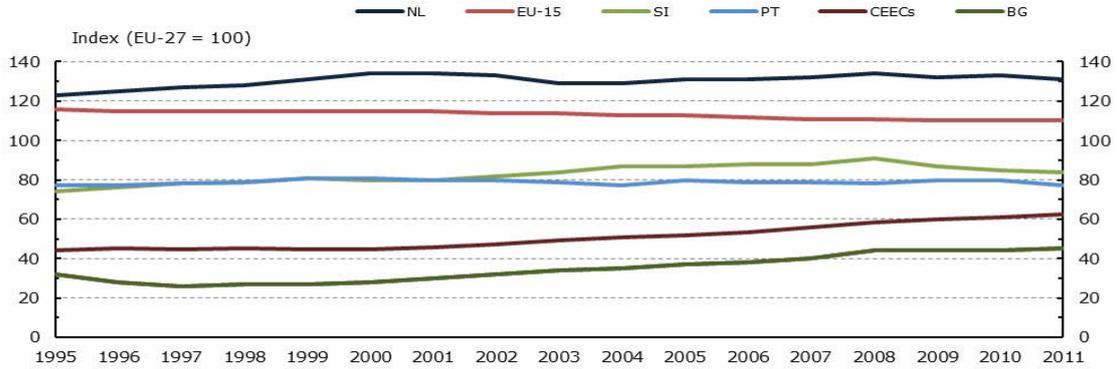
2.1 Economic performance of the CEECs

To understand the context of recent industrial relations developments in the CEECs and the motivation for comparing them with the EU-15, this section provides a brief overview of economic and labour market performance of the CEECs. In short, the CEECs experienced GDP growth rates (see Chart 2.1), a significant inflow of foreign direct investments (FDI) especially between 2000 and 2007 (see Chart 2.2), and significantly higher collectively agreed wage increases than many EU-15 countries (see Chart 2.3). The inflow of FDI to the CEECs derived from an attractive investment environment, new markets, proximity to markets in the EU-15 countries and also a significant gap in wages and earnings between the CEECs and the EU-15 countries (see Chart 2.4). Although wages are constantly rising in the CEECs, labour productivity (measured in terms of GDP per hour worked) in all CEECs, while improving, systematically lags behind that of EU-15 countries (see Chart 2.5). Based on an index of EU-27=100, labour productivity per hour worked in the EU-15 reached 117.7 in 2000 and 113.8 in 2010, while labour productivity in the CEECs reached only 44.83 in 2000 and 58.23 in 2008.

¹ EQUALSOC: Economic Change, Quality of Life and Social Cohesion (FP6, 2005-2011) – See: <http://www.equalsoc.org/>

² GUSTO: Meeting the challenges of economic uncertainty and sustainability – through employment, industrial relations, social and environmental policies in Europe (FP7, 2009-2012) - See <http://www.gusto-project.eu/>

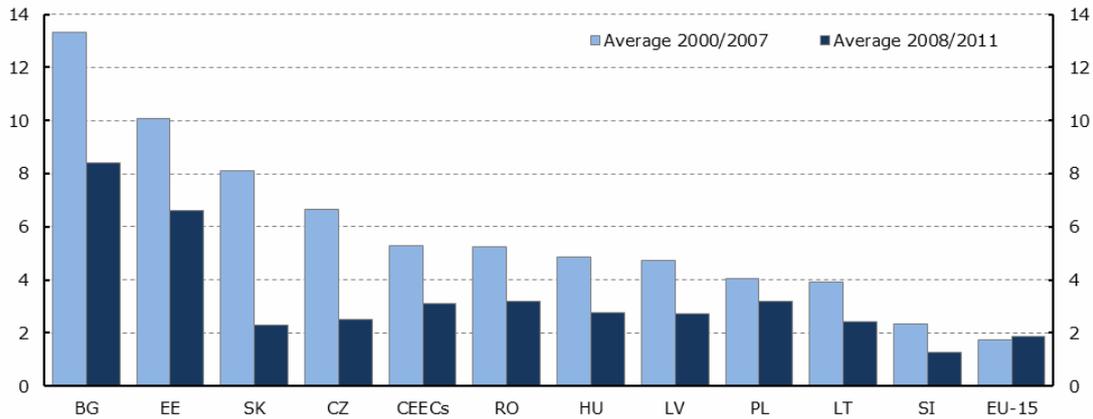
Chart 2.1: Average GDP per capita and countries with highest/lowest GDP per capita (PPS) in the CEECs and the EU-15, 1995–2011



Source: Eurostat

Note: LU, which is included in the EU-15 total, has a much higher GDP per head as measured than NL (220 in 1995, 244 in 2000, 274 in 2007 and 271 in 2011) but the level is artificially increased by the large number of people who are employed in LU and contribute to GDP but live elsewhere and so are not counted in the calculation of GDP per head.

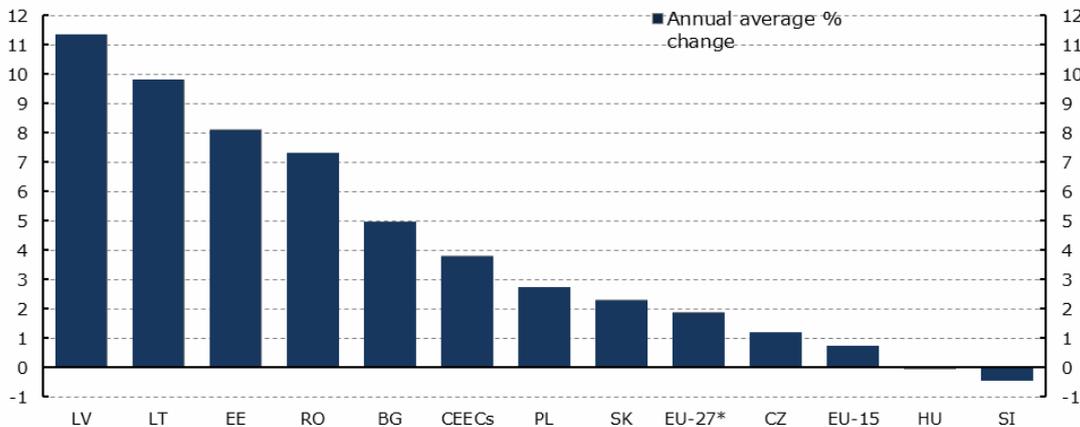
Chart 2.2: Foreign direct investment inflows into the CEECs, 2000/2007 and 2008/2011



Source: Eurostat

Note: Average value of inward FDI flows as % of GDP

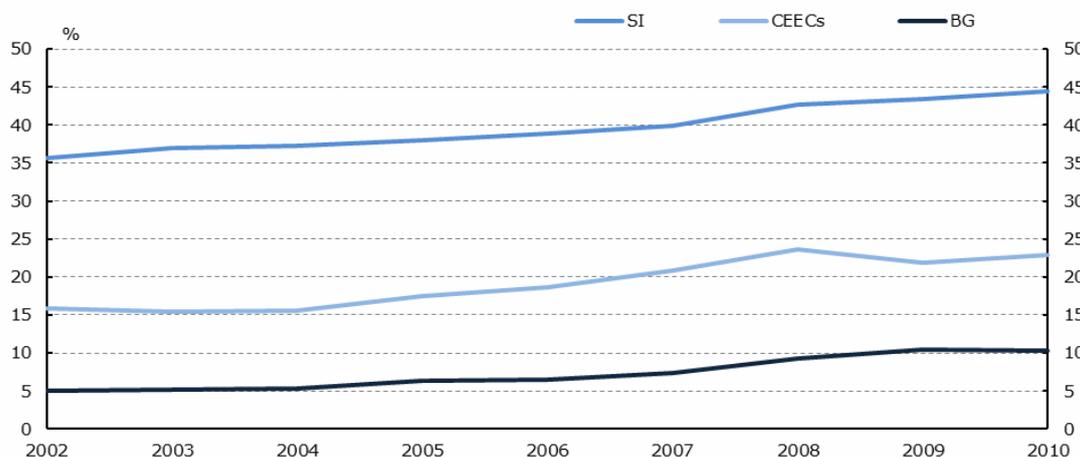
Chart 2.3: Collectively agreed wage increases in the CEECs, average 2003-2008



Source: EIRO reports on wage developments

Note: Inflation adjusted averages; EU-27 refers to EU-25 before 2007

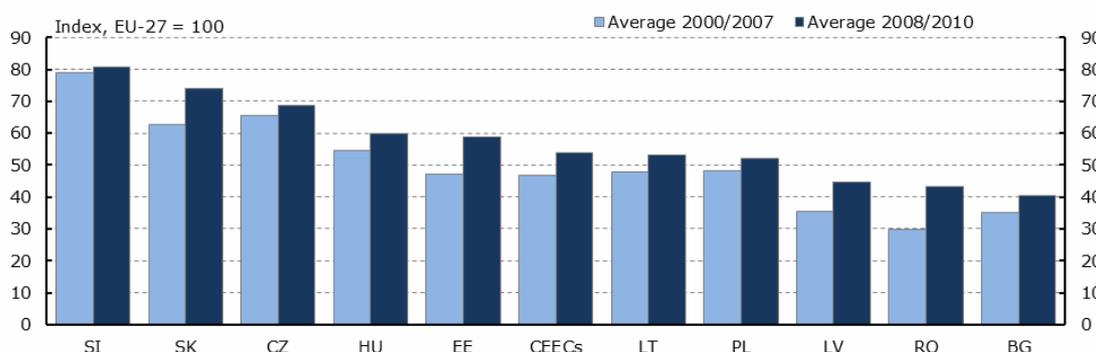
Chart 2.4: Annual net earnings in the CEECs as a percentage of the EU-15, 2002–2010



Source: Eurostat

Note: CEECs average, SI with highest annual net earnings and BG with lowest annual net earnings in the CEECs. Earnings for two-earner married couple with two children.

Chart 2.5: Labour productivity in the CEECs before and during the crisis, average 2000/2007 and 2008/2010

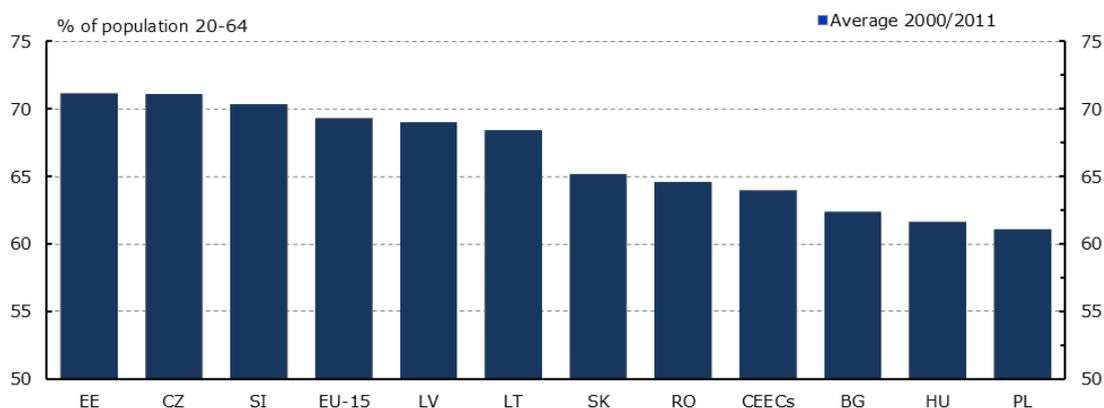


Source: Eurostat

Note: Measured in terms of GDP per hour worked.

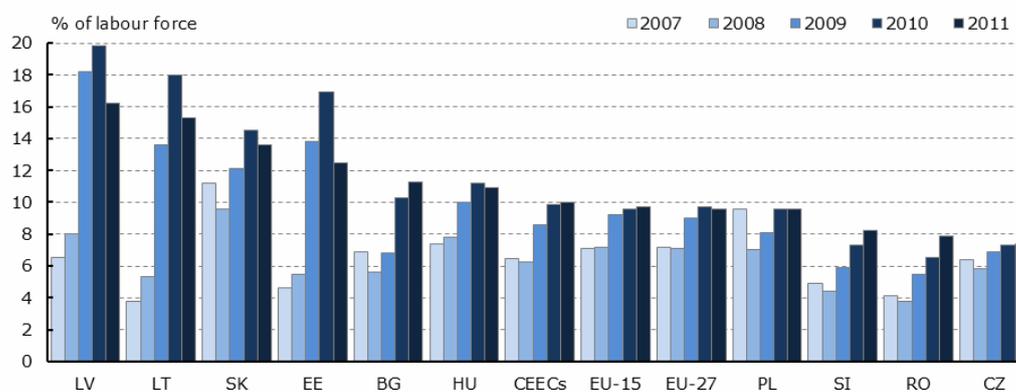
The average employment rate across the CEECs between 2000-2011 is lower than the EU-15 average (see Chart 2.6). Moreover, there is a dispersion in employment rates between particular CEECs, with the Czech Republic, Estonia and Slovenia exhibiting the highest employment rates, while Bulgaria, Hungary, Poland, Romania and Slovakia have employment rates systematically below the EU-15 average. The economic crisis led to a significant increase in unemployment rates in 2009-2010 in several CEECs and also in the average unemployment rate in the CEECs (see Chart 2.7). Unemployment remains systematically low in Slovenia, Romania and the Czech Republic.

Chart 2.6: Employment rates of those aged 20-64 in the CEECs, average 2000/2011



Source: Eurostat

Chart 2.7: Unemployment rates in the CEECs, 2007–2011



Source: Eurostat

In addition to the summary of main differences in economic performance between the CEECs and the EU-15, the CEECs are interesting in terms of analysis because of their large internal diversity despite facing similar economic challenges over the past two decades. All CEECs underwent major economic, labour market and social reforms during the 1990s and 2000s, but different countries adopted different policies to attract FDI, boost economic performance and address socio-economic questions during the transition from state socialism to a market economy and democracy (1990s), the post-transition period of development (2000s) and the period affected by the global economic crisis (after 2008). As a result, in the CEECs we find some of the best performing economies in the EU, with high GDP growth rates and low inequality rates (eg Slovenia (although the situation may have changed post-2010) and the Czech Republic, see Table 2.1 for income inequality coefficients in the EU), but also countries that experience the highest inequality rates within the EU (eg Latvia, Lithuania and Romania).

Table 2.1 GINI coefficients for the total population based on equalised disposable income, 2005 – 2010*

	2004	2005	2006	2007	2008	2009	2010
SI	23.8	23.7	23.2	23.4	22.7	23.8	23.8
HU	26.0	25.3	25.3	24.7	25.1	24.9	25.2
CZ	26.2	28.1	24.5	23.7	24.8	25.9	25.7
SK	27.6	33.3	25.6	25.2	24.7	24.1	26.9
CEECs	33.2	33.0	31.8	31.3	30.7	30.3	30.5
EU-27	30.6	30.2	30.6	30.8	30.4	30.5	30.7
EU-15	29.9	29.5	30.2	30.7	30.4	30.5	30.8
PL	35.6	33.3	32.2	32.0	31.4	31.1	31.1
EE	34.1	33.1	33.4	30.9	31.4	31.3	31.9
BG	36.3	35.0	33.8	34.0	35.5	36.9	32.9
RO	31.0	33.0	37.8	36.0	34.9	33.3	33.2
LV	25.0	31.2	35.3	35.9	33.4	33.2	35.1
LT	36.1	39.2	35.4	37.7	37.4	36.1	35.2

* The GINI coefficient measures income inequality in a particular country. A lower coefficient means lower inequality; while a higher coefficient means higher inequality among the country's population.

Source: Eurostat, EU-SILC

Note: Years relate to the income year in each case, the survey being carried out in the subsequent year.

The CEECs also vary in their public sector size and employment. Table 2.2 documents the fact that Lithuania and Latvia had the highest levels of public sector employment among eight CEECs in 2008. This is mainly due to their high shares of government employment as a proportion of total public sector employment. In contrast, we find the lowest share of public sector employment in Bulgaria, the Czech Republic and Slovakia. With the exception of Slovakia, the share of government employment of total employment remained relatively stable across the CEECs between 1997 and 2008. In Slovakia, the share of government employment declined from 24% to less than 15% between 1997 and 2008. In contrast to government employment, all CEECs where data are available demonstrate a declining trend in the share of employment in publicly-owned enterprises, as a proportion of total employment. The greatest decline has been reported in Bulgaria, from over 26% in 1997 to 5% in 2006.³

Table 2.2 Public sector employment as share of the total employed population in the CEECs, 2008*

	General government employment	Employment in publicly owned enterprises	Total public sector employment
LT	22.9%	5.3%	28.2%
LV	22.1%	6.4%	28.5%
HU	21.2%	n/a	n/a

³ Source: data on public sector employment are from the ILO Laborsta database.

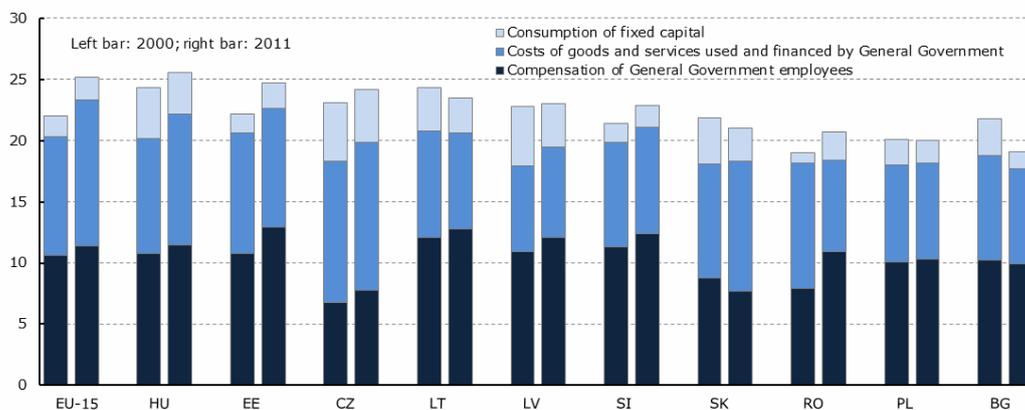
EE	20.1%	3.9%	24.0%
SI	15.0%	8.6%	23.6%
SK	14.8%	6.0%	20.8%
BG	14.7%	5.3%	20.0%
CZ	13.5%	7.0%	20.5%
RO	13.0%	n/a	n/a
PL	10.8%	13.0%	23.8%

* 2007 for the Czech Republic and 2006 for Bulgaria.

Source: calculations based on ILO Laborsta. The ILO defines public sector employment as the aggregate of employment in general government and in publicly owned enterprises.

The shrinking size of public sector employment is related to an important trend across the CEECs, namely, the outsourcing of public services to private providers. As a consequence, a proportion of public sector employees have lost their public servant status during recent reforms and are no longer listed under public sector employment. For example, as a consequence of healthcare reforms in Hungary and Slovakia, employees in public hospitals lost their public servant status and are no longer covered by collective agreements applicable to public sector employees (Kahancová and Szabó 2012). While comprehensive data on the extent of outsourcing are not available, evidence on the final consumption expenditure in General Government as a percentage of GDP in the CEECs gives some indication of expenditure in this particular subsector of the public sector and the share of wages in government costs (see Chart 2.8).

Chart 2.8: Final consumption expenditure of General Government (% GDP) in the CEECs, 2000 and 2011



Source: Eurostat, Government statistics

Note: 'Costs of goods and services used and financed by General Government' consist of 'Intermediate consumption' plus 'Social transfers in kind supplied to households via market producers'

Finally, the government budget balance shows that almost all CEECs succeeded in decreasing their government deficit after 2009, which is a tendency shared with the EU-15 countries (see Table 2.3). In terms of the general government gross debt, all CEECs remained below the EU-15 debt average in 2001. Although debt has been growing in several countries, Hungary is the only country whose gross debt as % of

GDP approximates the EU-15 average in 2011 (ibid.)

Table 2.3 General government deficit/surplus and general government gross debt as % of GDP in the CEECs, 2007-2011

	General government deficit/surplus						General government gross debt				
	2007	2008	2009	2010	2011		2007	2008	2009	2010	2011
BG	1.2	1.7	-4.3	-3.1	-2.0	BG	17.2	13.7	14.6	16.2	16.3
CZ	-0.7	-2.2	-5.8	-4.8	-3.2	CZ	27.9	28.7	34.2	37.8	40.8
EE	2.4	-2.9	-2.0	0.2	1.2	EE	3.7	4.5	7.2	6.7	6.1
LV	-0.4	-4.2	-9.7	-8.1	-3.4	LV	9.0	19.8	36.7	44.5	42.2
LT	-1.0	-3.3	-9.4	-7.2	-5.5	LT	16.8	15.5	29.3	37.9	38.5
HU	-5.1	-3.7	-4.5	-4.5	4.3	HU	67.0	73.0	79.8	81.8	81.4
PL	-1.9	-3.7	-7.4	-7.9	-5.0	PL	45.0	47.1	50.9	54.8	56.4
RO	-2.9	-5.7	-9.0	-6.8	-5.5	RO	12.8	13.4	23.6	30.5	33.4
SI	0.0	-1.9	-6.0	-5.7	-6.4	SI	23.1	22.0	35.0	38.6	46.9
SK	-1.8	-2.1	-8.0	-7.7	-4.9	SK	29.6	27.9	35.6	41.0	43.3
CEECs	-1.8	-3.3	-6.9	-6.4	-3.7	CEECs	35.3	36.7	43.0	47.4	49.3
EU-15	-0.9	-2.4	-6.9	-6.5	-4.5	EU-15	61.3	66.3	76.9	82.9	85.6

Source: Eurostat.

Building on this brief presentation of selected economic and labour market indicators, the remainder of this chapter focuses on industrial relations developments across the CEECs and their comparison with the EU-15.

2.2 Comparing industrial relations in the CEECs and the EU-15

The incremental and long-term character of evolution of particular industrial relations features in the EU-15 and the CEECs allow an examination of variation in industrial relations and prospects for convergence between these two clusters. Historically, industrial relations arrangements and their achievements in contributing to growth and social protection in the post-war period in most Western European democratic and capitalist states have rested on at least one of **four institutional pillars**: strong or reasonably established social partners (in particular, trade unions); solidarity wage setting based on collective bargaining at the sectoral or higher level of coordination; fairly generalised arrangements of information, consultation and in some cases co-determination at the company level based on the rights of workers and unions to be involved in decision-making; and institutionalised or routinised practice of tripartite policy making and involvement of social partners in tripartite policy arrangements (EC 2008; Streeck, 1992; Traxler, 2002; Visser, 2006a). These pillars will be used to compare the main features of industrial relations between the CEECs and EU-15.

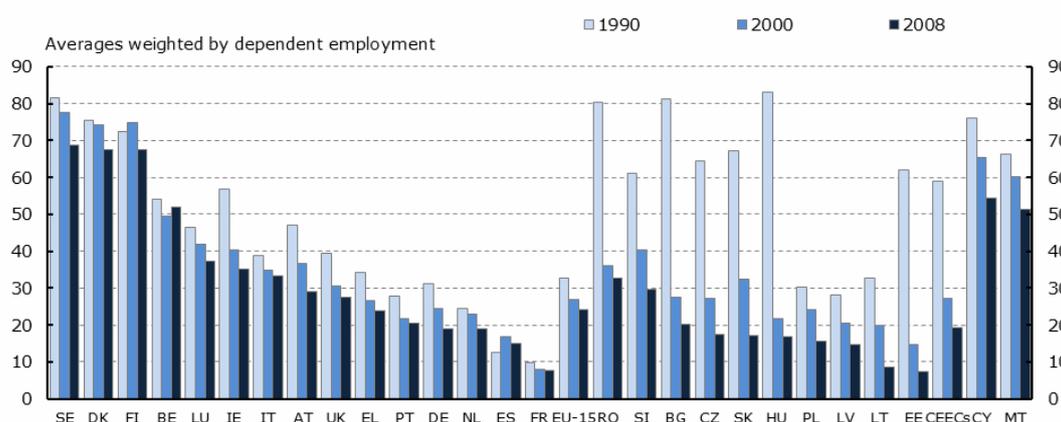
2.2.1 Trade unions and employers' associations

A strong position and legal recognition of associations representing employees and employers is the basic precondition for a functioning social dialogue between these social partners. Legal recognition, a sufficient membership base, organisational

capacity to negotiate and the populations' and companies' confidence in these associations are among key preconditions for a strong position and a functioning social dialogue. Statistical evidence most commonly reports structural indicators such as membership base.

To evaluate the trade unions' position in the CEECs in comparison to the EU-15, Chart 2.9 presents the developments in *net union density rate*, which indicates union membership as a proportion of wage earners in employment in a particular country across three time periods between 1990 and 2008. Evidence suggests a number of common characteristics between the CEECs and the EU-15. First, the whole EU has been facing a trade union membership decline. However, trade unions in the CEECs lost more members from the wage-earning population than their EU-15 counterparts.⁴ On average, union density in the EU-15 declined from almost 33% in 1990 to 24.2% in 2008. In the CEECs, however, union density declined from 59% in 1990 to 19% in 2008. This means that while in the EU-15 about every fourth wage earner is a trade union member, in the CEECs less than one in five wage earners join a trade union. In a comparative perspective, CEEC trade unions are therefore weaker than trade unions in the EU-15.

Chart 2.9: Trade union density rates in the EU, 1990, 2000 and 2008



Source: ICTWSS database version 3.0 (2011), Eurostat

Note: Union density is based on members of trade unions as % of total employees (averages weighted by dependent employment)

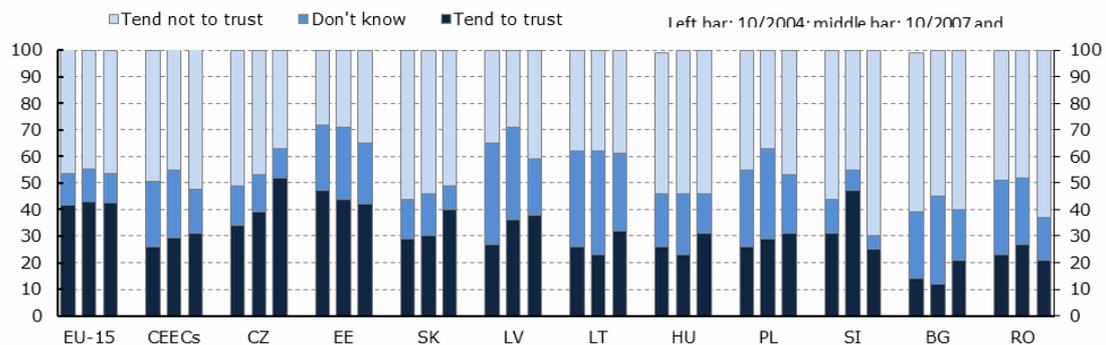
Data for 1990 relate to 1991 for RO, 1993 for CZ, SK and EE and 1995 for LV and LT

A weakening membership base indicates that trade unions face a challenge in defending their position and reversing the trend in declining membership. Addressing this challenge is easier in countries where public acceptance of trade unions is higher. Chart 2.10 compares trade union confidence in the CEECs with the EU-15. In the EU-15, the social acceptance of unions remained stable on average between 2004 and 2010, with an almost equal share of the population trusting and not trusting trade

⁴ It is however important to note that the initially high union density rates in the EU-10 in the early 1990s must be treated cautiously, because prior to the fall of state socialism in 1989 union membership has been artificially high.

unions. On average, the proportion of CEEC citizens with low confidence in unions is similar to the EU-15. In contrast to the EU-15, evidence suggests that trust in trade unions has grown in the CEECs, which contrasts with the declining union membership discussed above. The factors explaining this interesting paradox deserve further empirical research. Finally, Chart 2.10 indicates that the share of CEEC citizens indifferent towards trade unions declined between 2004 and 2010, leading to a polarisation of citizens with a pro-union and an anti-union attitude. In this regard, the CEECs and EU-15 have converged in crystallising citizen's confidence in trade unions.

Chart 2.10: Confidence in trade unions in the CEECs, 2004, 2007 and 2010

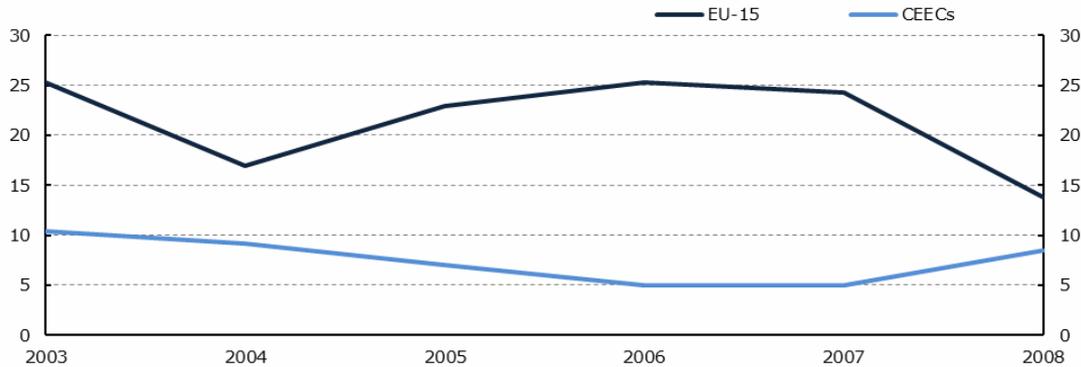


Source: Eurobarometer

Note: Percentage of population surveyed. The EU aggregates are averages weighted by population in 2008.

An additional indicator of the strength of trade unions is the unions' capacity for industrial action. Strike activity is the most frequently used indicator of industrial action, although there is no clear relationship between strike activity and trade union strength. Trade unions opt for industrial action if striking is perceived as an influential channel of action to demonstrate union power or to reach desired results in bargaining and policymaking. In contrast, in countries with a tradition of negotiation culture industrial action may be a sign of negotiation failure and weak bargaining capacities of trade unions. Another factor influencing strike activity is country-specific legal regulation, which may serve as an enabling or obstructing force for the extent of industrial action. Despite this complexity, a comparison of strike activity between the CEECs and the EU-15 yields evidence on the general willingness of employees to voice their claims through organised collective action organised under trade union leadership.

Chart 2.11: Strike participants per 1000 of wage earners in dependent employment in the EU-15 and CEECs, 2003-2008



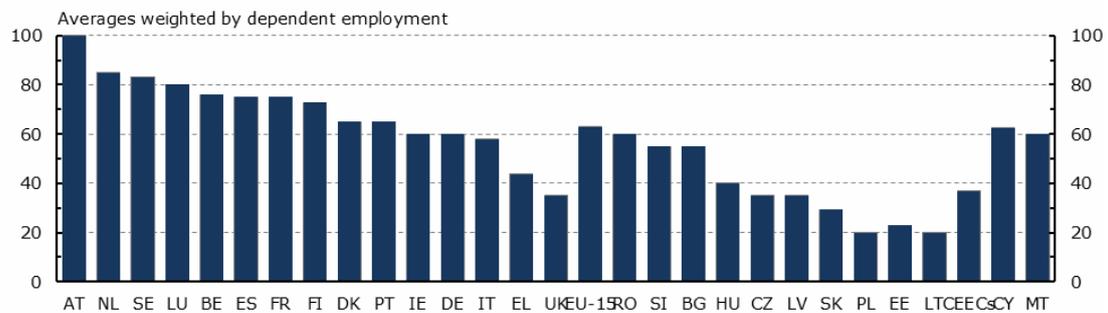
Source: EIRO

Most strike statistics report the average number of working days lost due to strike action per 1,000 employees. However, due to limited data sources covering the CEECs Chart 2.11 reports the number of employees involved in strike activity (per 1,000 wage earners in dependent employment). Although there is a large variation in strike activity between countries, several findings can be generalised. First, strike activity declined between the first and the last year of our sample (2003 and 2008) in both the EU-15 and the CEECs. Second, despite this declining trend, employees in the EU-15 countries engaged to a greater extent in strike activities than employees in the CEECs. Finally, since 2007, there is a converging trend in strike activity between the EU-15 and the CEECs through a continuous decline in strike activities in the EU-15 and a slight increase in strike activity in the CEECs. These findings suggest that trade unions in the CEECs engaged in industrial action less frequently than their EU-15 counterparts, which supports the labour quiescence argument. However, the slightly increasing strike involvement after 2007 suggests that there are possibly new incentives for trade unions to opt for industrial action even in countries where unions traditionally chose a different strategy. At the same time, the growth in strike activities can be linked to the following factors: an improved labour market performance in the CEECs (see Section 2.3), a greater diversification of union action in the CEECs after 2007, and the fact that other – more institutionalised – channels of influence, such as social dialogue at the national level or collective bargaining at the sector and company levels, have not yielded satisfactory results.

Trade unions representing the interests of employees engage in social dialogue and collective bargaining with employer associations representing employer interests. Membership in employers' associations is more difficult to assess than trade union membership because of a lack of official statistics, employer freedom to join more than one employers' association, or because employers' associations commonly cover only the private sector while the public sector also accounts for a significant share of employment in the economy. Similar to the trade union density rate, the most common indicator to assess the spread of employer associations over the economy is the *employer organisation density rate*, calculated as the share of employees working in companies that are members of employers' associations. Chart 2.12 presents recent employer organisation density rates across EU members. It indicates a variation

between CEECs and EU-15; namely, a higher employer density in the EU-15 countries (with the exception of Greece and the UK). In contrast, in the CEECs employers are less eager to join an employers' association, or these associations do not exist in particular sectors. Lowest employer density rates can be found in Estonia, Lithuania and Poland – countries where the low degree of employer organising is among the crucial factors of extensive bargaining decentralisation.

Chart 2.12: Employer organisation density rates in the EU, 2008



Source: ICTWSS database version 3.0 (2011)

Note: FI: data 2006; CZ, LT and RO: 2007; BE and SI: 2009

2.2.2 Collective bargaining at the sectoral or higher level of coordination

The entrenchment of collective bargaining at the sectoral or higher levels of coordination is the second pillar of that allows a comparison between the CEECs and the EU-15. Table 2.4 presents the extent of bargaining coordination across EU member states. With the exception of Slovenia, coordination of wage bargaining in the CEECs is in general more fragmented and decentralised than in EU-15 countries. Sector or industry-level bargaining only applies to Romania and Slovakia; however, even in these countries such bargaining coordination does not account for a regular pattern setting and is based on a weak involvement of central social partner organisations. Government involvement in wage bargaining does not yield a clear difference between the CEECs and the EU-15, because in most EU member states the government does not directly participate in (tripartite) wage bargaining.

Table 2.4 Degree of coordination and government intervention, 2000 – 2010*

Coordination of and government intervention in wage bargaining	Coordination of wage bargaining			
	1: fragmented bargaining, mostly at company level	2: mixed or alternating industry- and firm level bargaining, with weak enforceability of industry agreements	3: industry bargaining with no or irregular pattern setting, limited involvement of central organisations, and limited freedoms for company bargaining	4: mixed industry and economy-wide bargaining: a) central organisations negotiate non-enforceable central agreements (guidelines) and/or b) key unions and employers associations set

					pattern for the entire economy
Government intervention in wage bargaining	4: The government participates directly in wage bargaining (tripartite bargaining, as in social pacts)				SI, FI, BE, IE
	3: The government influences wage bargaining outcomes indirectly through price- ceilings, indexation, tax measures, minimum wages, and/or pattern setting through public sector wages	<i>PL, LT, MT</i>	<i>BG, CZ, HU, LU, FR</i>	<i>RO, SK, PT</i>	EL, ES, NL
	2: The government influences wage bargaining by providing an institutional framework of consultation and information exchange	<i>EE, LV, UK</i>		CY DK, SE	DE, IT, AT

* Average for 2000-2010; CEECs in italics.
Source: ICTWSS database version 3.0 (2011).

Legally stipulated extension mechanisms supplement institutionalised bargaining procedures in most EU Member States (for an overview of extension, see section 2.3.4 on extension of collective agreements). The aim of extensions is to broaden the coverage of collective agreements and thus foster solidarity wage setting also among employees in companies outside employers' associations. Table 2.5 documents the fact that extension mechanisms are not widely institutionalised and used in the CEECs. Legal provision for mandatory extension of collective agreement coverage affecting more than 10% of the workforce is available only in Hungary; however, at the same time, Hungary suffers from a generally weak enforceability of collective agreements (see Table 2.4). In other CEECs, legal extension mechanisms are either not available or not widely used due to various obstacles. For example, in Slovakia, extension is possible only upon consent of the employer concerned, which represents an additional institutional barrier to broadening the coverage of collective agreements (see Box 2.2).

Table 2.5 Collective bargaining levels and extension mechanisms, 2000 – 2010*

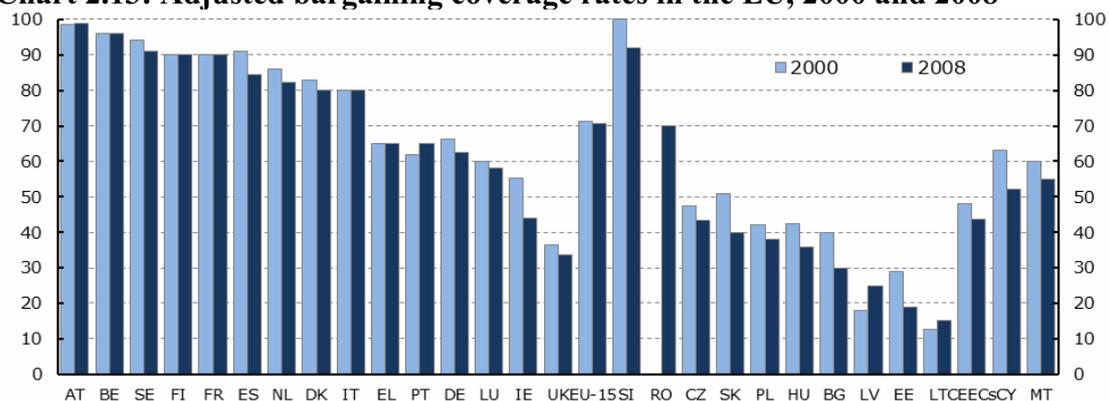
Dominant level of collective bargaining and the presence of extension mechanisms (average of years 2000-2010, CEECs in red)		Extension mechanisms		
		0: legal provision for mandatory extension not available	1: legal provision for mandatory extension available, but not regularly or widely used (<10%)	2: legal provision for mandatory extension available, regularly applied and affecting significant share of the workforce (>=10%)
Level	4: national or central level, with additional sectoral / local or company bargaining	SI, IE		BE, EL, FI
	3: sectoral or industry level	<i>RO, DK, IT, NL, PT, SE</i>		DE AT, ES
	2: sectoral or industry level, with additional local or company bargaining	CY, LU	<i>BG, CZ, SK</i>	<i>HU, FR</i>
	1: local or company bargaining	<i>LT, LV, PL, MT, UK</i>	<i>EE</i>	

* Average for 2000-2010; CEECs in italics.
 Source: ICTWSS database version 3.0 (2011).

The lower degree of bargaining coordination, coupled with weaker enforcement of collective agreements and a lower legal entrenchment of extension mechanisms in CEECs accounts for the fact that bargaining coverage across the CEECs is systematically lower than in the EU-15 countries (see Chart 2.13). One exception is Slovenia, where coverage reached 100% prior to 2006 due to mandatory employer membership in chambers and the legally binding nature of collective agreements. After the introduction of free collective bargaining employer density as well as bargaining coverage dropped and further bargaining decentralisation and decline in coverage is expected.

Besides a gap in bargaining coverage, the trend of declining bargaining coverage has been more pronounced in the CEECs than in the EU-15. On average, coverage declined in the EU-15 by 0.9 percentage points between 2000 and 2008, while the CEECs experienced on average a coverage decline of just over five percentage points.

Chart 2.13: Adjusted bargaining coverage rates in the EU, 2000 and 2008



Source: ICTWSS database version 3.0 (2011).

Note: % of employees covered. EU averages weighted by dependent employment. No data for Romania for 2000 - figure is assumed to be the same as for 2008 in calculating the CEEC average. Data for 2000 relate to 2001 for PL, Hu and EE, to 2002 for PT, LV, LT, CY and MT, and to 2003 for BG.

2.2.3 Information and consultation of employees at company level

Information and consultation of employees at company level underwent major changes in the CEECs during EU accession. The Directive on Information and Consultation of Employees (2002/14/EC) established a set of minimum standards across all EU member states, thereby fostering a certain Europeanisation of practices of company-level information and consultation. Prior to the implementation of the above Directive, in most CEECs (with the exception of Hungary and Slovenia) trade unions served as exclusive employee representation organisations. Therefore, the Directive has influenced company-level employee rights to a greater extent in the CEECs than in EU-15 countries that have established company-level information and consultation through a dual channel (involving both trade unions and works councils).

Five to seven years after the eastward EU enlargements, several researchers have evaluated the state of information and consultation of employees at the company level in the CEECs. The European Commission's (2008c) review of the Directive's implementation documented little impact and a difficult implementation in six CEECs (BG, CZ, EST, LIT, PL, RO) and a positive impact in three countries (LAT, HU and SK). Other research found that information and consultation of employees at the company level is still weakly established (Meardi 2012). The Directive has not yet produced the expected positive effect on employees and convergence with the EU-15 establishment of this industrial relations pillar. One of the main reasons for this is weak trade union penetration, which proved to be an obstacle in the introduction of a dual representation channel at the company level. The fact that multi-employer bargaining in most CEECs is weakly established motivates a stronger trade union presence at the company level. However, evidence shows that instead of a smooth implementation of the dual channel of employee representation at the workplace, tensions between trade unions and works councils have emerged. Even in Hungary, where the dual system was institutionalised in the 1990s, works councils failed to play the expected role in company-level information and consultation in the absence of trade unions (Tóth and Neumann 2004, Meardi 2012). Finally, in several countries the Directive has been used as a resource to weaken, rather than strengthen, employee prerogatives through the introduction of legal proposals raising thresholds for trade union representativeness or limiting trade unions rights. In sum, the state of company-level information and consultation of employees in the CEECs demonstrates that all pillars of the industrial relations systems are closely interrelated. If trade unions are weak and bargaining is decentralised, Europeanisation of industrial relations through EC Directives has been more complex and has not yet produced convergence across the EU member states. Instead, national diversity persists in company-level representation between the EU-15 and the CEECs.

2.2.4 Tripartism and policymaking

The role of tripartite consultation and involvement of the social partners in national-level policymaking is the fourth pillar of an industrial relations system. The importance of tripartism as a channel of influence within industrial relations differs between the CEECs and the EU-15 countries. In the course of transition to democracy and market economy during the 1990s, all CEECs established formal tripartite consultation bodies. Partly compensating for underdeveloped sectoral or other multi-employer social dialogue and collective bargaining, tripartism became the hallmark of industrial relations across the CEECs. Some commentators argued that tripartism facilitated labour inclusion in policymaking during extensive reforms and therefore is a positive sign of emerging corporatism (Tatur 1995, Iankova 1998). Others have argued that social dialogue in the CEECs does not meet basic preconditions (Mailand and Due 2004), and the formal existence of tripartite bodies across the CEECs countries failed to produce corporatist policymaking, leaving the outcomes of tripartism contested, or 'illusory' (Ost 2000, Avdagic 2005). Evidence from the ICTWSS database (see Table 2.6) documents the existence of tripartite councils across all CEECs, but at the same time confirms the weak influence of tripartism, measured through social partners' impact on social and economic policy making, in all CEECs with the exception of Slovenia.

Table 2.6 Tripartite councils and the involvement of social partners in policy making

		Involvement of unions and employers in government decisions on social and economic policy		
		limited	irregular and infrequent	regular and frequent
Existence of tripartite council concerning social and economic policy	Council with only unions, employers and government representatives or independent experts		FI, CZ, LV, PL, RO, SK	AT, BE, LU, NL, SI
	Council with various societal interest representatives	FR	IT, EL, MT, PT, BG, EE, HU, LT	ES, IE
	No permanent council	UK	DE	CY, DK, SE

Source: ICTWSS database version 3.0 (2011). CEECs in italics.

In sum, tripartism in the CEECs is strongly established but contested in terms of its real effect on policy making, resisting political pressures, and producing enforceable agreements. Developments in the 2000s suggest a slight improvement, namely tripartite negotiations in a number of CEECs producing broad national agreements, similar to social pacts in some EU-15 countries. To evaluate the real role of tripartism, however, it is necessary to acknowledge not only the existence of tripartism as a structure, but also its outcomes, scope and enforcement. This chapter's second section offers an insight into tripartite arrangements across particular CEECs.

2.2.5 Interim conclusions

The EU enlargement exercises of 2004 and 2007 increased the diversity of industrial relations systems across the EU not only because of different historical legacies, but also due to recent economic, political and societal developments across the CEECs and the EU-15. A comparison of indicators covering the main pillars of a stable industrial relations system allowed us to highlight the most important structural characteristics of industrial relations across the EU-15 and the CEECs. In comparison with the EU-15, CEECs are characterised by weaker trade unions and a faster erosion of trade union density, a lack of established employers' associations, a lack of a tradition of bipartite multi-employer collective bargaining, persistently lower bargaining coverage (partly due to the underdeveloped system of extension of collective agreements), and finally a strong formal existence of tripartism that partly substitutes underdeveloped sector-level collective bargaining. At the same time, evidence suggests some convergence in industrial action between the EU-15 and the CEECs after 2007. Expected Europeanisation in company-level information and consultation of employees through the transposition of the EU law to the new member states in the CEECs did not yet bring convergence trends with the EU-15, but rather has strengthened the tension between trade unions and works councils in CEECs.

2.3 Varieties of industrial relations within the CEECs

While several industrial relations indicators in the CEECs differ from those in the EU-

15, there is also diversity in national industrial relations features across particular CEECs. This variation is the outcome of historical and recent developments, including domestic political and economic developments, interests of governments, business and labour, the particular transition trajectory on which a country has embarked, the current economic structure, international comparative advantages, and the country's mode of economic, social and political integration in the European and world economy.

To understand the emergence of current differences between industrial relations systems within the CEECs, Bohle and Greskovits (2012) identify three types of CEECs: the liberal Baltic and Balkan states (Bulgaria, Estonia, Latvia, Lithuania, Romania), the welfarist Visegrad states (the Czech Republic, Hungary, Poland, Slovakia), and the corporatist Slovenia. This comparative framework derives from particular institutions in CEECs' political economies, acknowledging a long-term evolution of relations between domestic economic and political interest groups, the structure of the economy and its comparative advantages (e.g. manufacturing vs services), and historical path-dependency. Table 2.7 presents the initial factors that help to understand the factors behind differences in CEECs' industrial relations. The initial conditions for incorporating employee interests and an emergence of social partnership were determined by the extent of labour mobilisation and institutionalisation of bargaining in particular countries. Bohle and Greskovits (2012: 40-43) argue that bargaining institutionalisation is a function of state strength: institutionalised bargaining structures become one of the pillars of industrial relations in those countries where the government fostered the introduction of social dialogue and corporatist decision making.

Table 2.7 Preconditions for variation in industrial relations across the CEECs

		<i>Labour mobilisation</i>	
		Low	high
<i>Institutionalisation of bargaining</i>	high	HU, CZ, SK, PL	SI
	low	EE, LV, LT	RO, BG

Source: adaptation based on Bohle and Greskovits (2012)

Slovenia is the only CEEC with high labour mobilisation and high institutionalisation of bargaining. Slovenia's position is confirmed by its outlier position in most indicators on bargaining coverage, bargaining levels, and organisation of trade unions and employers. The liberal Baltic States (Estonia, Latvia and Lithuania) are at the other end of the spectrum, with low labour mobilisation and low bargaining institutionalisation. Initially strong and militant labour in Bulgaria and Romania was not matched by an equally strong state that would have been capable of building corporatism and including trade unions in policymaking. The capacity of the Bulgarian and the Romanian governments improved in the early 2000s with the prospect of EU membership to the extent that it pursued the creation of a well-functioning liberal state without a significant role of broader social partnership. However, unlike in other liberal countries (Estonia, Latvia and Lithuania), labour mobilisation rates in Bulgaria and Romania remain relatively high (typical also for a number of 'southern' countries in the EU-15, such as France and Spain). Finally, governments in the Visegrad countries (Czech Republic, Hungary, Poland and Slovakia) initially aimed at building democratic corporatist institutions and a generous welfare state, but these efforts gradually vanished and the role of social

partnership in economic governance became more limited. Instead of systematically including trade unions in policymaking, Visegrad countries' governments were more successful in compensating employees for job loss through generous welfare provisions. All these initial conditions set the base for structured industrial relations, which are characterised by a formally institutionalised but substantively rather weak system of tripartite institutions and social dialogue (Bohle and Greskovits 2012, Vanhuyse 2006).

The above preconditions shaped the emergence of variation in industrial relations systems across particular CEECs, but also accounted for some degree of regional coherence within the liberal, welfarist and corporatist countries. Table 2.8 summarises the main industrial relations characteristics within each of these country clusters. Countries located in the same cluster share broad labour market characteristics and welfare state provisions. However, indicators of industrial relations structure (organisation of trade unions and employers' associations, bargaining levels, extension mechanisms and the role of tripartite councils) and outcomes (bargaining coverage, union and employer density) document that there is variation also between countries located in the same cluster. For example, within the liberal country cluster, there are systematic differences between the Baltic States on the one hand and Romania and Bulgaria on the other hand. These differences can be ascribed to the long-term interplay of labour mobilisation and bargaining institutionalisation as presented in Table 2.7 above.

Table 2.8 Labour markets, welfare states and main industrial relations characteristics in the CEECs after EU accession (2004-2008)

	Liberal Baltics and Balkan countries (EE, LV, LT)	Balkan countries (BG, RO)	Welfarist Visegrad countries (CZ, HU, PL, SK)	Corporatist Slovenia (SI)
<i>Labour markets</i>	Flexible, high work-related migration from these countries abroad	Flexible, high work-related migration from these countries abroad	Regulated flexibility, work-related migration high from Poland and Slovakia, lower from Hungary, marginal from the Czech Republic	Regulated, low migration abroad for work purposes
<i>Welfare state</i>	Minimalist	Minimalist	Generous but strict conditions, targeting the population outside of employment (mostly	Generous

			pensioners); Lack of active labour market policies	
Employee representation (trade union density, fragmentation)	Fragmented trade unions; low union density (below 15%)	Higher union density (20- 33%)	Fragmented trade unions in Hungary, structured trade union hierarchy in the Czech Republic and Slovakia (historical legacy), fragmented but clearly delineated trade unions in Poland; 15-18% union density	Union density almost 30%, broader union presence, low union fragmentation
Employer representation (organisation, interests, density)	Significant foreign ownership (multinational companies), limited employer organisation, employer density 20- 35%, marginal interest in cooperation with labour – “impatient capital”	Significant foreign ownership (multinational companies), limited employer organisation, employer density 20- 35%, marginal interest in cooperation with labour – “impatient capital”	Significant foreign ownership (multinational companies), limited employer organisation, employer density 20- 40%, medium employer interest in social partnership and cooperation with labour	Still significant domestic ownership, compulsory employer organisation (until 2006), significant interest in social dialogue, but recent decentralisation and more hostility, employer density 55%
Dominant bargaining level	Fragmented, company-level	Mixed company and sector/industry bargaining with weak enforcement of industry agreements (BG); Sector/industry bargaining (RO)	Fragmented, company-level bargaining (PL); Mixed company and sector/industry bargaining with weak enforcement of industry agreements	Sector/industry and economy- wide bargaining, but recent decentralisation trends raise the importance of company-level bargaining

			(CZ, HU); Sector/industry (SK)	
Bargaining coverage	15-25%	40% (BG) 70% (RO)	36% (HU), 38% (PL), 40% (SK), 43% (CZ)	92%
Legal extension of collective agreement coverage	Not available (LV, LT); Available but limited use (EE)	Not available (RO); Available but limited use (BG)	Not available (PL); Available but limited use (CZ, SK); Available and extensive use (HU)	Not available
Importance of tripartite institutions	only formal institutions as a result of EU-accession pressures	more tradition of tripartism, but declining role in the 2000s	Long-standing formal tripartite institutions, in most cases with limited power (consultation); Substantive role dependent upon the political environment, but in general declining importance since the early 1990s	Encompassing tripartism, following the Western European small state corporatist model; with signs of recent disintegration

Source: adaptation based on Bohle and Greskovits (2012), Stanojevic (2010) and the ICTWSS database, version 3.0 (2011). All percentages are for 2008 and adopted from the ICTWSS database.

Typical features of the liberal countries include a marginal welfare state, flexible labour markets and weakly established trade unions and bargaining. The hallmark of the welfarist Visegrad countries is a combination of flexible labour markets, liberal policies, a more generous welfare state, attraction of foreign direct investment in manufacturing, and a more structured system of industrial relations. Finally, Slovenia is the only corporatist country in the CEECs, with a regulated labour market, generous welfare state provision and encompassing social partnership.

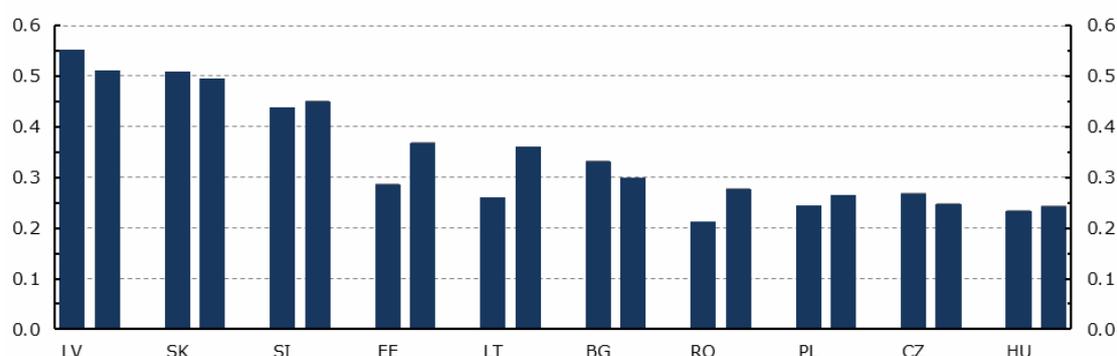
2.3.1 Trade unions

Trade unions have experienced a rapid decline in membership and density across the

whole CEEC region since 1990 (see also Chart 2.9 in Section 2.2). Particular developments in union density align with the characteristics of liberal, welfarist, and corporatist country clusters. The most dramatic decline in union density took place in the welfarist countries, where, with the exception of Poland, union density has been as high as 65-80% in the early 1990s. A similar trend with great declines in union density also occurred in the liberal country cluster, especially in Bulgaria (from 81% to 20% between 1990 and 2008), Estonia (from 62% to 7%) and Romania (from 80% to 22%). Finally, although union density in Slovenia halved between 1990 and 2008 to around 30%, the country still possesses one of the highest union density rates in the CEEC region.

In countries with the most extensive industry/sector-wide bargaining (Slovakia and Slovenia) trade unions are more centralised than in countries with predominantly decentralised, company-level bargaining.

Chart 2.14: Trade union centralisation in the CEECs, 1998 – 2008



Source: ICTWSS database, version 3.0, 2011

Note: LT: 2001-2008, EE: 1998-2007, LV: 1995-2007. Union centralization is a summary measure derived from Iversen's (1999) centralization index and taking into account union authority and union concentration at multiple levels. The measure ranges from 0-1 in EU-27.

Latvia, with its highest degree of union centralisation and at the same time decentralised bargaining, is an exception. Hungary, with its six recognised peak trade union confederations, is an extreme case of union fragmentation given the low union coverage in the country. Chart 2.14 shows that the challenge of bargaining decentralisation, which all CEECs face, brought further fragmentation in trade unions in the Czech Republic, Bulgaria and Latvia. By contrast, trade unions in most CEECs underwent a slight centralisation between 1998 and 2008. This trend suggests that the union landscape is stabilising, with fewer union organisations, while CEEC unions aim at strengthening their presence through concentration at the national level, e.g through engagement in tripartite concertation or political cooperation with government and parliament representatives/factions. Coupled with weak trade union presence at the company level, these trends complicate efforts to improve trade union penetration and extend their membership base.

2.3.2 Employer organisations

Trends in employer organisation reveal a low degree of employer interest in joining or forming employers' associations. In all liberal and welfarist CEECs foreign investors are an important factor in terms of companies and employment. Empirical evidence does not support initial expectations that foreign investors would 'import' bargaining and social dialogue standards from the EU-15 (Meardi 2012). Although some exceptions exist, for example in the car industry, in general large foreign investors (multinational companies, MNCs) tend to benefit from the flexible labour markets and economic concessions they receive from host-country governments in the CEECs. In other words, instead of the MNCs attempting to improve the structure of industrial relations and introducing collective bargaining in the CEECs, these employers adapt to local standards by not joining employers' associations or not ascribing employers' associations a significant interest representation role.

Descriptive statistical evidence (see Chart 2.12) shows that employer organisation density rates across the CEECs in 2008 were highest in Romania (60%), Slovenia (55%)⁵ and Bulgaria (55%), and lowest in Poland (20%), Estonia (23%) and Latvia (20%). In Slovenia, employer density reached 100% prior to 2006 when employer membership in the Chamber of Commerce and Industry of Slovenia was mandatory. After the introduction of independent bargaining and the abolition of mandatory Chamber membership, Slovenia's employer organisation density rates are on the decline.

2.3.3 Bargaining levels and collective agreement coverage

The character and level of employer and trade union organisation shapes the dominant bargaining level. Fragmented, company-level bargaining dominates in the liberal CEECs. In Bulgaria and Romania sector/industry-wide bargaining complements the company-level bargaining. In Romania, national-level bargaining also existed until 2010 when the previous four-year agreement came to an end and the social partners failed to conclude a new agreement.⁶

Within the welfarist Visegrad countries, Hungary is an interesting combination of company-level and national-level bargaining. The Hungarian National Interest Reconciliation Council (*Országosérdekegyztetőtanács, OÉT*) discusses wage increases and minimum wage setting on an annual basis. For example, minimum wages for 2010 were agreed after nine rounds of negotiations.⁷ In the public sector, a separate tripartite council approves the annual percentage increase and modified tariff tables for civil servants and public sector employees. However, none of the national-level agreements, including the public sector wage agreement, are legally enforceable. After extension, the national agreements therefore covered only 19% of private sector employment in companies with more than four employees. This practice leaves decentralised, mostly single-employer bargaining as the dominant bargaining level in Hungary.⁸ Sector-level bargaining is relevant only in the public sector and its coverage remains limited (in 2007, a total of 17 sectoral agreements with national

⁵ The 55% employer organization density rate is from the ICTWSS database (adjusted for the size of dependent employment). EIRO reports that employer organization density rate for 2008 in Slovenia has been as high as 80-90% (private sector density only). Source: <http://www.eurofound.europa.eu/eiro/2008/09/articles/si0809039i.htm>.

⁶ Source: EIRO Industrial relations and working conditions developments in Europe 2010, TN1105040.

⁷ Source: EIRO <http://www.eurofound.europa.eu/eiro/2010/02/articles/hu1002019i.htm>

⁸ Source: EIRO http://www.eurofound.europa.eu/eiro/country/hungary_4.htm

scope and six sectoral agreements with a regional scope were in force). Reaching 36% in 2008 and 33.5% in 2009⁹, bargaining coverage in Hungary is the lowest among the Visegrad countries.

Finally, bargaining concentration in the corporatist Slovenia is documented through 100% bargaining coverage prior to 2006 and 92% in 2008. Company-level bargaining increased in importance after decentralisation on the employer side following the introduction of voluntary membership in employers' associations in 2006.

2.3.4 Extension of collective agreements

Bargaining coverage is closely related to legal extension mechanisms that may broaden the coverage of collective agreements to employees in companies that are not members of employers' associations. In the liberal CEECs, with the exception of Romania, legal regulation of extensions does not exist or has never been put into practice. For example, the Lithuanian Labour Code provides for the extension of the coverage of sectoral collective agreements. Extension falls under the competence of the Minister of Social Security and Labour upon request of one or several trade unions or employer organisations that negotiated the sector-level agreement. Nevertheless, this provision of the Labour Code has never been put into practice and there has been no extension of a sectoral collective agreement in Lithuania.¹⁰ Bulgaria is a similar case: the Labour Code stipulates the extension of collective agreements by ministerial decree. However, the labour minister, despite some 16 claims from social partners, has not yet used this procedure.¹¹

Hungary is according to the ICTWSS database one of the few CEECs where extensions are widely used (see also Table 2.5). However, only four sectoral agreements were extended in 2008.¹² In the Czech Republic, three sector-level agreements were extended in 2008, covering about 23.2% of all employees.¹³

Legal developments concerning extension mechanisms have taken place in only two CEECs: Romania and Slovakia. Slovakia, with its legal stipulation of a horizontal extension mechanism between 2007 and 2010, is an exception to the practice of extension procedure across the CEECs (see Box 2.2). In Romania, sectoral collective agreements were obligatory to all businesses in a particular sector irrespective of their membership in employer organisation until 2011, when the new Social Dialogue Code abolished this system. In the future, sector-level agreements will apply only to companies that are members of employer organisations.¹⁴ This new rule will mean a significant reduction in the use of extensions and a lower bargaining coverage, which aligns with the general trend in the CEECs.

Box 2.2 Horizontal extensions of sectoral collective agreements in Slovakia

⁹ Source: EIRO <http://www.eurofound.europa.eu/eiro/studies/tn1004019s/hu1004019q.htm>

¹⁰ http://www.eurofound.europa.eu/eiro/country/lithuania_4.htm

¹¹ http://www.eurofound.europa.eu/eiro/country/bulgaria_4.htm

¹² <http://www.eurofound.europa.eu/eiro/studies/tn1004019s/hu1004019q.htm>

¹³ http://www.eurofound.europa.eu/eiro/country/czech.republic_4.htm

¹⁴ <http://www.eurofound.europa.eu/eiro/2011/07/articles/ro1107029i.htm>

<http://www.worker-participation.eu/National-Industrial-Relations/Countries/Romania/Collective-Bargaining>

Slovakia is an exception within the CEECs because it succeeded in introducing a horizontal (*or erga omnes*) extension mechanism. Although horizontal extension was used only temporarily between 2007 and 2010, it documents the capacity of social partners, especially trade unions, to pursue favourable regulation if they have strong political support.

Prior to 2006, collective agreement extensions were voluntary and based on conditions in the relevant employers' agreement. The post-2006 government, led by the social-democratic party *Smer – sociálna demokracia*, aimed to strengthen social dialogue and bargaining coverage, remove discrimination in employment conditions, and introduce equal business conditions for all employers, for example in public tenders. A horizontal mandatory extension of sector-level collective agreements seemed to be a sustainable solution. While trade unions favoured horizontal extension, employers opposed it. However, reactions between individual employers and between peak (national, cross-sector) employers' associations differed. Employers requested further development of rules applicable to the practice of horizontal extensions, such as conflict resolution procedures, mediator involvement, collective redundancies, and monitoring compliance with collective agreements at the workplace. However, the National Union of Employers of the Slovak Republic (*Republiková únia zamestnávateľov SR, RÚZ SR*) appealed to the Constitutional Court with the argument that a mandatory horizontal extension does not comply with the Slovak Constitution.

Despite the above employer opposition, the principle of horizontal mandatory extensions was written into law: extensions initiated upon a joint written request of signatory parties of a sector-level agreement to the Ministry of Employment, Social Affairs and Family and approved by the Ministry were legally enforceable. The 2009 amendment to the extension rule stipulated that the extension may apply to agreements concluded by a higher-level trade union organisation, which represents the largest number of employees in the sector where extension is requested. This amendment replaced the original provision that the extension possibility applies to agreements concluded by employers' associations employing the largest number of employees in the sector where extension is requested. This amendment simplified the practice of extensions and contributed to a shift to more centralised bargaining and higher bargaining coverage.

During (2007-2010), two trends can be identified:

- The number of higher-level collective agreements declined (due to low unionisation, declining employer density rate, mergers/splits on the side of employers' associations and unions)
- The number of extensions increased compared to the pre-flat-extension period, but in general declined compared to the 1990s.

After the formulation of a right-wing coalition, the mandatory horizontal extension mechanism was revoked. An extension request is again conditioned by a joint written request of the signatory employers' association and trade union(s); applies to individual employers only and not to the whole sector, and the concerned employers' consent with the extension has been reintroduced. This stipulation resulted in fragmentation of bargaining coverage and a virtual impossibility of a flat extension

across the whole sector.

To sum up, with political support, the social partners achieved the introduction of a horizontal extension mechanism, which is unique in the CEECs. However, the practice of such extensions has been limited in time and scope. The main reasons for its failure can be summarised in the following points:

- change in government
- strong political orientation of trade unions onto support of a single party
- employer dissatisfaction with basic legal conditions of the extension (the question of individual rights), and a diversity in employers' interests
- particular issues in the horizontal extension mechanism lacked detailed elaboration (i.e. rules of compliance for non-unionised companies onto which extensions have been applied)
- lack of control mechanisms on compliance with extended collective agreements
- the timing of flat extension: economic crisis and growing unemployment

In the post-2010 practice of bargaining, extensions have not been common. It remains to be seen whether the current government, formed exclusively of the Smer party, will re-open the issue of flat extensions.

Source: Kahancová (2011).

2.3.5 Tripartism and social pacts

Although tripartism is formally established across the CEECs, its real capacity to produce enforceable agreements varies according to country. In the liberal Baltic States, EU accession facilitated the establishment of formal tripartite institutions despite the lack of any tradition of tripartite concertation. Bulgaria and Romania had more experience with tripartite social dialogue, but its importance declined over the 2000s. All welfarist Visegrad countries have long-standing formal tripartite institutions, but the power of tripartite bodies is in most countries limited to consultation rights. Finally, Slovenia follows a model of a small Western corporatist state, where tripartite concertation plays an important role for policymaking. However, with the disintegration of bargaining structures after 2006 in Slovenia, the role of tripartism has also declined.

Table 2.9 Social pacts in the CEECs, 1991 – 2008

Year	Successfully concluded tripartite agreements	Failed negotiations for tripartite agreement
2008	EE (3)** , RO (3)*	
2007	SI (4)	PL
2006	BG (4), SK (3)	
2005	LT (3)	
2004	LV (3), RO (3)	

2003	<i>SI (4)</i>	PL, RO
2002	HU (3), RO (4)	
2001	RO (3)	
2000		
1999	EE (3), LT (3)	
1998		CZ
1997	BG (3)	
1996	<i>SI (4)</i>	
1995	LT (3), <i>SI (4)</i>	
1994	CZ (2), SI (4)	HU
1993	CZ (2), PL (3)	SI
1992	CZ (2), EE (4), SK (4)	SI
1991	CZ (2), EE (4)	SI

* *Italics indicate pacts addressing tax-based incomes policies. In all other cases, social pacts covered broader social policy issues (regulatory, reform or symbolic pacts according to the ICTWSS database coding).*

** *Numbers in parentheses indicate the strength of the pact. Strength is defined as a composite measure of pact scope and pact structure. The maximum in each of these two categories is 2, therefore the maximum strength score is 4. In general, CEEC pacts are agreed upon by all the relevant peak social partners (which means a 2 in the structure score), but their scope is rather vague and do not reach to lower levels of industrial relations (1 on scope).*

Source: ICTWSS database, version 3.0, 2011.

Despite the contested role of tripartism, a number of tripartite agreements, or national-level social pacts, have been concluded across the CEECs. International factors that have facilitated the conclusion of social pacts even in countries that lack a tradition of tripartite consultations (e.g., Latvia, Lithuania and Estonia), or in countries with a weak substantive role of tripartism (e.g., Hungary, Poland and Romania) include EU accession, prospects for EMU membership and the economic crisis. In Poland, considered the weakest performer in terms of social pacts among the welfarist Visegrad countries, EU accession served as a motivating factor for the Labour Minister and later the Minister of Economics and Deputy Prime Minister (2001 – 2005) to attempt a conclusion of several social pacts addressing EMU convergence, reforms of public finance, employment policy, healthcare and labour law (Meardi 2012: 46-53). This initiative also involved strengthening intersectoral social dialogue and improving the coordination of sectoral bargaining committees. Social dialogue was perceived as a policy alternative to those of previous governments. The most important pact initiative, known as the “Pact for Work and Development” was drafted in 2003. However, these proposals were later abandoned due to lack of domestic political commitment and lack of trust between the Solidarność trade unions and the post-communist party (Meardi 2012: 47). These initiatives are an important sign of the impact of EU accession and prospective EMU membership on CEEC social partners’ capacity building to strengthen tripartism despite hostile domestic conditions.

In sum, table 2.9 offers an overview of tripartite agreements, but also of failed attempts to conclude agreements, between 1991 and 2008. More pacts have been concluded in the 2000s than in the second half of the 1990s. More recent evidence

confirms this trend, especially in the post-crisis years of 2009 and 2010.

2.3.6 Information and consultation of employees at company level

Company-level employee representation in the CEECs underwent significant changes upon EU accession, mainly because of implementing the dual representation structure (including both trade unions and works councils) stipulated by the Directive on Information and Consultation of Employees (2002/14/EC). Table 2.10 documents the workplace presence of employee representatives across CEECs after the implementation of the Directive.

Table 2.10 Workplace presence of unions, works councils and individual employee representatives in the CEECs, 2009

	BG	CZ	EE	HU	LV	LT	PL	RO	SK	SI
Presence of institutional representation										
- share in the total number of establishments	35%	18%	22%	28%	39%	25%	38%	51%	42%	42%
- share in the total workforce*	50%	42%	38%	50%	45%	47%	65%	78%	60%	67%

* Source: *European Company Survey 2009: 47-48 (data estimated from graphs)*, Base = establishments with 10 or more employees; EIRO, ETUI

The highest institutional representation applies to Romania, where unions, works councils or an individual employee representative was present in 51% of all establishments, covering 78% of the total workforce. In contrast, the Czech Republic has the least established workplace representation - present in only 18% of establishments. The coverage of 42% of the total workforce in the Czech Republic suggests that workplace representation is more common in large companies. The same is true for Poland and Slovenia, where employee representatives are not present in a high number of establishments, but cover a relatively large share of the total workforce.

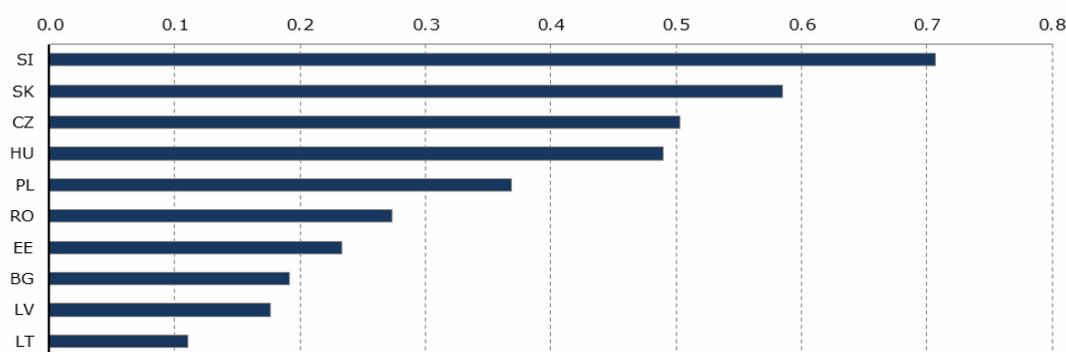
Distinguishing between the types of employee representatives is possible only in a limited number of CEECs where evidence is available.¹⁵ In the neoliberal Baltic States (EE, LT) with a generally weak union presence, works councils or individual employee representatives are better established than trade unions at the workplace level. The opposite is true for Slovakia, a welfarist Visegrad country with a tradition of stronger position of trade unions. In Hungary, trade unions remain the main channel of interest representation after 20 years of experience with dual representation of employees at the workplace, Unions are present in more establishments than works

¹⁵ Source: ETUI (www.worker-participation.eu)

councils despite the fact that the union workplace coverage dropped from 37% in 2001 to 28% in 2009, while works council presence has stagnated at around 20 percent over the past 20 years.¹⁶

A broader indicator of employee representation is the European Participation Index (EPI), which summarises the formal rights of workers and the extent of representation/participation at three levels: in the board, at the establishment level and through collective bargaining. The highest EPI value in the EU is 0.82 in Sweden and the lowest value is 0.11 for Lithuania.¹⁷ Chart 2.15 shows the EPI scores for CEECs. The scores confirm that after the implementation of the Directive on information and consultation, employee participation remained weakest in the liberal CEECs (LT, LV, EE, RO and BG). The welfarist countries (CZ, HU, PL and SK) score higher, which aligns with their generally better institutionalised bargaining and employee representation. Finally, the corporatist Slovenia scores highest, which aligns with the general characteristics of industrial relations in this country.

Chart 2.15: European participation index (EPI) in the CEECs



S

Source: ETUI in: <http://www.worker-participation.eu/About-WP/European-Participation-Index-EPI>

Note: The participation index is a composite index which summarises both formal rights and the extent of participation on three levels: at the level of the board; at the establishment level; and through collective bargaining.

To complement the above statistical evidence, Table 2.11 provides a qualitative overview of employee participation across the CEECs.

Table 2.11 CEEC workplace representation of employees
<i>Liberal Baltic and Balkan countries</i>
Estonia

¹⁶ Source: Neumann (2010) in: <http://www.employment.eutrio.be/uploadedFiles/Eutrio/events/Neumann.pdf>.

¹⁷ Source: <http://www.worker-participation.eu/About-WP/European-Participation-Index-EPI>

Workplace representation is limited. The 2007 legislation allows for the election of employee representatives both in workplaces with and without a trade union. In union-free workplaces, representatives can be involved in collective bargaining. Employee representatives can be elected upon the support of a trade union or 10% of the employees.

Latvia

Unions are the main representation channel, but many workplaces have no representation at all. Since 2002 it has also been possible to elect authorised workplace representatives, but this practice is limited.

Lithuania

After the 2003 legislative changes, works councils and unions have almost identical legal powers. Since 2005 works councils have the right to organise strikes. Most workplaces have none of the two representation forms. The system of individual employee representatives is widespread in small companies. The 2007 Labour Inspectorate report documents that out of 12,331 inspected organisations there were 2,978 with an individual employee representative.

Bulgaria

Unions are the main representation channel. The system of individual employee representatives, available since 2001, is not widely used. Representatives are only present in about one-third of multinational companies, and most of them are union-nominated. In small companies, it is unusual to find either unions or elected employee representatives. The implementation of the Directive on Information and Consultation did not significantly change the above practices. Until 2010 only 8% of companies with 50 or more employees elected workplace representatives.

Romania

Almost exclusively union-based representation. Employee representatives can only be elected in union-free workplaces. This situation has not changed after the Directive's implementation. Changes introduced by the 2011 Social Dialogue Code have made trade union operation more difficult as a union can now only be set up by at least 15 individuals in the same company instead of the same industry or occupation.

Welfarist Visegrad countries

Czech Republic

The stipulation to dissolve the work council if a union is present at the workplace was declared unconstitutional in 2008. In practice, very few works councils have been set up and trade unions remain the dominant representation channel. The majority of companies have no employee representation at all.

Hungary

Dual representation channel exists since 1992. In most cases union members are part of works councils, especially because the Hungarian legislation links union bargaining rights to the results of works council elections. The balance of power between unions and works councils also depends on the political environment with leftist governments usually supporting trade unions while conservative governments favouring works councils.

Poland

Until the EU accession trade unions were the exclusive workplace representation body. The 2006 legislation provided for the establishment of works councils. The slow implementation of the Information and Consultation Directive entrenched union

powers in electing works councils until 2009. In 2009, 72% of works councils were set up in companies and organisations with trade unions.

Slovakia

The legal possibility of establishing works councils was introduced in 2002. The recent legal change (2011) increased representativeness thresholds for trade unions. In order to be representative, unions establishing themselves for the first time at a workplace shall (upon employer's requirement) demonstrate that they represent at least 30% of the workforce. Works councils are less common than unions and can be established where at least 10% of the workforce requests this kind of representation.

Corporatist countries

Slovenia

Dual channel of representation since 1993. Employees at the workplace are represented both through local union structures and, in workplaces with more than 20 employees, a works council. In practice works council members are frequently trade union activists, although the extent of trade union involvement varies from industry to industry.

Source : ETUI (www.worker-participation.eu), EIRO.

2.3.7 Interim conclusions

Unionisation, bargaining levels and practices, the role of tripartism and social pacts, and employee information and consultation at the workplace varies across the CEECs. Over the 2000s, CEECs converged on the emergence of social pacts. The post-2008 economic crisis facilitated the conclusion of social pacts even in countries that lacked a tradition of tripartism, such as the liberal Baltic States.

To assess prospects for Europeanisation of industrial relations within the CEECs, we need to understand why some industrial relations features differ across these countries. This section has showed that the extent of labour mobilisation and the government's interests in introducing stable bargaining structures were the main preconditions for the emergence of social partnership across the CEECs. The liberal country cluster (EE, BG, LV, LT and RO) are best characterised as countries with weakly established or weakly enforced tripartite institutions, fragmented bargaining (with the exception of Romania), and a varying union density between the liberal Baltic (EE, LV, LT) and the Balkan (BG, RO) countries. The welfarist Visegrad countries (CZ, HU, PL and SK) all have strongly entrenched tripartism, institutions for collective bargaining and employee representation. The Czech Republic and Slovakia tend to have more of a tradition of social dialogue and a higher level of bargaining coordination than Poland and Hungary. While Hungary and Poland are examples of countries with decentralised and fragmented bargaining coverage, Hungary is also characterised by its national-level concertation structure. Slovenia, which is the only corporatist country in the CEECs, has gone furthest in institutionalising coordinated bargaining, employee representation, social pacts and bargaining coverage.

2.4 Re-configuration of industrial relations in the CEECs after EU enlargement, the economic crisis and public sector austerity

While the previous two sections have focused on developments in structural industrial relations indicators in the CEECs and their comparison with the EU-15, this section looks at the particular responses of CEEC social partners to the most important domestic labour markets challenges that have followed on from EU enlargement and the crisis. Among most important developments affecting the majority of the CEECs is the post-enlargement mobility from the CEECs to the EU-15 causing domestic labour shortages in some countries and sectors. The second major development is the economic crisis that has led to a growth in unemployment, employment flexibility, precarious employment forms and public sector austerity across the CEECs. Finally, the crisis has also affected the public sector and fuelled austerity measures across the whole EU. For more details on austerity measures, the crisis and the effects of this on public sector industrial relations, see Chapter 4.

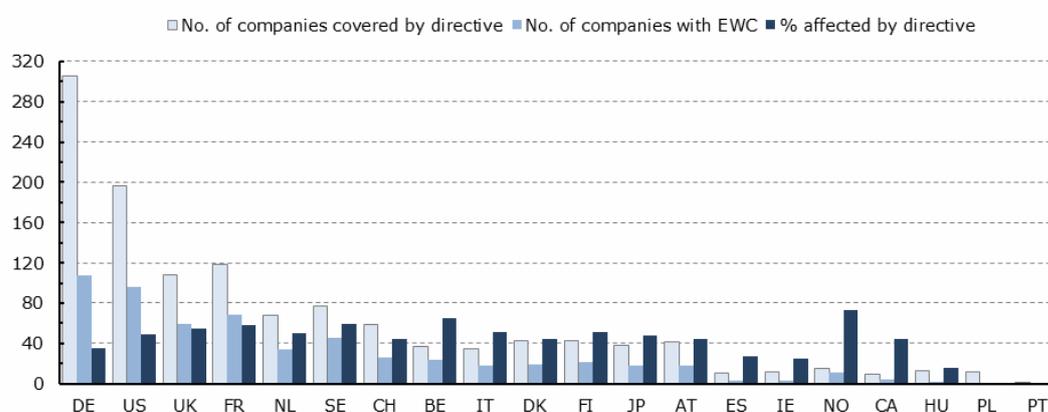
This section attempts to answer questions such as how have CEEC social partners dealt with these challenges in their national settings? Have they utilised opportunities derived from these developments in order to, for example, negotiate wage increases, strengthen social partnership, improve bargaining coordination and foster the Europeanisation of national industrial relations? Given the limited statistical evidence on this kind of social partner action, this section is largely based on examples and case studies that try to comprehensively cover developments across the CEECs.

2.4.1 Europeanisation of industrial relations through EWCs in MNCs

EU integration, by removing barriers to the mobility of goods, capital and labour, promotes foreign direct investment and the transfer of the tradition of social dialogue and employee participation from EU-15 to CEECs (Meardi 2012: 62). Multinational companies (MNCs) are likely frontrunners of Europeanisation of industrial relations because of their capacity to transfer social dialogue practices across countries of their operation. Some research has detected positive efforts of MNCs to transpose social standards from the EU-15 to the CEECs. For example, foreign employers helped to develop the structure of employers' associations in Poland, Bulgaria and Latvia, where they established their own associations. In Poland, MNCs took the leading role in creating a new employer organisation – the Polish Confederation of Private Employers Lewiatan (*Polska Konfederacja Pracodawców Prywatnych Lewiatan*, PKPP Lewiatan) in 1998. PKPP went on to become the leading employer confederation and now also organises a large number of Polish-owned companies (Marginson and Meardi 2009: 25). With regard to coordinated multi-employer bargaining, MNCs display a noticeably higher incidence of second-tier or company negotiations than local firms in Bulgaria, Romania and Slovakia (Marginson and Meardi 2009). Despite these efforts, the overall impression is that MNCs are not yet ready and committed to transferring forms of employee representation (Meardi 2012). Instead of offering opportunities for coordinated industrial relations, therefore, MNCs have contributed to further bargaining decentralisation in the CEECs. Industrial relations transfers from the EU-15 to the CEECs seem to be an exception rather than rule and are contingent on specific conditions (Marginson and Meardi 2006, Meardi et al. 2009, Kahancová 2010). Workplace industrial relations in MNCs in the CEECs confirm a departure from the EU-15 models because of frequent anti-unionism, the absence of works councils, the use of agency work, temporary contracts and the practice of restructuring without consultation with social partners.

The 1994 European Works Council Directive (Directive 94/45/EC, updated by the recast Directive 2009/38/EC) aims to ensure that employees in MNCs are properly informed and consulted. Chart 2.16 presents MNCs by country of origin affected by the EWCs Directive. By 2008, there was still a discrepancy between the number of MNCs with operations in the CEECs and the EU-2 (Cyprus and Malta) and those that already introduced EWCs with CEEC and EU-2 representatives. In 2010, the total number of EWC bodies across the EU-27 reached 969; and the number of EWCs including one or more representatives from the CEECs and the EU-2 reached 249.¹⁸ This means that 25.7 percent of EWCs have one or more representatives from the EU-12. This suggests that structural EWC implementation stretches over a long time period. It should be noted, however, that the actual role of the EWC may differ from company to company and is subject to case study research related to specific MNCs.

Chart 2.16: Multi-national companies affected by the EWC Directive with operations in the EU-12 by country of origin, 2008



Source: *European Works Councils Database, ETUI-REHS, March 2008; European Works Councils in practice: Key research findings. European Foundation for the Improvement of Living and Working Conditions (2008: 7)*

2.4.2 Post-enlargement mobility, labour shortages and trade union responses

Since the 2004 and 2007 EU enlargements, intense labour mobility from the CEECs to the EU-15 led initially to a decrease in unemployment rates in the CEECs and labour shortages emerged in some countries and sectors (Kahanec and Zimmermann, 2010; see also chapter 6 of the European Commission's Employment and Social Developments in Europe 2011 review). Migrants from the CEECs were motivated by better-paid jobs in the EU-15 and most frequently targeted the UK and Ireland – countries that immediately opened their labour markets to CEEC workers (Bonin et al. 2008). Although outward mobility increased from all CEECs, cross-national differences persist. Over the period from 2003 to 2007, emigration as a percentage of the population has been highest in Romania, Lithuania and Slovakia (Brückner and Damelang 2009). In 2009, CEECs with the highest shares of migrant working in the

¹⁸ Source: Database on European Works Council Agreements
http://www.ewcdb.eu/documents/freegraphs/2010_10_EN.pdf

EU-15 included Romania, Lithuania, Bulgaria, Estonia, Poland and Latvia (Kahanec 2012). Outward mobility affected employment in both private and public sectors across the CEECs and caused shortages in some occupations. Outward mobility also influenced union membership and density in the CEECs. Meardi (2012: 97) found the CEECs with the highest number of migrants between 2003 and 2007 have been those with the strongest fall in union membership, especially Slovakia and Lithuania, while those with the lowest mobility have lost fewer union members, especially Slovenia, Hungary and the Czech Republic. Post-enlargement mobility effects on net union density can only be evaluated a few years later. However, even if net union density in these countries increases, this does not necessarily mean that unions have gained new members: an increase in net union density can originate from the fact that the total size of working age populations, over which union density is calculated, has decreased with outward labour mobility.

Nevertheless, trade unions cannot be considered to be passive victims of these developments. From the limited empirical studies available, there is evidence that unions in some countries mobilised against migration through bargaining and public protests where they used the migration argument to improve their bargaining position and legitimacy as well as domestic working conditions. Kaminska and Kahancová (2011) studied how trade unions in selected CEECs used mobility-induced labour shortages to negotiate wage increases, to reverse the trend of declining union membership/density, to improve the unions' legitimacy in relation to governments and employers and finally to strengthen bargaining institutions. This study focused on public healthcare, which lost a significant number of qualified healthcare staff and faced serious domestic labour shortages. The findings show that Polish and Slovak trade unions did consider the post-enlargement mobility trend to be a development that could improve their situation. Union leaders showed good organising capacity, facilitating active responses, while union structures proved of little importance in this issue (Kaminska and Kahancová 2011). In Poland, the government disregarded the unions' attempts to increase wages through collective bargaining, but made financial concessions to stop massive protests and strikes in response to healthcare mobility. In Slovakia, unions placed their action within the functioning bargaining system and achieved wage increases for lower-ranking healthcare employees through sectoral bipartite bargaining in public healthcare. This evidence shows that using available organisational capacities, CEEC unions are able to mobilise and respond successfully to trends derived from EU enlargement (in this case post-enlargement labour mobility).

2.4.3 Responding to the crisis through active involvement of social partners

One of the major recent challenges to CEEC economies is the economic crisis, which first affected the private sector and later the public sector through austerity measures. Recent evidence on how CEEC social partners have responded to crisis-induced challenges is limited to a few cases, which document two kinds of action:

- CEEC social partners engaging in a negotiated response to face up to various challenges induced by the economic crisis;
- CEEC trade unions mobilising members and supporters to openly voice their claims in response to government austerity measures.

First, the crisis produced a new wave of tripartite negotiations and social pacts were

adopted in several CEECs (see Box 2.3). The trend of meeting the challenges of the crisis through tripartite social dialogue is accompanied by an interesting paradox. While tripartite negotiations and social pacts increasingly emerged in countries without a strong tradition of tripartism, there is less evidence for a successful conclusion of social pacts in countries that do have a tradition of social dialogue (namely, the Czech Republic, Slovakia and Slovenia). The Czech social partners demanded to be included in post-crisis reform policies, but the post-2010 Czech government made it clear that it would not endorse the anti-crisis measures agreed by the previous government with the social partners.¹⁹ In Slovenia, the government and trade unions reached an agreement on wage moderation in the public sector (see Box 2.3), but the overall number and the character of social pacts in Slovenia did not significantly increase in the aftermath of the crisis. In Slovakia, trade unions enjoyed systematic political support from the post-2006 social-democratic government, which carried on during the crisis period until the government change in 2010.

Box 2.3 Coping with the economic crisis through social pacts

Latvia (2008)

Since 2004, the Latvian government avoided state budget discussions with the social partners, which culminated in union protests and public demonstrations in 2007. In the context of the start of the crisis and a worsening economic situation, negotiations at the National Tripartite Cooperation Council reconvened in 2008 to discuss the state budget for 2009. Both employers and trade unions prepared and submitted to the government concrete proposals on how to improve the country's economic and social situation. Despite protest campaigns, the government, the Latvia Employers' Confederation (Latvijas Darba Devējukonfederācija, LDDK) and the Free Trade Union Confederation of Latvia (Latvijas Brīvo Arodbiedrības savienība, LBAS) signed a tripartite agreement. This experience does not mean that tripartite negotiations will remain a standard part of Latvian policymaking, but it demonstrates that despite the government's earlier reluctance to negotiate and ongoing protests, social partners were able to engage in a constructive discussion and conclude a tripartite agreement.

Estonia (2009)

Representatives of several ministries, the Estonian Trade Union Confederation (Eesti Ametiühingute Keskliit, EAKL) and the Estonian Employers' Confederation (Eesti Töandjate Keskliit, ETK) agreed on a pact addressing economic recession. The main purpose of the agreement was to maintain jobs and provide effective help for registered unemployed. After the pact's conclusion, unemployment still kept rising, which forced the government to take further action. The Ministry of Social Affairs in cooperation with the Estonian Unemployment Insurance Fund introduced a new national action plan for 2009–2010, aiming at lower unemployment and support for the creation of new jobs. About €45 million were assigned for an employment programme, which should help to create over 5,000 jobs and boost the economy. This second plan was adopted with less involvement of the social partners than the first agreement. Employers welcomed the plan but trade unions expressed some concerns on the possible misuse of subsidies by employers.

Poland (2009)

¹⁹ Source: EIRO Industrial relations and working conditions developments in Europe 2010, TN1105040.

In March 2009, Polish peak national social partners reached an autonomous agreement on combating the negative effects of the economic slowdown. This agreement received a public praise and was considered a success of social dialogue. The social partners' anti-crisis package was then presented to the government, which was to incorporate its provisions into draft legislation and submit a legislative proposal to the parliament. In July 2009, the Polish parliament adopted the anti-crisis legislative package with some modifications to the general direction set out by the bipartite agreement reached by the social partners. Despite some critique by *Solidarność*, social partners accepted the outcome but continued to exercise pressure on the government to increase the efficiency of anti-crisis policy. The government acknowledged social partner claims and amended the anti-crisis legislation in October 2010. Changes included lowering the eligibility threshold for subsidizing the remuneration costs of part-time employees or employees that remained idle due to a temporary crisis-induced halt of their employer's operation. This example documents that an initially autonomous agreement can be upgraded to national legislation.

Slovenia (2009)

Public sector trade unions in Slovenia were engaged in bringing forth the government's austerity pay deal in 2009. The government and the representatives of 23 public sector trade unions signed the austerity pay deal for the period 2009–2010 in order to cut public sector spending by 100–120 million EUR as part of the state's anti-crisis efforts. Under the agreement, public sector wage growth in 2009 should have reached 7.1% instead of the earlier envisaged 9.9%. Most recently, in a compromise quickly agreed by the social partners in 2011, the Slovenian government froze pensions, public service salaries and social benefits. This proved to be inadequate and had to be supplemented by further austerity measures in 2012.

Bulgaria (2010)

After intensive debates between the Bulgarian government and social partners, the National Council for Tripartite Cooperation reached an agreement on a new anti-crisis package aiming to support employment, households, business and state finances. Measures concerning employment and households were adopted mainly because of union requests, but employers also supported them. Such agreement over the proposed measures, including i.e. minimum wage growth, removal of the unemployment benefit upper limit, adjusting unemployment benefits and extending the system of food vouchers, enabled a constructive dialogue and a conclusion of a tripartite agreement.

Source: EIRO

For more details on issues such as the minimum wage, pay and pensions developments in the CEECs, see box 2.5.

In addition to these attempts at a coordinated response to the crisis at the national level through social pacts, there is limited evidence on other kinds of a negotiated response at the sectoral and company levels. For example, in Slovakia, the sector-level social partners in sectors most affected by the crisis, such as the metalworking sector, found new incentives to consolidate sectoral bargaining coordination to meet the challenges of the economic crisis. As a consequence, bargaining procedures, as

well as social partner commitment to a negotiated response to the crisis were not in danger of decentralisation. Sectoral and company-level bargaining continued following the same formal and informal rules and played a central role in the attempt to maintain employment during the economic downturn (Czírta 2011: 22). The most common collectively-agreed measures included wage moderation, work organisation changes, including less use of temporary/agency workers, redundancy pay, conflict settlement and prevention and application of flexible working accounts and short-time work. Although the social partners found it more difficult to conclude agreements during the crisis and negotiations took longer than before, in the most important subsectors of the metalworking sector (mechanical engineering, steel and electronics) the social partners managed to agree on specific anti-crisis provisions and incorporate them into collective agreements for 2008-2009 and 2010-2011 (c.f. Kahancová 2013). For more details of social partner responses to the crisis and austerity measures in the EU, see chapter 4.

We can also find exceptional negotiated responses to the crisis at company level, for example in some of the largest employers in the automotive industry in Hungary (Szabó 2013). According to the Hungarian Labour Code, trade union approval is not required for company crisis adjustment strategies, such as working time reductions (Neumann and Boda 2011: 92). Nevertheless, despite the lack of legal obligation to negotiate with unions, several large automotive companies signed agreements with unions on crisis relief measures. The main motivation for employers was finding a common stance with trade unions on protecting the skilled workforce in the car industry and avoiding dismissals. For example, Audi's management cooperated on the whole spectrum of employment-related decisions with unions, striking a deal of safe jobs at a price of working time and variable pay rescheduling. Other German MNCs in high value-added sectors also engaged in voluntary bargaining with trade unions. The most recent case is Mercedes, which launched its Hungarian subsidiary in 2012 with a welcoming attitude towards unions.²⁰

Further company-level cases of negotiated responses to the crisis can be found in the Baltic States. In Estonia, concessions in collective agreements have been negotiated in some companies despite the general trade union strategy of maintaining the validity of collective agreements concluded prior to the crisis (Kallaste and Woolfson 2013). New collective agreements froze some provisions of existing agreements (e.g. postponed wage increases and/or bonuses), or introduced provisions to consolidate wages and employment (e.g. unpaid leave instead of wage decreases) (ibid.).

In Bulgaria and Romania, countries with historically stronger labour mobilisation than in the Visegrad and Baltic States (see Table 2.7), trade unions were more eager to engage in strikes and protest actions in the post-crisis period. For example, Romanian trade unions engaged in several protest actions and strikes during 2009 and 2010 (see the next section). The preference for mobilising members rather than attempting a negotiated response derived from recent legal changes regarding union representativeness and the fact that all existing collective agreements were declared invalid at the end of 2011. An inability to negotiate new agreements at national and sectoral level in 2012 motivated unions to take other kinds of action. For example, FGS, the largest union federation in the construction sector, drew up guidelines

²⁰ Source: EIRO <http://www.eurofound.europa.eu/eiro/2011/02/articles/hu1102011i.htm>

regarding the procedure required to become representative for local unions and has also helped local unions in negotiating collective agreements. As a result, some company-level agreements were concluded with provisions far above the legal minimum. Moreover, unions in construction and the healthcare sector succeeded in obtaining funding from the EU's structural funds to provide training for union members and improve their competence and employability.²¹ In Bulgaria, workers at the country's largest coalmines engaged in a one-week strike in 2012 in support of better bonuses and working conditions. After lengthy talks, the unions and the management of the mines found a coordinated solution to improve working conditions and award bonuses.²²

To sum up, a first glance national-level social dialogue and a negotiated response of the social partners appears to have played an important role in the adoption of anti-crisis measures. However, many of these measures, such as union co-determination on flexible working time accounts, or the social partners' role in implementing crisis-related policies, has turned out to be temporary and has lasted only until the unions benefitted from political support from the government, until legal changes or until governments reverted to unilateral action instead of adopting the measures agreed with social partners. This shows on the one hand that the CEEC social partners are capable of bringing forth negotiated responses even in hostile institutional conditions. At the same time, their capacities and the substantive results of negotiated responses at the national, sectoral and company levels remain contested.

2.4.4 Responses of CEEC trade unions to public sector austerity

The crisis has also induced government responses that aim to consolidate the public sector, public debt and state budgets. As a consequence, various public sector austerity measures have emerged across the CEECs. The extent to which consultation on these measures takes place with trade unions as social partners varies across countries and governments. The most common aim of trade union responses is to protect employment and working conditions in the public sector in the context of these austerity measures. Table 2.12 and the text below review the available recent evidence on responses to public sector austerity through collective action. In a small number of cases, the social partners have succeeded in being part of negotiating or revising austerity measures that governments have adopted. Other cases, where social partners, especially trade unions, have mobilised against announced austerity measures, this is in alignment with the overall view that mobilisation is the preferred strategy in conditions where social dialogue is weakly established or where the social partners are excluded from negotiating or consulting austerity measures with the government (see also chapter 6 for details on models of social partner involvement in the EU).

Table 2.12 Public sector austerity measures in the CEECs since 2006 and social partner responses

	Wage developments	Reform of pay system	Job cuts	Social partner responses – collective action
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²¹ Source: discussion with a Romanian Industrial Relations expert Dr. Aurora Trif, (City University Dublin).

²² Source: Reuters at <http://af.reuters.com/article/commoditiesNews/idAFL5E8CM03H20120122>)

	in the public sector			
BG	2009-2011: wage freeze	Reform of pay system in public administration, strengthening the role of performance-related pay	Jobs were cut to ensure 10% reduction of overall costs in ministries and publicly funded organisations	06/2009: joint public-private national demonstration 03/ 2010: doctors strike over delayed funds 11/2011: three-week national railway worker strike
CZ	2011: 10% reduction in public administration	For parts of public sector (i.e. health care, artistic professions, manual workers and workers receiving lowest base pay rates)	as a first step for 2010, cancellation of unfilled positions later on, dismissals to achieve a 10%-reduction of the public sector wage bill	12/2009: strike threat of Prague public transportation workers, strike averted through compromise: workers agree on wage cuts, in exchange the local government halts outsourcing 03/2010: doctors start resignation campaign 09/2010: public sector workers, led by the police trade union, protest against austerity
EE	rapid increase before the crisis 2009: wage freeze for the overall public sector, cuts in certain professions (e.g. -8% for police and border guards) 2010: some recuperation 2012: slight minimum wage increase affecting the public sector			10/2009: protest in local hospitals 03/2011: railway workers successfully demonstrate for wage hike (5 percent) 03/2012: teachers strike for higher wages. Transportation and energy sector workers hold solidarity strikes with teachers and protest against the anti-union amendment of the labour code. Biggest strike wave in the post-Soviet history of the country. Eventually, the government concedes a 15% rise for teachers.
HU	wage freeze in the general public sector since 2006 (already before the crisis) cut of 13th month salary			12/2008 -01/2009: demonstrations in parts of the public sector (mostly healthcare and education) 05/2011: firefighters and police demonstration against the abolition of special pension rights 10/2011: overall (public and

	(2009)			private) national union demonstration against anti-union measures of the new government, against the new labour code 01/2012: resignation campaign of doctors, negotiated salary increase as a result
LV	2008: withdrawal of bonuses and premiums 2009: -15 to -30% decrease in basic pay (e.g. monthly gross wages of teachers cut by almost a third)	Reform of public sector teachers' pay system as part of reform of financing system of public schools (2009) and standardisation of pay structure across public sector	job cuts in the public health services as a consequence of the reduction of health care budget by 21% school closures, resulting dismissal of teachers	10/2008: strike of healthcare employees b/c of budget cuts. No direct effect on the government but the tripartite council endorses healthcare workers' demands
LT	2009: - 10%–15% for the lowest qualification rating and by 30%–50% for the highest qualification rating in the public sector pay scale	Reform of pay system in some ministries		01/2009:demonstration in parts of the public and private sector 07/2009: hunger strike by public sector union activists, result:"the main burden of the salary decrease was placed on the highest paid public sector employees2009)
PL	2008-2009: 28% increase for teachers 2011: wage freeze for the overall public sector (planned)		Job cuts expected to reach goal of keeping public expenditure at max. of 1% above inflation	2009-2011: recurring protest against the acceleration of privatisation (mining, pharmacies, restructuring of national airline) 2009-2011: recurring protest of the police against longer service years, but finally compromise reached with the government 10/2009, railway workers' hunger strike against downsizing 09/2010: public sector protest against the cuts in the 2011 budget 03/2011: nurses stage a demonstration within the parliament building,

				protesting against temporary contracts and reorganisation of hospitals 08/2011: strikes in regional railways
RO	2010: -25% , cuts in bonuses and other additional payments means cuts of up to 50% (especially damaging after constant promises for pay rise before the crisis) 2012: possible recuperation with the consent of the IMF	New uniform remuneration system for employees paid from public funds (2009): limiting wage growth in highest pay scales, coupling wage increases to macro-economic developments	123000 (-8,8 percent, official figure)	10/2009: public sector strike 02/2010:public sector strike 05/2010:public sector strike 10/2010: major public and private sector demonstration in front of the parliament 01/2012: major nation-wide unrest triggered by proposed partial privatisation of healthcare services
SK	2011: cuts/freeze planned			10/2010: private and public sector demonstration 11-12/2011: doctors' successful mass resignation campaign for higher wages and reversal of hospital corporatisation
SI	2009: wage moderation agreement wage growth for 2009 reduced from 9.9% to 7.1% The 2012 Public finance balance act decreased wages in the public sector by 8% on average.	uniformisation of the pay scale	2010-2011: partial measures for curbing employment in the public sector 2012: Public finance balance Act: no new recruitment in the public sector foreseen	10/2010: public sector strike 04/2012: general strike of teachers and police demonstration, but major trade unions promised not to call a referendum on austerity measures (in Slovenia referendums are easy to call, this is also an often used weapon of unions against the government). In May 2012, after a month of negotiations, an agreement on austerity measures in the public sector was signed by government, employers and trade unions.

After 2010, political action and strikes further intensified in healthcare, education and other subsectors of public service. In Poland, the fire fighters' trade union voiced dissatisfaction with working time regulation concerning fire fighters. In Hungary, public sector trade unions protested against pension cuts for armed forces, police officers and fire fighters. In Slovakia, trade unions in the education sector went on strike before the government agreed to negotiated wage increases for teachers. In late 2011, the trade union representing medical doctors in Slovakia threatened a walkout of doctors in order to obtain wage increases and stop the process of transforming state-run hospitals into public corporations. Facing the threat of enormous shortages of hospital doctors, the government agreed to substantial wage increases. Following this action, the Chamber of nurses and midwives also submitted a petition for wage increases, which was successful. Czech trade unions in public healthcare engaged in similar action in 2010 and 2011 to obtain wage increases and secure funding for public hospitals.²³

In Romania, public discontent with austerity measures produced a large union-led protest in 2010 against cuts in pensions and salaries. Earlier in 2010, the Romanian national trade union confederations set up a national crisis committee to harmonise the trade unions' response to the government's anti-crisis measures, especially those included in the agreement with the IMF, the European Commission and the World Bank.²⁴ After the unions accused the government of ignoring social dialogue, more than 60,000 union members and supporters protested against the proposed wage and welfare cuts. The five largest trade union confederations united in calling these measures socially unacceptable, arguing that the government should not target the poorest social groups with its austerity measures. Moreover, trade union confederations formulated alternative austerity measures, based on cutting state administration and related costs and more progressive taxation.²⁵ This union strategy proved to be successful in reaching the government's declaration that it will not approve the list of intended austerity measures to be presented to the IMF without consensus with social partners in the country's tripartite Economic and Social Council.²⁶ Employer organisations initially agreed with the cuts, but two of the largest employer organisations, the Employer Confederation of Industry, Agriculture, Construction and Services Employers (CONPIROM) and the General Confederation of the Romanian Industrial Employers 1903 (UGIR 1903) later withdrew their support, arguing that cutting individual earnings would worsen the recession and the government should focus on creating jobs and generating economic growth.²⁷

Finally, Estonian trade unions in the education sector launched strikes and protests against austerity measures. Their action followed the government's failure to acknowledge union demands concerning wage increases for teachers (see Box 2.4). The Estonian union response to public sector austerity documents that with strong cooperation and support, unions are able to gain concessions even in a weak structural position and hostile political environment.

²³ Source: <http://www.eurofound.europa.eu/eiro/2011/12/articles/cz1112029i.htm>

²⁴ Source: EIRO at <http://www.eurofound.europa.eu/eiro/2010/05/articles/RO1005019I.htm>

²⁵ Source: http://news.xinhuanet.com/english2010/world/2010-05/19/c_13304262.htm

²⁶ Source: http://news.xinhuanet.com/english2010/world/2010-05/19/c_13302283.htm

²⁷ Source: EIRO at <http://www.eurofound.europa.eu/eiro/2010/05/articles/RO1005019I.htm>

Box 2.4 Inter-sectoral and international cooperation of trade unions for fairer wages in Estonian education

Industrial action of Estonian trade unions in early 2012 documents that By 2012, Estonian trade unions were pushed against the wall by the government, which saw further relaxation of labour standards and increasing austerity as the only way out of the crisis. The government introduced several unilateral changes in laws governing collective bargaining, raised unemployment insurance contribution and restructured unemployment funds without social partner consent. In terms of fiscal rigor, education was among the most affected sectors. Teachers' basic salaries did not increase since 2008; therefore wages in education stood 30 percent below the national average by 2012. The government rejected repeated calls from the teachers' union to adopt a 20% wage rise. As a response, unions decided to launch a three-day national strike, which was the first of this kind since 2004. With over 17,000 participating teachers, this event has been the largest industrial action in the history of Estonia. Finally, the government agreed on a 15% rise in teachers' salaries.

Besides its sheer size, another remarkable feature of the teachers' protest was the support it gained from other sectors and from international partners. Healthcare personnel and transport workers staged a solidarity strike, drawing attention to legal changes in the collective bargaining law. On the international side, the Nordic Teachers' Council raised its voice, emphasising that a knowledge-based society cannot develop without providing fair wages to teachers. In April 2012, the Nordic Transport Workers' Federation and several other organisation announced that they will grant their Estonian counterparts over 120,000 EUR in a bid to help them implement new operating methods and recruit at least 1,000 new union members in fields related to transport. This move signals strengthening of cross-border union cooperation within the EU, where better-off unions in the EU-15 realise that the best remedy against "social dumping" is to help the CEEC unions in getting fairer shares for the workforce.

Source: EIRO, International Transport Workers' Federation, European Trade Union Committee for Education, The Baltic Course, Estonian Public Broadcasting.

2.4.5 Interim conclusions

Although it does not comprehensively cover all CEECs due to lack of empirical evidence, this section has highlighted some recent actions of the social partners in response to the economic and social challenges of the post-enlargement and the post-crisis period. Among these is labour mobility from the CEECs to the EU-15, which motivated trade unions in some CEECs and sectors to negotiate improved working conditions in order to stem the migration flow. Next, after joining the EU, MNCs and the EWCs Directive can serve as an incentive for Europeanising industrial relations across the CEECs. While MNC-based evidence on the transposition of social standards to the CEECs is fragmented, there are some positive examples of MNCs increasing the capacities of employer organisations across the CEECs. The EWCs Directive stipulates the incorporation of CEEC representatives in MNCs' EWCs. Establishing EWCs in the CEECs has proved to be a long-term structural process,

which has not yet been fully accomplished.

The economic crisis has motivated social partner responses at the national, sectoral and company level both in the public and private sectors. While some of the cases presented here document a negotiated response to the crisis through a new wave of social pacts and consolidation of collective bargaining, in other cases trade unions opted for industrial action in order to voice their claims after being excluded from direct negotiations.

An examination of social actors' responses leads to the question of how such action can help to reconfigure the role of social partnership and industrial relations institutions in the CEECs. On the one hand, the evidence presented here allows acknowledgement of the *potential* for organised action in countries where trade unions are structurally weak and their membership base is declining. On the other hand, not all of the above action has brought substantive improvements for employees, victories for trade unions, or consolidation of bargaining institutions and social dialogue. Several of the outcomes of crisis-induced social partner responses turned out to be limited in time. Therefore, this section concludes with an argument that the CEEC social partners are capable of mobilising and engaging in various (negotiated and individual) forms of action. In turn, this may contribute to strengthening the CEECs' national industrial relations systems. At the same time, the extent to which social partners have engaged in post-enlargement and post-crisis action, as well as the substantive outcomes of such action, remains often contested or limited in time. This suggests that the CEEC social partners need to further strengthen their structural position and develop additional capacity in order to produce sustainable results in consolidating social dialogue and national industrial relations systems. As shown in box 2.3 and 2.5, the role of international trade union solidarity and support for demands of trade unions in a particular national context is a promising resource in terms of the capacity-building of CEEC social partners, especially trade unions.

Box 2.5 Selected examples of tri- and bi-partite initiatives in the CEECs

Since the beginning of the current economic crisis in Europe, Eurofound has reported on relevant activities and developments through its European Industrial Relations Observatory (EIRO²⁸).

An analysis of recent EIRO articles focusing on tripartite and bipartite activities in the CEECs considered in this report (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) shows activity in the areas of labour market activation measures, pensions, social benefits, minimum wage agreements, education, health, improving the business climate and dealing with austerity measures. Proposals to promote economic and employment growth have been put forward by the social partners in countries such as Bulgaria and the Czech

²⁸ EIRO (www.eurofound.europa.eu/eiro) is a monitoring instrument aimed at providing news and analysis on industrial relations in the European Union. It is based on a network of researches and experts in all the EU countries and Norway, it also reports on developments at EU level.

Republic. However, attempts to conclude collective agreements have not always been successful. The Estonian social partners concluded an agreement on minimum wages (see below), but negotiations in Lithuania to renew the first national collective agreement which expired in 2011 were postponed to 2012.

Minimum wage

The minimum wage is the prime wage policy focus for many countries. No more so than in **Estonia** and **Slovakia**, where minimum wage rates are amongst the lowest in Europe. In **Estonia**, the social partners have agreed to increase the monthly national minimum wage by 4%, from €278 to €290, from the beginning of 2012. Employers had been quick to reject the 15% rise demanded by unions, although the minimum wage was last increased in 2007. However, the 4% increase was regarded positively by all social partners, with a view to future increases, depending on economic performance. On the other hand, a government-supported demand for a 4% rise in minimum wage (€10 per month) was rejected in **Slovakia**. Here, failure to agree meant that the government imposed a solution, based on legislation. The Slovakian cabinet approved a 3.2% increase that came into effect in January 2012.

In many countries, calls for increases in the minimum wage have been rejected due to anticipated adverse effects on the economy. In **Lithuania**, dialogue on this issue is at a standstill, while the government in the **Czech Republic** refused to consider a minimum wage increase despite employer organisation requests. **Hungary** has changed the tripartite interest reconciliation system which obliged it to consult unions on matters such as minimum wages. Under the new system, a new National Economic and Social Council may only *propose* change, an innovation that has been opposed by both employers and unions. **Latvia** will not increase minimum wages for as long as the economic crisis remains. A 2003 agreement had aimed for a 50% of the average gross monthly wage by 2010, although this was never reached. Many public service employees receive the minimum wage in Latvia. In a complex situation that forced a cabinet resignation, **Romania** reneged on a minimum wage agreement signed by all partners in 2008.

Pay, pensions and austerity

Amongst the austerity measures implemented in many countries, **pay** and **pensions** are now arenas of conflict in the context of **government austerity measures**, undertaken in response to the economic crisis. In the teeth of considerable opposition, the **Polish** government raised the general retirement age for men and women to 67 for those in army, police and uniformed services. Generalised reductions and freezes in social benefits introduced by a recent fiscal austerity bill in **Romania** provoked widespread demonstrations among wide-ranging sectors of the population, resulting in a cabinet resignation in early 2012.

Combating the effects of the crisis

More positively, interventions on economic regeneration are providing a way of **combating the effects of the economic crisis**. **Lithuania** has introduced a series of ESF-funded initiatives aimed at capacity building in social dialogue for unions and employers and designed to feed into economic growth. Additional programmes of vocational training and certification also seek to reduce unemployment. Lithuania is joined by **Bulgaria** in adopting an approach that acknowledges the importance of the social economy in stimulating the “real” economy. Crucially, the perennial theme of young people’s insertion into the labour market is also addressed by Bulgaria, not

merely to ease transition from school to work and reduce youth unemployment from its current high of 30%, but to provide benefits to employers. This First Job National Agreement is supported by all social partners.

Source: EIRO

For more information on social pacts in selected CEECs, see box 2.3. For a round-up of public sector austerity measures and social partner responses in the CEECs, see table 2.10.

2.5 Conclusions and prospects for the future development in industrial relations in CEECs

This concluding section evaluates the future prospects for industrial relations in the CEECs, based on past and present developments. When taking into account the structural indicators (such as union/employer density, bargaining coverage, industrial conflict), the future of industrial relations in CEECs is contested. However, the evaluation of future prospects should not be based on structural indicators alone. It is important to reflect on two key issues, which proved to have a large impact on the future of industrial relations in the CEECs. These are the coordinated Europeanisation of social standards and industrial relations across the EU Member States on the one hand, and individual revitalisation strategies of national social partners across the CEECs on the other hand.

The differences between the CEECs and the EU-15 presented in sections 2.2 and 2.3 have fuelled various discussions on coherence and convergence across the EU after recent enlargements. It became clear that Europeanisation as an upward harmonisation of social standards is unlikely to take place in a bottom-up, endogenous process. This is because differences in the national constellations of industrial relations actors and structures are too great between the EU-15 and the CEECs. In an actor-oriented perspective on convergence, Meardi (2002) acknowledged that employers in the EU-15 joined forces with trade unions in the CEECs to support the Europeanisation of social standards upon EU enlargement. CEEC trade unions welcomed an improvement of social standards for workers, while EU-15 employers welcomed Europeanisation in order to eliminate competition in wages and working conditions between the EU-15 and the CEECs. At the same time, employers in the CEECs and trade unions in the EU-15 preferred to maintain the diversity in social standards between the CEECs and EU-15 in order to protect domestic competitive advantages. Given such varying interests of the different social partners, a coordinated Europeanisation through EU-level ‘hard’ and ‘soft’ regulation aims at fostering convergence and more cohesion across the EU despite differing national standards. In particular, the transposition of the ‘hard’ EU law into national legal systems, the transfer of ‘soft’ regulation (such as the open method of coordination, engagement of national partners in European-level social dialogue, or the exchange of information through international networks of trade unions and employer federations) and a company-level transfer of social dialogue standards within MNCs can serve as the main channels for Europeanising the industrial relations pillars presented here in the CEECs. These mechanisms certainly have the potential to improve the trade union

position in the CEECs, strengthen the company-level presence of employee information and consultation, foster bipartite social dialogue and multi-employer bargaining procedures with the conclusion of sector-level collective agreements, institutionalise the use of extension mechanisms to widen the bargaining coverage to non-organised employers, and to encourage a greater extent of policy-making through tripartite concertation.

However, the extent to which the potential of Europeanisation been already translated into improvements in social standards and national-level industrial relations in the CEECs is unclear. Empirical evidence is still scarce, with the exception of two studies (Visser 2008 and Meardi 2012), which both argue that the initial evidence after a few years of joining the EU suggests that none of the above channels could so far account for extensive convergence in industrial relations systems between the CEECs and the EU-15. Visser (2008) raised a number of questions on the sustainability of diversity in the EU rather than straightforward convergence or Europeanisation, which proved to be difficult to achieve in the initial years after EU enlargement. He suggests that Europeanisation through extension of social standards to CEECs may be possible only if the level of these standards is at the same time adjusted to the European diversity of national industrial relations standards and their implementation in different national conditions is less contested.

Next to coordinated Europeanisation, for the future of industrial relations in the CEECs it is important to consider the potential for action and improvements in social standards, bargaining procedures, and other industrial relations features within particular CEECs. Earlier sections of this chapter documented that in most CEECs the social partners are in a weaker position, the role of tripartite social dialogue is contested and industrial relations institutions, such as collective bargaining, are less developed than in a number of EU-15 countries. At the same time, this chapter presented evidence that even in such contested conditions for industrial relations, the CEEC social partners are not passive victims of structural developments in their particular countries. In several cases, the evidence presented here has documented potential for action where the social partners, especially trade unions, were able to voice their demands deriving from the post-enlargement labour mobility to the EU-15, the economic crisis, and crisis-induced austerity measures. Such actions of the social partners are important for building additional resources, e.g. through a capable leadership, changes to established formal and informal bargaining practices, and international cooperation with other national and EU-level social partner organisations. In turn, additional resources help to revitalise the social partners' capacity for mobilising, and in the long run also strengthen national industrial relations. The revitalisation of the social partners as central industrial relations actors in the CEECs is a particularly important issue in this regard. This chapter has offered various evidence on real and possible revitalisation strategies, which we summarise below.

Revitalisation of CEEC employers' associations is possible, based on the employers' perception of increased benefits from bargaining coordination. In most CEECs employers are fragmented and employers' associations weakly developed. Therefore, the recent crisis led commentators to assume that employers will prefer individualised, decentralised action (which was widespread in many CEECs even before the crisis). However, this chapter has provided evidence that in exceptional

cases employers have showed commitment to coordinated, for example sector-level, bargaining despite legally absent preconditions for this type of bargaining (HU, SK). MNCs as important employers across the CEECs generally prefer fragmented company-level bargaining, but at the same time have contributed to increasing the capacities of employers' organisations in a few CEECs (BG, LV, PL). Moreover, MNCs have the largest potential for Europeanising company-level industrial relations and transposing social dialogue practices across borders from the EU-15 to the CEECs. This chapter has argued that MNC actions in the CEECs have not yet brought about a significant Europeanisation of social standards, because MNCs tend to prefer to adapt to local conditions. The role of EC Directives for establishing harmonised principles for employee information and consultation at the workplace also has an effect on motivating coordinated action on the side of employers. Despite this potential, the evidence has documented that the implementation of EC Directives in the CEECs is a long-term process and has not yet accomplished its goals.

Revitalisation is also central for trade unions as social partners. Frege and Kelly (2003) argued that union revitalisation can address and possibly reverse the trend in membership decline, and erosion of trade union presence at the workplace, maintain and improve trade union mobilisation capacities, and bring about institutional change in the established practices of social dialogue and collective bargaining. They identified the following trade union revitalisation strategies in the EU-15: organising, organisational restructuring, coalition building, partnership with employers, political action and international links (Frege and Kelly 2003). Meardi (2012) tested the relevance of these revitalisation strategies in the CEEC context and argued that revitalisation is more likely to appear and succeed at the company and workplace level. This is because of the rather decentralised nature of industrial relations across most of the CEECs. This chapter supports Meardi's argument in presenting workplace-level action taken by social partners, mainly but not only in MNCs. Slovenia is an interesting paradox in this regard, because trade unions are relatively strong overall, but not in the MNCs' sites (Meardi 2012: 151). In addition, this chapter has documented that union revitalisation can also originate through action at sectoral and national levels, targeting sectoral employers' associations (in bargaining demands) and/or the government (in austerity-related demands). In general, systematic evidence on such revitalisation in the CEECs is scarce; and the case studies presented in section 2.4 suggest that concessions that unions gained at the sectoral and national level after EU-enlargement and in the post-crisis period were often temporary in character. In several CEECs unions engaged in political action, especially where they found it more important to concentrate on national-level tripartite action instead of strengthening their position at the company and workplace levels. However, Meardi (2012) found that union popularity in the CEECs increases when trade unions stay out of politics. This has been confirmed by the growing legitimacy of the *Solidarność* trade union in Poland after re-configuring the unions' focus from politics to representing workers' interests at the company level.²⁹ Finally, international links have proved to be essential for union revitalisation, as documented in the case of Estonian unions' demands in the education subsector and the Romanian unions' efforts to obtain international funding for training union members in competence and employability.

²⁹ See Meardi (2012) for elaboration.

In sum, this chapter has documented the revitalisation potential of CEEC social partners. At the same time, it acknowledges that social partner efforts to respond to post-enlargement and post-crisis developments through coordinated action at the European, national, sectoral and company levels have not yet brought forth significant changes to the decentralised, fragmented industrial relations structure in place in most CEECs. Nevertheless, activities undertaken by social partners across various CEECs, supported by EU-level efforts to harmonise industrial relations structures across the EU, may in the long run contribute to incremental changes in the state of industrial relations in the CEECs. Against the backdrop of a weakening membership base of trade unions and employers' associations and declining bargaining coverage, this is an important argument. Forces operating against revitalisation include employer and trade union fragmentation, and relatively underdeveloped international networks of CEEC social partners.

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