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Track 1 "Industrial Relations Actors in a Changing Labour Market"

Symposium "The Transformation of Employment Relations in Europe. Institutions, Actors and Outcomes in the Age of Globalisation and Austerity Measures"

Convenors:
Valeria Pulignano (CESO- KU Leuven) valeria.pulignano@soc.kuleuven.be
James Arrowsmith (University of Massey)j.arrowsmith@massey.ac.nz

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Emerging systems of employment relations in Central Eastern European countries

Presenting author : Guglielmo Meardi
Organisation and address details of presenting author: Warwick University – United Kingdom

Introduction

With relatively young industrial relations structures, and high dependence on foreign direct investment, Central Eastern Europe has emerged as a battlefield for change in European industrial relations, whether through multinational companies' (MNCs) 'coercive comparisons' and 'best practice' dissemination, or through political reforms. It constitutes a unique test bed for the study of the development of industrial relations in industrialized economies that have 'bypassed' the crucial period in the development of western European industrial relations (the 1940s-1970s) or US industrial relations (the 1930s).
Industrial relations in Central Eastern Europe is not only of local interest: the EU accession of 100 million citizens with different labour and social standards modifies the industrial relations balance for the whole of the EU and raises questions concerning the enduring suitability of the so-called 'European Social Model'. In this regard, the new member states (NMS) have the potential of being 'Trojan horses' for the 'Americanisation' of European industrial relations (Meardi 2002). EU enlargement may be considered a 'micro case' of the effects of internationalization on industrial relations, whereby competition and interactions between rich and poorer areas of the world is strongly intensified.
This chapter analyzes these issues in two parts. The first reviews the emerging industrial relations systems in the NMS, focusing on the weakness of institutional arrangements with regard to information and consultation of employees, tripartite relations between employers, trade unions and the state, and collective bargaining. The second part discusses the dynamics of labour market integration with Western Europe, and especially the effects of increased East-West migration (for further elaboration, see Meardi, 2012).

The 'Europeanization' of industrial relations in Central Eastern Europe?

An emerging employment regime

The employment regime that emerged in the NMS after the post-communist transition and EU integration differs from the western European one and continues to develop in a different direction. Its main feature is the weakness of institutions for employee participation and representation. The crisis of European trade unionism is not exclusive to the NMS, of course, but it is in these countries where it is most pervasive and least compensated by other institutions, be they works councils, state-supported collective bargaining or centralized social negotiations. Take Poland, the first mover in post-communist transformation and a frequently mentioned neo-liberal model. In 2000, when negotiations on EU accession were coming to a close, only 10 percent of owners and managers agreed that there should be union representation in private companies – something then being ratified as a fundamental right in the European Union (Gardawski 2001).

The outcome (Table 5.1) is a clear gap between the new and old member states in terms of industrial relations. Importantly, the gap is not narrowing with EU integration (whether measured from 1998, the start of the accession negotiation, or 2003, the last year before accession). The European Commission's Industrial Relations in Europe Report of 2008 noted that in 2004-06 in the NMS (weighted average according to country population) union density was only slightly below the old member states (22 percent against 25.8 percent), but collective bargaining coverage was much lower (42.5 percent against 68.8 percent), wage co-ordination was poorer, strikes were rarer and works councils had fewer rights (EC 2008a). In addition, even more than in Western Europe, union membership and collective bargaining are concentrated in the public sector. In summary, in the NMS, compared to Western Europe, unions are weaker and less encompassing, are declining faster, negotiate fewer agreements and have less capacity to challenge this situation through industrial action. And the trend is divergence, not convergence with the West.

[INSERT TABLE 5.1 HERE]

Equally, the state does not compensate for this weakness of associational industrial relations, as Kohl and Platzer (2007) or Bluhm (2006) had hoped. Table 5.1 also shows that employment protection is generally poorer in the NMS, – without even considering the problems of actual enforcement. If on this dimension there is some convergence with the old member states, it is because some of these (especially Italy, Germany and Sweden) have recently moved towards 'Eastern European' standards through labour market reforms, rather than the other way around. Reflecting this combined effect of weak industrial relations and state regulations, the last columns of Table 5.1 report the enthusiastic assessment of the conservative Fraser Institute, which evaluates employers' 'freedom' worldwide. The Fraser index for labour market regulation is, like its OECD counterpart, based on the legal rather than the actual situation on six dimensions, and gives a maximum of 10 in the case of absolute employer freedom. Not only do the NMS generally provide employers with more discretion than the old ones (except the United Kingdom), but this freedom was increased particularly generously between 2000 and 2007. EU accession has been a great present for employers butnot necessarily for employees who, for instance in the European Working Conditions Survey, keep expressing their dissatisfaction.

There are differences among NMS, of course. The Baltic states present the biggest challenges to those who hope for an assimilation to western European standards: Soviet Union legacies, ethnic divides, and very dependent economies combine in creating much worse employment regimes than in the so-called Visegrád group (Poland, Czech Republic, Hungary and Slovakia). There is then the exception of Slovenia, which belongs to a different tradition. In fact Yugoslavian and even Austro-Hungarian traditions, cohesive 'valley' communities, national creation myths and a strong export economy have combined in making Slovenia one of the best, rather than worst, EU countries in terms of social development (Grdešić 2008). However, even in its uniqueness, it is a telling confirmation of the general trend: Europeanization has involved very serious strains on Ljubljana's welfare state and corporatist institutions.

The weakness of employee representation is an aspect of a broader weakening of labour. The new employment regimes imply not only poor representation rights, but poor social rights altogether. This is particularly apparent in the welfare state. Social expenditure is lower than in Western Europe, ranging from 10.7 percent in Latvia to 21.9 percent in Hungary, against a 25.9 percent average for the EU15 (Eurostat data). Moreover, whereas the latter figure has been constant in recent years, in the NMS it has been declining: again, the trend is divergent rather than convergent.

An additional distinctive feature of social protection in the NMS is its very unbalanced structure which focuses on the older population, through old-age pensions, incapacity benefits, and healthcare. The welfare state of the NMS (in particular, those of Poland and Hungary) is largely a 'residual welfare state' combining legacies from communist times with social programs introduced at the time of transition to limit mass unemployment and protest from core workforces (Vanhuisse 2006). Beneficiaries from such welfare states are mostly the older generations, who inherited virtually free housing, had enjoyed employment security, and received relatively generous early retirement or incapacity benefits. On the other side, those who are at work today in the NMS are in a more vulnerable position than their counterparts in Western Europe. They have no access to public housing; have inadequate employment security, due to the liberalization of labour law; are only offered expensive and unsecure contribution-based pensions; and are faced with increasingly privatized health and education services and worsening childcare for their children (except in Hungary). If they become unemployed or poorly paid, they receive extremely poor benefits, generally below subsistence levels, and suffer from a regressive tax system that includes in many countries a 'flat tax' on income, low corporate tax, high employee social contributions, and high indirect taxes. The effect is clearly visible if one disaggregates the rates of poverty by age (Eurostat data): unlike in Western Europe, in Hungary, Poland and former Czechoslovakia, the younger the person, the higher the risk of poverty. In the Baltic states, Romania and Bulgaria, which have a worse welfare state, the poverty risk is also high for the elderly. The implications for employment relations are that employees have very little social security and the state, instead of partially 'de-commodifying' labour as in Western Europe (Esping-Andersen 1990), fosters its extreme commodification, i.e. dependence on the market.

Information and consultation of employees

Accession to the EU exacerbated these characteristics rather than corrected them, in spite of the transposition of the *acquis communautaire* and of the promotion of social dialogue (see Chapter nine). Within the *acquis*, the most important directive for industrial relations should have been the one on Information and Consultation (I&C) of Employees (2002/14/EC), which was meant to set a minimum floor of representation rights for employees in the EU. The Directive was expected to affect the NMS because (with the exception of Hungary and Slovenia) they had no works councils. However, the transfer of western-style employee representation has not occurred. Several NMS governments (Poland, Slovakia, Estonia) were actually quick to exploit the opportunity given by the Directive transposition to undermine, rather than reinforce, employee prerogatives. Governments' initial proposals tried to replace the single channel (union-only) representation with a dual-channel system in which the establishment of a works council could have made the unions disposable. These proposed laws would have opened an avenue for union-avoidance techniques and 'yellow', or at least ineffective, works councils. Only after strong union opposition were such proposals amended and replaced by systems of 'residual' works councils which give priority to unions as employee representatives (of all employees, not just union members) in workplaces (Carley and Hall 2008). Only Bulgaria and Estonia introduced a dual channel that guarantees union presence but still raises the risk of union marginalisation. Yet, the legal framework recently changed in Poland and the Czech Republic following decisions of the Constitutional Courts.[1] These rule that a works council can be established at an employer's business and can also operate alongside a trade union (thereby introducing a dual channel), which reintroduces the threat to trade unions. In the short term, the unions are maintaining their dominance of the already-established works councils, but for the future the option for non-union representation and thereby undermining of independent employee organization is now open.

The implementation of the new I&C bodies is in any case proceeding slowly. In the Baltic states, it is reported that employees lack the assertiveness and information to take action demanding I&C rights (Woolfson, Calite and Kalliste 2008). In Slovakia and Poland few companies have introduced I&C bodies (Gładoch 2008). In Poland 90% of them are simply ratifications of previously-existing union bodies, and the remainder appear to be relatively weak and inactive (Surdykowska 2008). In February 2008, a review of the Directive's implementation by the European Commission (EC 2008b) reported no, or no problematic, impact in Bulgaria, Czech Republic, Estonia, Lithuania,

[1] In the Czech Republic, judgment 83/06 of the 12th March 2008; in Poland, judgment 23/07 of the 1st July 2008

Poland and Romania – and the positive impact reported in Latvia, Hungary and Slovakia was generic and subjective, with no real evidence of any kind, possibly stemming from governments' interest in reporting success rather than lack of it. In the meanwhile, not only union membership, but also the perception of union rights keeps falling. In 2007, for example, the Polish survey 'Working Poles' found that only 41.4 percent of all employees believed that the right of unionising is respected – a fall of 18.3 points in comparison to the same survey two years earlier (Męcina 2009: 280).

One positive effect of EU accession for I&C is the extension of European Works Councils, but these institutions only cover multinational companies (MNCs) and therefore a small minority of the workforces in the NMS. Indeed, not only have MNCs failed to transfer indirect participation practices from Western Europe (Meardi et al 2009), they have exerted pressure on domestic industrial relations systems by increasing competition for investment between sites and countries to further promote disorganized decentralization. As Rugraff (2006: 455) put it, 'by their weight in the economy and their determinant role in the co-ordination of these countries' economies, MNCs impede the emergence of organised industrial relations.'

National-level social dialogue

In Central Eastern Europe tripartite institutions were universally established in the early 1990s, under influence from the ILO, but their functioning was often dismissed as 'illusory corporatism' (Ost, 2000) aimed at defusing potential trade union opposition. EU accession was seen as an opportunity to strengthen social dialogue, part of the so-called 'soft' *acquis communautaire*, and more specifically to promote the practice of 'social pacts'. Social pacts (tripartite agreements on income policies and the welfare state) were popular in Western Europe in the 1990s, associated with the path to Economic and Monetary Union (EMU) in countries such as Italy, Spain, Portugal, Ireland and Finland. They are not part of the *acquis* and are not formally required by the EU, but they appear to have been frequently recommended during 'peer reviews' at multiple levels (Ghellab and Vaughan-Whitehead 2003). A comparative study by the European Foundation for the Improvement of Working and Living Conditions in 2004 suggested that social pacts could be the most socially acceptable way to meet the Maastricht criteria (Tóth and Neumann, 2004), an opinion also expressed by academic observers (Donaghey and Teague, 2005).

These arguments have not convinced many local policy makers, however. First, in the Baltic states, macroeconomic convergence was not so compelling an issue because these young nations did not inherit high debt. In these countries, the Maastricht criteria were practically already met (Lithuania had expected to enter the EMU in 2007; Estonia in 2011). At the time, policy makers perceived no need for social pacts because (as an Estonian official put it to me in 2007) there was no social problem. Yet when the Baltic bubble – which was caused by low-interest credit in foreign currency, dumped by foreign-owned banks thanks to the free movement of capital - eventually burst in 2008, governments started to need social pacts very much, to manage protest and negotiate the drastic reforms requested by the International Monetary Fund and the EU (to take one example, Latvia, in the summer of 2009, cut state-sector wages by 15-27 percent, and shut down 10 percent of state schools).

Social pacts were thus signed in the three Baltic states in 2009, in a situation of emergency and protest but, not having established the necessary organizational capacities and dialogue culture before, theywere characterized by very poor governability capacity. These cross-sector agreements were not generally respected by sector-level employers and trade unions. Therefore, in the public sectors hit by cuts, protests and strikes went on, while in the private sector wages were not controlled. The 2009 social pacts amounted to no more than concession bargaining, but in an ineffective way: they did not provide unions with any guarantees that concessions would be sufficient, and governments soon started planning even harsher reforms and cuts. Given such poor governability, a political crisis emerged to accompany the economic one in Lithuania and Latvia – though their respective governments were replaced by even more neo-liberal ones.

In the Visegrád countries, by contrast, public debt (and to a lesser extent inflation) is an open problem, but governments have opted, rather than for social pacts, for two opposite strategies: unilateral enforcement of macroeconomic convergence, at the cost of electoral defeat (Slovakia, Poland and Czech Republic) or a Maastricht-ignoring Euro deferral in order to ensure political survival (Hungary). Even more than in the West, then, EMU entry and socio-political stability are mutually irreconcilable: you cannot satisfy at the same time the electorate on one side, and international financial institutions on the other – unless you have an instrument to involve society in the reforms, and make the latter more acceptable. This is what social pacts were meant to offer, and why governments should have been able to look for support from the social partners. This has not happened. Social pacts did not occur, or they occurred in one-sided, ineffective ways.

Poland made some attempts at social pacts in 2002-05, when the then centre-left government felt it was too weak to pass reforms unilaterally. But even in this case, which presented striking analogies with some Western European situations, no success was achieved, mostly because of political divisions among trade unions and the non-co-operation of employers and of the Central Bank (Meardi, 2006; Gardawski and Meardi, 2010). Among the Visegrád countries, only in Hungary did the government prioritize social consent to Maastricht. The socialist-liberal coalition that narrowly won the 2002 elections engaged in populist concessions and especially wage increases in the public sector, disregarding the financial implication. It also experimented, in November 2005, with a sort of tripartite social pact, including a three-year minimum wage agreement and pay policy guidelines. However, this pact responded to internal political considerations only (the imminent elections) rather than EMU constraints. As a result, the government did, with an exceptional recovery of popularity, manage to win the elections of April 2006, but immediately after was punished by the international markets for an excessive budget deficit (7 percent). A financial crisis followed, with the Fiorint's value falling. A few months later, when, under direct international and EU financial pressure, the same government had to introduce a real economic program of monetary convergence, social dialogue was promptly abandoned. Whilst the unions were left to protest against the government's unilateral and hard proposals, and employers considered terminating the 2005 agreement, the president referred the draft laws on social dialogue to the Constitutional Court with the aim of setting policy free from corporatist constraints, and riots exploded in the streets of Budapest. A new national wage agreement was concluded in January 2007 only with much difficulty after the trade unions were threatened with the end of national negotiations. In 2008, public sector strikes hit the country and the populist opposition called and won a 'social referendum' against some of the reforms, paving the way for its electoral triumph in 2010.

Slovakia's path was the opposite of the Hungarian case, but also illustrates the symmetric consequences of the lack of social dialogue. In fact, EU accession was immediately followed by the deterioration of social dialogue: the conservative Dzurinda government in November 2004 repealed the Act on tripartism and replaced the Council for Economic and Social Concertation with a watered-down, consultation-only Economic and Social Partnership Council. Socio-economic reforms pleased Brussels and foreign investors, the Slovak 'flat tax' of 19 percent for VAT, income tax and capital tax became the flagship of liberal reformers across the whole region, and the country met the Maastricht criteria allowing it to enter the EMU in 2009. However, those reforms, involving drastic cuts to social expenditure, caused social discontent, from riots in 2004 to healthcare strikes in 2006, that led to Dzurinda's defeat in the 2006 elections (Bohle and Greskovits, 2010). A coalition of populist parties from the Right and the Left then came to power – to be replaced by liberals in 2010.

That under EMU macroeconomic social dialogue remains no more than a disposable option is confirmed by the fact that in the only NMS where it flourished in the 1990s and continued until 2004, it has subsequently weakened. In Slovenia, a social pact on the EMU was signed in 2003, but a new right-wing government elected in 2004, while making EMU accession an urgent priority (the country became the 13th EMU member in 2007), disposed of social dialogue in favour of unilateral neo-liberal and monetarist proposals. The EU had a direct impact on the deregulation of the previously corporatist Slovenia by requiring the separation of the Employer Confederation from the all-encompassing Chambers of Commerce and challenging state control of large firms, undermining in this way two important pillars of the Slovenian social model. Increased competition for foreign investment in the single market achieved the rest. The Slovenian unions were left with no other option than protesting, organising the largest demonstration since independence in December 2005 and successfully opposing the introduction of a 'flat tax' in 2006. A new social pact was signed after EMU accession, in 2007, but under a strict subordination of social aims to the Maastricht criteria and international competitiveness considerations (especially inflation); this was in contrast to the pre-2004 social pacts that contained pay-offs for labour as well, notably, generous pension reforms (Stanojević, 2010). Interestingly, the one-sided pact of 2007 was not enough for the government to avoid electoral defeat the following year. With the arrival of the crisis, and a new Centre-Left government, Slovenian social partners negotiated hard over a new social pact in 2009, but the negotiations broke down and the employers left the Economic and Social Council in protest. Europeanization might thus imply the end of the Slovenian brand of corporatism.

The real EMU effects are on wage growth and public expenditure controls. Their implementation through social dialogue may have been a reasonable strategy for Western unions with large loyalty reserves, but it is dangerous for unions in the NMS since they risk losing the little popularity they have — also because the euro has lost much of its attractiveness in the meanwhile. Symbolic tripartism has allowed unions in the NMS to survive as organizations, but nothing more. Hence, EU accession – and Europeanization in general in the whole of the EU – may have fostered the 'expressive' functions of concertation, and thereby guaranteed the survival of tripartism despite its apparent lack of results (Traxler, 2010). But this has happened at the cost of concertation's instrumental functions in the actual regulation of labour, and therefore the content is increasingly nebulous. In this way, while tripartite social dialogue may have contributed to limit the 'legitimation crisis' of the state in the region, this has happened at the cost of deepening the 'legitimation crisis' of trade unions - increasingly associated to obscure central negotiation with the elites and thereby perceived as far away from the workplaces. Social dialogue after EU accession has thus reinforced the power unbalance between employers and employees, pre-empting real negotiations.

Disorganized collective bargaining

At least as far as wages are concerned, a precondition of co-ordinated social dialogue is the existence of multi-employer collective bargaining, which in Western Europe tends to occur at the sector level. In the NMS, with the exception of Slovenia, it has long been observed that this important prerequisite is non-existent. Slovakia has a relatively large number of sector agreements, but of very little substance, and even they were drastically weakened by reforms of the conservative government in 2010 (Cziria, 2010). On the eve of EU enlargement, ILO experts labelled the sector as 'the weakest link' in social dialogue in the region, and pointed at the meagre content, low coverage and poor enforcement of collective agreements in general (Ghellab and Vaughan-Whitehead, 2003). As explanations for this dire situation, the weakness of the social partners, the ambiguous role of the state (at the same time too interventionist and too little facilitating) and the unfavourable economic environment were mentioned.

As far as the social partners are concerned, it is employer organizations that constitute the crucial pillar of multi-employer bargaining: in some western countries such as Germany, it is the strength of employer organizations that allows sectoral-level collective bargaining to survive in spite of the rapid weakening of trade unions. In the NMS, until recently the weakness of employer organisations was blamed on, more generically, employers' organizational weakness due to their (post-1989) emergence as autonomous economic actors. For instance, in her study of Polish employer organization, Kozek argued that Polish business was not strongly organized because it was still 'in a developmental state', 'fighting for survival', faced with 'the challenges of the European market and globalization', still in search of its 'ethos', and 'social identity' (Kozek, 1999, 102). Such an interpretation requires a fundamental revision: business in the NMS is not weak at all and its disorganization is not a fate, but a choice. Collective organization is, technically, simpler for employers than for employees. And in the NMS, it is not the weakest employers, such as small and medium enterprises, which hold back organization: it is, from the beginning (Ghellab and Vaughan-Whitehead, 2003), the multinational companies, which are neither weak nor unused to employer organisations. Moreover, employer associations actually exist, and are highly efficient in other activities than social dialogue, and especially in political lobbying – as in the case of the Polish Private Employers' Confederation (Behrens, 2004).

The point is therefore not the capacity of employers to organise, but their choice of not doing it – and the failure of the EU to set up any incentive in the opposite direction. Collective bargaining in the NMS has actually declined with EU accession, at company as well as at sector level. In Poland, for instance, the decrease in registered company-level agreements has been constant: from 1,389 in 1996, to 405 in 2004, to 199 in 2008 (data from the State Labour Inspectorate). Moreover, according to the State Labour Inspectorate, there is a tendency towards the reduction of provisions that are advantageous to employees, and an increase in detrimental provisions, which have been allowed by incremental liberalization of the Labour Code during the 2000s. The decline is partly associated with the privatisation of the economy, something the EU has encouraged without setting effective safeguards to maintain employee representation rights (despite the Directive on the Transfer of Undertakings). In the same way, sector-level bargaining has declined with the retrenchment of previously state-controlled sectors: in Poland in 2000 there were still six significant (i.e., without including small sub-sectors) sector-level agreements in the private sector. By 2008, half of them had disappeared due to employer withdrawal: road transport, cereal processing, and steel – all sectors where major privatisation took place. Only one case followed the opposite trend, where railway workers managed to keep a sector-level agreement despite privatization. As a result all four surviving private sector agreements have their roots in public ones: railways, energy, mining, and the military industry.

Private employers' active disinterest in co-ordinated bargaining is clear. In Poland, employer association representatives from the private sector explicitly exclude relations with the trade unions from their functions, and some business organisations have gone as far as to forbid agreements with trade unions (Anacik et al, 2009). Gardawski (2009: 487-8) reports the telling cases of Polish foundry, automotive and retail sectors, in which, despite union pressure and advanced negotiations, eventually employers decided to withdraw or even, to avoid any risk of having to sign anything, to dissolve their own employer associations. It was not the lack of organization, but the explicit choice to disorganize that prevented collective agreements.

In the NMS there were some institutional pre-conditions to collective bargaining, such as the discussion of minimum wages in tripartite institutions (Hassel, 2009). However, collective bargaining has been rejected by employer organizations. Joining the EU has not helped: industry-wide wage negotiations were not seen as a part of the European social model but as an infringement of entrepreneurial freedom and barrier to competitiveness, as for example by the Klaus government in the Czech Republic from 1992 to 1997 (Bluhm, 2006). Multinational companies, thanks to their 'systemic power' (Bohle and Greskovits, 2007), have been the main actors behind this decision to avoid sector-level collective bargaining. Those operating in the export sectors, in particular, set their wage references cross-nationally and they are largely uninterested in national developments. But even in the sheltered sectors, such as services (e.g. retail), competition on wages is, rather than avoided, actively promoted by private companies – which betrays a focus on short-term predatory profit opportunities, rather than longer-term sustainable investment and competition on the basis of quality and efficiency.

If we look inside the companies, the rejection of co-ordinated social relations and social dialogue actually goes still further. For not only is wage setting decentralized towards the enterprise and the establishment, but also very often towards the individual, especially in the extreme case of the Baltic states. Woolfson, Calite and Kalliste (2008: 328) describe the informal individualistic approach to salary issues in Estonia, Latvia and Lithuania, which leads to a drastic re-appraisal of the real impact of collective bargaining even in those companies where it occurs. The widespread practice of 'envelope wages', whereby employers declare only part of the wage to reduce social security and tax contributions, constitutes a barrier against formal negotiations of wages (Woolfson, 2007a; Williams, 2009). Wage secrecy is a very common company policy, even if it meets resistance on the employee side. Competition from the large informal sector is also a major obstacle to effective formal collective bargaining. According to the most trustworthy estimates, in 2004 the informal sector accounted for between 17% (Slovakia) and 39% (Latvia) of the economy, all above the OECD High Income average of 15% (Schneider and Buehn, 2007). There is little evidence that this has declined: actually, according to Schneider and Buehn, if there is a trend at all, it is towards increasing informality. In Poland, the Central Statistical Office estimates that the number of workers in the informal sector increased from 900,000 to 1.2 million between 2002 and 2008, with a further increase expected for 2009 due to the slowdown in the formal economy (data: GUS). In Romania, a link has also been noted between emigration and informality, as circular migrants have a preference for short, informal jobs and tend to develop a 'culture of evasion' (Parlevliet and Xenogiani, 2008).

Migration and the shift in labour market power

Movement of workers from the NMS to the old member states was, at about two million workers excluding short-term movement since accession (EC 2009), about twice the European Commission's forecast. The evidence indicates that the majority of these mobile workers are not simply attracted by higher pay elsewhere but pushed by dissatisfaction with working conditions at home. Surveys reviewed by Kahanec et al (2009) show that workers in the NMS are generally more unhappy with their lives, dissatisfied with their salaries and working conditions, and concerned about the availability of good jobs and insecure about their current jobs, and that these are the factors pushing them to move abroad. Essentially, EU accession and freedom of movement have brought to the surface, via migration, the dissatisfaction and anger which thus far largely had remained hidden.

There is an important association between what has happened in terms of migration and what has happened to trade union membership. Increase in the former has gone side-by-side with a decrease of the latter. In 2003-08, while about two million workers left the NMS for the EU15, trade unions in the region lost about one million members (while membership in the EU15 remained constant, confirming the further divergence between old and new member states). Table 5.2 shows that the countries with the highest number of emigrants have been those with the strongest fall in union membership, especially Slovakia and Lithuania, while those with the lowest migration have also lost less union members, especially the 'deviant' Slovenia, but also Hungary and the Czech Republic. The only important exception is Romania, because relatively strong unions and collective bargaining have survived despite a major loss of population (Trif 2008). This can be explained by the functional conservatism of Romanian unions (offering services rather than 'voice', especially at company level), and by the large and very mobile Roma minority. Once Romania is removed from the analysis, correlation between union membership change and emigration in population percentage terms is very high (r = -0.80).

[INSERT TABLE 5.2 HERE]

Data on migration and union membership are heterogeneous, as the former refer to the whole population and the latter only to the workforce. It is important to note that the association between the two series does not necessarily indicate that those who leave the unions and those who leave the country are the same people. It indicates that (with the notable exception of Romania) union crisis is strongest where emigration is strongest, which suggests a trade off, so far, between 'exit' (emigration) and 'voice' (institutional collective representation) for employees.

In sending countries, migration has some positive economic effects: according to Brücker et al (2009), GDP declines, but there are gains for real wages, productivity and GDP per capita. Migration numbers as a percentage of the population are much higher in sending than host countries, and effects are therefore more visible, while in the West, the influx of workers from the NMS, according to official sources, has had no significant effect on employment or wages, although it may have contributed to an increasing wage gap between skilled and unskilled workers in manufacturing (Brücker et al 2009). A precise assessment is impossible because official data from LFS and the European Commission tend to grossly underestimate flows by missing all short-term movement. In the first three years after EU accession, 2.5 percent of active Poles, 2.4 percent of active Slovaks, 3.1 percent of active Latvians and 4 percent of active Lithuanians had registered for work in the UK alone, though numbers were much lower for the other NMS (Home Office 2009). If one includes similar data from other countries with high immigration flows (Ireland, Norway, Spain), the total share of workers who have chosen to 'exit' their countries, at least temporarily, after 2004 may be over 10 percent in the case of the Baltic States and Romania, and only slightly less in that of Poland and Slovakia.

Such exit patterns affect the balance of power in employment relations in the home countries. Both real and potential worker mobility (the right to legal employment in other EU states) after 2004 is less disruptive than capital mobility, because capital remains inherently more mobile than labour. Still, by 2007 labour shortages were complained of in all NMS, and employer organizations were requesting the easing of migration barriers to workers from their eastern neighbours (Belarus, Russia and Ukraine). The exit threat also forced employers and governments to make concessions they had been unwilling to make before. Wages increased fast between 2004 and 2006, even if less than productivity and therefore without damaging the competitiveness of these countries: by 50.6 percent in Poland, 59.3 percent in Lithuania, 60.4 percent in the Czech Republic, 88.9 percent in Slovakia, 97.8 percent in Hungary, 100.4 percent in Estonia and 118.3 percent in Latvia, as against 26.3 percent in the Euro area (Eurostat data). However, inflation and above all productivity growth were higher in the NMS, meaning that, in terms of unit labour costs, there was much more wage moderation in the NMS than in Western Europe (Van Gyes et al, 2007). Interestingly, these figures are roughly inversely correlated to collective bargaining coverage, which is higher in Poland and Slovakia than in the Baltic countries. Also, wage drift (the difference between actual pay and collectively agreed pay) is greater than in Western Europe. This means that formal industrial relations were not the driving force behind wage increases: these were granted not because of union power, but because of exit threats and labour scarcity. Not surprisingly, they were most generous in sectors such as construction and transport, where employees are most mobile.

An extreme case is that of Latvia, from which perhaps 50,000–100,000 people emigrated in the two years immediately following EU accession. Sommers and Woolfson (2008: 65) report a Latvian State Employment Agency representative confirming that it is employment conditions in their countries that push workers to leave: '[E]mployers in Latvia are not ready to motivate their employees and give them good working conditions. This is the main reason why our citizens are looking for jobs in other European countries'. Latvia is also a country that followed the neo-liberal creed most closely, introducing the flat tax already in 1995 (one year after Estonia). When eventually the financial crisis hit the Latvian bubble in 2008, sending the country into near-bankruptcy and the heaviest recession in Europe (with an estimated GDP shrinkage of 18% in 2009), a further market experiment followed. The government and national bank refused to devalue the lat, prioritizing a fixed exchange rate with the Euro, and opted for major cuts in nominal wages – thereby concentrating all losses on labour rather than spreading them to the whole of the economy, including foreign banks. While real wages happen to fall quite often around the world, cuts in nominal wages are very rare and even neo-classical economists accept that, for social and psychological reasons, wages are too 'sticky' to be elastic downwards. The Baltic states are different: already during the Russian crisis of 1998 they had demonstrated their peculiar allowance for downward flexibility of nominal wages, with major cuts in construction, fishing, agriculture, hotels and restaurants (Eamets 2009). In 2009, the Latvian government, with the active support of the IMF, confirmed its commitment to the elasticity of any price, including labour, by cutting state sector wages by 15-27%. As mentioned in the previous section, the weakness of trade unions allowed this to happen despite public protests, but the effect was a new boost to emigration. The global economic crisis, which hit the favoured host countries of UK and Ireland particularly hard, served to reduced the propensity to move in the NMS, but the opposite occurred to Latvians. In the first quarter of 2009, the number of Latvians registering for work in the UK increased by 24 percent in comparison to the first quarter of 2008, while numbers declined sharply for all other NMS - by 54% for the total of EU8 countries. Interestingly, Latvia was then presented by international financial institutions like the IMF as an example to follow for old member states in crisis, such as Greece, Ireland and Portugal.

Chances for increased employee assertiveness?

One can ask if the general deterioration in labour market conditions after EU accession might lead to increased opportunities for trade unions to organise and mobilise workers. So far, trade unions have not reversed their membership fall (Table 5.2). However, there are signs of increased mobilisation. International statistics on strikes collected by the ILO (LABORISTA database), however incomplete, indicate that some countries (Slovakia, Lithuania, Latvia, Romania) have persisted in the virtually strike-free status that characterized the region before EU accession. In Hungary and Poland, on the other side, there has been a clear increase in strike volume. While in Hungary this is probably due to the economic and political crisis, in Poland it appears to be due to changed labour market conditions. Polish strike figures (General Statistical Office) show that the number of days lost in strikes increased from 400 in 2004, to 3,300 in 2005, to 31,400 in 2006, to 186,200 in 2007, to 275,800 in 2008. Interestingly, this contrasts with trends in Western Europe, where according to ILO data days lost due to strikes per 1,000 employees constantly declined. On protest at least, workers are starting to bridge the gap between old and new member states, with Poland already reaching the EU average.

Qualitative information points to the same direction (Meardi 2007). For instance, the successful union organizing of the Suzuki factory in Hungary in 2006 came after over 10 years of failed attempts. Analysis of the variety and spread of the events indicate that while pay is the dominant issue, union rights, working time, restructuring and employment conditions also figure prominently. While the public sector (education, health, railways and civil service) is over-represented, all emerging private sectors with the exception of banking and finance have seen innovative developments as well, for instance in retail. These occurrences of voice are heterogeneous, ranging from strikes to social partnership agreements, but mostly involve efforts in grassroots organising. The unions are, however, aware of their own limits and one important way in which they are trying, with some success in Czech Republic, Hungary and Slovakia, to expand social regulation of employment is through extension procedures for collective agreements. Where there is no extension procedure, 'copycat' initiatives fulfil a similar function in socialising collective bargaining gains, as for instance in the wave of actions in the various transport companies in Tallinn in 2006-07. Public demonstrations, political lobbying, warning strikes and stoppages are also more frequent than official strikes, which are subject to strict procedural regulations.

Conclusions

Our review of industrial relations change in the NMS reveals that accession to the EU in 2004/2007 has not involved convergence towards western European patterns of industrial relations and social security, because the accession has been dominated by economic competitiveness rationales rather than by social concerns. As a result, employment regimes are particularly market-oriented, distinctively decentralised and largely disorganised, with little scope for collective arrangements.

A major labour market development has been migration. On one side, migration follows and perpetuates the pattern of individualization and disorganization of industrial relations, revealing a 'low-commitment' employment regime. On the other side, it modifies the power balance between employers and employees, notably by causing labour shortages and therefore increasing the bargaining power of employees in the departure countries. This, in turn, has the potential to create opportunities for union organizing and to convince employers of the need for more stable social compromises and industrial relations arrangements. The economic crisis that started in 2008 stalled the increased assertiveness of labour and reduced the attractiveness of emigration, but has not appeared to lead to major changes in the main industrial relations patterns. It has, though, revealed major imbalances in countries that were previously heralded as neoliberal successes (Latvia) or economic tigers (Hungary).

To conclude, the analysis is consistent with a view of the EU as a mostly neoliberal project with disruptive effects on industrial relations, not compensated by its declared 'social dimension'. It is however disputable whether such a neo-liberal experiment, which is most extreme in the NMS, is socially sustainable. High employee turnover, emigration, and the emergence of employee protest within and without the workplace means that even in regions where the traditions of the Western labour movement have no roots, a need exists for developing institutions of collective voice for employees in order to avoid social disruption and, from the employers' points of view, the emergence of low-commitment employment relations and wage 'leapfrogging' involving disorderly increases that distort competition .

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Table1: Industrial relations in new and (selected) old member states

	Union density			Collective bargaining coverage			Employment protection legislation			Labour market regulation freedom	
	2006	±from ‘03	± from ‘98	2007	± from 2003	± from 1998	2008	± from 2003	± from 1998	2007	± from 2000
Estonia	13.2	*-4.4*	-5.7	22.0	*+1.0*	+2.0				5.04	+0.30
Lithuania	14.4	-2.4	-12.6	12.0	-2.0					5.00	+0.77
Poland	14.4	-4.8	-14.2	35.0	-5.0	-8.0	1.90	+0.25	+0.50	5.73	+1.53
Latvia	16.1	-1.8	-13.2	20.0	=					6.84	+2.31
Hungary	*17.8*	-0.7	-10.4	*35.0*	=	-17.0	1.65	+0.13	+0.38	5.87	+0.28
Czech R.	21.0	*-0.7*	*-28.7*	44.0	*-2.7*	*-11.0*	1.96	+0.06	+0.06	6.20	+0.98
Slovakia	23.6	-6.3	-17.0	35.0	-5.0	-13.0	1.44	+0.10	-0.36	6.47	+1.93
Slovenia	41.0	-0.3	-1.8	100.0	=	=				5.90	+2.30
Bulgaria	21.3	-0.6	-3.4	25.0	=					7.07	+2.15
Romania	33.7	*-4.8*								6.41	+0.13
France	8.0	-0.2	-0.5	95.0	=	-1.4	3.05	=	+0.07	5.61	+0.67
Spain	14.6	-1.2	-1.7	80.0	-1.5	+0.4	2.98	=	+0.05	5.07	+1.15
Germany	20.7	-2.3	-5.2	63.0	=	-2.0	2.34	=	-0.22	3.96	+1.11
UK	28.7	-1.0	-2.0	34.8	-1.1	+2.5	0.75	=	+0.15	7.17	+0.25
Italy	33.2	-0.3	-2.5	80.0	=	-1.0	1.89	+0.07	-0.81	5.72	+2.19
Sweden	75.0	-2.2	-7.3	92.0	=	+1.0	1.87	-0.37	-0.37	4.67	+1.29

Data in italic are from the previous year.

Source: Union density and collective bargaining coverage: Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS) Database, Amsterdam Institute for Advanced Labour Studies (AIAS), Amsterdam (except for Slovenia 2006: ETUI estimate); Employment protection legislation: OECD database; labour market freedom: Fraser Institute.

Table 2: Emigration and fall in union membership, 2003-08

Country	A - Union membership change, 2003-08 (%)	B- Emigration as % of population, 2003-07	C - Union membership change, 2003-08 (000)	D - Population change to emigration, 2003-07 (000)
Lithuania	-34.1	2.3	-62	-75
Slovakia	-34.1	2.0	-196	-88
Estonia	-18.4	0.8	-8	-10
Bulgaria	-16.2	1.9	-94	-144
Poland	-16.1	1.9	-340	-721
Latvia	-15.8	0.8	-27	-18
Czech Republic	-14.9	0.3	-77	-33
Hungary	-9.3	0.4	-80	-41
Slovenia	+2.6	0.0	+9	0
Romania	+4.2	4.6	+85	-1,000

Correlation between A and B: $\underline{r}$ = -0.71742.

Data: own elaborations on Carley (2009), EIC (2009)