



Central and eastern European industrial relations in the crisis: national divergence and path-dependent change

„Crisis in Europe“,
WIIW - Wiener Institut für Internationale Wirtschaftsvergleiche,

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Vera Glassner

- **Research questions**
- **Economic background EU-15 and EU-10 before and during the crisis**
- **Typology of Industrial Relations (IR) in Central and eastern Europe (CEE) (EU-10)** based on Bohle/Greskovits (2007, 2012)
- **Variation within** the three **groups of countries**: Characteristics of national systems of IR
- **Assumptions** institutional and membership-based factors for trade union action in crisis
- **Developments in collective bargaining (CB) in HU, PL, SK and SI**



Research Questions

- How did socio-economic **change resulting from** the current financial **crisis affect industrial relations** in the EU-10?
Nature of changes in procedural terms of bargaining, in particular decentralization and disorganization of collective bargaining?
- How did **differences** in the set-up of **industrial relations** between the **EU-10 countries affect trade union responses** to the socio-economic challenges?



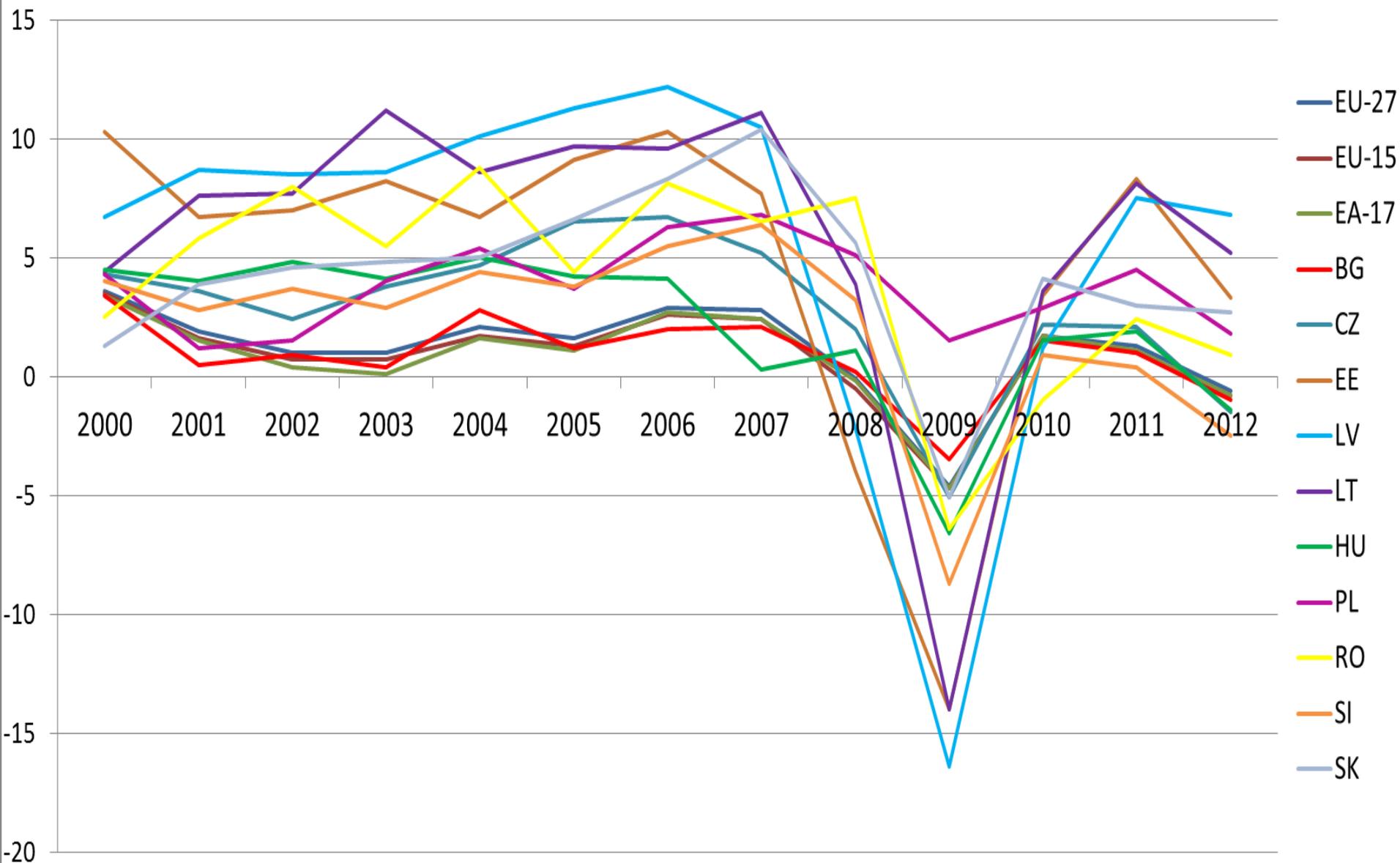
Economic developments EU15 and EU-10 before and during the crisis

- GDP per capita
- FDI inflows
- Labour productivity
- Nominal ULC
- Nominal compensation
- Unemployment

GDP per capita, annual change (%), Eurostat



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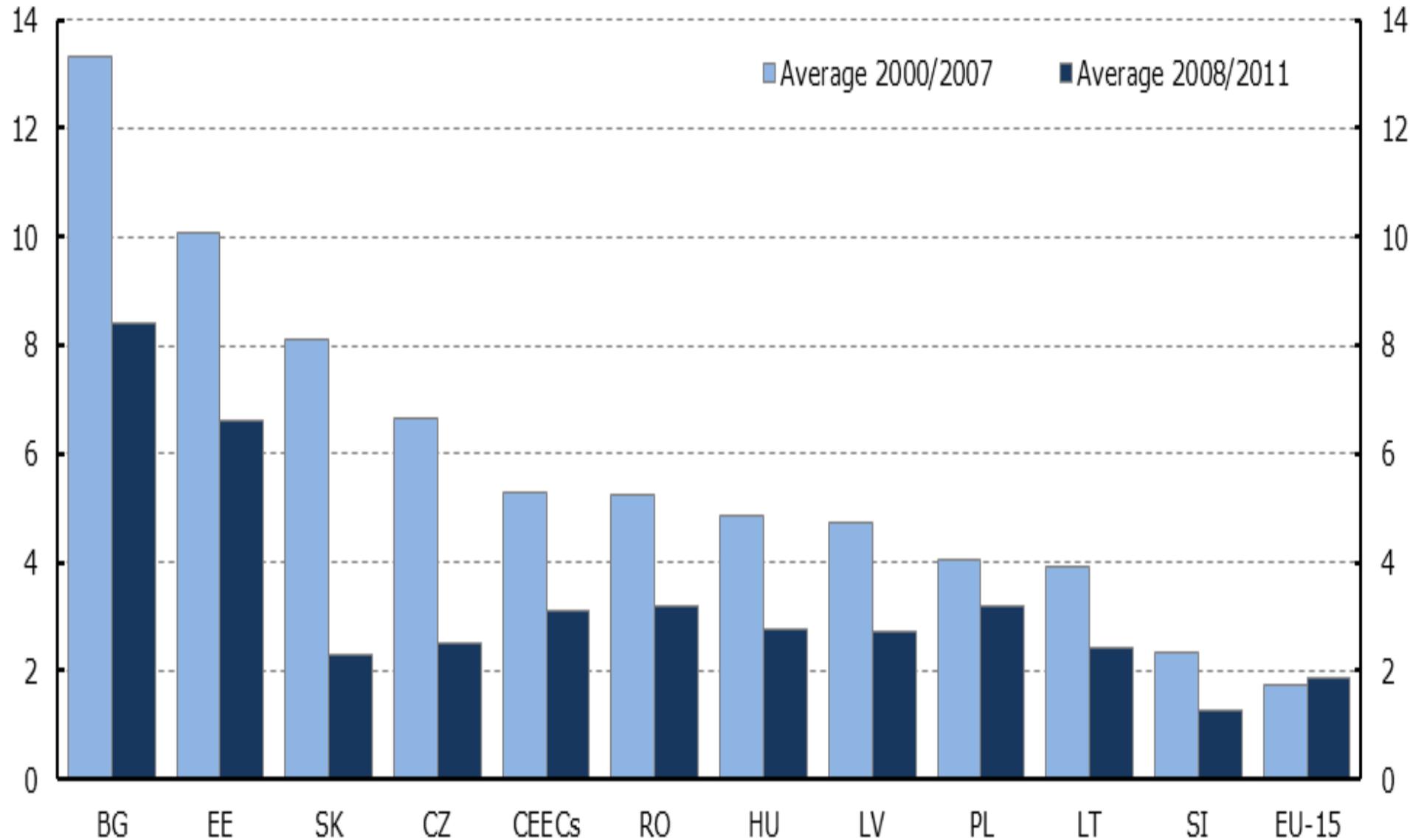
FDI inflows

(average values as % of GDP, Eurostat)



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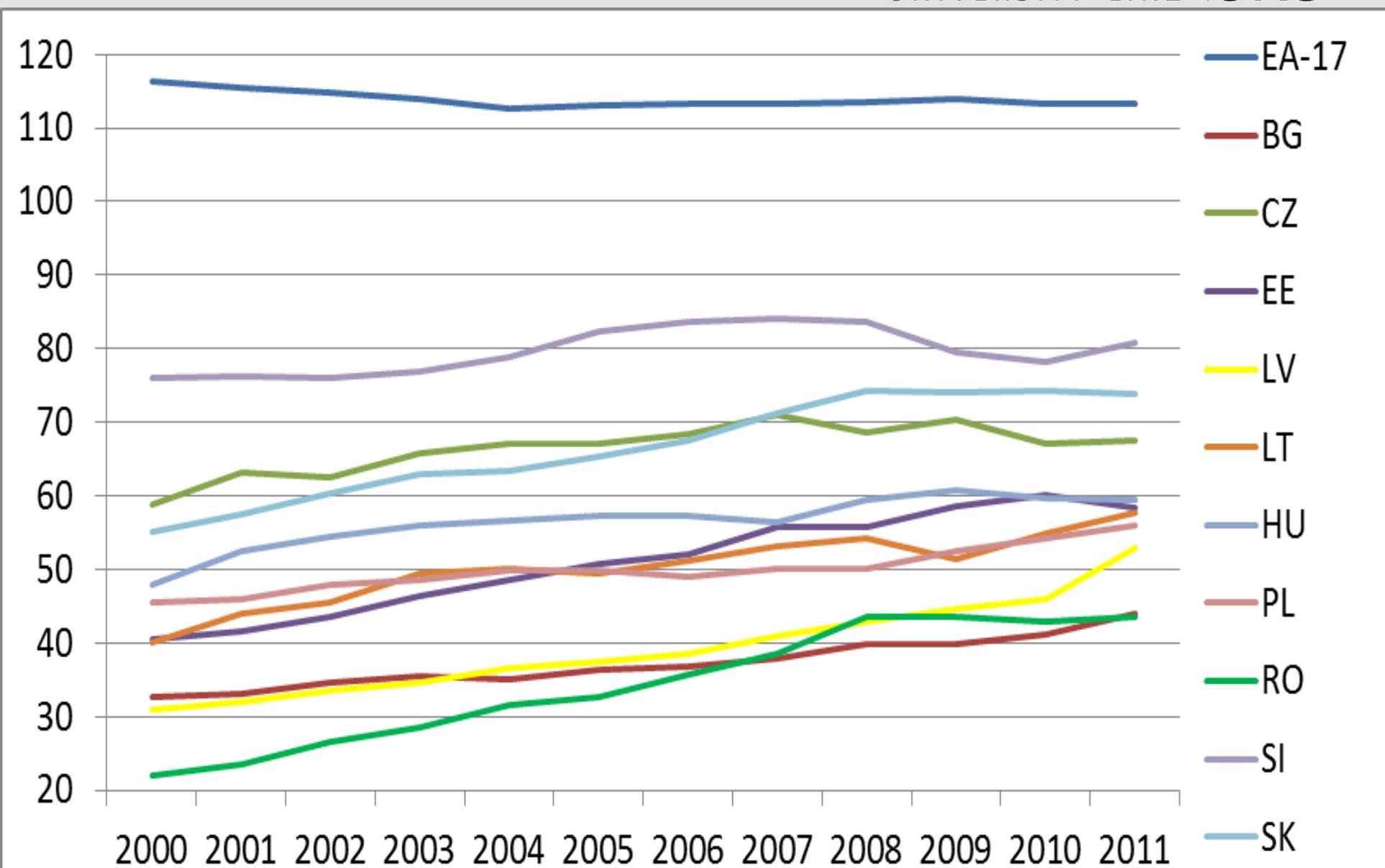
Labour productivity (per hour worked)

Index EU-27=100, Eurostat



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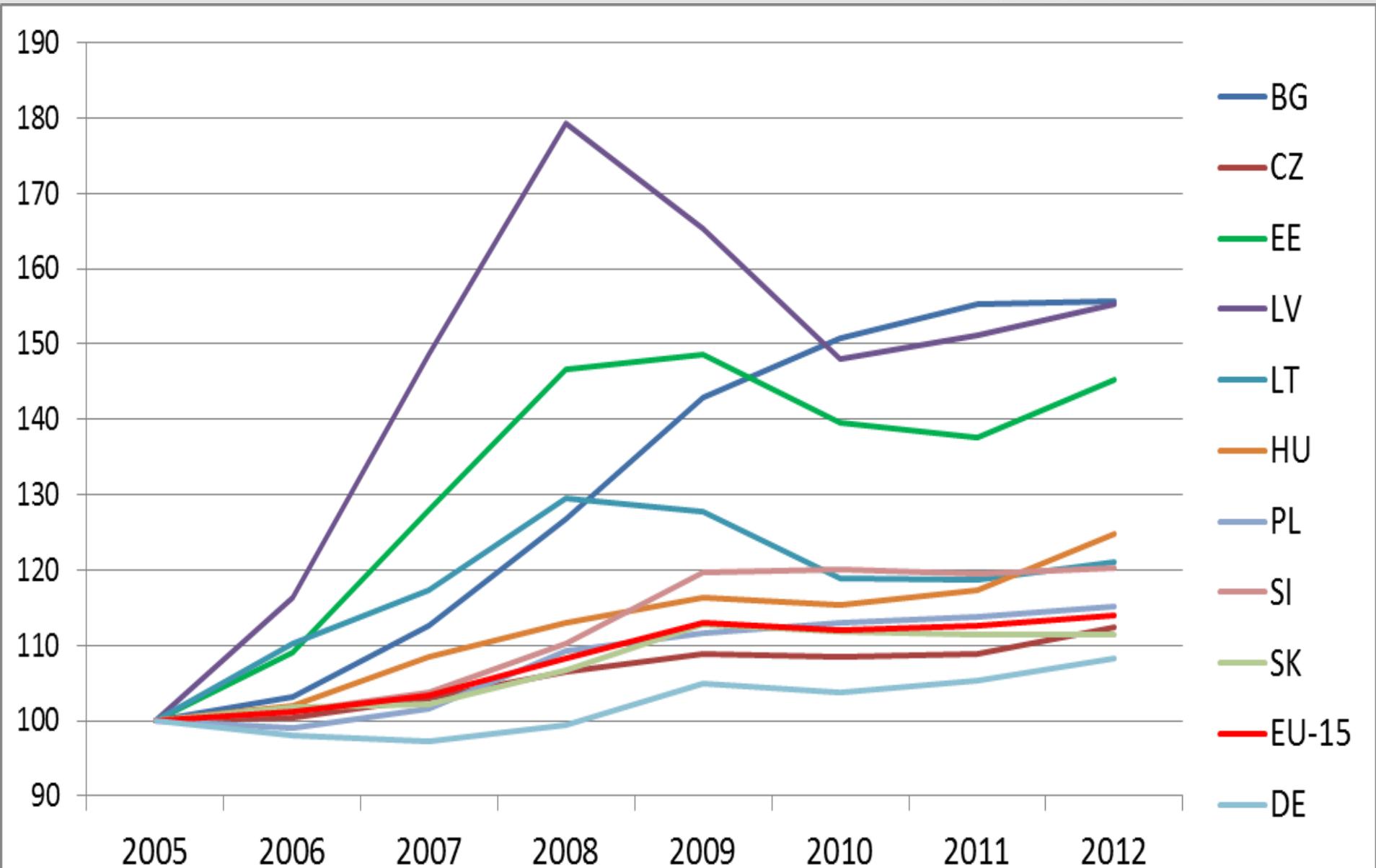
Nominal unit labour cost index

(2005 = 100), Eurostat

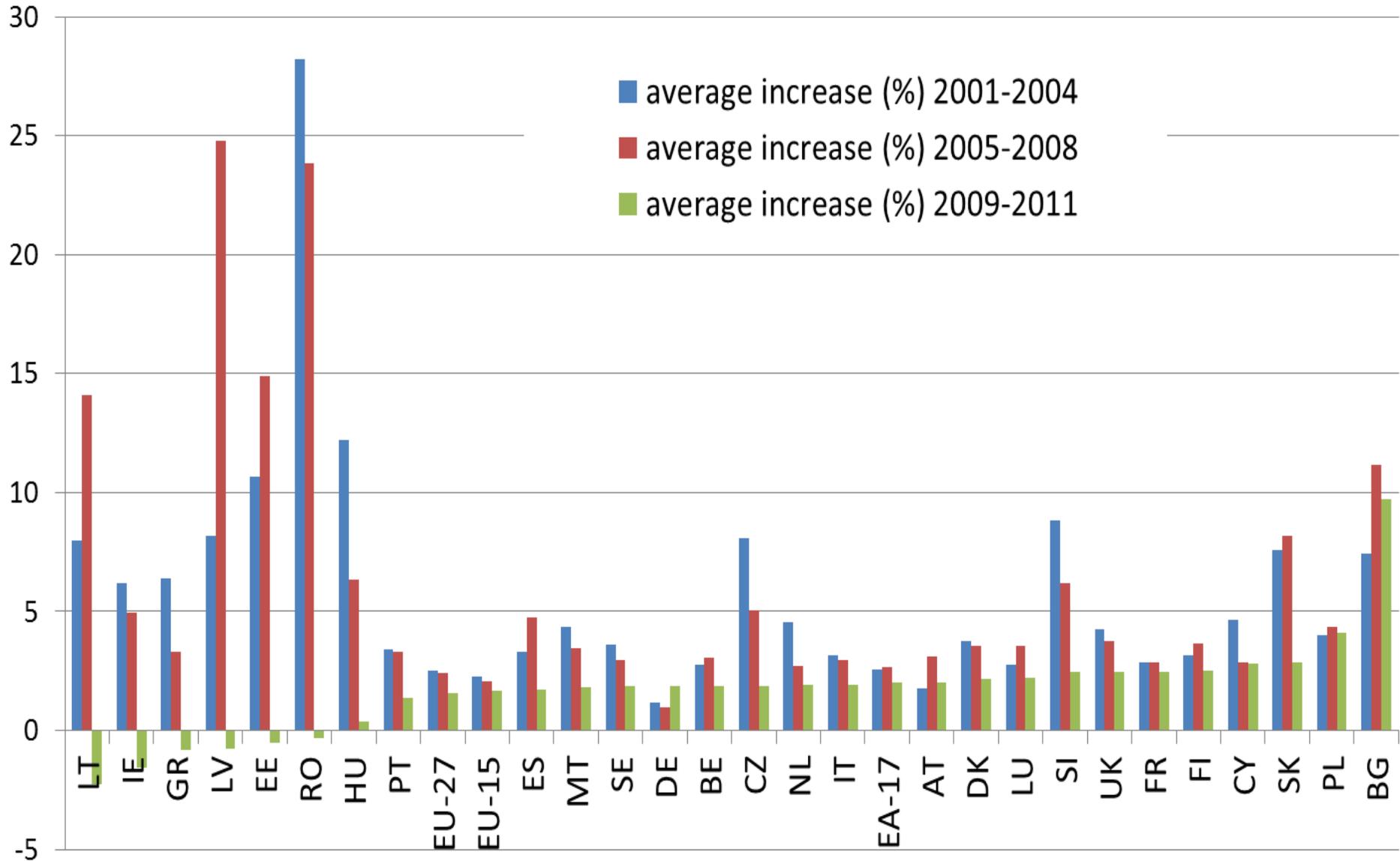


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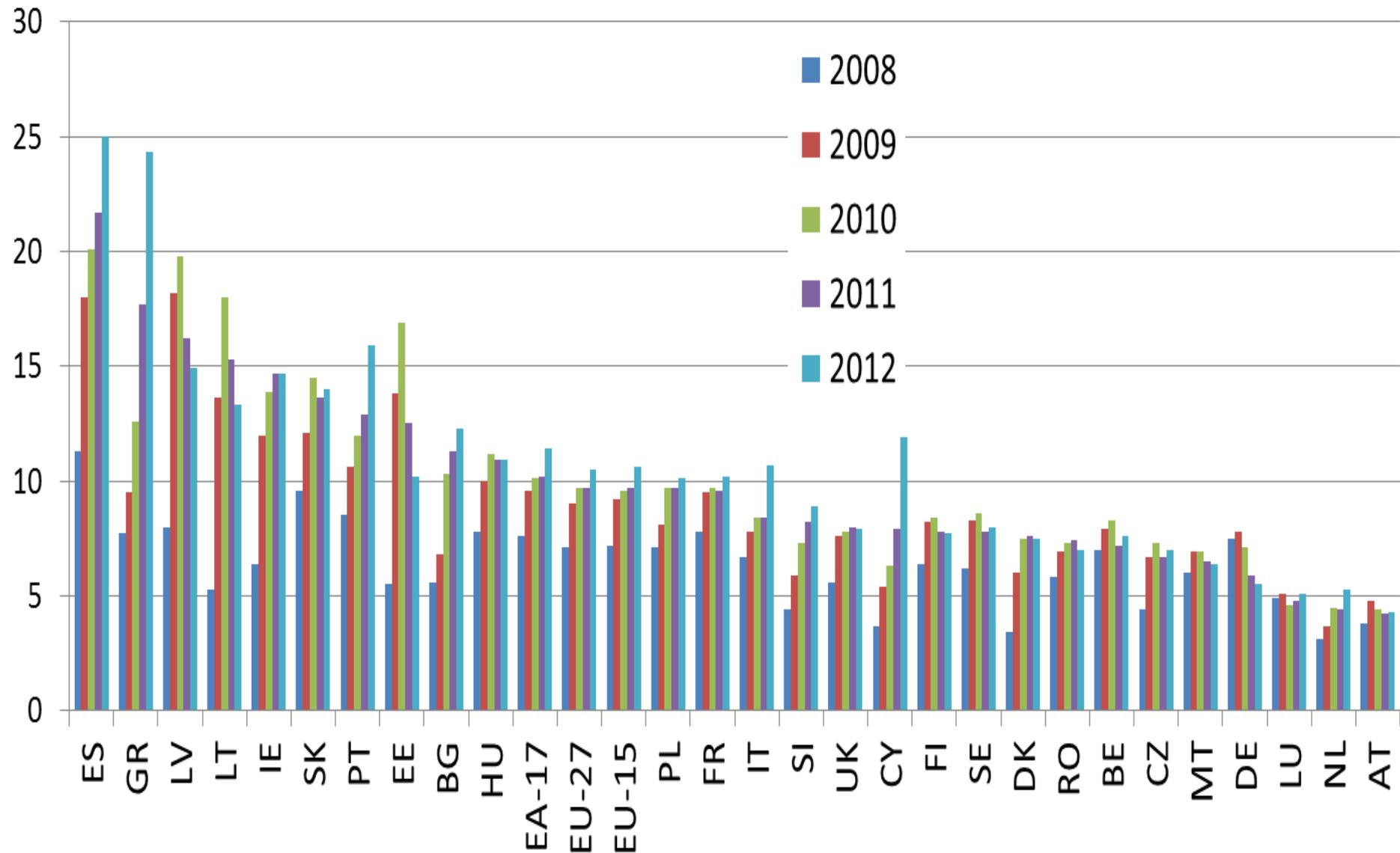
Nominal compensation, AMECO



Unemployment rate, (total employment, Eurostat)



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	Neoliberal model	Embedded neo-liberalism	Neo-corporatist model
Countries	EE, LT, LV, BG, RO	CZ, SK, HU, PL	SI
Industrial relations regime	Fragmented/state-centred	Fragmented/state-centred	Social partnership
Collective bargaining regime	SEB with limited coordination	SEB with limited coordination	Coordinated MEB
Principle bargaining level	Decentral	Decentral (industry, company)	Central (industry)
Bargaining style	Acquiescent	Acquiescent	Integrating
Role of social partner in public policy	Irregular/politicised	Irregular/politicised	Institutionalised?
Employee representation	Union based/limited coverage	Union based/limited coverage	Dual system/high coverage
Welfare regime	Residual	Segmented	Segmented
Economic and monetary regime	Statist or liberal? Non-accommodating monetary regime, Fiscal austerity Strong dependence on FDI and MNCs in low-tech and (low-skilled) services sectors	Statist or liberal? Non-accommodating monetary regime, Fiscal austerity (exc. HU), Considerable dependence on FDI (capital-intensive, high-	Coordinated market-economy Non-accommodating monetary regime, Fiscal austerity Limited dependence on

Fig. 1: Trade union density rates in the EU-27
weighted average EU-10 and EU-15

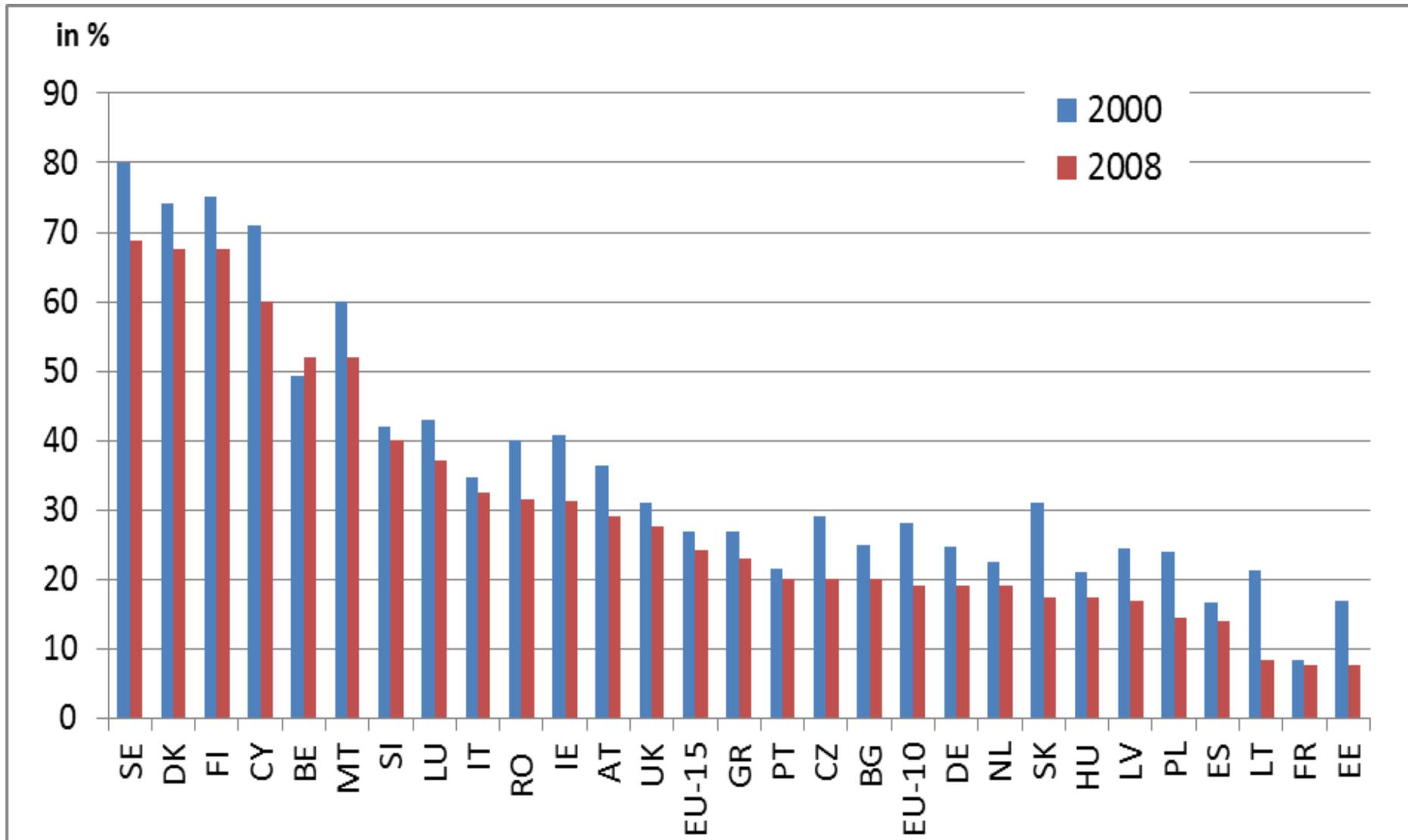


Fig. 2: Employer density rates, EU-27, weighted average EU-10 and EU-15

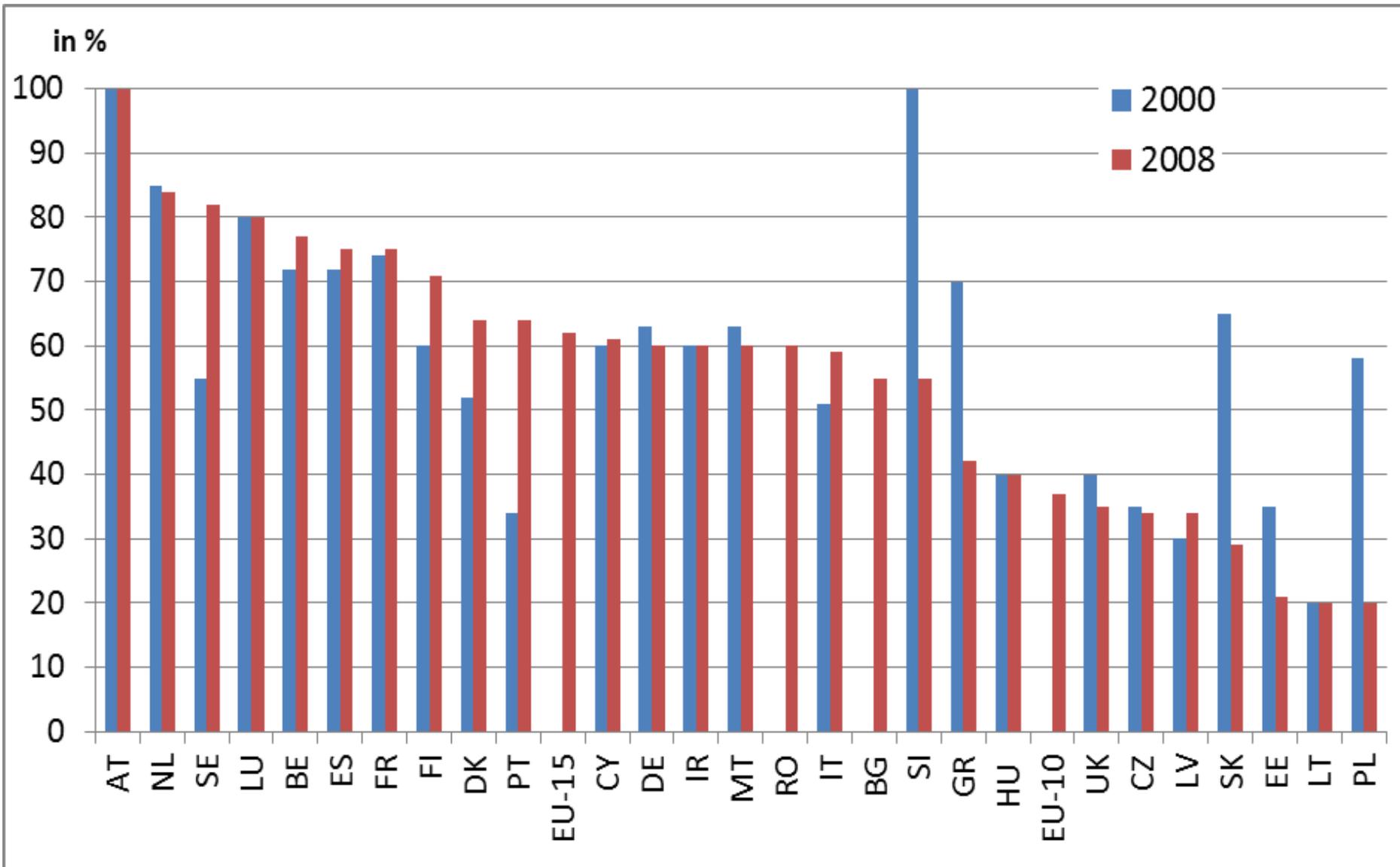
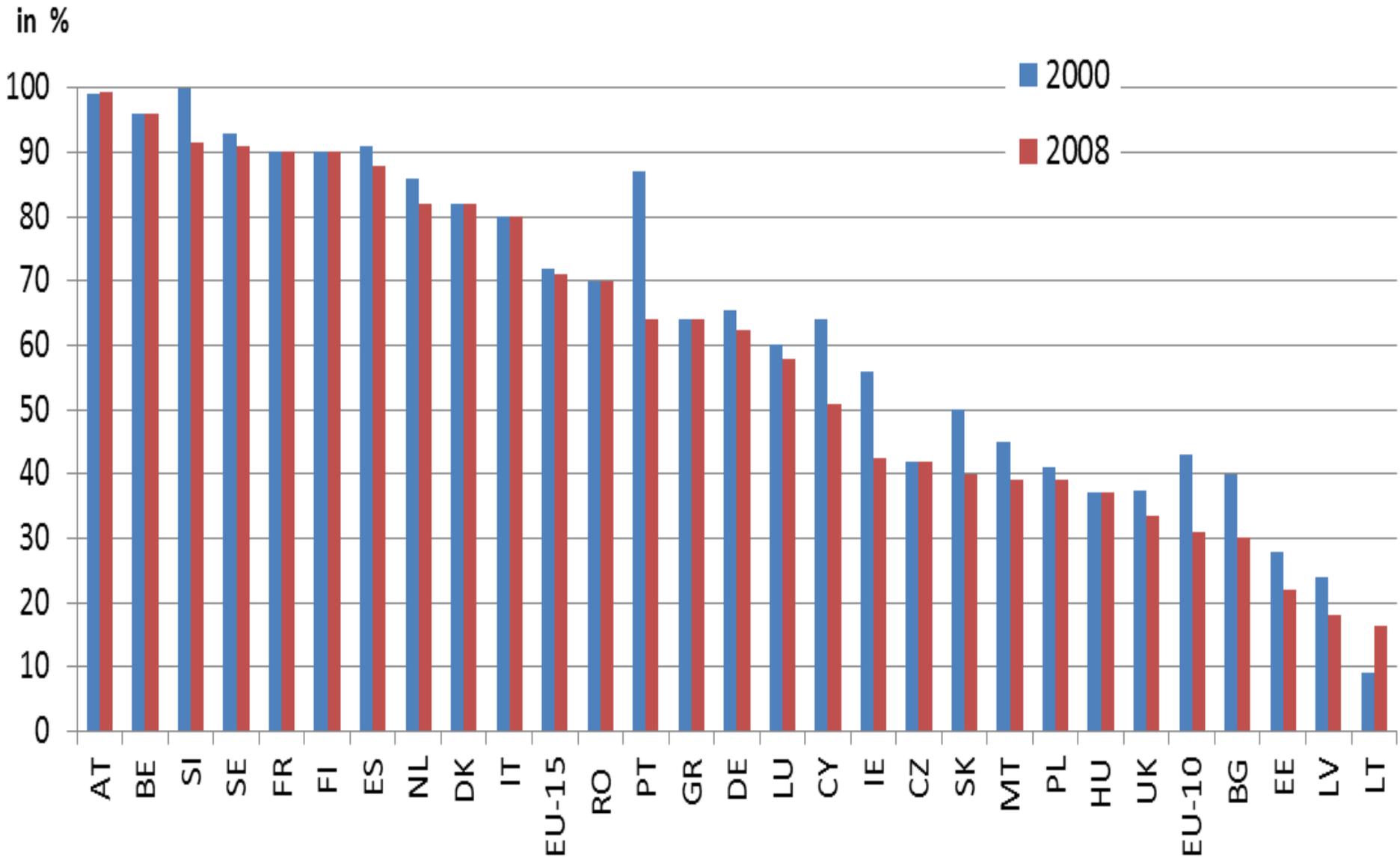


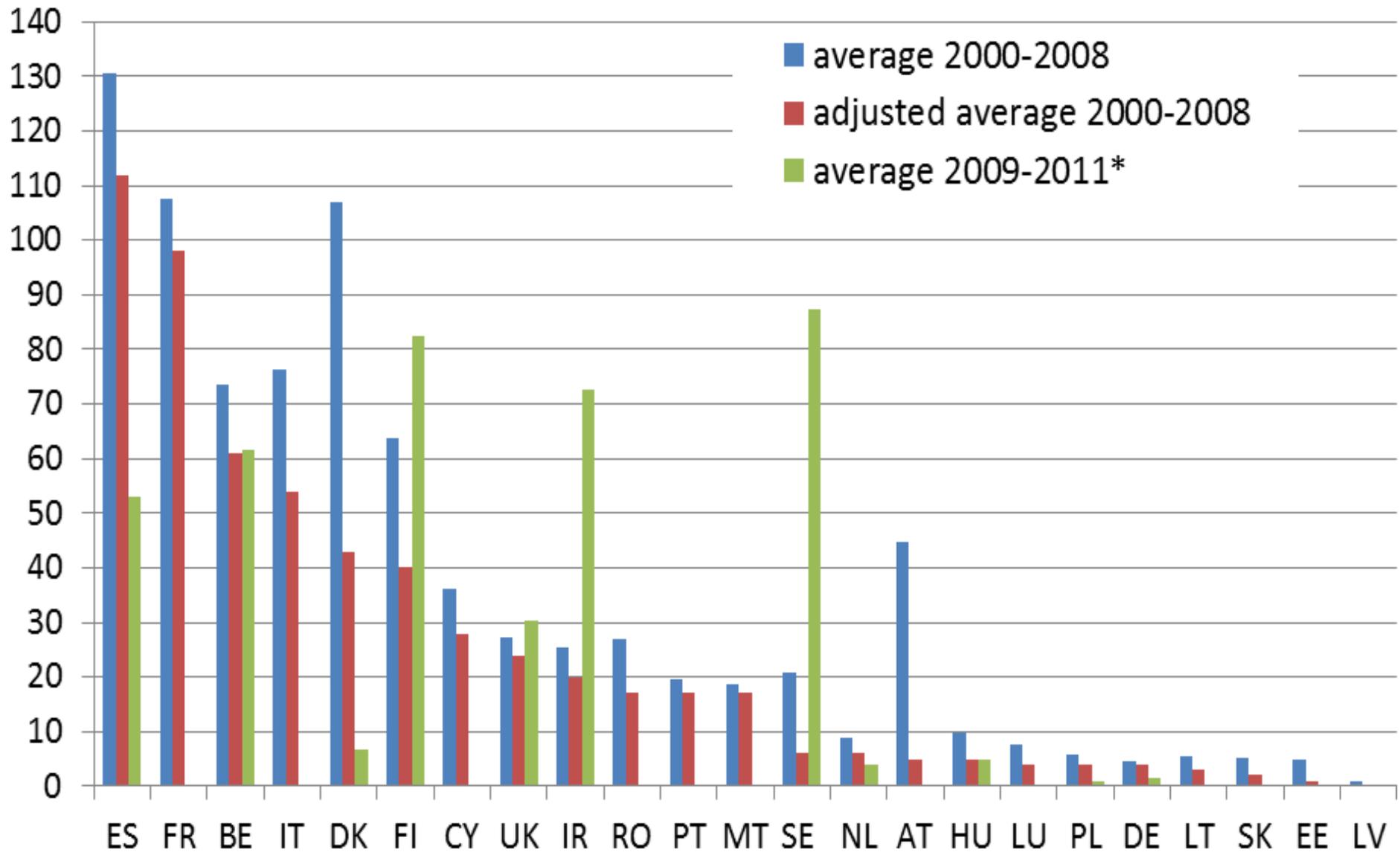
Fig. 3: Collective bargaining coverage rates, EU-27, weighted average EU-10 and EU-15



Tab. 2: Bargaining coordination and scope of collective bargaining in the EU-10

Bargaining coordination		Low				High
		Fragmented bargaining, mostly at company level	Mixed sectoral and firm-level bargaining, weak enforceability of sectoral agreements	Sectoral bargaining widespread, limited freedoms for company bargaining	Mixed sectoral and economy-wide bargaining (non-enforceable central agreements)	
Scope of collective bargaining	No legal provision for extension	PL, LT, LV		RO	SI	
	Legal provision for extension existing but rarely used (< 10% of workforce)	EE	BG, CZ HU	SK		
L O W						
H i g h						

Fig. 4: Strike activity, selected EU-countries
(measured as 'days-not-worked',
per 1000 employees)



Tab. 3: Sources of trade union power in the EU-10



Power resources		Institutional power : MEB, Coordinated bargaining at national/sectoral level, legal bindingness and extension of collective agreements;	
		Low	high
Membership power: organisational power (union density, strike activity)	Low	Neoliberal Type of IR : EE, LT, LV	'embedded' neoliberale Type of IR : CZ, HU, SK, (PL)
	High	RO, BG	Neocorporatist Type or IR: SI

- The larger **institutional resources** (national/sectoral CB, bargaining coordination, extension) the higher probability that unions make use of CB as instrument against crisis
- **Visegrad-states** (,embedded neoliberal' IR), **PL**: decentral CB, no extension of coll. Agreements – bipartite negotiations at national level more likely
- The more limited **institutional resources AND** the **larger membership power** of trade unions, the higher probability that unions mobilise against (unilateral) government austerity: **RO, BG**
- **Limited institutional AND membership-based resources: Baltic states**
- **Extensive institutional AND membership-based resources: SI**

Change of GDP, unemployment rate (2009-2012)



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	2009	2010	2011	2012
HU				
Annual %-change GDP	-6,8	1,3	1,6	-0,3
Total unemployment rate	10,0	11,2	10,9	11,0
PL				
Change GDP	1,6	3,9	4,3	2,7
Unemployment	8,2	9,6	9,7	9,9
SK				
Change GDP	-4,9	4,4	3,2	1,8
Unemployment	12,1	14,5	13,6	13,7
SI				
Change GDP	-8,7	0,9	0,4	-2,5
Unemployment	5,9	7,3	8,2	8,9
EU-27				
Change GDP	-4,3	2,1	1,5	0
Unemployment	9,0	9,7	9,7	10,3

CB developments: Hungary

- Main factor for change in IR **political change** (Szabo 2013) New government 2010
- **Economic crisis**: 2009 drop in industrial output (-6.8%), real wages, nominal wages public sector (-4.5%), employment (-17.8%), increase of public debts (>80% of GDP 2010)
- Stable CB coverage rates, conclusion of collective agreements in sectors where sectoral CB is existing AND scarceness of skilled labour, e.g. automotive industry, BUT
- Concessions regarding wages, working time, lay-offs of temporary workers.

- Considerable **change of labour law** → effects:

1) Flexibilisation of working conditions

2) Restriction of trade union rights

Ad.1)

- **Deviation of** collective agreements and individual work contracts from legal regulation to increase flexibility – vs. ‘favourability principle’
- Making lay-offs more easy (e.g. prolongation of probationary periods, abolishment of protection against dismissal in case of illness; reduction of costs of dismissal)
- Increase of limit for legal overtime work, further flexibilisation of working time by coll. Agreements and works agreements;
- → in principle: extension of bargaining competence of works councils and (company) unions

Ad.2) BUT at the same time **restriction of trade union rights!**

- **Abolishment of protection of trade union officers** (incl. Exemptions from working time, compensation of unused suspension periods etc.)
- Abolishment of **information- and consultation obligations** of employers vis-à-vis unions whereas
- **only works councils** have **right** for **informations- & consultation**.
- Restriction of right to strike
- **Probleme**: limited bargaining rights (no wages!) and power of works councils, no calls for strike, low organisation of workers at enterprise-level etc.



- **Abolishment of tripartite National Interest Reconciliation Council (OÉT), replaced by**

- **Non-tripartite** National Economic and Social Council (NGTT), only advisory function, no consultation of social partners by state actors
- **Public sector:** Ex. **Health care sector:**
- Introduction of separate wage scales for different groups of workers 2012 (previously settled by law, under consultation in OÉT)
- Centralized ownership of hospitals → **centralisation of CB**
- **Wage cuts** (-5.6% 2009, 1.9% 2010, -2.1% 2011)
- Med. Doctors: Agreement (2012) **wage increases.**

- Did **social partners** contribute to ,**balanced**‘ economic **recovery** (Cziria 2012)?
-
- **Effects of crisis on IR vary between levels and sectors** (Kahancova 2013):
 - 1) **Weakening of national social dialogue (SD)**
 - 2) Coordinated negotiations at **sector level** not affected, **consolidation** of CB in some **sectors** (e.g. metalworking, health care)
- Ad. 1) **National Social dialogue:**
- Government adopts 60 ,**Anti-crisis**‘-measures, such as subsidies for employers who avoid redundancies, suspension of payment of social security contributions etc.

- **Short-time work (STW) and flexible working time accounts** (VW, 2009 included in labour law)

- **New government 2010: abolishment *erga omnes* extension** of coll. Agreements and tightening of preconditions for **representativeness of trade unions**

Ad. 2)

- **Metal sector:**
 - Implementation and coordination of **anti-crisis measures** through **CB** (agreements automotive and electrotechnical industry; electronics, steel) → **employers'** goal is to maintain qualified labour;
 - **Limits to temporary employment** and bogus **self employment** (agreements automotive sector 2010-11)



- **Public health care sector:**

- **Multi-Employer Bargaining** (trade unions and employers' associations): union density around 50%, employer density 80%
- **austerity**, reduction of public expenditure
- **Conflictual CB** since 2008: Disagreement about wage increases – use of conflict settlement mechanisms to reach agreement. Wage increases for doctors;
- **In general**: Public austerity and strong employee organisation have strengthened bargaining competency of social partners.



- **Effects of crisis diverging** between export-dependent and ‚sheltered‘ sectors (Meardi/Trappmann 2013).

- **National Anti-Crisis Package, July 2009** (Bernaciak 2013):
 - **Flexibilisation of working time** (reduction and extension) via company agreements
 - Union demands such as increase of statutory minimum wages, restriction of precarious employment (‚Junk Contracts‘) not fulfilled;
- **Automotive industry**: Implementation of working time flexibilisation measures, often in exchange for protection of jobs; interest of employers is to maintain qualified workers; BUT no sector agreement;
- **Steel**: reorganisation processes already *before* crisis, further reduction of jobs, wage restraint and extension of agency work; no new coll. agreement;

- **Public health care sector:**

- Longer-term **reorganisation** and intensifying **public austerity** in crisis

- Strongly organised workers (union density 58%) and scarceness of (qualified) labour (migration) help to ensure **wage increases** (in part. Doctors) and **improvement of working conditions**

- **Retail trade** (Mrozowicki et al. 2013):

- **No** implementation of **anti-crisis measures** at **company-level** (lacking structures for CB at higher levels)
- Trade unions organise **public protests** and **media campaigns** to fight **precarious employment**
- As a consequence (in some cases) conclusion of company agreements, e.g. wage increases, transformation of fixed-term contracts into open-ended contracts etc.



- Neocorporatist model already under strain since EU accession, and even more so, participation in EMU: **neo-liberal reforms** (tax reform etc) and **privatisation**, abolishment of obligatory membership of companies in Chambers of Industry and Commerce (2006) → **declining bargaining coverage**; decline in **union density**.
- Crisis: declining GDP and growing public debt, deficit and unemployment
 - Government responses: **wage restraint** in **public sector**, **labour market reform** ('workfare approach'), **pension reform** → increase of unilateral policy making due to distrust between social partners and disfunctional SD in crisis;
 - Trade union responses: organisation of **protest** against government measures, **referenda** against pension reform etc.



- → Serious **de-legitimisation** of the political elite and government (**political crisis**)
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BUT:

- **Factors supporting social dialogue:**
 - High **membership** and (still comparably) high **institutional power of unions** (e.g. inclusive CB system)
 - **Strong sheltered public sector**
 - **Unstable coalition governments**
 - **New problem load** (budget deficit, debt, unemployment)

Wages of public sector workers target of austerity



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Public debt (% of GDP 2011)	High(\leq 100%)	Medium ($<100 \rightarrow 60\%$)	Low ($< 60\%$)
No cuts (2008-2012)		AT, MT	DK, FI, SE
+0% (2008- 2012)	BE, GR, IT, IR, PT	CY, FR, NL, ES, UK	BG, CZ, EE, LV, LU, PL, RO, SI, SK
Cuts (2008- 12)	<i>GR, IR, IT,</i> <i>PT</i>	DE, <i>HU</i> , ES	CZ, <i>EE, LV,</i> <i>LT, RO, SK</i>

- **HU**: Increasing **uncertainty** resulting from inconsistent course of government: **liberalisation vs. state interference** → instead of CB at sector and company level, trade unions have focused on protest against government measures.
- **SK**: Differentiated development: **marginalisation** of social partners at **national level** and **strengthening CB** in **sectors** where structures for sectoral bargaining and comparably strong unions are existing.
- **PL**: Continued trend towards, **disorganised decentralisation**‘; Anti-crisis-Law (involvement of trade unions limited). Effects of crisis **diverge** between **sectors**. **BUT no revitalisation** of **sectoral CB**, not even in strongly organised sectors such as automotive industry. Implementation of anti-crisis measures via company agreements, mostly in MNCs;

- **General observation:** → Continued trend towards **decentralisation** of CB, **union densities** further **declining**
 - No radical change of IR in crisis but changes along national paths of development within ,**embedded‘ liberal model**
 - **Neoliberal model:** **break down** of **national social dialogue**, except social pacts early in crisis implementing wage restraint in private sector, unilateral cuts of public sector pay → shift from ,illusionary social dialoge‘ to no SD at all..
 - Far-reaching but long-term shift towards **decentralised** CB in **neocorporate SI**, more **conflictual labour relations**, radicalisation of unions and **rise of neoliberal policy** approaches in post-E(M)U period, reinforced in crisis;

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- Central and eastern European industrial relations in the crisis: national divergence and path-dependent change (2013), *Transfer. European Review of Labour and Research*, (Special Issue), 19(2).

Figure 5. Gross government debt in the EU27
(2008, 2010 and 2011, % of GDP)

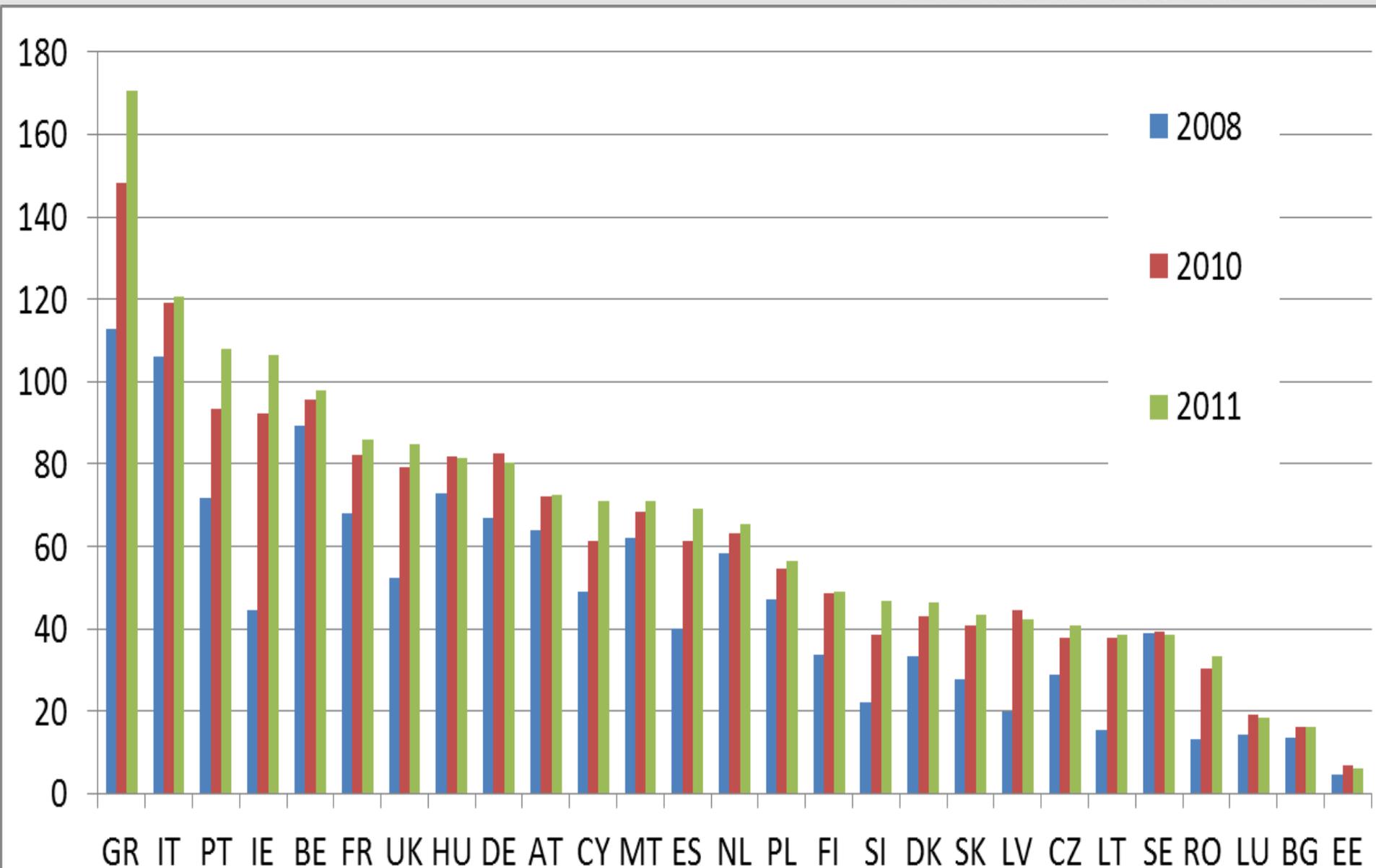
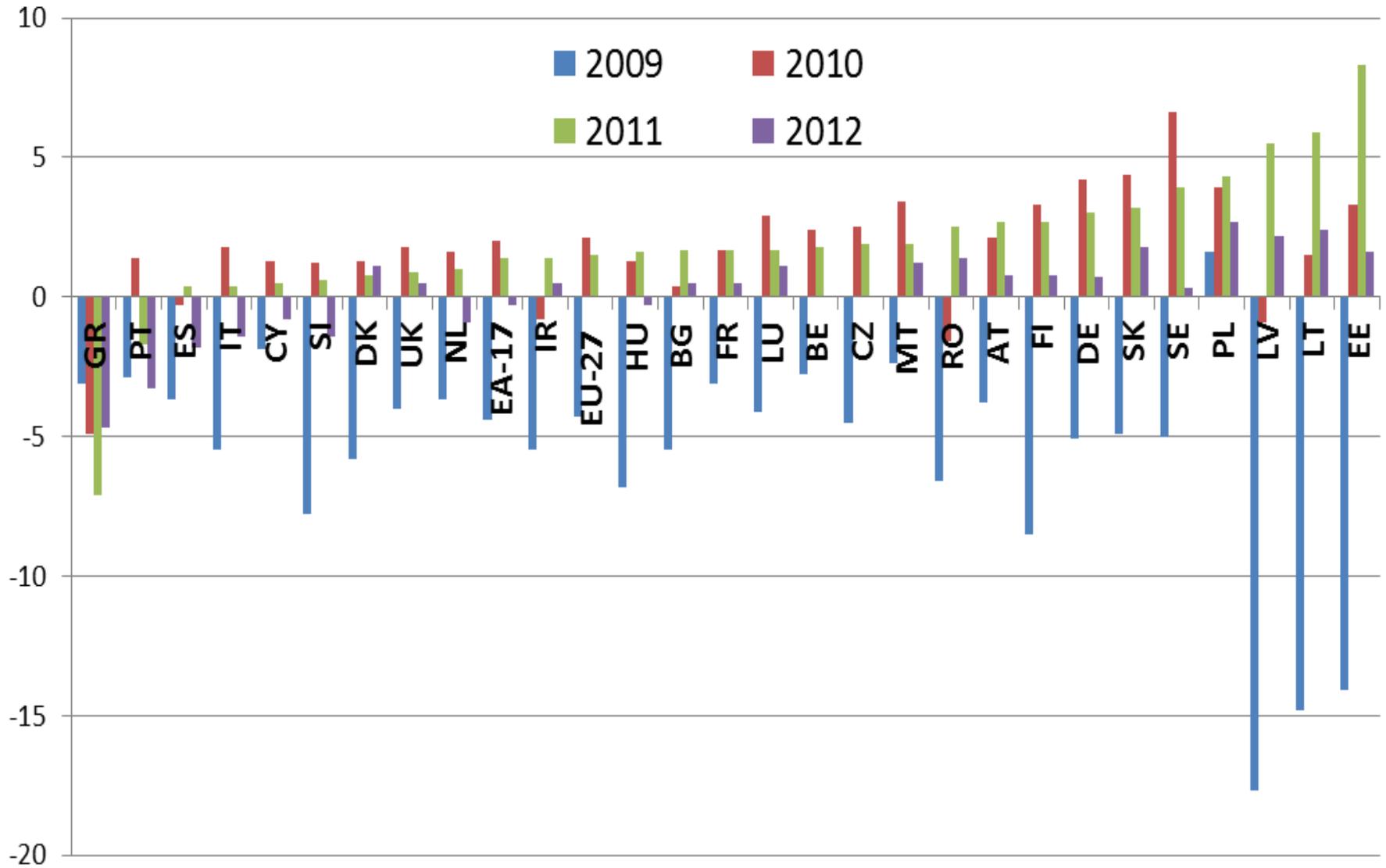




Fig. 6: Annual change GDP(%)



Coverage of employee representation, by country and firm size, Eurofound



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