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

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Vera Glassner
Structure of the presentation

- 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
FDI inflows
(average values as % of GDP, Eurostat)
Nominal unit labour cost index (2005 = 100), Eurostat
Nominal compensation, AMECO

- Average increase (%) 2001-2004
- Average increase (%) 2005-2008
- Average increase (%) 2009-2011
<table>
<thead>
<tr>
<th></th>
<th>Neoliberal model</th>
<th>Embedded neo-liberalism</th>
<th>Neo-corporatist model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countries</td>
<td>EE, LT, LV, BG, RO</td>
<td>CZ, SK, HU, PL</td>
<td>SI</td>
</tr>
<tr>
<td>Industrial relations regime</td>
<td>Fragmented/state-centred</td>
<td>Fragmented/state-centred</td>
<td>Social partnership</td>
</tr>
<tr>
<td>Collective bargaining regime</td>
<td>SEB with limited coordination</td>
<td>SEB with limited coordination</td>
<td>Coordinated MEB</td>
</tr>
<tr>
<td>Principle bargaining level</td>
<td>Decentral</td>
<td>Decentral (industry, company)</td>
<td>Central (industry)</td>
</tr>
<tr>
<td>Bargaining style</td>
<td>Acquiescent</td>
<td>Acquiescent</td>
<td>Integrating</td>
</tr>
<tr>
<td>Role of social partner in public policy</td>
<td>Irregular/politicised</td>
<td>Irregular/politicised</td>
<td>Institutionalised?</td>
</tr>
<tr>
<td>Employee representation</td>
<td>Union based/limited coverage</td>
<td>Union based/limited coverage</td>
<td>Dual system/high coverage</td>
</tr>
<tr>
<td>Welfare regime</td>
<td>Residual</td>
<td>Segmented</td>
<td>Segmented</td>
</tr>
<tr>
<td>Economic and monetary regime</td>
<td>Statist or liberal? Non-accommodating monetary regime, Fiscal austerity</td>
<td>Statist or liberal? Non-accommodating monetary regime, Fiscal austerity (exc. HU), Considerable dependence on FDIs (capital-intense, high-skilled)</td>
<td>Coordinated market-economy Non-accommodating monetary regime, Fiscal austerity Limited dependence on FDIs and MNCs in low-tech and (low-skilled) services sectors</td>
</tr>
</tbody>
</table>
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
<table>
<thead>
<tr>
<th>Bargaining coordination</th>
<th>Scope of collective bargaining</th>
<th>Low</th>
<th>Mixed sectoral and firm-level bargaining, weak enforceability of sectoral agreements</th>
<th>Sectoral bargaining widespread, limited freedoms for company bargaining</th>
<th>Mixed sectoral and economy-wide bargaining (non-enforceable central agreements)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>No legal provision for extension</td>
<td>PL, LT, LV</td>
<td>RO</td>
<td>SI</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Legal provision for extension existing but rarely used (&lt; 10% of workforce)</td>
<td>EE</td>
<td>BG, CZ</td>
<td>SK</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Power resources</th>
<th>Institutional power: MEB, Coordinated bargaining at national/sectoral level, legal bindingness and extension of collective agreements;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>High</td>
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<tr>
<td>Membership power: organisational power (union density, strike activity)</td>
<td>Neoliberal Type of IR: EE, LT, LV</td>
</tr>
<tr>
<td>Low</td>
<td>‘embedded’ neoliberale Type of IR: CZ, HU, SK, (PL)</td>
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<tr>
<td>High</td>
<td>RO, BG</td>
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<tr>
<td></td>
<td>Neocorporatist Type or IR: SI</td>
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</tbody>
</table>
Assumptions: Trade union strategies in the crisis

• 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)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td><strong>HU</strong></td>
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<tr>
<td>Annual %-change GDP</td>
<td>-6.8</td>
<td>1.3</td>
<td>1.6</td>
<td>-0.3</td>
</tr>
<tr>
<td>Total unemployment rate</td>
<td>10.0</td>
<td>11.2</td>
<td>10.9</td>
<td>11.0</td>
</tr>
<tr>
<td><strong>PL</strong></td>
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<td></td>
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<tr>
<td>Change GDP</td>
<td>1.6</td>
<td>3.9</td>
<td>4.3</td>
<td>2.7</td>
</tr>
<tr>
<td>Unemployment</td>
<td>8.2</td>
<td>9.6</td>
<td>9.7</td>
<td>9.9</td>
</tr>
<tr>
<td><strong>SK</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Change GDP</td>
<td>-4.9</td>
<td>4.4</td>
<td>3.2</td>
<td>1.8</td>
</tr>
<tr>
<td>Unemployment</td>
<td>12.1</td>
<td>14.5</td>
<td>13.6</td>
<td>13.7</td>
</tr>
<tr>
<td><strong>SI</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Change GDP</td>
<td>-8.7</td>
<td>0.9</td>
<td>0.4</td>
<td>-2.5</td>
</tr>
<tr>
<td>Unemployment</td>
<td>5.9</td>
<td>7.3</td>
<td>8.2</td>
<td>8.9</td>
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<tr>
<td><strong>EU-27</strong></td>
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<td></td>
</tr>
<tr>
<td>Change GDP</td>
<td>-4.3</td>
<td>2.1</td>
<td>1.5</td>
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<td>10.3</td>
</tr>
</tbody>
</table>
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.
CB developments: Hungary

- 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.
CB developments: Hungary

- **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)
CB developments: Slovakia

- 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.
CB developments: Slovakia

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

- **New government 2010: abolition *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
- Conflicting 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.
CB developments: Poland

- **Effects of crisis diverging** between export-dependent and 'sheltered' sectors (Meardi/Trappmannn 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** (Mrozwicki 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.
CB developments: Slovenia

- 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)

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

<table>
<thead>
<tr>
<th>Public debt (% of GDP 2011)</th>
<th>High (≤ 100%)</th>
<th>Medium (&lt;100→60%)</th>
<th>Low (&lt; 60%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No cuts (2008-2012)</strong></td>
<td></td>
<td>AT, MT</td>
<td>DK, FI, SE</td>
</tr>
<tr>
<td><strong>+0% (2008-2012)</strong></td>
<td>BE, GR, IT, IR, PT</td>
<td>CY, FR, NL, ES, UK</td>
<td>BG, CZ, EE, LV, LU, PL, RO, SI, SK</td>
</tr>
<tr>
<td><strong>Cuts (2008-12)</strong></td>
<td><strong>GR, IR, IT, PT</strong></td>
<td>DE, HU, ES</td>
<td>CZ, EE, LV, LT, RO, SK</td>
</tr>
</tbody>
</table>
Conclusions:

- **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;
Conclusions:

- **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 dialogue' 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;
• 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