

# Where Do Trade Unions Stand in Eastern Europe Today? Stock-taking after EU Enlargement

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**T**he transformation of formerly socialist countries in Central and Eastern Europe presented trade unions with an enormous challenge. Their status as mass organizations with a clearly defined mandate from the state suddenly disappeared in 1989/90. The first restructuring phase in the 1990s was characterized by introduction of the market economy, competition, privatization, start-up companies, and job cuts, and, in association with this, the unions were compelled to engage in social dialogue with governments and employers in order to renegotiate working conditions and pay. In addition, countries in the region were required to transpose community law (*acquis communautaire*) and to integrate into transnational contexts in the run-up to EU accession. This two-pronged pressure to modernize stretched labor organizations' ability to adapt and innovate in the extreme. They had to build up new structures of industrial relations in a short period of time – something that had taken Western Europe decades to develop.

## Trade Union Reinvention after the Transformation

It would be erroneous to assume that the trade unions in Central and Eastern Europe (CEE)<sup>1</sup> have attained some sort of uniformity in the wake of transformation and EU integration. Although they share a similar recent history, they have certainly gone their separate ways in their efforts to come to terms with the changed general framework. The pressure to adapt and innovate as a result of the transformation after 1989/90 and EU accession in 2004/2007 has been enormous and historically unprecedented. The fact that the results have been so different, irrespective of

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1. The CEE countries are defined as those acceding to the EU in 2004 (Estonia, Latvia, Lithuania, Poland, Slovakia, Slovenia, Hungary, Czech Republic) and in 2007 (Bulgaria and Romania).

countries' former bloc alignment (Soviet Union, Warsaw Pact, or non-aligned states) should come as no surprise.

The greatest challenge for the trade unions was an almost complete change of paradigm: from corporations with compulsory membership to voluntary associations of employees. In the past, they were agents of enterprises under »real socialism« and concentrated on social matters not directly connected with the workplace (holidays, housing, and so on); they participated in state-dominated wage determination merely in an advisory and legitimizing capacity, and had no responsibility for job security in view of guaranteed full employment.

This changed radically after the transition to the market economic system: they were now confronted with profit-oriented managements united in employers' associations, and had to engage in collective bargaining and industrial action without previous experience. Added to this was their autonomy vis-à-vis the state and the independent, pro-active role expected of them in national tripartite bodies that determined important framework conditions (especially new Labor Codes and minimum wages). Also new was the experience of large-scale redundancies. Furthermore, the Baltic States, the Slovak Republic, and Slovenia had first of all to make work government administrations and legislative processes that were only in place from the early 1990s on.

Even so, the results of restructuring and the innovations implemented by the unions in individual countries – for example, in matters of shop-floor representation, bargaining structures, and in the national context – are altogether impressive, as is the diversity of new organizations and structural differences between national confederations (see Annex 1).

## **New Trade Union and Industrial Relations Structures**

The position in which individual national trade union confederations find themselves today has been determined by preparations for and the course of system transformation at national level. A comparison of three CEE countries with other new EU member states may help to illustrate the situation.

Poland was the first of the former socialist countries to glimpse the end of the existing totalitarian system, in the early 1980s when trade unions re-emerged in the form of a massive strike movement. The newly-founded alternative trade union *Solidarność* came to be so popular that

the former monopoly organization, the CRZZ (Central Council of Trade Unions), was dissolved when martial law was imposed at the end of 1981, alongside the new organization, which had its property confiscated by the state.

In 1984, a large number (some 100) of newly-registered sectoral organizations united to form the OPZZ (All-Polish Alliance of Trade Unions), the largest confederation so far; the property of the two previous federations was transferred to it. In 1989, NSZZ Solidarność was re-established and formed the government that year after the first free elections. In the subsequent period, the two large confederations were marked by strong party-political affinities and ensuing polarization. The trade union scene fragmented further when a third, non-partisan force, the Forum of Trade Unions (FZZ), as well as a large number of autonomous and non-affiliated sectoral and company unions, were founded. Despite its withdrawal from politics after 2000 and greater concentration on trade union activities proper, the Polish trade union movement has never regained its initial influence and importance.

In Hungary, too, the organizational transformation of the trade unions started early, at the end of the 1980s. A large number of central organizations were established (six national confederations – see Table 1). In this case, however, the new confederations cooperated from the start, in particular in the national Tripartite Council for Interest Reconciliation, and came to be the driving force behind restructuring. They were also the first to successfully consolidate their organizational role in companies by establishing elected works councils in 1992 in order, amongst other things, to prevent unfair and delayed distribution of union property. But this did not halt the continuing decline in membership.

Slovenia was typified by almost unbridled organizational diversity until the recent past. Diversification took place in two waves, after 1990 and again after 2000, resulting in the current seven central organizations. The tradition of self-government in Slovenia has helped to halt the erosion of trade union power (see Table 2). In this small republic, prosperous even in the former Yugoslavia with its »socialist market economy,« a strong union presence was successfully maintained, including in the workplace, reinforced by the introduction of works councils in 1993 (excluding small businesses). An important innovation was sectoral wage determination in combination with coverage of all workers by collective agreements. Tripartite structures at national level and in social policy, linked up in networks in many and diverse ways, are another important feature.

Table 1:  
Organizational Diversity and Density of  
Trade Union Centers/Trade Unions and Employers' Associations

	<i>LV</i>	<i>SK</i>	<i>CZ</i>	<i>EE</i>	<i>LT</i>	<i>PL</i>	<i>BG</i>	<i>RO</i>	<i>HU</i>	<i>SI</i>	<i>HR</i>	<i>EU-15</i>
<i>TUC (1)</i>	1	1	2	2	3	3	3	5	6	7	6	
<i>EA (2)</i>	2	2	2	1	2	4	6	11	9	4	1	
<i>TUD (3)</i>	16	22	20	11	12	14	20	35	17	44	31	26
<i>EAD (4)</i>	25	30	35	25	20	20	65	75	40	40	30	67

(1) Number of representative national Trade Union Centers (TUC);

(2) Number of national Employers' Associations (EA);

(3) Density of Trade Unions (TUD), % of total workforce;

(4) Density of Employers' Associations (EAD), % of private sector workforce

*LV*: Latvia, *SK*: Slovakia, *CZ*: Czech Republic, *EE*: Estonia, *LT*: Lithuania, *PL*: Poland, *BG*: Bulgaria, *RO*: Romania, *HU*: Hungary, *SI*: Slovenia, *HR*: Croatia, *EU-15*: European Union countries before 2004 enlargement.

Table 2:  
Trade Union Membership Rates 1995/2006 (1)

	<i>LV</i>	<i>SK</i>	<i>CZ</i>	<i>EE</i>	<i>LT</i>	<i>PL</i>	<i>HU</i>	<i>SI</i>	<i>EU-15</i>
1995	28	57	46	32	20	33	63	63	31
2006	16	22	20	11	12	14	17	44	26

(1) Sources: Van Geyes et al. 2007; Hülsmann/Kohl 2006; own research.

Conversely, other countries, such as the Czech Republic, Slovakia, and Latvia, were able to prevent trade union pluralism to a large extent by rapid – and in part thorough – reorganization (see Table 1). Their innovative strength and ultimately their organizational clout did not improve to the same extent, however. Conventional structures of interest representation (in the workplace and in pay policy – see below) were adapted less rigorously. Owing to the lack of union success (regarding job security, labor standards, wage determination and statutory minimum pay), it was impossible to halt the decline in membership, which is continuing (see Table 2).

Compared to West European trade union confederations, constitutive differences exist between the confederations. Even though a trend towards declining membership has also characterized Western Europe (excluding the Scandinavian countries) since the mid-1970s, though less dramatically,

it has not yet undermined minimum standards at work, not least due to well-functioning structures of bilateral social dialogue and accompanying legal regulations. In the EU-15 countries until 2004, this applies to both national collective labor law and minimum standards required under relevant EU directives. New structures of industrial relations that developed during CEE transformation are marked by three features:

1. The *state* continues to play a dominant role in determining remuneration systems, which are influenced by minimum wage levels. The same is true of other working conditions, although diminishing in the recent past. The social partners have been given greater freedom in shaping their bilateral relations as a result of liberalization and deregulation in the wake of EU accession. Nonetheless, the state remains pivotal in the tripartite economic and social councils that have extensive regulatory powers in economic and social policy in all the countries.
2. With few exceptions, *bargaining policy* is marked by either the complete absence of or seriously flawed sectoral negotiating structures (that is, centralized collective agreements for whole industries). Company agreements are predominant, in parallel with a limited willingness or ability to take industrial action due to sometimes extremely restrictive strike legislation. Outside the sphere of government, industrial action is taken at the level of individual companies, if at all. Simultaneously, the procedure of declaring collective agreements generally binding, which plays a crucial role in Western Europe to balance low levels of unionization and limited sectoral coverage, is underdeveloped or largely non-existent in Central and Eastern Europe.
3. The *world of business* has generally been transformed in the direction of a multitude of small and medium-sized enterprises (SMEs). Small business structures have replaced the previously dominant corporate entities and collective combines, supplemented by numerous service-providing businesses. Trade union presence is not merely fragmented, but largely non-existent in these new structures, with the exception of formerly state-owned larger business entities. Given the large number of »non-union« companies (up to 80 percent) and even non-union sectors (also lacking employers' associations), the essential conditions for collective bargaining and bilateral wage settlements are missing. In addition, there is no employee involvement as required under the EU Directive on Minimum Standards for Information and Consultation of Employees of 2002. Works councils, which might have compensated for these shortcomings as an institutional representative body,

have largely not been established, not least owing to resistance on the part of national trade unions that fear unwanted competition, in disregard of the potential benefits of such an institution for their own activities. Implementation of the EU Directives of 1994 (on European works councils) and 2002 generally promises a change for the better in the medium and longer term.

Given these structural features, a regional profile of Eastern European trade unions and their industrial relations is evolving that, in terms of both history and current practice, contrasts with the prevalent continental European, Scandinavian, Romance, and even Anglo-Saxon industrial relations, although the latter is relatively close to the Eastern European type in some respects. Identification of a separate »CEE transition model of industrial relations« (Kohl/Platzer 2004: 360), different from other typologies dominant in the EU, therefore suggests itself. That said, while the initial situations may have been comparable, the results of social dialogue and union activities are clearly disparate. The differences in union structures and capacity-building, the outcomes of their distributional and representational policies, and the challenges to be faced in the global and EU contexts will be analyzed below.

## **Trade Unions Today: Potential and Fields of Action**

New forms of trade unions developed in each of the Eastern European countries during the period of transformation. Newly-established associations and refoundations sprung up everywhere, once the previously monolithic trade union organizations were disbanded (see Annex 1). They differ in the extent to which they have restructured and used the new freedom of association, however. A smaller number of countries managed to start with a clean sheet after having shed their political ideology and changed the leadership. This applies, in particular, to those in which formerly state-controlled labor organizations came to be the drivers of transformation at the so-called »round-tables« of reform forces, notably in the Czech and Slovak Republics. In others, where the situation changed completely due to the formation of new and alternative trade unions at a very early stage, such as in Poland, Hungary, Slovenia, and Lithuania, political and ideological aspects were correspondingly more virulent and resulted in a multitude of new foundations until the mid-1990s, and in some cases until very recently.

The new pluralism made it difficult to distribute former trade union property. This turned out to be a formidable challenge and put a strain on inter-union relations. A quick solution, as in the Hungarian case where the results of the first works council elections in 1992 also determined the mode of distribution, was the exception and longer delays the rule, at the expense of competitors who had arrived later on the scene. The internal organization of the trade unions also varied greatly in this process of change. It should be mentioned that the internal administration of the »transformed« organizations, with its relatively large number of sectoral sub-structures, was maintained, despite persistent heavy membership losses and the changed functions of these sectoral bodies. Under the new conditions, the sectoral organizations have lost their former functions in social, cultural, and leisure matters, but still retain some importance within the framework of an independent bargaining policy. But sectoral agreements currently exist in only a minority of Eastern European countries. In contrast, the number of sectoral affiliates has tended to be lower in the case of new foundations. Countries marked by significant trade union pluralism are left with an impressive number of sectoral organizations, which does not necessarily ensure greater clout in collective negotiations.<sup>2</sup>

The Polish *Solidarność* has established an internal administration that contrasts with these differentiated and decentralized structures: There are sectoral offices only at headquarters, with sub-divisions even in the regional sub-centers, unlike the OPZZ with its approximately 100 sectoral branches. Yet another organizational structure has been set up by the Estonian trade unions, which modeled themselves on the Scandinavian system of separate associations for blue- and white-collar workers (in this case: EAKL and TALO linked up by cooperation).

While such deep-structured forms of organization might have appeared promising initially, conditions changed with the onset of transformation and the rapid and partly dramatic decline in membership that followed. Nowadays, the executive office of many sectoral unions – and smaller confederations, too – often consists of no more than a chairperson and treasurer, as well as a secretary. A particular hurdle for higher trade union recruitment is the fact that employees in micro-businesses, and

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2. The number of sectoral federations affiliated to national confederations is: CZ 62, EE 31, HR 112, HU 165, LV 24, LT 45, PL 139, SI 63, SK 35, BG 59, RO 167; total in 11 countries: 892 (see European Foundation 2007).

unemployed or temporarily employed persons are sometimes legally excluded from joining unions.

Without exception, revenues from membership fees are distributed differently from, for example, Germany or comparable union confederations in Western Europe. The largest proportion of union dues, 60 to 90 percent on average, usually remains with the organization at company level; 10 to, at most, 30 percent is passed on to the sectoral union; leaving a mere 2 to 10 percent for the central organization. Moreover, almost nothing is left for strike funds, except at *Solidarność* in Poland and *ZSSS* in Slovenia.<sup>3</sup> Funding levels are below those usual in Western Europe (in Germany, for example, membership dues are paid in their entirety to the sectoral unions and 12 percent of this is passed on to the DGB as the central confederation).

Total revenues from membership fees, even if sometimes supplemented by earnings from former trade union property (letting real estate, and so on) or other national and international sources, are normally insufficient to fund the expert staff needed to keep the organization going, let alone expenditure on new campaigns and projects. Complaints about a lack of legal and economic experts or persons able to provide training in collective bargaining arise in almost every analysis of capacity-building among national confederations,<sup>4</sup> not to mention shortcomings in trade union education and consultancy, or the necessary public relations activities, both internal and for the general public. Nor is it always possible to evaluate existing company agreements, sometimes numbering several thousand. In many cases, legal protection of members also falls by the wayside. Although the qualifications of existing staff are usually above average, the workforce urgently needs to be expanded in view of new requirements, including international cooperation.

## Shop-floor Presence Some Compensation?

The trade union scene, with its characteristic decentralized distribution of resources, could be effective to the extent that it was strongly rooted

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3. The percentage of membership dues reserved for the national centers in 2005: HU 2.5; LV 3; EE 3; LT 3.5; SK 3.8; CZ 5; PL 7.5; SI 10 (see Hülsmann/Kohl 2006).

4. Results of a poll taken in the new member states as part of the project »Capacity-Building of Social Dialogue« carried out by the Dublin Foundation, 2005–2006 (see Hülsmann/Kohl 2006; European Foundation 2007).

at the level of companies and administrations. But again, major differences and distortions have evolved.

Trade union representation is most widespread in areas in which previously state-run major corporate entities continue to operate, and also in the public sector, such as education and health care. In contrast, it is the exception in the newly-developed private sector, given the predominance of small and medium-sized companies and a growing service sector. In consequence, workplace interest representation by trade unions or works councils is mostly lacking, especially in small and medium-sized enterprises, averaging across all workers (see Table 3).

Table 3:

Trade Union Density, Workplace Representation, and Collective Agreement Coverage as a Percentage of All Employees

	<i>LT</i>	<i>PL</i>	<i>EE</i>	<i>LV</i>	<i>CZ</i>	<i>HU</i>	<i>SK</i>	<i>SI</i>	<i>HR</i>	<i>BG</i>	<i>RO</i>	<i>EU-15</i>
Trade union density	12	14	11	16	20	17	22	44	31	20	35	26
Workplace representation (1)	20	20	22	25	35	36	40	50	—	—	—	59
Collective agreement coverage	15	25	20	18	33	40	40	100	50	35	50	71

(1) Workplace representation by works councils and trade union organizations.

Sources: Hülsmann/Kohl 2006; Van Gyes et al. 2007; eiro.

In Western Europe, the percentage of workers represented in the workplace is twice that of union members. In France, Austria, Germany, Belgium, and Italy, 50 to 75 percent of employees are represented in some form or other, and the figure tends to be even higher in Scandinavia owing to high levels of unionization. At best, the situation is slightly more promising in areas in which established works councils, as representational institutions elected by the entire workforce, have used their legal status to help trade unions get a foot in the door, including at local level, thus offering them an opportunity to prove themselves (for example, in Hungary in 1992, Slovenia 1993, Croatia 1996, Slovakia 2003).

This leads us to a cardinal problem with far-reaching consequences: Eastern European trade union organizations, adhering to the traditional

concept of uniform shop-floor representation of workers' interests, have mostly resisted the establishment of Western-style works councils, which they consider to be competitors. Until recently they opposed, at times fiercely, any such government initiatives, while the employers accepted the plans in part. These initiatives have to be understood against the background of the new EU Directive on Information and Consultation of Employees in European Enterprises of 2002, and the attendant requirements. In view of insufficient union presence in enterprises and thus no counterpart for corporate management, governments felt obliged to revise the Labor Code – not least due to pressure from Brussels in regular EU screening reports.

Table 4:  
Different Forms of Shop-floor Representation in CEE

<i>Sole trade union representation (single channel)</i>	<i>Union representatives or works councils as alternatives</i>	<i>Dual representation: trade unions and works councils</i>
<ul style="list-style-type: none"> <li>▶ Estonia (usual practice)</li> <li>▶ Latvia (usual until now)</li> <li>▶ Lithuania (usual until now)</li> <li>▶ Poland (monopoly position by law until 2006, except for state-owned enterprises)</li> <li>▶ Bulgaria, Rumania (until EU accession)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Czech Republic (from 2001)</li> <li>▶ Slovakia (2002 to 2003)</li> <li>▶ Lithuania (from 2003, implemented by special law in 2005)</li> <li>▶ Poland (new law 2006: works council if &gt; 50 employees and no union representation)</li> <li>▶ Romania (from 2003)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Hungary (since 1992)</li> <li>▶ Slovenia (since 1993)</li> <li>▶ Croatia (since 1996)</li> <li>▶ Latvia (2002, seldom)</li> <li>▶ Slovakia (from 2003)</li> <li>▶ Bulgaria (from 2006)</li> <li>▶ Estonia (2007, seldom)</li> </ul>

Some countries compromised by adopting statutory regulations that were new in Europe in so far as they initiated an »alternative model« compared to that of dual interest representation in continental Europe; this so-called »Czech model,« under which a works council can be established only if, and as long as, there is no union representation (see Table 4), was later transferred to other countries. Without clearly-demarcated responsibilities between these two forms of representation, however, the result will be a form of mutual exclusion at the expense of institutional workplace representation.

The single-channel interest representation enforced by the Czech, Polish, and Baltic trade union confederations meant that practically no

works councils were established in these countries, nor in a number of others. At best, attitudes may be said to have recently changed to some degree in the Slovak Republic. But the introduction of a two-channel system (see Table 4) might be expected to gain new momentum in the wake of EU accession and in connection with European works councils.

Owing to the above-mentioned defensive attitude towards works councils, the positive effects on trade union presence that a representational body elected by the entire workforce might bring were not taken into account:

- ▶ Previous non-members may realize the need for a collective organization once they have enjoyed the new experience of participation and interest representation;
- ▶ the necessary training and advisory services for works councils may also be provided by trade union centers;
- ▶ works councils offer new opportunities for recruiting members in sectors and enterprises that are not yet unionized.

Apart from the positive image of the organization, the main motivation for joining a trade union is the presence of a representational body in the workplace, as a recent poll amongst members of IG Metall demonstrated (Pyhel 2006).

## Trade Unions as Partners in Collective Bargaining

In Central and Eastern Europe, collective negotiations are dealt with primarily at company level – in contrast to the usual procedures in Western Europe, with the exception of Great Britain and Ireland. This is possible, however, only if there is a local union organization in the company. Again, inadequate union presence has serious repercussions because in some Eastern European countries workers are covered by collective agreements only to a limited extent (see Table 3). Even when some governments – such as the Orbán administration in Hungary (1998–2002), and more recently in Lithuania and Latvia – gave works councils, as representational institutions, a mandate to negotiate collective agreements as well, it had little effect.

From a labor point of view, bargaining policy is proving most beneficial in countries such as Slovenia, and in part Slovakia, where sectoral agreements are negotiated bilaterally and then declared *generally binding*, including non-members of employers' associations or trade unions, by

decision of the Labor Minister responsible. This is common practice in Western Europe, but in Central and Eastern Europe general only in Slovenia and Romania.<sup>5</sup> In Romania every sectoral agreement applies to all employers in that sector by law – and a company agreement covers all workers, irrespective of whether they are union members or not. Similarly, sectoral agreements are generally binding in parts of the Czech and Slovak Republics, Hungary, and Bulgaria, and rarely in Estonia and Lithuania, but not yet in the Polish and Latvian private sectors (see Table 5 and 6).

Cross-sectoral national agreements based on social pacts and bilateral or tripartite regimes (for example, for the private or public sector) have also proved quite useful in regulating working conditions; they define so-called corridors for subsequent negotiations on pay or other general conditions, such as working time, holidays and holiday bonuses in sectors or companies, and leave bargaining scope to the lower levels in the sector and company concerned.

Mention should also be made of coordinating tripartite economic and social councils at the national level and their operation. They have been set up in all the new member states and ensure equal participation of employers and trade unions. From a labor perspective, their most important function is the determination and adoption of a national minimum wage, which, in the absence of collective agreements, is the only relevant standard considered by employers in determining individual wages. In some countries tripartite councils are used to deal with the widespread habit of topping up the minimum wage by concealed payments, which are sometimes several times the minimum wage (so-called *envelope wages* or non-declared pay components – »cash in hand«) (for details see EC 2005: 158; EC 2007a).

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5. The complete coverage by collective agreements in Slovenia (see Table 3) will probably not continue. A change of the law in 2006 put an end to compulsory membership of all employers in the Chamber of Commerce and Industry, which was the relevant bargaining counterpart of the trade unions from the beginning of the transition in 1990.

Table 5:  
Collective Bargaining Levels and Their Importance in CEE

	<i>National</i>	<i>Sectoral</i>	<i>Enterprise</i>
<i>CZ</i>	no social pacts or bilateral negotiations	some »higher level« agreements (for 24 % of employees)*	company agreements more important (for 29 % of employees)
<i>EE</i>	no bipartite negotiations or social pacts	state sector only and healthcare sector (generally extended)	company agreements remain dominant
<i>HU</i>	tripartite recommendations for negotiations on lower levels	bipartite sectoral committees in 36 sectors; several agreements exist	company agreements for about 1/3 of all employees
<i>LV</i>	tripartite concertation, no negotiation	in public sector only	company agreements are dominant **
<i>LT</i>	no social pacts, no bipartite negotiations	in public sector, first agreement in private sector in 2005***	company agreements are dominant
<i>PL</i>	tripartite concertation only with recommendation for bargaining	12 tripartite sectoral committees to prepare agreements	company agreements as a rule if TU representation exists
<i>SI</i>	social pacts with framework regulation	sectoral agreements in all 34 sectors	numerous company agreements
<i>SK</i>	no social pacts	agreements in most sectors	many company agreements
<i>BG</i>	social pact 2006, bilateral agreement	agreements in about 70 sectors	many company agreements
<i>RO****</i>	bilateral national agreement 2007–10	agreements in 21 of 32 sectors	company agreements important

\* Several with general extension (= binding on all employers) by new law of 2005.

\*\* Missing collective bargaining particularly in private service sectors.

\*\*\* In agriculture with general extension by government.

\*\*\*\* Collective agreements of all levels are generally binding for all employees of a sector or automatically extended to all employees in a company according to law.

Table 6:  
**Enlarged Coverage of Sectoral Collective Agreements  
 by General Extension in a Sector**

	<i>Coverage by collective agreements (%)</i>	<i>General extension to all employers in a sector</i>
Slovenia	100	agreements in all sectors
Romania	50	all sectoral agreements
Slovak Rep.	40	possible
Hungary	40	possible (seldom)
Bulgaria	35	possible
Czech Rep.	33	increasing since 2000/2005
Poland	25	possible since 2000 (seldom)
Estonia	20	possible since 2000 (very seldom)
Latvia	18	possible since 2002 (very seldom)
Lithuania	15	possible since 2003 (1 sector to date)

## **Results: Strengths and Weaknesses of Trade Union Policy**

What positive results have trade unions been able to attain? In terms of real purchasing power, the new Central and Eastern European EU members earn minimum wages of between a quarter and, at most, half of the minimum pay of the top-ranking Western European countries. Minimum pay in these countries ranges between 110 and 540 euros a month and is always less than half the average national income. Minimum pay levels are therefore *below the poverty line*, which the European Union defines as no less than 50 percent of average pay in a given country, while in the EU-15 they are much closer to this value, with a few exceptions (Eurostat 2007; EIRO).<sup>6</sup>

6. In Romania, Latvia, Lithuania, and Poland the minimum wage has reached 30–35 percent of average national wages (2007/2008), in Hungary, the Czech and Slovak Republics 36–40 percent, and in Bulgaria, Estonia, and Slovenia 41–46 percent.

Conversely, minimum pay levels have been going up recently to an extent which no one had thought possible prior to EU accession, thus narrowing the gap. This trend will persist in Central and Eastern Europe in 2008, with high double-digit growth figures (especially in Romania, Latvia, Estonia, and, lately, in Poland).<sup>7</sup>

Existing collectively-bargained wages and actually paid wages will ultimately benefit from such huge increments. Both are increasing at a similar speed in line with minimum wages, albeit at a considerably higher level. Simultaneously, so-called wage drift – that is, the difference between collectively-agreed and actually paid wage increments – is greater, on average, the more restraint trade unions show in their wage demands. Possible wage increments following productivity and inflation rates, which union bargaining parties do not realize in negotiations, are often paid voluntarily by employers to top up pay, depending on the labor market situation.

The result, which is certainly different from what is being practiced in Western Europe, is ultimately not a convincing argument in favor of joining a trade union for personal benefit. In fact, it may have given the impression to some as yet unorganized groups of employees, such as younger salaried workers, that their personal economic prosperity depends much more on their own performance than on collective solidarity.

Conversely, workers can see with their own eyes how incomes are drifting apart at a prodigious rate; in the new member states, with a few exceptions (Slovenia, Hungary, Czech Republic), the difference between the two extremes far exceeds the EU average (see income disparities between the 20 percent lowest earners and the 20 percent highest earners published periodically by Eurostat).

The fact that the absence of collective agreements leads to less favorable working conditions and, in particular, blatantly unfavorable working time and labor-law standards overall<sup>8</sup> is the downside of fragmented

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7. In Latvia minimum wages in 2007 were 31.8% higher than the previous year and in 2008 32.8% compared with 2007; Estonia 2007 +19.8%, 2008 +20.8%; Romania 2007 +18.9%, 2008 +28.2%, Bulgaria 2007 +12.8%, 2008 +22.2%, Czech Republic 2007 +10.3%, 2008 +0%, Slovak Republic 2007 +10.1%, 2008 +6.6%, Lithuania 2007 +9.4%, 2008 +16.7%, Hungary 2007 +9%, 2008 +5%, Poland 2007 +4.1, 2008 +20.2%, Slovenia 2007 +2%, 2008 +3.2%.

8. See Index of Labor Rights Standards (LRS), which measures the level of implementation of labor rights (in Kohl et al. 2006). In CEE, they usually oscillate far below the EU mean value (= 75, given a total range of between 40 and 90 index points).

bargaining, in whatever form. The difference in annual hours worked between Latvia and the Netherlands is 259 hours (2004), equivalent to slightly more than 1.5 months. On the other hand, trade unions cannot score well even with the best of intentions in – comparatively well-organized – enterprises and sectors if the employer is unwilling to bargain, or employer representatives turn up without a proper bargaining mandate, which also happens frequently.

Even the strike weapon, as a last resort, can be used far less effectively in CEE than in Western Europe, not least owing to non-existent or inadequate strike funds or because solidarity is only occasionally achieved since the focus is usually on company agreements. *Legislation on industrial action* itself is in part extremely restrictive and, being prohibitive in tendency, contradicts the relevant ILO conventions. In Lithuania and Latvia, the employer must be notified in writing of an intention to strike at least 7 or 14 days, respectively, before industrial action is taken. In the Czech Republic, a list of all workers willing to strike must be handed over to the employer; prior to that, at least 50 percent of the workforce must have voted in favor of strike action. In Lithuania, the quorum requirement is two thirds, and in Latvia three quarters. Whatever the figure, involvement of a statutory arbitration panel is mandatory before any industrial action can be taken. In consequence, practically no sector-wide strike action has been organized in the private sector in most of these countries in the last decade, and in the recent past occurred in larger enterprises at best.

*The conclusion* is that trade union successes in Eastern Europe have been marred by both a detrimental initial situation and current structural conditions. Existing deficiencies result not least from the liberalization trap triggered by the withdrawal of the state in the wake of EU accession; when the state disengaged from its function of regulating industrial relations, which it often carried out in the past with great attention to detail and in many cases with a pro-union stance, the social partners were left to their own devices and were neither willing nor able to assume decision-making responsibilities on behalf of the majority of stakeholders. This unpleasant state of affairs for the workers has, with good reason, been described as the »liberalization dilemma« (Bluhm 2006).

Yet the picture is not all gloomy, despite the regulatory shortcomings. The necessary framework regulations of EU Community law (»acquis social«) have been, at least formally, incorporated in the labor law of all member states for a long time, thus enforcing the application of minimum standards for working and social conditions in these countries. What

really matters now is the extent to which they can be put into practice by everyone concerned. A number of positive factors will facilitate such a process, and might do so more vigorously in future.

## Opportunities and Tasks after EU Enlargement

Hundreds of thousands of workers left home during the accession waves in 2004 and 2007, emigrating to EU member states willing to take them, such as Ireland, the UK, Scandinavia, and others. The repercussions have been unexpectedly drastic for smaller countries of origin, in particular.

In some sectors, entire occupational groups were leaving on such a massive scale that serious supply shortages ensued in their home countries, such as in the health sector in Estonia and Latvia, and of skilled labor in the industrial and construction sectors generally. The *shortage of labor* has triggered significant pay rises in the meantime, and incentives have been offered to returning workers. This can be expected to narrow the socio-economic gap in these countries considerably. Average pay in the Estonian health sector increased by 25 percent in 2007, for example, and by another 21 percent in 2008. The effect of labor shortages can also be felt strongly in some sectors in other CEE countries.

The increasing number of vacancies threatens economic growth in the Czech Republic. This is why the government, in cooperation with EURES, has been attempting to recruit foreign labor and specialists (mainly from Slovakia and Poland so far) since 2003 – though not yet very successfully. In Poland, the statutory minimum wage was increased by 20 percent in 2008 for the same reason, while public sector pay went up by 9.3 percent (in line with an agreement between the government and Solidarność in August 2007). Toshiba is looking for 23,000 workers from EU countries for its planned production of flat-screen monitors in the Wrocław plant, of whom no more than 7,000 could be recruited by the end of 2007. Programmers already make as much money in Warsaw as they would in Western Europe. Even in Bulgaria, the exodus of in excess of one million wage-earners has had a negative effect on the labor market and motivated the launch of a future-oriented government program, drawn up in consultation with the social partners, and pay rises of 12.9 percent in the private sector in 2007 following an agreement between the trade unions and employers. The situation and consequences are similar in Romania.

*Demographic change* is causing serious problems here and elsewhere in Central and Eastern Europe. It will have a critical effect on the future development of industrial relations, given the dramatic decline in birthrates after transformation. In parallel, unemployment has been continuously declining during the last three years, with fluctuating levels in the CEE countries below those of the EU-27. The unemployment rate is still above the EU average in Slovakia, Poland, and Romania, but already far below EU levels elsewhere in the region (see Table 7).

Hard-core *youth unemployment* at twice EU levels continues to be a cause for concern, since this age group might be expected to be willing to emigrate as a result. The lack of opportunities for younger workers is indeed a serious phenomenon across Europe, but it is still being discussed with regard to its effects – for example, periodical protests amongst young people – rather than its causes and how to come to terms with them.

Table 7:  
General and Youth Unemployment Rates (end of 2007)

	LT	CZ	SI	EE	LV	BG	HU	SK	PL	RO	EU-27
Whole labor force	4.0	4.8	4.3	5.2	5.4	5.8	7.3	11.0	8.5	7.2	6.9
15–24 years	8.9	9.2	9.8	10.7	11.9	12.0	18.3	18.3	19.3	21.6	14.9

Source: Euro indicators (Eurostat), 3/2008.

Eastern Europe has set out on a new road that promises more rapid adaptation of living and working conditions – something that will support trade unions and their goals in the EU as a whole. A more proactive wage and distribution policy will also benefit from persistent *economic dynamism* after EU enlargement, currently most conspicuous in countries normally ranked at the bottom end of comparative scales, such as the Baltic States or Romania. Growth rates, already high in the economies of Eastern Europe, have all continued to rise post-2004. According to EU Commission estimates, they will be maintained at the equivalent of two to three times Western European levels; the situation is similar for productivity, again most clearly visible in the Baltics and Romania, with increments of between 10 and 16 percent, including in real wages and corresponding adjustments of minimum wages after 2004 (EC, Statistical Annex of the European Economy 2007). Nonetheless, wage moderation still prevails in Hungary, Slovakia, and Poland – similar in magnitude to Germany.

## Focal Areas for Trade Unions

All things considered, initial conditions are rather encouraging and should be used constructively. If things work out well, it will considerably boost the unions' current image in these countries, halt their organizational decline, and stabilize them. Judged from the experience of a number of cooperation projects with Eastern European trade unions, the following conditions must first be in place if their position is to improve:

- ▶ Targeted membership recruitment drives, more intensive public relations, and the organization of image campaigns appear to be matters of some urgency. Legal restrictions on joining unions for employees in micro-enterprises, students, unemployed or temporarily employed persons should be revised in CEE.
- ▶ This includes first and foremost activities at company level. A positive experience with works councils and European works councils might help to overcome reservations about this institution and so, provide an opportunity to exploit its advantages by actively implementing the EU Directive of 2002. Continued rejection of works councils as an institution might lead weakly-developed trade unions into an organizational impasse due to a lack of presence in the workplace. The »alternative model« of either works council or trade union introduced in Eastern Europe might reinforce potential members' impression – greatly feared by the trade unions – that works councils can achieve the same results without their having to pay membership dues.
- ▶ A successful distribution and bargaining policy is the basis on which to judge trade unions. It is therefore indispensable to disseminate basic economic know-how on a broad scale and to teach negotiating skills, as well as the basic rules on how to exert pressure successfully and organize strike action.
- ▶ Organizational fragmentation and resultant competitive behavior are often the main obstacles to improvement. Greater attention needs to be paid to mergers between the often too numerous member unions, and even between confederations (as happened, e.g. in Hungary, Lithuania, and, recently, Romania). Attempts should at least be made to cooperate as much as possible whenever the opportunity arises.
- ▶ Globalization calls for more internationally-coordinated activities, mutual support and cooperation. Key areas include the coordination of bargaining policy (see the positive example of the Vienna Memorandum in force in the South-East European metal industry since

1999) and also the European sectoral dialogue. Added to this are the activities of the Interregional Trade Union Councils (IRTUCs), linking certain border regions, and the Global Union Federations (GUFs), the successors of the former trade secretariats.

- ▶ It appears absolutely indispensable to involve the new member unions – and even confederations not yet affiliated, if required – in the activities of the European Trade Union Confederation (see overview in Annex 2) to a greater extent. Obvious inadequacies in the social dialogue and implementation of fundamental labor law standards call for greater support of Eastern European trade unions by their Western partner organizations, with the aim of coming to terms with global challenges – even after EU accession has been completed.

All this is necessary, in the interests of both sides. With this in mind, the international solidarity of the trade union movement can be maintained and the ominous race to the bottom concerning labor standards – causing constant plant relocations and general job insecurity – can be halted. Instead, we should attempt to return to the former *upward spiral* towards higher standards that dominated the transformation phase without exception and was, after all, the ultimate goal of EU integration. Ultimately, it will be essential for unions to gradually overcome the differences between regions and harmonize working and living conditions in the enlarged EU in the longer term with the aim of obtaining greater clout against a globally operating capitalism.

Looking at the Eastern European trade unions overall, it will probably take those in the southern part of the region (such as Slovenia, Hungary, or the Czech Republic) the shortest time to achieve this goal because their industrial relations tend to follow those of continental or North European countries more closely, while the more conservative northern part of the region, principally Poland and the Baltic countries, will need considerably more time to close the gap. This view is shared by the EU Commission; it estimates that economic convergence<sup>9</sup> between Eastern and Western Europe will take three decades, current trends prevailing, yet far less than half that time for Slovenia. Whether and how this will come true eventu-

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9. See EC forecasts for 2006. Per capita income in CEE currently ranges between 40 % (BG, RO) and 93 % (SLO) of the average EU-27 figure (in terms of purchasing power standards). PL, LV, and LT are in the middle at some 60 %, HU, SK, and EE are slightly above. For a classification of the countries in terms of northern and southern axes and therefore a »CEE with two speeds« see Kohl/Platzer (2004): 361 f.

ally depends not least on the capacities of Eastern European trade unions and the purposeful development of their potential.

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## Annex 1:

National Trade Union Confederations in Central and Eastern Europe  
(including the year of their foundation/  
N = new foundation of previously state-run organisations)

<i>Bulgaria:</i>	
CITUP:	Confederation of Independent Trade Unions in Bulgaria (N 1990)
Podkrepa:	Confederation of Labour »Podkrepa« (1989)
Promiana:	Union of United Trade Unions »Promiana« (1998)
<i>Estonia:</i>	
EAKL:	Confederation of Estonian Trade Unions (N 1990)
TALO:	Employees Unions' Confederation (1992)
<i>Latvia:</i>	
LBAS:	Free Trade Union Confederation of Latvia (N 1990)
<i>Lithuania:</i>	
LPSK:	Lithuanian Trade Unions Confederation (N 1990, merger with LPSS 1992)
Solidarumas:	Lithuanian Trade Union »Solidarumas« (1989)
LDF:	Lithuanian Labour Federation (1991)
<i>Croatia:</i>	
SSSH:	Union of Autonomous Trade Unions of Croatia (N 1990)
NHS:	Independent Trade Unions of Croatia (1999)
HUS:	Croatian Association of Trade Unions (1990)
URSH:	Workers Trade Union Association of Croatia (1994)
UNI-Cro:	Trade Union of Services UNI-Cro (2002)
Matica:	Association of Croatian Public Service Unions (1993)
<i>Poland:</i>	
OPZZ:	All Poland Alliance of Trade Unions (1984)
Solidarity:	Trade Union Confederation NSZZ Solidarność (1980, prohibited 1981–1989)
FZZ:	Trade Unions Forum (2002)
<i>Slovakia:</i>	
KOZ SR:	Confederation of Trade Unions of the Slovak Republic (N 1990)

<i>Slovenia:</i>	
ZSSS:	Association of Free Trade Unions of Slovenia (N 1990)
KSJS:	Confederation of Public Sector Trade Unions (2006)
PERGAM:	Confederation of Trade Unions of Slovenia Pergam (1991)
K'90:	Confederation of Trade Unions '90 of Slovenia (1991)
KNSS:	Confederation of New Trade Unions of Slovenia (1991)
Alternativa:	Alternative (1999)
Solidarnost:	Solidarity (2001)
<i>Romania:</i>	
BNS:	National Trade Union Block (1991, merger with »Fratia« and Meridian planned since 2006)
Cartel Alfa:	National Confederation Cartel Alfa (1990)
CNSLR Fratia:	National Confederation of Free Trade Unions »Fratia« (1993)
CSDR:	Confederation of Democratic Trade Unions in Romania (1994)
Meridian:	National Trade Union Confederation Meridian (1994)
Sed Lex:	Confederacy of Civil Servants Trade Unions »Sed Lex« (2005)
<i>Czech Republic:</i>	
ČMKOS:	Czech-Moravian Confederation of Trade Unions (N 1990, representative centre)
ASO:	Association of Autonomous Trade Unions (1995, representative centre)
KUK:	Confederation of Art and Culture (1990)
OS CMS:	Trade Union Association of Bohemia, Moravia and Silesia (1991)
KOK:	Christian Trade Union Coalition (1990)
<i>Hungary:</i>	
MSZOSZ:	National Confederation of Hungarian Trade Unions (N 1990)
SZEF:	Trade Union Cooperation Forum (1990)
LIGA:	Democratic League of Independent Trade Unions (1988)
ASZSZ:	National Federation of Autonomous Trade Unions (1990)
ESZT:	Confederation of Trade Unions of Professionals (1989)
MOSZ:	National Federation of Workers' Councils (1988)

## Annex 2:

Affiliation of Eastern European Trade Union Confederations  
to the European Trade Union Confederation (ETUC)

	<i>Affiliated</i>	<i>Non-affiliated</i>
CZ	CMKOS	ASO, KUK, KOK, OS, CMS
EE	EAKL, TALO	
HR	SSSH	NHS, HUS, URSH, UNI, Matica
HU	ASZSZ, ESZT, LIGA, MOSZ, MSZOSZ, SZEFP	
LT	LPSK, Solidarumas, LDF	
LV	LBAS	
PL	Solidarność, OPZZ	FZZ Forum
SLO	ZSSS	Pergan, K90, KNSS, Alternativa, Solidarity
SK	KOZ SR	
BG	CITUB, Podkrepa	Promiana
RO	BNS, Cartel Alfa, CSDR, CNSLR Fratia	Meridian