

Where Do Trade Unions Stand Today In Eastern Europe? Stock-taking After EU Enlargement

by **Heribert Kohl**

The transformation of formerly socialist countries in Central and Eastern Europe meant an enormous challenge for trade unions. Their earlier function as mass organisations with a clearly-defined mandate from the State suddenly disappeared in 1989/90. The market economy, competition, privatisation, start-up companies and job cuts characterised the first restructuring phase in the 1990s and, linked to this, the unions' need for a social dialogue with governments and employers in order to renegotiate working conditions and pay. In addition, the countries were forced to transpose Community law («*acquis communautaire*») and integrate into transnational contexts in the run-up to EU accession. It was this two-pronged pressure to modernise which stretched the labour organisations' ability to adapt and innovate in the extreme. They had to build up new structures of industrial relations in a very short period of time – something that had taken Western Europe decades to develop.

1. The trade unions had to reinvent themselves after the transformation

It would be erroneous to assume that the trade unions in Central and Eastern Europe (CEE)¹ have all reached a uniform profile after completed transformation and EU integration. Although they share a similar history in their recent past, they certainly went separate ways in their efforts to come to terms with and adapt to 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 was enormous and historically of unprecedented scale. The fact that the ensuing results were so different, irrespective of their former bloc alignment (Soviet Union, Warsaw Pact or non-aligned states), should really come as no surprise.

On the part of the trade unions, the greatest challenge was an almost complete change of paradigms: from corporations with forced membership to voluntary associations of employees. In the past, they had been agents of an enterprise in „real socialism“ and concentrated on social matters not directly connected with the workplace (holidays, housing etc.), they took part in the wage determination process dominated by the State in an advisory and legitimising function only 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 a profit-oriented management united in employers' associations of their own, and had to carry

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

out collective bargaining and industrial actions without any previous experience. Added to this was their autonomy vis-a-vis the State and the independent pro-active role expected of them in national tripartite bodies which decided upon important framework conditions (especially a new labour law and minimum wages). What was also new was the experience with staff cuts on a major scale.

Matters were made worse by the fact that, in addition to economic restructuring, half of the ten new EU member states in Eastern Europe had to create a sovereign nation state of their own first of all, in other words a functioning government administration and legislation was only put in place from the early 1990s on (in the Baltic states, the Slovak Republic and Slovenia).

Even so, the result of restructuring and the unions' innovative strength in individual countries – e.g. in matters of shop-floor representation, bargaining structures and in the national context – are altogether impressive. And so is the diversity of new organisations and structural differences between national confederations (cp. annex 2).

2. New structures of trade unions and industrial relations

The position in which individual national trade union confederations are finding themselves today has been more or less determined by the preparation for and the course of system transformation at the national level. The example of three countries and a comparison with the other new EU member states may highlight the situation.

• The Polish case: politicised pluralism

Poland was the first amongst the previously socialist countries in which the end of the existing totalitarian system loomed on the horizon 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 organisation of the CRZZ

(Central Council of Trade Unions) was dissolved when martial law was imposed at the end of 1981, alongside the new organisation which had its property confiscated by the State.

In 1984, a large number (some 100) of newly-registered sectoral organisations united to form the OPZZ (All-Polish Alliance of Trade Unions), the largest existing confederation so far, and the property of the two previously existing federations was transferred to it. In 1989, the NSZZ *Solidarność* was re-established and also formed the government that same year after the first free elections. In the following period, the two big confederations were marked by strong party-political affinities and ensuing polarisation. In the process, the trade union scene fragmented further when a third, deliberately non-partisan neutral force, ie 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.

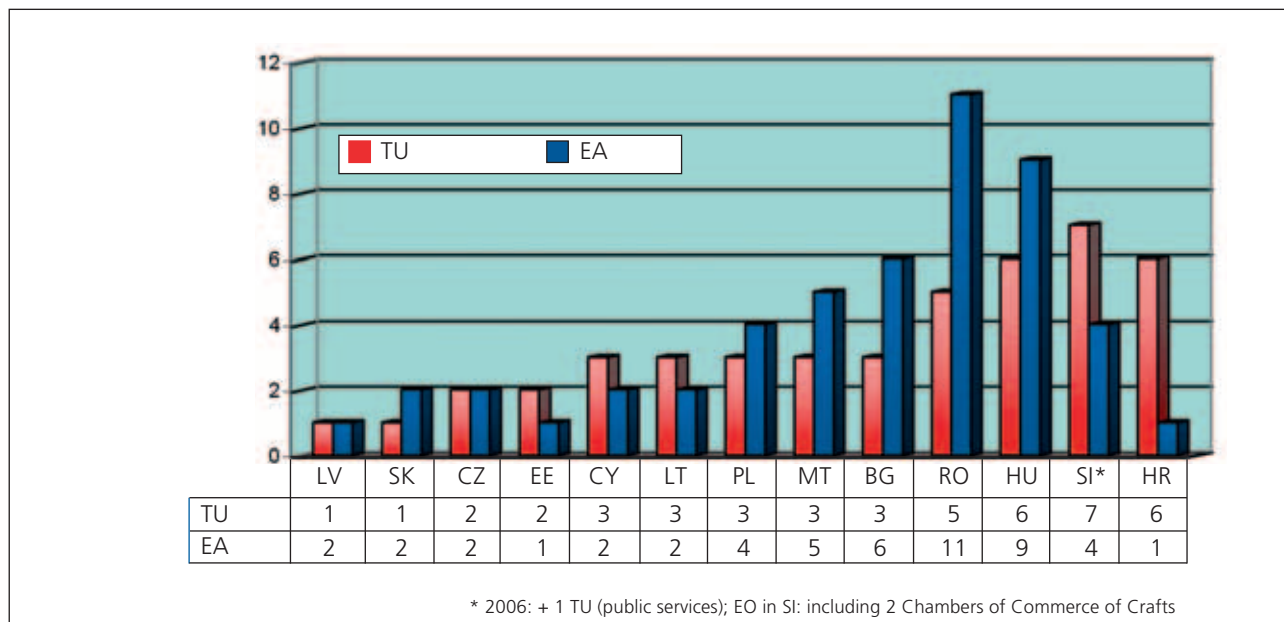
• The Hungarian case: cooperation-based pluralism

In Hungary, too, the organisational transformation of the trade unions started relatively early at the end of the 1980s. A large number of central organisations were established, too (6 national confederations – see graph 1). Yet in this case 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 the process of restructuring. And they were also the first to consolidate successfully their organisational role in the companies by establishing elected works councils (1992) in order to prevent an unfair and delayed distribution of union property, amongst other things. Yet this did not halt the persistent decline in membership.

• The Slovenian case: innovative pluralism

Almost unbridled organisational diversity was typical of Slovenia until the recent past. This process took momentum in two waves after 1990 and again

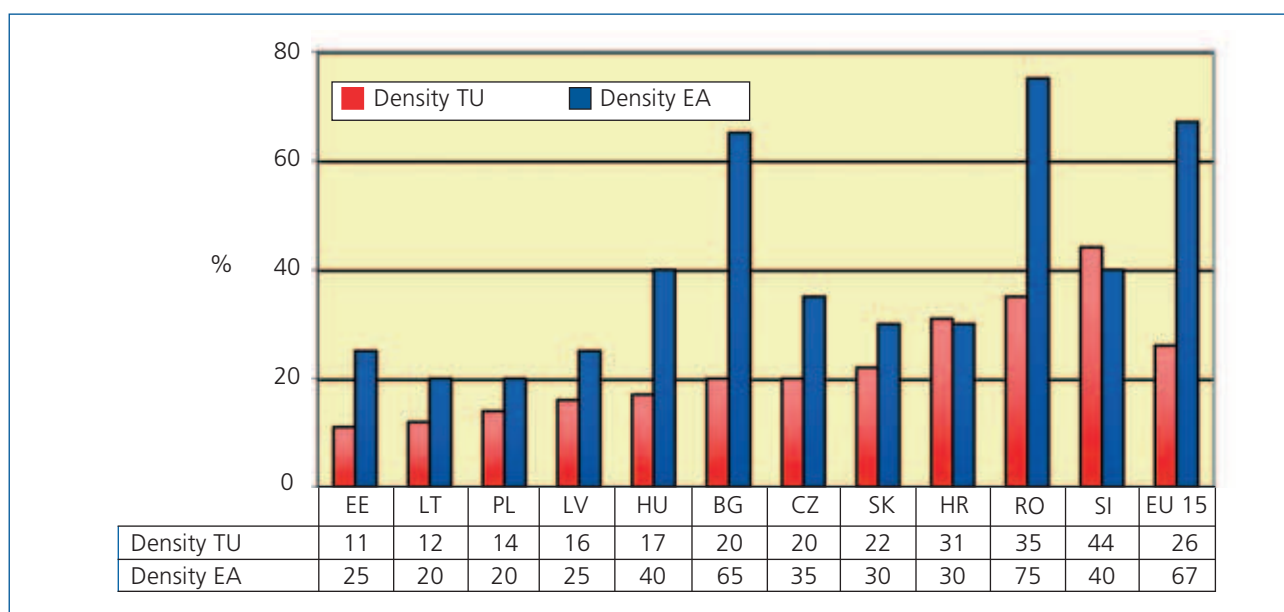
Graph 1: **Organisational diversity: number of representative trade union centres (TU) and employers' associations (EA) at national level**



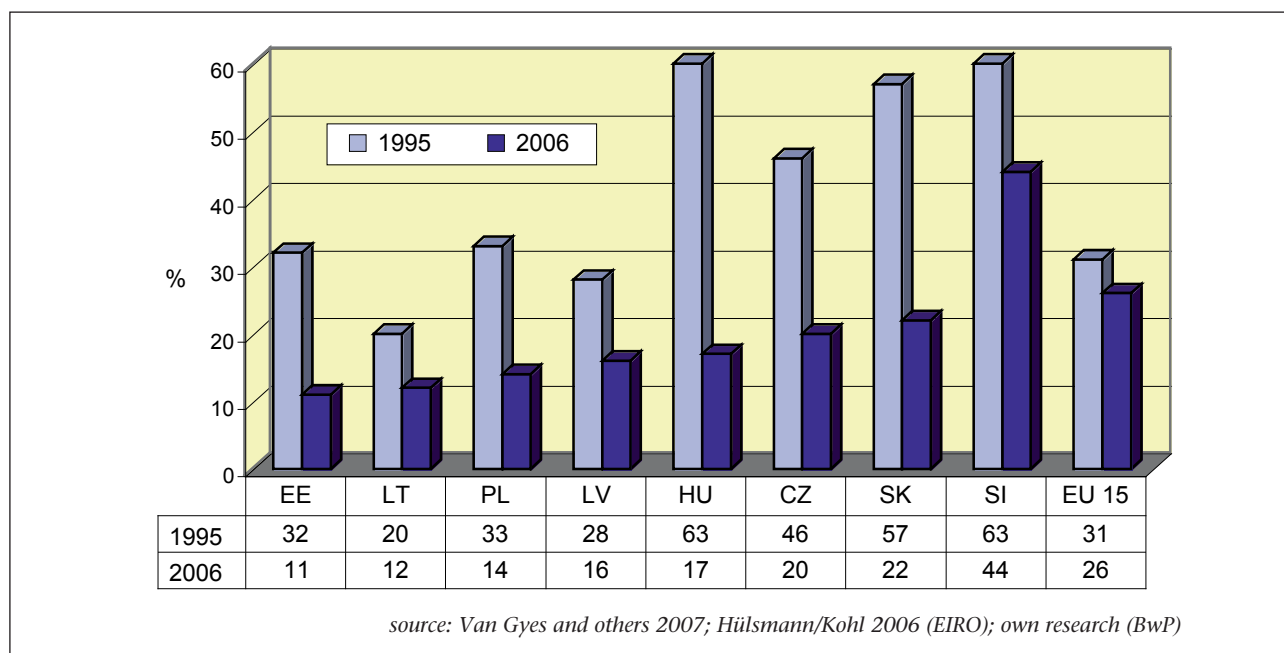
after 2000, and gave rise to the present number of seven central organisations. Yet the different tradition of self-government in this country has helped to halt the erosion of trade union power in the meantime (graph 2a). In this relatively small republic, prosperous even during the era of former Yugoslavia with its “socialist market economy”, strong union presence was successfully maintained, including in the workplace, and reinforced by the introduction of

works councils in 1993, excluding small businesses. An important innovative feature was the new instrument of sectoral wage determination in combination with the complete coverage of all workers by collective agreements. Tripartite structures at the level of the State and in social policies, which are linked up in networks in many and diverse ways, are another important feature.

Graph 2a: **Density of trade unions (TU) and employers' associations (EA)**
(in % of total workforce – private sector employers only)



Graph 2b: Decline of trade union membership rates between 1995 und 2006



Conversely, other countries such as the Czech Republic, Slovakia, and Latvia succeeded in preventing inter-union pluralism to a large extent by fast and in parts thorough organisational reorientation (see graph 1). Their innovative strength and ultimately their organisational clout did not, however, improve to the same extent. Conventional structures of interest representation (in the workplace, in pay policy – see below) were adapted less rigorously. Owing to lack of union successes (regarding job security, labour standards, wage-determination procedures and statutory minimum pay), it was impossible to halt the decline in membership which is still persisting today (see graph 2b).

Compared to West European trade union confederations, constitutive differences exist between the confederations. Even though the trend towards declining levels of membership has apparently persisted in Western Europe (excluding the Scandinavian countries) since the mid-1970s as well, albeit far less dramatically, it has not yet undermined the foundations of specific minimum standards at work, not least due to well-functioning structures of the bilateral social dialogue and accompanying government regulations. In the old EU 15 (until 2004), this applies to both national collective labour law and minimum standards required under relevant EU directives.

New structures of industrial relations which developed during the phase of transformation in CEE are marked by the following features:

- The **State** continues to play a dominant role in determining remuneration systems, which are influenced by existing minimum wage levels. The same is true of other working conditions, although increasingly less so in the recent past. The social partners have been given greater freedom in shaping their bilateral relations as a result of liberalisation and deregulation by the government in the wake of EU accession. Nonetheless, the State continues to play a pivotal role in the tripartite economic and social councils which have extensive regulatory powers in economic and social policy in all the countries.
- With few exceptions, **bargaining policy** is marked by either completely non-existent, or at least seriously flawed sectoral negotiating structures (ie centralised collective agreements for whole industries). Company agreements are predominant in parallel with a limited willingness and 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 at best, 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.

- 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, and been supplemented by the establishment of numerous service-providing businesses. Union presence is not only fragmented, but again largely non-existent in these new structures, with the exception of the formerly State-owned larger business entities. Given the large number of “non-union” companies (in the order of up to 80% in all) and in parts even non-union sectors (with the absence of employers’ associations as well), essential conditions for collective bargaining and bilateral wage settlements are missing. In addition, there is no involvement of workers 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 (yet) been established. Not least owing to delaying resistance by national trade unions for fear of unwanted competition, in disregard of the potential benefits reaped from such an institution for their own organising activities. The implementation of the EU Directives 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 evolves which, marked by both history and current practice, contrasts with the prevalent continental European, Scandinavian, Romanic and even the Anglo-Saxon type of industrial relations, although the latter is relatively close to the Eastern European type in some respects. The identification of a separate “CEE transition model of industrial relations” (Kohl/Platzer 2004, p. 360), unlike other ty-

pologies dominant in the EU, therefore suggests itself. That said, the initial situation may have been comparable, yet the results of the social dialogue and union organising activities are visibly disparate today. The next chapter therefore attempts to describe these differences in union structures and position (*capacity building*), the results of their distributional and representational policies and specific challenges to be faced in the global and EU contexts.

3. Trade unions today: potential and fields of action

3.1. Organisational reforms

Specific new forms of trade unions developed in each of the Eastern European countries during the period of transformation. Newly-established associations and refoundations have sprung up everywhere, once the previously monolithic trade union organisations were disbanded (see annex 2). Yet they differ in the extent to which they have restructured and used the new freedom of association. A smaller number of countries succeeded to start with a clean sheet after having shed their ideology and exchanged the leadership; this applies, in particular, to those in which the formerly State-controlled labour organisations 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 or Lithuania, political and ideological aspects were correspondingly more virulent and resulted in a multitude of new foundations until the mid-1990s, and in some of them 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 results in 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 organisation of the trade unions also varied greatly in this process of change. Mention needs to be made of the fact that the internal administration of the “transformed” organisations was maintained with its relatively large number of sectoral sub-structures despite persistent heavy losses of members and changed functions of these sectoral bodies. Under the new conditions, the sectoral organisations have lost their former functions in social and cultural matters and in leisure time, but still retain some importance within the framework of an independent bargaining policy. Yet sectoral agreements currently exist in a minority of Eastern European countries only (see below). In contrast, the number of sectoral affiliates tended to be lower in cases of new foundations. Countries marked by highly-developed trade union pluralism are left with an impressive number of sectoral organisations, which does not necessarily ensure greater clout in collective negotiations (table 1).

The Polish *Solidarność* has put in place an internal administration which contrasts with these differentiated and decentralised structures: there are only sectoral offices at the head-quarters with sub-divisions even in the regional sub-centres, unlike the OPZZ with its approx. 100 sectoral branches. Still another organisational structure has been set up by the Esto-

nian trade unions, which modelled 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 profoundly-structured forms of organisation might have appeared promising initially, conditions changed with the onset of transformation and the rapid and partly dramatic decline in membership that followed it. Nowadays, the executive office of many sectoral unions – and smaller confederations, too – often consists of no more than a chairperson and the accountant, plus a secretary. A hurdle for higher recruitment is also the fact that employees in micro-businesses, unemployed or temporary employed persons are sometimes legally excluded from joining unions.

3.2. Decentralised funding structures – weak trade union centres

Without exception, revenues from membership fees are distributed in a manner different from that in, for example, Germany or comparable union confederations in Western Europe. The largest proportion of union dues, 60 to 90 % on average, usually remains with the organisation at company level, 10 to maximally 30 % is passed on to the sectoral union and

Table 1: **Overview of sectoral affiliates of trade union confederations**

	Sum of all sectoral organisations
CZ	62
EE	31
HR	112
HU	165
LV	24
LT	45
PL	139
SLO	63
SK	35
BG	59
RO	167
Total	892

source: European Foundation 2007 (national reports, sectoral level)

merely the remaining negligible amount of 2 to a maximum of 10 % goes to the central organisations. On the downside, almost nothing is left for strike funds except at *Solidarność* in Poland and ZSSS in Slovenia (graph 3). Funding levels are below those which are usual in Western Europe (in Germany, for example, membership dues are paid fully to the sectoral unions and 12 % of this is passed on to the DGB as the central confederation).

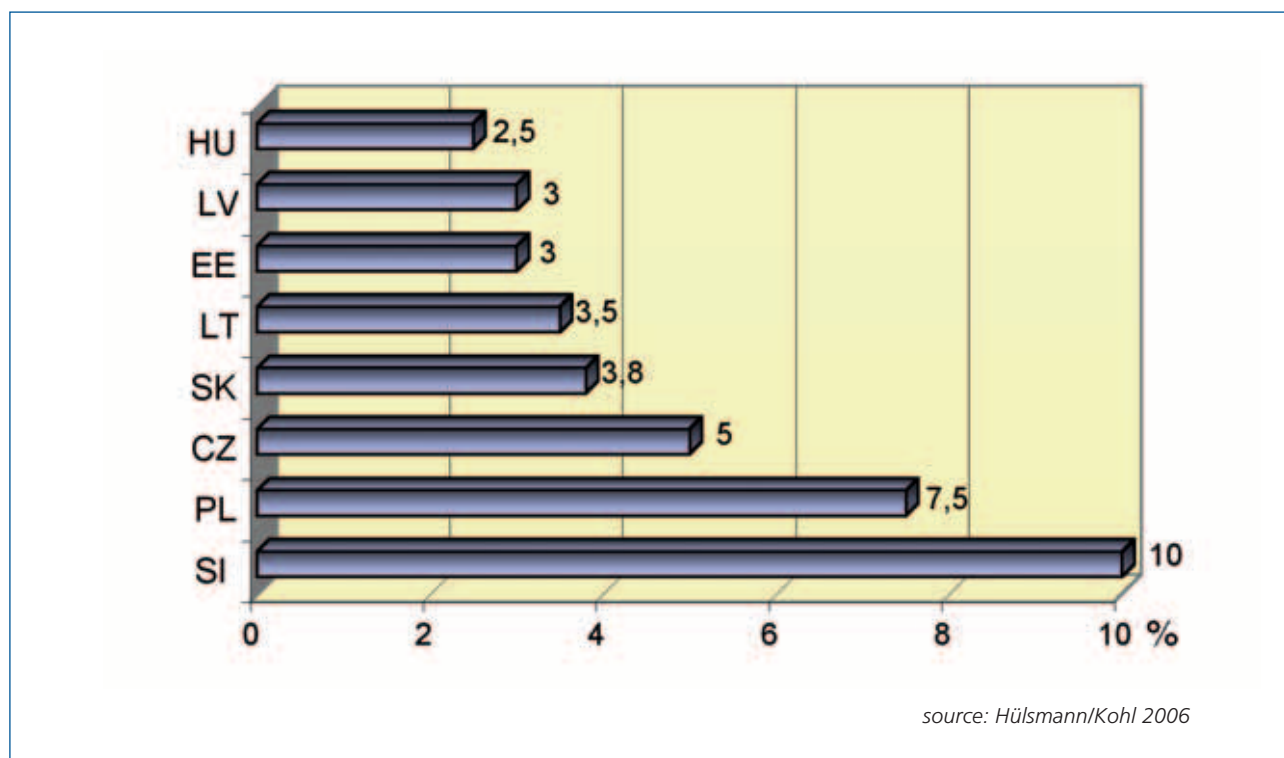
3.3. Lack of experts in trade union centres

Total revenues from membership fees, even if sometimes supplemented by earnings from former trade union property (letting real estate etc.) or other national and international sources, are normally insufficient to fund the necessary expert staff to keep the

organisation going, let alone expenses for new campaigns and projects. Complaints about lack of legal and economic experts or trainers for collective bargaining turn up inevitably in almost every analysis of capacity-building among national confederations,² not to mention shortcomings in trade union education and consultancy, or the necessary public relations activities internally and for the public at large. Nor is it always possible to evaluate existing company agreements, sometimes numbering several thousand, in a country. In many cases, legal protection of members also falls by the wayside.

Although the qualification of existing staff is usually above average, the workforce urgently needs to be expanded in view of new requirements, including in international cooperation.

Graph 3: Percentage of membership dues reserved for the national centres (2005)



2 Results of a poll taken in the new member states as part of the project "Capacity-building of social dialogue" carried out by the EU-Dublin Foundation 2005/2006, see Hülsmann/Kohl 2006 and European Foundation 2007.

3.4. Compensation by shop-floor presence?

The trade union scene with its characteristic decentralised distribution of resources could be potentially effective to the extent that it corresponds to strong roots at the level of companies and administrations. Yet again, major differences and distortions have evolved.

Trade union representation is most widespread in areas where previously State-run major corporate entities continue to operate, and also in the public sector such as in education and healthcare. In contrast, this is the exception rather than the rule in the newly-developed private sector, given the predominance of small and medium-sized companies and a growing service sector. In consequence, interest representation by trade unions or works councils in the workplace is mostly lacking and especially so in small and medium-sized enterprises, considering average figures for all workers (see graph 4).

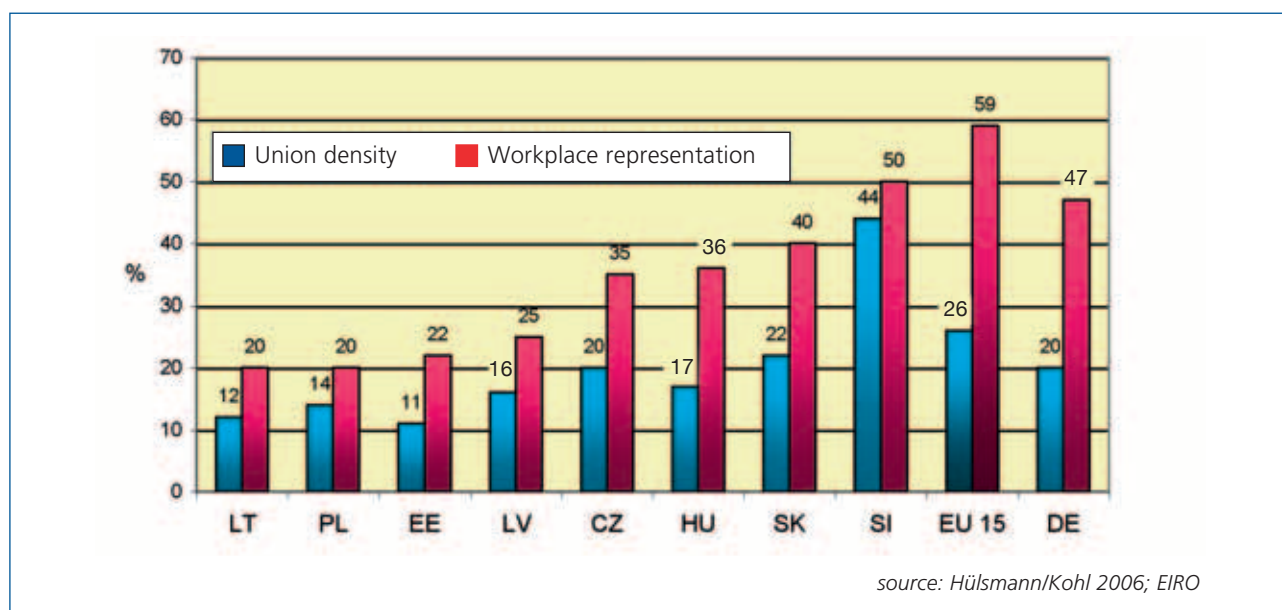
In Western Europe, the percentage of workers represented in the workplace is twice that of union members. In France, Austria, Germany, Belgium, and Italy, 50 to 75% of employees are represented in some form or other, and the figure tends to be even higher in Scandinavia owing to high levels of unionisation.

At best, the situation is slightly more promising in areas where 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 the local level, thus offering them an opportunity to prove their reason for being, and reinforcing them (e.g. in Hungary in 1992, Slovenia 1993, Croatia 1996, Slovakia 2003).

This leads us to a cardinal problem with far-reaching consequences, though:

Eastern European trade union organisations, adhering to the traditional concept of uniform shop-floor representation of workers' interests, have mostly resisted the establishment of western-style works councils considered to be their competitors. Until recently they opposed, at times fiercely, any such government initiatives, while the employers accepted these plans in parts. These initiatives have to be understood against the background of the new EU Directive 2002 (on Information and Consultation of Employees in European Enterprises) and requirements set out in this context. In view of insufficient union presence in the enterprises and thus no counterpart for corporate management, governments felt obliged to revise the labour law – not least owing to pressure

Graph 4: **Workplace representation by works councils or trade union organisations and union density in CEE** (in % of all employees)



Graph 5: **Three different forms of shop-floor representation in CEE**

1. Sole Trade Union representation (single channel)	2. Either union representatives or works council (as alternative)	3. Dual Representation: trade union and works councils
<ul style="list-style-type: none"> • Estonia (usual practice) • Latvia (usual until now) • Lithuania (usual until now) • Poland (monopoly position by law until 2006, excepted state owned enterprises) • Bulgaria and Romania (usual until EU-accession 2007) 	<ul style="list-style-type: none"> • Czech Republic (from 2001) • Slovakia (2002 to 2003) • Lithuania (from 2003, implemented by special law 2005) • Poland (new law 2006: works council if > 50 employees and no union representation) • Romania (from 2003) 	<ul style="list-style-type: none"> • Hungary (since 1992) • Slovenia (since 1993) • Croatia (since 1996) • Latvia (2002, seldom) • Slovakia (from 2003) • Bulgaria (from 2006) • Estonia (2007, seldom)

from Brussels in the periodically-published EU screening reports.

Some countries compromised by adopting statutory regulations which were new in Europe in so far as they initiated an “alternative model” to that of dual interest representation in continental Europe; this so-called “Czech model” of either the one or the other was later transferred to other countries as well. Under this system, a works council can be in office only if, and as long as, there is no union representation (see graph 5). Without clearly-demarcated responsibilities between these two forms of representation, however, the result will be an exclusionary conduct at the expense of an institutional workplace representation.

The single-channel representation of interests enforced by the Czech, Polish and Baltic trade union confederations meant that practically no works councils were established in these countries, nor in some of the others. At best, attitudes may be said to have changed to some degree in the Slovak Republic recently. Yet the introduction of a two-channel system (see graph 5) might be expected to gain new momentum in the wake of EU accession and in connection with the practice of European works councils.

Owing to the above-mentioned defensive attitude towards works councils, the positive effects on union presence that a representational body elected by the

entire workforce might bring were not taken into account, such as:

- previous non-members may realise the need for a collective organisation once they have made the new experience of participation and interest representation;
- the necessary training and advisory services for works councils may also be provided by trade union centres;
- works councils offer new opportunities for recruiting members in sectors and enterprises which are not yet unionised. Apart from the positive image of the organisation, 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 has demonstrated (Pyhel 2006).

4. Trade unions as partners in collective bargaining

4.1. Company agreements

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 only if there is a local union organisation in the company at all. Again, inadequate union presence has serious repercussions because workers are covered

by collective agreements to a limited extent only in some of the Eastern European countries (see graph 6). Even when the governments of some countries gave works councils – as representational institutions – a mandate to negotiate collective agreements as well, it had little effect. In the meantime, this has been done by the Orban regime in Hungary (1998–2002), and more recently in Lithuania and Latvia.

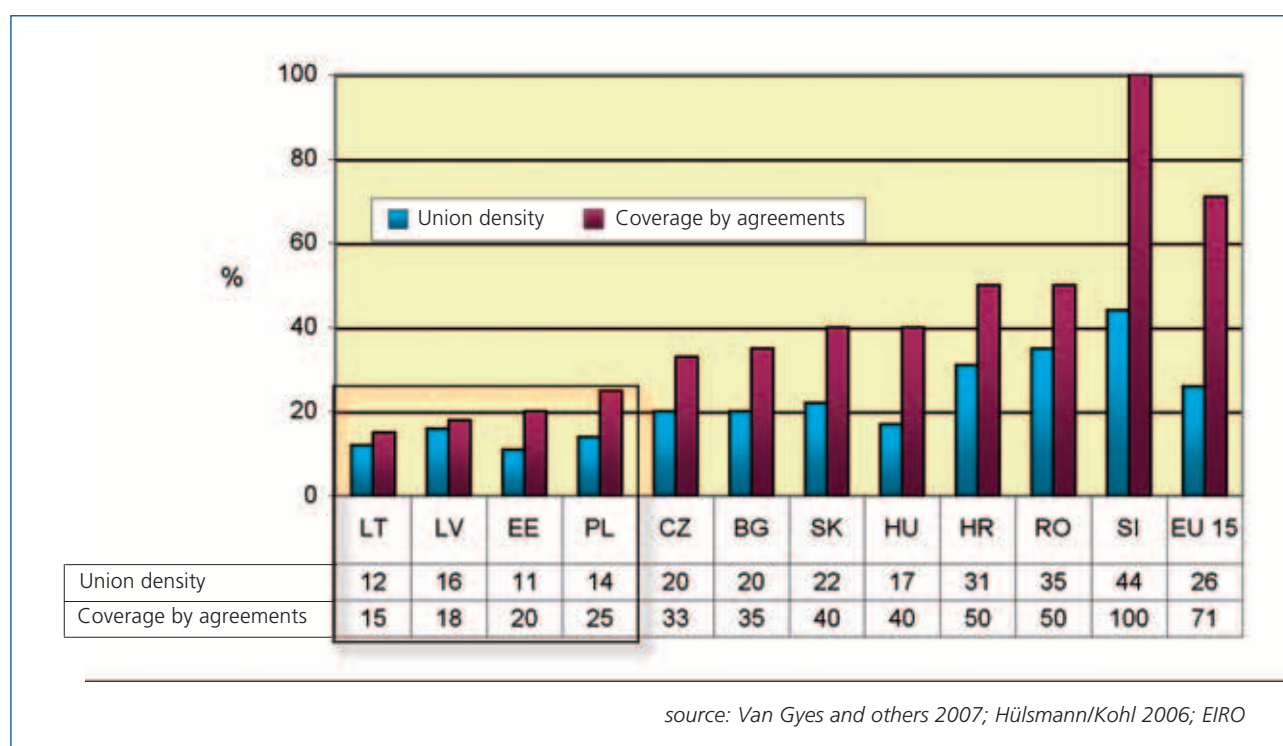
The left side of the graph shows those countries in which works agreements are exclusively, or almost exclusively concluded outside the public sector. The situation is better in countries in which opportunities for a sectoral dialogue exist.

4.2. Sectoral agreements

From a labour point of view, bargaining policy is proving most beneficial in countries such as Slovenia, and in parts Slovakia, where sectoral agreements are negotiated bilaterally and then declared **generally binding**, including on non-members of employers'

associations or trade unions, respectively, by decision of the labour minister responsible. This is common practice in Western Europe, but in Central and Eastern Europe done generally in Slovenia and Romania only. However, the complete coverage by collective agreements shown for Slovenia in graph 6 will probably not persist in future, after a change of the law in 2006 put an end to compulsory membership of all employers imposed by the chamber of commerce and industry, which was the relevant bargaining counterpart of the trade unions from the beginning of the transition in 1990; in other words, the practice of declaring a collective agreement generally binding may then be no longer applicable in all sectors. In contrast, every sectoral agreement applies to all employers in that sector in Romania by force of 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 sector (see table 2 and 3).

Graph 6: **Coverage by collective agreements** (in % of all employees)



Cross-sectoral national agreements based on social pacts and bilateral or tripartite regimes (e.g. 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.

Table 2: **Collective bargaining levels and their importance in CEE**

	National	Sectoral	Enterprise
CZ	no social pacts or bilateral negotiations	some agreements of "higher level" (for 24% of employees)*	company agreements more important (for 29% of employees)
EE	no bipartite negotiations or social pacts	state sector only and healthcare sector (generally extended)	company agreements remain dominant
HU	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
LV	tripartite concertation, no negotiation	in public sector only	company agreements are dominant**
LT	no social pacts, no bipartite negotiations	in public sector, first agreement in private sector in 2005***	company agreements are dominant
PL	tripartite concertation only with recommendation for bargaining	12 tripartite sectoral committees to prepare agreements	company agreements as a rule if TU representation exists
SLO	social pacts with framework regulation	sectoral agreements in all 34 sectors	numerous company agreements
SK	no social pacts	agreements in most sectors	many company agreements
BG	social pact 2006, bilateral agreement	agreements in about 70 sectors	many company agreements
RO****	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 the government

**** collective agreements of all levels are generally binding all employers of a sector or automatically extended to all employees in a company according to the law.

Table 3: **Enlarged coverage of sectoral collective agreements by general extension in a sector**

	Coverage by collective agreements (%)	General extension to all employers of a sector
Slovenia	100	agreements in all sectors
Romania	50	each sectoral agreement
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)

4.3. Minimum wages

In this context, mention also needs to be made of the coordinating tripartite economic and social councils at the national level and their manner of functioning; they have been set up in all the new member states and ensure equal participation of the employers and the trade unions. From a labour perspective, their most important function is the determination and adoption of a **national minimum wage** for the country concerned.

In the absence of collective agreements, the only relevant standard considered by the employer in determining individual wages is the minimum wage (in controversial cases). In such a situation, the employer retains considerable discretion in dealing with the workforce. It is a practice that goes some way to explain the extreme differentiation of wages prevalent in most Central and Eastern European countries amongst individual groups of employees despite, or indeed because of the fact that so few workers are covered by a collective agreement. Some countries even grant management an exclusive right to determine wage levels in case several existing company unions cannot agree on a single bargaining platform with a catalogue of shared demands.

How important the minimum wage is for orientation in the wage-setting process is illustrated, among other things, by the fact that renegotiated wages in both sectors and companies are often simply expressed as several times the amount of the minimum wage (practised in Romania, among others). In analogy, the same is true for the public sector (with scales of up to eleven times the minimum wage like in Lithuania, for example).

Another phenomenon has to do with the bad habit of topping up the minimum wage by concealed payments of what partly amounts to several times the minimum pay (so-called *envelop wages* or non-declared pay components by “cash in hand”); this has come to be so widespread in several Eastern European countries by now that individual governments have attempted to clamp the lid on by means of tripartite arrangements (for details see EC 2005, p. 158 and more recently EC 2007a). This results in a considerable loss of taxes and social security contributions for the general public as well as lower revenues from union dues for the trade unions if dues are paid on the basis of the officially declared minimum rate only.

5. Results: strengths and weaknesses of trade union policy

5.1. Adjustment of minimum wages

What then are the positive results that trade unions have attained for their respective clientele by now?

Let us take a look first at the minimum wage as an important factor in the setting of wages for the large majority of employees whom trade unions claim to represent: in both absolute and relative terms, the figures appear rather modest on average in the countries of Central and Eastern Europe. In terms of real purchasing power, the new Eastern European EU members earn no more than a quarter to maximally half of the minimum pay of the Western European countries which are at the top of the list. In an internal comparison between these countries, minimum pay ranges on a scale of between 110 and 540 Euros a month and always amounts to less than half the average national income in any of them. Minimum

pay levels are altogether *below the poverty line*, which the EU defines as no less than 50% of average pay in a given country (see table 4), while they get much closer to this value in the EU 15, excepting a few (Eurostat 2007, EIRO).

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 (see for 2007: table 5). This trend will persist undiminishedly in Central and Eastern Europe in 2008 with high two-digit growth figures (especially in Romania, Latvia, Estonia and lately in Poland as well).

5.2. Wage moderation and wage drift

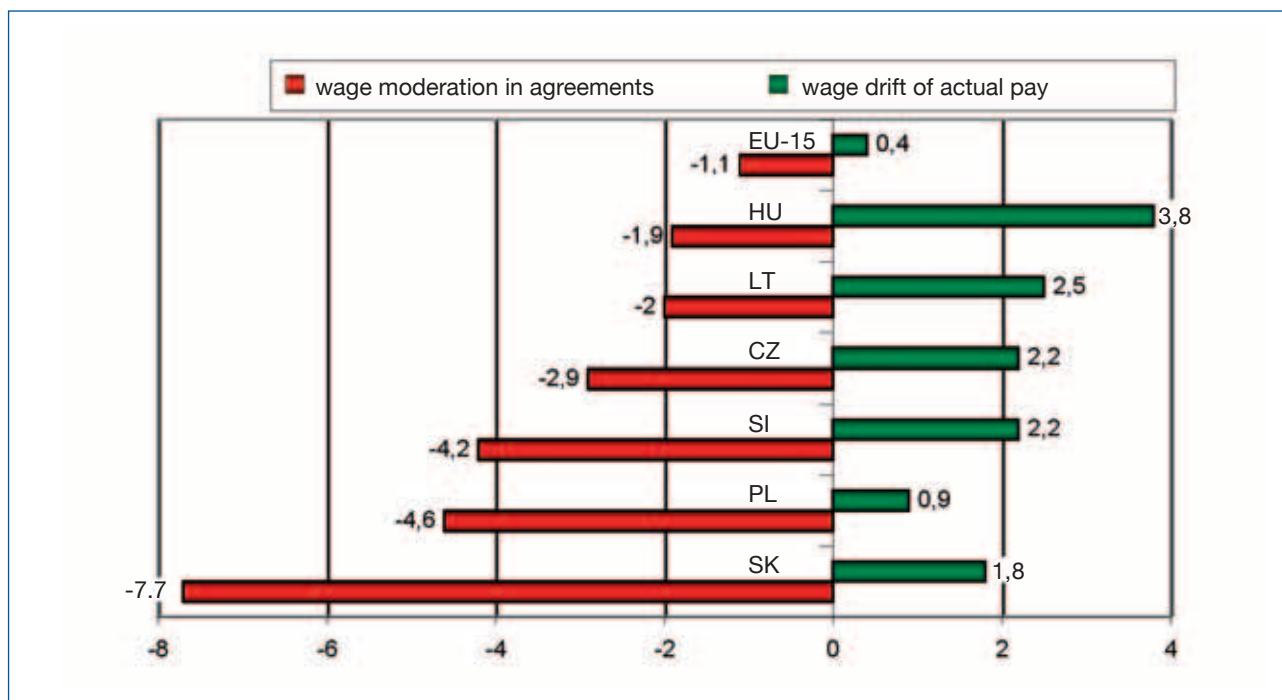
Existing collectively-bargained wages and actually paid wages and salaries will ultimately profit from such huge increments as well. Both are increasing at a similar speed in line with minimum wages, albeit at a considerably higher level.

Table 4: **Minimum wage as percentage of average national wages (2007/08)**

30 – 35%	36 – 40%	41 – 46%
Romania	Czech Republic	Bulgaria
Latvia	Hungary	Estonia
Lithuania	Slovak Republic	Slovenia
Poland		

Table 5: **Adjustments of minimum wages in 2007 and 2008 compared to previous year (in %)**

	2007	2008
Latvia	31,8	32,8
Estonia	19,8	20,8
Romania	18,9	28,2
Bulgaria	12,8	22,2
Czech Republic	10,3	0,0
Slovak Republic	10,1	6,6
Lithuania	9,4	16,7
Hungary	9,0	5,0
Poland	4,1	20,2
Slovenia	2,0	3,2

Graph 7: **Wage moderation and actual wage drift in CEE** (average figures 2000-2004, in %)

Simultaneously, the so-called wage drift, ie the difference between collectively-agreed and actually paid wage increments is the greater on average, the more restraint trade unions show in their wage demands. The possible wage increments following the productivity and inflation rates, which union bargaining parties do not realise in negotiations, are often paid voluntarily by employers to top up pay, depending on how the situation looks on the labour market. This mechanism is discernible when the corresponding rates are compared (see graph 7).

The end result, which is certainly different from what is being practised in Western Europe (see figures for the EU 15 in graph 7), is ultimately no convincing argument in favour of joining a trade union for personal benefits. In fact, it may have given the impression to some as yet unorganised groups of employees, such as younger salaried workers, that their personal economic prosperity depends much more on their own performance than on collective considerations of solidarity.

5.3. Income divergence, working conditions, and strikes

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

The fact that the absence of collective agreements leads to less favourable working conditions and, in particular, blatantly unfavourable working time and labour-law standards overall³, is the downside of a fragmented bargaining practice of whatever form. The difference in annual hours worked in Latvia and the Netherlands amounts to a total of 259 hours (2004), equivalent to a volume of slightly more than 1.5 months. On the other hand, trade unions cannot score well even with the best of intentions in – com-

3 See comparative figures from the index of labour rights standards (LRS), measuring the level of actual implementation of labour rights (in Kohl and others 2006); in CEE, they usually oscillate far below the EU mean value (= 75, given a total range of between 40 and 90 index points).

paratively well-organised – 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 means of last resort, can be used far less effectively than by their Western European colleagues, 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 parts extremely restrictive and, being prohibitive in tendency, contradicts the relevant ILO conventions:

- In Lithuania and Latvia, the employer must be notified in writing about the 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 at the same time. Prior to that, at least 50% of the workforce must be proved to have voted in favour of strike action.
- In Lithuania, the quorum requirement is 2/3, in Latvia even 3/4 of all members of the workforce. Whatever the figure, previous involvement of a statutory arbitration panel is mandatory before any industrial action can be taken at all.

In consequence, practically no sector-wide strike action was organised in the private sector of most of these countries in the last decade, and in the recent past occurred in larger enterprises at best.

Conclusion: The successes of the trade unions in Eastern Europe have been marred by both a detrimental situation at the start and current structural conditions. Existing deficiencies result not least from the liberalisation 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 did in the past with great attention to detail and in many cases with pro-union positions, 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 been described as the “liberalisation dilemma” for good reason (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 labour 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. There are a number of positive factors which facilitate such a process, and might do so more vigorously in future.

6. Opportunities and tasks after EU enlargement

6.1. Migration, labour shortage and wages

Hundreds of thousands of workers left their countries during the waves of accession in 2004 and 2007, and immigrated to EU member states willing to take them such as Ireland and UK, Scandinavia and others. The repercussions have been unexpectedly drastic for the 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 labour in the industrial and construction sector generally. The **shortage of labour** has triggered significant pay rises in the meantime, and incentives have been offered to returning workers; this can be expected to narrow the gap in socio-economic conditions in these countries considerably. Average pay in the Estonian health sector was already increased by 25% in 2007, for example, and went up by another 21% from 2008 onwards. The effect of labour shortage 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 labour and specialists (mainly from Slovakia and Poland so far) since 2003 – not yet very successfully, though. In Poland, the statutory minimum wage was increased by more than 20% (+20,2%) in 2008 for the same reason, pay in the public sector went up by 9.3% (in line with an agreement between the government and *Solidarność* of August 2007). Toshiba is looking for 23,000 workers from EU countries for its planned production of flat-screen monitors in the Wroclaw plant, of whom no more than 7,000 could be recruited by the end of 2007 (Sächsische Zeitung 30-11-2007). 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 affected labour market figures negatively and motivated the launch of a future-oriented government programme, drawn up in consultation with the social partners, and considerable pay rises of 12.9% in the private sector in 2007 following a national bilateral agreement between the trade unions and employers. The situation and resultant consequences are definitely similar in Romania in this respect.

6.2. Demographic change and unemployment

Demographic change is causing serious problems here and elsewhere in Central and Eastern Europe. It will

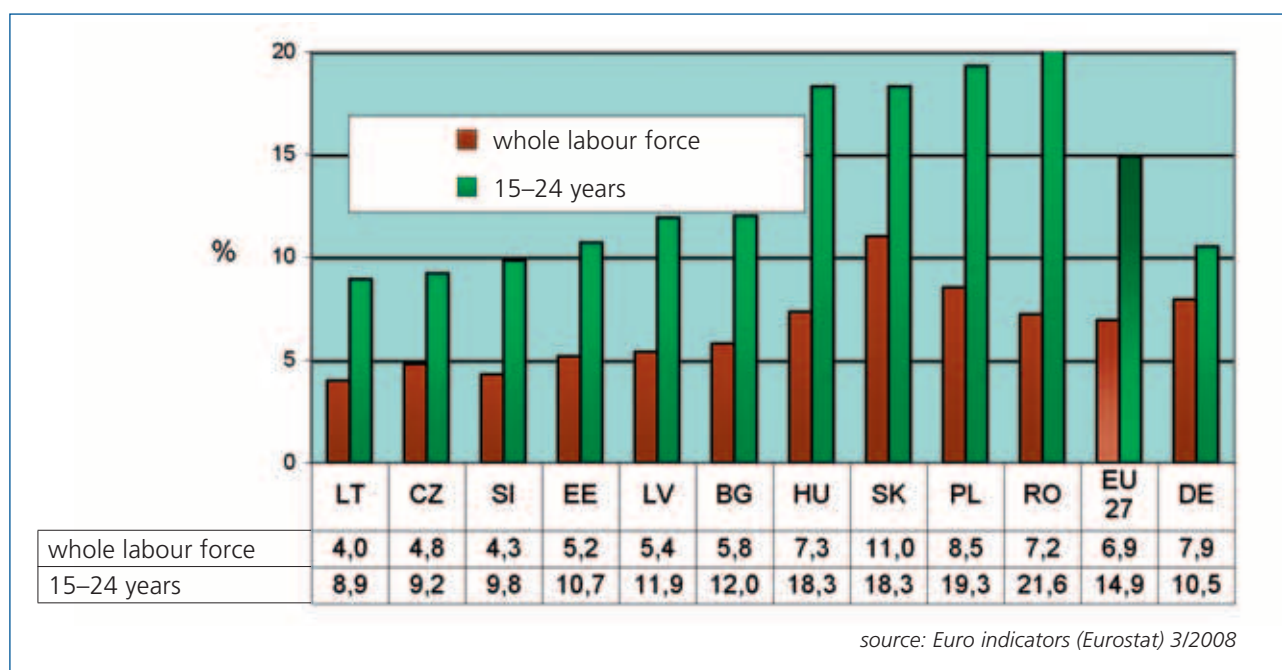
have a critical effect on the future development of industrial relations given the dramatic decline in birthrates after transformation. In parallel, unemployment has been continuously declining during the last three years with fluctuating levels in the CEE countries below those of the EU 27. The rate of unemployment is still above EU average in Slovakia, Poland and Romania, but already far below EU levels elsewhere in the region (cp. graph 8).

At best, 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, e.g. periodical revolts amongst the youth, rather than its causes and how to come to terms with them.

6.3. Economic growth

These figures and others are proof of the fact that Eastern Europe has started on a new road which promises a faster 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 en-

Graph 8: **General and youth unemployment rates in Europe (end of 2007)**



largement, currently most conspicuous in countries which are normally ranking at the bottom end of comparative scales, such as the Baltic states or Romania. The growth rates already high in the economies of Eastern Europe have all been pushed up further post-2004. According to estimates of the EU Commission, they will continue to be equivalent to two to three times the levels of Western European states in future; the situation is similar for productivity, again most clearly visible in the Baltics and Romania with increments of between 10 to 16%, including in real wages and corresponding adjustments of minimum wages after 2004 (EC, Statistical Annex of European Economy 2007). Nonetheless, wage moderation continues to prevail in Hungary, Slovakia and in Poland – similar in magnitude to Germany, by the way.

6.4. Focal areas of work for trade unions

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

- Targeted membership recruitment drives, more intensive public relations and the organisation of image campaigns appear to be matters of some urgency. Legal restrictions to joining unions for employees in micro-enterprises, students, unemployed or temporary employed persons should be consequently revised in CEE.
- This includes first and foremost activities at company level. A positive experience in working with works councils and European works councils might help to overcome still existing reservations about this institution and, in so doing, provide an opportunity to use its advantages by implementing EU Directive 2002 actively. Continued rejection of works councils as an institution might lead weakly-developed trade unions into an organisational impasse for lack of presence in the workplace. The "alternative model" of either works council or trade union representation introduced in Eastern Europe might indeed reinforce potential members' impression – greatly feared by 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 teach negotiating skills as well as the basic rules of how to exert pressure successfully and organise strike action.
- Organisational fragmentation and resultant competitive behaviour are often the main obstacles to attaining a better position. Greater attention needs to be paid to mergers between the often far too numerous member unions, and even between confederations (as happened, for example, in Hungary, Lithuania, and recently in Romania). Attempts should at least be made to cooperate as much as possible whenever the opportunity arises.
- Globalisation 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, ETUC (see overview in annex 3) to a greater extent. Obvious inadequacies in the social dialogue and implementation of fundamental labour-law standards call for greater support of Eastern European trade unions by their Western partner organisations with the aim of coming to terms with the global challenges – even after EU accession has been completed.

All of this is necessary not least in the interest of both sides. With this in mind, the required international solidarity of the trade union movement can be maintained and the threatening race to the bottom in lowering labour standards be halted that causes constant plant relocations and general job insecurity. Instead, we should attempt to return to the former *upward spiral* towards higher standards that dominated the phase of transformation without exception and was, after all, the final goal of EU integration. Ultimately, it will be essential for unions to gradually overcome the differences between regions and harmonise working and living conditions in the enlarged EU in the longer term with the aim of gaining 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 more closely those of continental or North European countries, while the more conservative northern part of the region, with Poland and the Baltic countries at its centre, will still need considerably more time to close the gap. This is indeed a view shared by the EU Commission as well; it estimates that economic convergence between Eastern and Western Europe will take three decades, current trends prevailing, yet far less than half that time for Slovenia which is heading the list.⁴ Whether and how this will come true eventually depends not least on the capacities of Eastern European trade unions and a purposeful development of their potential.

Literature:

- Bluhm, K. (2006), Auflösung des Liberalisierungsdilemmas. Arbeitsbeziehungen in Mittelosteuropa im Kontext des EU-Beitritts, in: Berliner Journal für Soziologie 2.
- EC (2005), Industrial relations in Europe 2004, Luxembourg.
- EC (2006), Enlargement, two years after (May 2006, DG ECFIN).

- EC (2007), Statistical Annex of European Economy, Autumn 2007.
- EC (2007a), Undeclared Work in the European Union (DG Employment & Social Affairs).
- EIRO (European Industrial Relations Observatory): www.eurofound.europa.eu/eiro
- European Foundation for the Improvement of Living and Working Conditions (2007), Capacity building for social dialogue. National and sectoral reports of 14 CEE countries (www.eurofound.europa.eu/areas/industrialrelations/socialdialogue.htm).
- Eurostat (2007), Minimum wages 2007, Statistics in focus 71/2007 (P. Regnard).
- Eurostat (2008), Euro indicators, issue 3/2008.
- Hülsmann, J./Kohl, H. (2006), Social dialogue capacity building in the 10 new EU member states and the acceding countries Bulgaria, Romania and Turkey. Summary report for the European Foundation (based on national interviews), Dublin (Ms.).
- Kohl, H./Platzer, H. (2004), Industrial relations in Central and Eastern Europe. A comparison of the eight new EU member states, Brussels (ETUI)
- Kohl, H./Lehndorff, S./Schief, S. (2006), Industrielle Beziehungen in Europa nach der EU-Erweiterung, in: WSI-Mitteilungen 7.
- Kohl, H./Platzer, H. (2007), The role of the state in Central and Eastern European industrial relations: the case of minimum wages, in: Industrial Relations Journal 38:6, p. 614-635.
- Pyhel, J. (2006), Warum ist man Gewerkschaftsmitglied?, in: WSI-Mitteilungen 6.
- Schulten, T./Bispinck, R./Schäfer, C. (2006), Minimum wages in Europe, Brussels (ETUI)
- Van Gyes, G./Kohl, H./Lehndorff, S./Schief, S./Vandenbrande, T. (2007), Industrial relations in EU member states 2000-2004. Synthesis report for the European Foundation, Dublin (www.eurofound.europa.eu/publications/htmlfiles/ef0715).

About the author:

Dr. Heribert Kohl is a free-lance consultant. He published numerous papers on trade unions and industrial relations in Eastern Europe and is currently director of the "Büro für wissenschaftliche Publizistik und Politikberatung" in Erkrath (BwP).

4 Cp. EC forecasts of 2006. Per-capita income in CEE ranges currently 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%, slightly above are HU, SK and EE. For a classification of the countries in a northern and southern axis and therefore a "CEE-Europe with two speeds" see Kohl/Platzer 2004, p. 361 f.

annex 1: **Commonly-used international abbreviations of countries**

BG	Bulgaria
CZ	Czech Republic
DE	Germany
EE	Estonia
HR	Croatia
HU	Hungary
LV	Latvia
LT	Lithuania
PL	Poland
RO	Romania
SI or SLO	Slovenia
SK	Slovakia
EU 15	the 15 EU member States pre-2004

annex 2: **National trade union confederations in Central and Eastern Europe**

(including the year of their foundation/ N = new foundation of previously State-run organisations)

Bulgaria:

CITUP: Confederation of Independent Trade Unions in Bulgaria (N 1990)
 Podkrepa: Confederation of Labour "Podkrepa" (1989)
 Promiana: Union of United Trade Unions "Promiana" (1998)

Estonia :

EAKL: Confederation of Estonian Trade Unions (N 1990)
 TALO: Employees Unions' Confederation (1992)

Latvia:

LBAS: Free Trade Union Confederation of Latvia (N 1990)

Lithuania:

LPSK: Lithuanian Trade Unions Confederation (N 1990, merger with LPSS 1992)
 Solidarumas: Lithuanian Trade Union „Solidarumas“ (1989)
 LDF: Lithuanian Labour Federation (1991)

Croatia:

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)

Poland:

OPZZ: All Poland Alliance of Trade Unions (1984)
 Solidarity: Trade Union Confederation NSZZ Solidarność (1980, prohibited 1981-1989)
 FZZ: Trade Unions Forum (2002)

Slovakia:

KOZ SR: Confederation of Trade Unions of the Slovak Republic (N 1990)

Slovenia:

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)

Romania:

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)

Czech Republic:

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)

Hungary:

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 3: Affiliation of Eastern European trade union confederations to the ETUC

	affiliated	non-affiliated
CZ	ČMKOS	ASO, KUK, KOK, OS CMS
EE	EAKL, TALO	
HR	SSSH	NHS, HUS, URSH, UNI, Matica
HU	ASZSZ, ÉSZT, LIGA, MOSZ, MSZOSZ, SZEF	
LT	LPSK, Solidarumas, LDF	
LV	LBAS	
PL	Solidarność, OPZZ	FZZ Forum
SLO	ZSSS	Pergam, K'90, KNSS, Alternativa, Solidarity
SK	KOZ SR	
BG	CITUB, Podkrepa	Promiana
RO	BNS, Cartel Alfa, CSDR, CNSLR Fratia	Meridian

Friedrich-Ebert-Stiftung, Internationale Entwicklungszusammenarbeit, Globale Gewerkschaftspolitik

Friedrich-Ebert-Stiftung, Division for International Cooperation, Global Trade Union Program

Godesberger Allee 149, 53175 Bonn, Fax: 0228 883-575

Sie finden die Kurzberichte zum Herunterladen auf <http://www.fes.de/gewerkschaften>

To download the briefing papers please use: <http://www.fes.de/gewerkschaften>

Dr. Rudolf Traub-Merz, Tel: 0228 883-582; e-mail: Rudolf.Traub@fes.de

Julia Müller, Tel. 0228 883-517, e-mail: Julia.Mueller@fes.de