Summary

Enlargement of the European Union in 2004 significantly increased the diversity of industrial relations among the countries of the EU. In comparison with the countries of the former EU-15, the new Member States in Central and Eastern Europe (CEE) were characterized by weaker trade unions, faster decline in union density, lower coverage of collective bargaining and their greater decentralization, and by the lack of statutory forms of information and consultation of employees at company level. The main aim of this paper is to examine the impact of the economic crisis on institutions shaping industrial relations in the CEE countries during the period 2008–2014.

This article will answer the question if the crisis has accelerated the convergence of industrial relations, or even the opposite — further deepened the existing differences and what the responses of social partners on the crisis were. The paper uses theoretical and conceptual analysis methods based on a survey of literature and statistics (especially from ICTWSS data base and EU-linked sources such as ETUI and EIRO).

Keywords: industrial relations; economic crisis; trade unions

JEL Classification: J53; J83; F66

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INTRODUCTION

The accession of new countries of Central and Eastern Europe (CEE) to EU in 2004 and 2007, significantly increased the heterogeneity of industrial relations in the Union. Historically, industrial relations in most countries of the former EU-15 were based on strong social partners, jointly established wages at sectoral or higher level, statutory forms of information and consultation of employees, institutionalized practice of tripartite dialogue¹. It should be noted, however, that for years processes of decentralization of collective agreements and declining unionization take place in labour relations.

On the other hand, the basic features of industrial relations in the CEE countries were weaker organisation of trade unions and employers, the absence of sectoral collective agreements and low bargaining coverage. Moreover, industrial relations in these countries during accession to the EU were characterized by weak institutions of employee participation and were more like the Anglo-Saxon model rather than the Continental European model².

The main aim of this paper is to investigate the impact of the economic crisis on social partners and institutions shaping industrial relations in the CEE.

1. THE CURRENT STATE OF KNOWLEDGE AND THE METHODOLOGY OF RESEARCH

Debates on industrial relations convergence in the EU have been undertaken in literature for many years. One of the first publication regarding this important topic was European Integration and Industrial Relations by Marginson and Sisson³. The authors noticed the emergence of “multi-level industrial relations framework” which resulted from EU enlargement. In turn, Kohl and Platzer⁴ in their publication offer a comparative study of industrial relations in Central and Eastern Europe, raising issues of adjustment of labour relations in new EU Member States to those in the former EU-15 and

¹ European Commission, Industrial Relations in Europe 2012, Luxembourg 2012, p. 75.
the question of Europeanization of these relations. Fetzer\(^5\) indicated three mechanisms of Europeanization which influence the development of employee participation and changes in industrial relations in the EU countries. These are: direct institutional effect of EU directives, the impact of EU regulations on the strategies and power positions of social partners, and impact on their attitude towards participation. Economic crisis was additional factor influencing the changes of industrial relations in CEE countries. In 2013, the report examining the impact of global crisis on industrial relations in EU Member States and Norway was published\(^6\). This report analyzes the impact on social partners, processes and outcomes of national relations systems from 2008 to mid 2012.

The emphasis in the article is placed on the basic elements forming industrial relations, i.e., trade unions, non-union forms of employee representation, employers’ organizations, the state, collective bargaining, and industrial conflicts. To achieve the objective of the article, the author identifies and compares the trade union density, employer organization rate, collective bargaining coverage, and level of bargaining. This article will answer the question if the crisis has accelerated the convergence of industrial relations, or even the opposite — further deepened the existing differences between the CEE countries and old EU Member States.

This article uses theoretical and conceptual analysis methods based on a survey of literature and statistics (especially from ICTWSS data base and EU-linked sources such as ETUI and EIRO). The Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS) database contains annual data for all OECD, and EU Member State from 1960 till 2011. The data is based on various sources, including inter alia European Industrial Relations Observatory (EIRO), the OECD, ILO and the European Commission reports\(^7\). In November 2015, a new version of ICTWSS data base that contained data from 1960 till 2014 was published\(^8\). Moreover, individual country profiles of Eurofound were used in this article as well as Industrial Relations in Europe reports from the period 2012–2015.

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\(^7\) Amsterdam Institute for Advanced Labour Studies, *ICTWSS database*, http://www.uvaaias.net/208 (22.04.2016)

\(^8\) Ibidem.
2. THE RESEARCH PROCESS AND THE RESULTS OF RESEARCH

The first part of the article examines industrial relations in CEE before the crisis, presenting a clear gap in this area between the new and old EU countries using the following indicators: trade union density, employers’ organisation rate, collective bargaining coverage and level, and rights of employees at company level. The analysis begins with the presentation of three types of industrial relations distinguished among the group of CEE countries.

The second part of the article analyzes the changes in the strength of social partners in CEE. The countries of this part of Europe entered into crisis with the uncompleted process of institutionalization of social dialogue and industrial relations. Reactions of social partners to the crisis differed and also different instruments were used mitigating crisis in these countries.

2.1. INDUSTRIAL RELATIONS IN CEE: SITUATION BEFORE THE CRISIS

Bohle and Greskovits distinguished three types of CEE capitalism, which can be transferred to the classification of industrial relations in this region, i.e., neoliberal, embedded neoliberal and neocorporatist model. Neoliberal type which occurs in the Baltic States and Bulgaria and Romania, is characterized by a very limited role of the state, fragmentary forms of welfare state, strong dependence on foreign direct investments. However, there are internal differences in terms of collective bargaining and power of union movement in this cluster. In Lithuania, Latvia, and Estonia collective agreements and trade union density are at their lowest level in Europe and labour organizations are rather excluded from the process of creating policy. In contrast to these countries, Romania and Bulgaria have high labour mobilization, significantly higher collective bargaining coverage and conclude the agreements widely at sectoral or industry levels.

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Collective bargaining coverage in the labor market, the highest among CEE indicators of trade union density, is in Slovenia. The model is characterized by a generous welfare state, regulated enterprise (except Slovakia) and trade unions are rather weak. On the other hand, the only CEE country which is included in the neocorporatist model is Slovenia. The model is characterized by a generous welfare state, regulated labour market, the highest among CEE indicators of trade union density and collective bargaining cover age\(^{13}\).

Generally, the level of unionization in the CEE countries before the crisis was significantly lower than in the countries of the former EU-15. In 2007, none of the CEE countries reached the unionisation level of 35.5%, which was the average for the old EU countries that year (figure 1). Union density was higher than 30% in only two CEE countries, i.e., in Slovenia and Romania. Apart from lower levels of unionization, also the number of union members in the CEE decreases faster — from about 29% in 2000 to about 19% in 2007. According to the *Industrial Relations in Europe 2010* report\(^{14}\)

![Figure 1. Trade union density in 2007 (in %)](http://www.eurofound.europa.eu)

**Note:** SE — Sweden, DK — Denmark, FI — Finland, BE — Belgium, LU — Luxembourg, RO — Romania, IT — Italy, IR — Ireland, SI — Slovenia, AT — Austria, UK — United Kingdom, EL — Greece, PT — Portugal, NL — Netherlands, BG — Bulgaria, DE — Germany, SK — Slovakia, CZ — Czech Republic, HU — Hungary, LV — Latvia, PL — Poland, ES — Spain, LT — Lithuania, EE — Estonia, FR — France.


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the biggest decline in the number of members between 2000 and 2008, were reported in Lithuania (about 47% members), Estonia and Slovakia (about 43%). The decrease in the number of unions in these countries resulted from ongoing transformation of economies, low flexibility of trade unions, and their slowly adaptation to the challenges of the market economy.

Employers’ organization rate in the CEE was also significantly lower in the EU-15 (except the UK and Greece). This level is calculated as the share of employees working in companies which are members of employers’ associations. In Austria, 100% employers’ organizations rate results from mandatory membership of employers in the Austrian Federal Economic Chamber\(^\text{15}\). Before 2006, employers were also organised in 100% in Slovenia. In turn, Poland, Lithuania, Estonia, and Latvia with the index of 20–25% were at the end of the ranking in 2007 (figure 2). In other CEE countries this indicator ranged between about 30% and 60%. Employers in CEE are less willing to join employers’ organizations because of the politicized role of social partners organizations in the process of making public policy and weakly established collective agreements at sectoral and national levels\(^\text{16}\). Moreover, employers’ organizations in these countries often lack the funds to properly represent the interests of their member firms.

![Figure 2. Employer organization rate in 2007/2008 (in %)](source: Amsterdam Institute for Advanced Labour Studies, op. cit.)

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Another indicator that shows a clear gap in the area of industrial relations between the old EU countries and the new CEE countries is collective bargaining coverage and level. In CEE bargaining structures are rather weak and bargaining collective rates are low. In 2007, collective bargaining covered an average of 77% of employees in the EU-15 countries, and only 41% of employees in the 10 new EU countries. The lowest bargaining coverage was in Lithuania (15%), Estonia and Latvia (25%), while in Austria, almost all employees had their wages and working conditions determined by collective bargaining (figure 3). Furthermore, bargaining coverage declined in the EU-15 on average by 0.9 percentage points between 2000 and 2008, while in the CEE this decline was on the average more than five percentage points. Only in two CEE countries, i.e., Slovenia and Romania this index was high resulting from the level of conducting collective agreements. In the CEE countries collective bargaining in 2007 was conducted mainly at the company level. Only Slovenia had the highest degree of decentralization of agreements with a dominant central or cross-industry level. Moreover, sector or industry-level bargaining were primarily applied in Romania.

The sector or industry levels were dominant in the former EU-15, but also here you could observe a progressive process of decentralisation of agreements, which leads to a decline in the share of employees subject to these agreements. Legally stipulated extension mechanisms help broadening the collective bargaining coverage and cause that agreements also cover non-unionized employees. However, in the CEE countries these mechanisms were either more limited through various requirements or despite the fact that the extensions were legally possible, they were not used in practice or the mechanisms were not available at all.

Noteworthy is also the analysis of employee representation in the CEE, which has undergone fundamental changes after their accession to EU. Implementation of Directive 2002/14/EC transformed the trade union representation normally present in these countries into a dual system (trade unions and works councils), or an alternative system (trade unions or works councils). The introduction of works councils to companies in the CEE countries was a tangible sign of the convergence of industrial relations of the EU in the area of employee participation. It should be noted, however, that from the very start the councils in the new CEE countries have shown a clear participatory weakness caused, among others, by smaller competency powers than those of their counterparts in Western Europe and sceptical or even hostile initial attitude on part of trade unions and employers towards councils.

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In March 2008, the European Commission adopted a communication on the review of the Directive’s implementation and application in the EU Member States. Taking into account the CEE countries, this communication documented\(^ {19}\) that most of these countries (except Hungary and Slovakia) failed to transpose the Directive within the required time. Bulgaria and Romania transposed the Directive in accordance with the requirements before accession to EU, i.e., before 1 January 2007. In addition, the communication indicated the positive impact of the legislation transposing the Directive upon the national system of industrial relations in two countries (Hungary and Latvia) and little impact in other countries.

2.2. CHANGES IN THE STRENGTH OF SOCIAL PARTNERS AND INSTITUTIONS OF INDUSTRIAL RELATIONS DURING THE CRISIS

During the crisis the decline in trade union density slowed down, which coincided with two trends, i.e., the decline in the number of unionized employees accelerated while total employment in the economies in the wake

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18 Ibidem, p. 64.
19 Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on the review of the application of Directive 2002/14/EC in the EU, COM/2008/0146 final.
of the crisis decreased\textsuperscript{20} In the period 2008–2012/13, the decrease in the percentage of employees belonging to unions was reported in almost all CEE countries (except for a barely perceptible increase in Romania (figure 4). Lithuania is an interesting case, because at the beginning of the crisis in 2009, union membership grew to 10.4%, and then in the year 2012 again declined to 9%. Blaziene\textsuperscript{21} explains this unexpected increase in trade union density by the fact that probably workers were looking for a body being able to protect them from the loss of jobs and pay reduction. The largest decline in union membership was recorded in Romania from 35.6% in 2008 to 19.8% in 2012 (figure 4), which mainly resulted from new Labour Code which had introduced the limitation in formation of trade unions organizations. According to Bernaciak\textsuperscript{22} also in Hungary the new Labour Code weakened the position of trade unions, while granting additional rights to works councils.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{trade_union_density.png}
\caption{Trade union density (in \%)}
\end{figure}

\textit{Source: Amsterdam Institute for Advanced Labour Studies, op. cit.}

Apart from Romania, significant decline in union density (about 5 p.p.) was observable in the following CEE countries: Estonia, Czech Republic and Slovenia. In other countries these losses in union membership were little smaller (about 4 p.p. in Slovakia and Hungary, about 3 p.p. in Poland, and 2 p.p. in Latvia). In Estonia the effects of the crisis resulted in a general decline in unionization in some sectors with high union membership (e.g.,


\textsuperscript{22} M. Bernaciak, \textit{op. cit.}, p. 24.
manufacturing), although the transport sector saw an increase in the share of unionized employees. According to Cziria mass redundancies in Slovakia accompanying the crisis contributed to a significant decrease in the level of unionization in the country over the period 2008–2011. The main union confederation lost more than 60 thousand members in this period.

Changes in employer organization rate in CEE countries between 2007/2008 and 2012/2013 are presented in figure 5. There are no data in the case of two countries (Romania and Hungary) due to difficulties with estimation. The most significant change of this industrial relations’ indicator took place in Slovenia. Because mandatory employers’ membership in the Chambers of Commerce and Industry was repealed, Slovenia recorded a significant decrease in employers’ organizational rate from 100% in 2007 to 60% in 2013. It must be noted that it is still the highest rate among the new EU countries. Decline in employer organization rate was also recorded in Lithuania. On the other hand, employer organization rate increased in the analysed period in the Czech Republic, Latvia and barely perceptible in Slovakia. There were no any changes in employers’ membership in Poland and Estonia.

The crisis has strengthened the trend towards decentralization of collective bargaining taking place across the Union and driven by the need

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Figure 5. Employer organization rate (in %)

Source: Amsterdam Institute for Advanced Labour Studies, op. cit.
for greater flexibility and overall cost-cutting. Among the CEE countries, Romania and Slovenia are outstanding examples, in the period 2007–2013, the dominant level of bargaining was reduced there by two grades (figure 6). In Romania, the new Labour Code of 2011 eliminated the cross-industry agreements, made it difficult to negotiate at sector level and moved the stress to company level. On the other hand in Slovenia, according to Stanojević and Klarić, neocorporatist model of labour relations was under pressure from strong socio-economic shocks in the 2000s (economic crisis, inclusion into the euro-zone and the second wave of privatization), which resulted in significant weakening of the coordinated collective bargaining system.

![Figure 6. Dominant level of bargaining in CEE](image)

Note: 5 — bargaining predominantly takes place at central or cross-industry level; 4 — intermediate or alternating between central and industry bargaining; 3 — bargaining predominantly takes place at the sector or industry level; 2 — intermediate or alternating between sector or company level; 1 — bargaining predominantly takes place at the company level


Decentralization of collective bargaining involved the introduction or increased use of opening clauses in order to ensure more flexibility of application of these agreements during the crisis (Slovenia, Bulgaria). On the other hand, new laws in Romania and Slovakia led to a reduction in extension

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mechanisms of collective bargaining, which resulted in a decrease in proportion of employees covered by these agreements. A decline in collective bargaining coverage was also experienced by other CEE countries (figure 7). However in Romania the drop in this indicator of industrial relations was the largest (from 98% in 2007 to 35% in 2013). In the analysed period significant decline in the proportion of workers covered by collective agreements was also noticed in Slovenia (by 29 p.p.) as well as in Slovakia and Hungary (by about 15 p.p.). Only in Poland, Czech Republic and Estonia these changes were not so visible.

Active involvement of the social partners in the CEE countries played an important role in the adoption of anti-crisis measures. However, the reaction of the partners to the crisis in individual countries differed, which according to Glassner\(^2^8\) was a result of three main factors: the depth of the crisis, the institutional set-up of industrial relations, and government decisions. Already at an early stage of the crisis (2009 and 2010), in several CEE countries agreements and pacts defining the framework for anti-crisis measures were concluded, the tripartite in Latvia, Estonia, Bulgaria, Czech Republic, and Lithuania, or bilateral — in Poland. The main instruments designed to mitigate the crisis were: a public sector pay freeze and cuts, the minimum wage freeze, withdrawal of bonuses and premiums, short-time work, the introduction of flexible elements of pay, voluntary dismissals and training.

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Trade unions in CEE supported the anti-crisis measures, hoping that the restrictions would be temporary. For example, in Slovakia, the social partners in the automotive sector introduced flexible working time accounts, while in the metal-working sector — agreement on short-time working. In Poland, the provisions on the flexibilization of working time were included in the company agreements in manufacturing29. Among the Visegrad countries, the biggest impact of government decisions on the shape of industrial relations during the crisis could be found in Hungary. The Orbán government directly performed tasks which in the system of better functioning collective bargaining could be carried out by trade unions and employers’ organizations30. Another type of response of trade unions to government austerity measures was mobilizing their members to protest actions and strikes31. The biggest strikes and demonstrations both in the public and private sectors were organized by trade unions in the two countries of the neoliberal model of industrial relations with the traditionally high union density and stronger labour mobilization, i.e., Romania and Bulgaria.

**CONCLUSIONS**

The crisis has not accelerated the convergence of industrial relations in the direction of the dominant model in the EU-15, and in some CEE countries further weakened the social partners and institutions of social dialogue. Almost all CEE countries experienced a decline in trade union density and collective bargaining coverage. In the case of Romania and Slovenia the dominant level of concluding collective agreements fell significantly. Slovenia was also the country in which a significant decrease in employers’ organization rate was recorded. New institutions of workers representation (works councils) failed to extend the scope of employee participation in the CEE countries. As noted by Meardi32 in terms of industrial relations the gap between the old and new EU countries has widened even more.

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29 Ibidem.
Industrial relations in the CEE did not experience a qualitative reinforcement as predicted earlier, before the accession of these countries to the Union. EU policy during the crisis supported the decentralization of agreements, deregulation of labour markets, and promoted flexibility, which contributed to the weakening of models of industrial relations in the CEE. Most affected by the crisis was the neocorporatist model in which there was a strong decentralizing trend, strong reduction of collective bargaining coverage, and the significant weakening of the social partners. One of the countries with the neoliberal model i.e., Romania, also experienced a significant weakening of trade unions and institutions of collective agreements in the result of the introduction of the new Labour Code. All these changes during the crisis caused that the models of industrial relations in the CEE countries begin to look alike.

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