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Article

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Zeitschrift für ArbeitsmarktForschung - Journal for Labour Market Research

Provided in Cooperation with:

Institute for Employment Research (IAB)

Suggested Citation: Vaughan-Whitehead, Daniel (2004) : What world of work in new EU member states?, Zeitschrift für ArbeitsmarktForschung - Journal for Labour Market Research, ISSN 2510-5027, Institut für Arbeitsmarkt- und Berufsforschung (IAB), Nürnberg, Vol. 37, Iss. 4, pp. 335-345

This Version is available at:

<https://hdl.handle.net/10419/158584>

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What world of work in new EU member states?

*Daniel Vaughan-Whitehead*¹

The years of transition in Central and Eastern Europe brought with them the unprecedented – in these societies – phenomenon of restructuring with dismissals and growing unemployment. Moreover with the emergence and development of the private sector, new enterprises started to leave former corporate models behind to adopt new forms of employment and working conditions arrangements to better adapt to the newly competitive environment. Further many of these countries have now joined the European Union and have started to progressively harmonize their labour laws to community legislation, something that should accelerate their economic and social catching-up process while profoundly influencing their World of work. However there is no much evidence collected so far on these countries' enterprise practices in terms of labour contracts, working time, and other working conditions something that this articles proposes to investigate more in depth.

At enterprise level are the conditions at work following similar patterns in new EU member states? Have they started converging in a significant way towards EU standards?

Or are they already following diverging trends in certain areas? What could be said about the general direction of the World of work in the EU 25?

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¹ Many of the following observations in this article are built from a recent survey carried out at enterprise level in the new EU member states. For more detailed information and concrete case studies, see the report *Working and Employment Conditions in new EU member states: Convergence or Diversity?*, ILO, Geneva, 2005.

For this paper only the author is responsible.

1 Introduction

In the recent debates about the European Constitution, part of the opponents to the Treaty put forward the lack of social Europe and of harmonisation of employment and working conditions in the newly enlarged EU that may obviously lead to major risks of social dumping.

Nevertheless one year after EU enlargement took place – and along the progressive harmonisation to the community legislation to which new EU member states committed themselves – we should assist to a progressive catching-up process in new EU member states. While other articles in this special issue are describing employment and labour market policies which may have already started to converge, there is also a need to check what are the exact practices prevailing at enterprise level. Are the conditions at work following similar patterns in new EU member states? Have they started converging in a significant way towards EU standards? Or are they already following diverging trends in certain areas? What could be said about the general direction of the world of work in the EU-25?

2 Diverging trends in working conditions?

While work under the previous communist regime was characterised by very low wages but the guarantee of life-long employment, the shift to a free market economy has brought radical changes in patterns of employment and working conditions. During the years of transition, new enterprises started to leave former corporate models behind to adopt new forms of employment and working conditions arrangements to better adapt to the newly competitive environment. The whole question is whether we do assist to a sort of harmonisation in this field – precisely the one that is wished by all those concerned by Social Europe – or whether certain practices in new EU member states continue to be far from EU standards?

A more intensive use of the labour force

Working time is undoubtedly an area in which there are some differences between the EU-15 and the 10 new Member States, with employees appearing to work many more hours on average in the latter. In 2003 almost all new member states – with the exception of Lithuania and to a lesser extent Slovakia – were working above the EU-15 average (41.4 hours a week), especially Latvia (43.8, that is nearly more than 2 hours more per week), Poland (43.4) and the Czech Republic (43.1). In the EU-15, comparable

working time was reported only in Greece, which registered the highest number of average working hours (44.4 hours a week) and the UK (with 43.8). The two new Southern members are also characterised by a longer working week.

While the EU average has not significantly changed with the increase from 15 to 25 member countries (from 41.4 to 41.6 hours a week) we must report, however, that the EU-15 average has always been influenced upward by a few outliers (mainly Greece and the UK) – workers in most other EU-15 countries benefiting from far fewer working hours. Long working hours thus seem to represent one specific feature of working conditions in the new member states.

This seems to be confirmed by the percentage of employees working more than 50 hours a week, that is also much higher in the new EU Member States. The extension of working hours has become a way of coping for both employers and employees. From the employers' side it is a way of responding to peak periods of activity with the same manpower: in this way they limit the payment of social contributions and also avoid alternative costly hiring/firing procedures. From the employees' side accumulating the number of hours during the week has become the main way of increasing low basic wages and of obtaining the supplementary means necessary for the family's survival.

However, longer working hours are often due not to the employees' wishes but to the employers' requirements. As an example, 30 per cent of extra working time is involuntary in Poland and thus does not correspond to a free choice on the employees' side. No doubt long working hours represent an important form of adaptability to the difficult economic context at enterprise level, and have been developing mainly in the manufacturing sector, but also in such sectors as mining, transport and electricity.

Weekend work or *unsocial hours* have also developed rapidly, at least in some countries. Weekend work in the retail sector, for instance, is a major political issue in Slovenia, especially the question of whether there should be Sunday opening.

We also notice not only much harder working rhythms (also observed by the Dublin European Foundation, see Paoli et al. 2002) but also a systematic introduction of shift work in order to be able to have a full-time 24 hours/day operation system (Vaughan-Whitehead, ed., 2005).

These figures, well above the EU-15 average, obviously have direct implications for employees at work,

especially since working time was found to have strong correlations with other working conditions. Longer working weeks are associated with more health and safety risks, and also more difficulties in reconciling work and family.

Nevertheless although the new Member States seem to have particularly long working weeks, there are some positive developments to report.

In particular the number of hours worked has progressively decreased in all these countries over the last few years. If we compare 2003 to 1997, weekly working time has been reduced in most of them, sometimes significantly, as in Slovakia, the Czech Republic (by nearly two hours) and then Slovenia, Estonia and Cyprus (by one hour). These countries thus seem to be already progressively converging towards the EU average. This has been achieved partly through changes in national labour laws – reducing maximum weekly working time (for instance, in Poland this was decreased from 42 to 40 hours between 2001 and 2003) – mainly to fall into line with the EC working time directive.

Unpaid overtime and undeclared wages

The reality however may be worse than what is suggested by official statistics (and what is enshrined in the new Labour Codes), which largely underestimate the real number of working hours: first, because of the informal economy – much larger in the new EU Member States than in the EU-15 – where by definition the number of working hours is unregulated and thus much larger (often above 50 hours a week); second, because employers in the formal economy also have a tendency to underreport total number of working hours, for different reasons, mainly the presence of the civil contracts that we describe below (alongside the phenomenon of multiple contracts) for which working time does not seem to be counted; and then also because there can be very tough, intensive periods with very long working weeks (more than 50 hours a week) while average working time remains low because the reference period taken for calculation of this average is mainly defined by the employers (due to very weak social dialogue or works councils). Conversely, social dialogue could help greatly in negotiating a working time frame that is acceptable for both employers and employees.

Another way of reducing labour costs in the new Member States seems to consist in declaring a majority of their employees on the minimum wage and providing them with extra payments “under the table”, that is, undeclared cash-in-hand. This allows employers to make significant savings in terms of social con-

tributions and other taxes. Nearly half of Hungarian employees in their answers to a recent survey (see in Economic Trends 2003) reported that this was general practice in the Hungarian economy. It represents the most quoted method (by 46 per cent of respondents) of saving on labour costs. Among other methods, 27 per cent of employers also quoted employment under a civil contract, while around 12 per cent mentioned employment for a trial period and 15 per cent part-time employment.

In Estonia, 10 per cent of employees received such “under the table” payments in 2002 (an improvement on 1999 when this practice was reported by 19 per cent of employees).

In Poland, in 2003 this affected nearly 20 per cent of employees in micro-enterprises (less than 5 employees), between 10 and 15 per cent in small and medium-sized enterprises (6 to 150) and less than 5 per cent of employees in large companies (over 150 employees).

The general practice of under-declaring wages obviously has implications for many other working conditions: for instance, the payment of extra working hours which, according to national law, must be calculated on the basis of the normal basic wage. Instead of being regulated by law, overtime is in practice at the employers’ discretion. All sources of income (social benefits) are systematically deflated by such wage under-reporting.

Increased recourse to flexible forms of contracts

Although this form of employment did not exist in the early years of transition, most workers benefiting from permanent contracts – *fixed-term work* has become a major form of employment and is being increasingly used (as in the other EU countries) as an important source of flexibility. The share of this type of contract has increased from nothing in the early 1990s to more than 10 per cent in the 10 new EU Member States. Although this is slightly below the EU average of 11 per cent, a few countries, such as Poland (with 14 per cent) and Slovenia (with 12 per cent), have seen employers making more systematic use of such employment contracts. For the employers this has the main advantage of reducing costs in case of termination of employment. In Poland these contracts increased by nearly 25 per cent in 2003 alone. Polish legislation with regard to this type of contract is particularly permissive, inducing most employers to shift to such flexible forms of labour contract.

A new phenomenon has also appeared in the new member states: the use of *interim employment agen-*

cies to provide employers with a constant stock of employees. Although this type of employment is only in its infancy – all new Member States being well below the EU average – a growing proportion of work contracts seem to be concluded through the intervention of an interim employment agency. They are more widespread in Latvia, Slovenia and Malta (around 10 per cent of the labour force). These contracts remain limited in the other newcomers.

But it is mainly self-employment that has recently grown as one major form of flexibility.

Self-employment in 2003 affected 24 per cent of employees in Poland, 17 per cent in the Czech Republic and Lithuania, and 13 per cent in Hungary, compared to a 14 per cent EU-15 average. It has recently increased significantly in Slovakia, the Czech Republic and Lithuania.

The percentage of self-employed persons is thus already above the EU-15 average in many of the EU new Member States. In Poland and Cyprus more than one employee in five is self-employed, a figure matched in the EU-15 only by Greece, Italy and Portugal.

The figures tend to show a large increase in the number of self-employed over the last few years. However, two aspects should be kept in mind: (i) it is important to analyse the data and their development both including and not including agriculture since the proportion of self-employed is very high in that sector and agriculture itself is very important in some countries, such as Poland; (ii) it is important to focus on the self-employed “without dependent employees” only, leaving aside self-employed enterprises which have dependent employees.

Self-employment is thus representing, as temporary work contracts, a new source of flexibility, often more convenient from the employers, since it allows the employer to reach maximum flexibility more easily, with maximum avoidance of social contributions and labour regulations. This is significant in Poland, Hungary, Lithuania and Latvia, but also in Estonia and other new Member States. Compared to the EU, this recourse not only seems to be more extensive already, but it may capture a different phenomenon, of regular employees shifting from a normal labour contract to a self-employment contract, while the self-employed in the EU-15 also does integrate a significant proportion of small businesses ran by former employees.

Regarding the use of this type of contract, in addition to the employers’ demand that employees shift from a

regular to a self-employment contract – involving a change in employment status while the employee continues to do the same work he did before – we have also observed a second form of self-employment, when the employer supplements the employee’s normal labour contract with an additional self-employment contract. In this case, the different employment status may be matched by a different form of activity, this additional activity being covered by the Civil Code rather than the Labour Code. This second practice seems to be developing rapidly in many of the new Member States: the use within the same enterprise and with the same employees of “multiple contracts”, with a regular labour contract being supplemented, for extra working time or additional work assignments, by a civil contract or a self-employment contract. This phenomenon seems to be particularly widespread in Poland and Hungary, but is also prevalent in all other new Member States in Central and Eastern Europe. It is widespread in the three Baltic states.

In Estonia, not only are civil contracts widely used by employers as a major source of flexibility, but also a not insignificant proportion of workers – 5 per cent in 2002 against 11 per cent in 1998 – continue to work without any written labour contract. Their employment and working conditions are agreed orally with the employer, a practice that circumvents Estonian law and seems to be more developed in new enterprises, especially in Tallinn, and in rural areas (7 per cent of enterprises in 2002).

Another practice is present in some of the new EU Member States, especially in Lithuania, Latvia and Estonia, that enables the employer to achieve his ends without circumventing the law: the employee signs, alongside an individual labour contract, a supplementary ‘extra agreement’ – in fact, a notice of dismissal that can be used any time at the discretion of the employer. While this practice is decreasing in Estonia (from 10 to 6 per cent between 1999 and 2002) it continues to increase in Latvia and Lithuania, where it affects nearly 10 per cent of the labour force. Employees’ willingness to accept such a practice is clearly related to high unemployment and the poor prospects of finding a job.

Poor safety at work

Enterprises in most new EU member states have not so far paid much attention to health and safety, particularly because it is in this area that they would have to spend the most without an immediate bottom-line return, especially with transposition of the numerous EC directives in this area. Although the general situation seems to be slowly improving (see all recent re-

ports by the European Commission) the picture is still worrying in most new EU Member States. A health and safety index which we built up from the Dublin Foundation survey results of 2001 shows that the health and safety risks in most new EU Member States are much higher than in the existing EU countries.

Moreover, even when there is significant legislation, it is too rarely applied at enterprise level, especially among the new private small and medium-sized enterprises. In Estonia, for instance, according to the Labour Inspectorate only 15 per cent of enterprises were in compliance with legal obligations in this area. The main violations involved the absence of a contract with an occupational health service specialist (70 per cent were found not to have one), no risk assessment or plan of activities (60 per cent of enterprises are not in compliance), no internal control (absent in 49 per cent of enterprises), no training (not even discussed in 44 per cent), and no elected working environment representatives (in 37 per cent).

The fact that many enterprises have problems in this area is confirmed by the statistics on occupational accidents and diseases: their number in Estonia increased by almost 50 per cent between 1999 and 2002. In other countries, such as Poland, while the number of accidents at work is decreasing, they remain at a very high level. Moreover, most victims of such accidents are found to be on short-term or temporary contracts. There is also a direct correlation between working time and risk of accidents.

We must add that the recent increase in accidents in a few new Member States may be due not only to a real increase in absolute numbers but to better reporting, the true figures having been too often and systematically hidden in the first thirteen years of transition and in the course of EU accession, by both employers and employees. This is a sign that these countries are moving towards more transparency and thus more public concern in relation to occupational health and safety issues.

3 A social situation inherited from the transition: What prospects for the future?

Obviously part of this situation may be explained by the context of transition. One of the immediate effects of transition was the dramatic fall in employment levels, as a direct result of the large fall in output that all Central and Eastern European countries experienced, followed by a difficult and long period of restructuring. The fall in employment has been

particularly severe in industry first because the output crisis hit manufacturing mainly and second because of a progressive shift of economic activity toward services. Not only employment rates continue to be lower than the EU average in many new EU member states, but they also continue to experience higher unemployment rates, especially Slovakia and Poland.

At the same time the policy of price liberalisation launched in all countries in the region at the beginning of the reform process led to an explosive inflationary surge which had an immediate downward impact on real wages, that were already kept at artificially low levels in the previous communist regime. Wage levels at the beginning of the present decade, however, also reflect in great part the incomes policies implemented in the first years of transition. Downward rigidity of wages thus represented the adjustment variable favoured by governments in the transition process, with wage earners bearing the brunt – along with those dependent on social allowances – of the burden of transition. It is not by chance that today the most conspicuous gap between the new and the older EU member states is in wage levels.

As a result, poverty remains a major concern in most new EU member states. A large part of the population continues to find itself below or not far from the subsistence minimum or poverty line. Certain groups are most affected than others. The unemployed, especially the long-term unemployed, are first in line, together with pensioners, the disabled and those trying to cope on only social benefits. This confirms unemployment as the main factor driving into destitution. Among the families most at risk, we find large families composed of two adults with three or more children, as well as single-parent households – generally women – with dependent children. We also observe the increasing phenomenon of working poor, which also seems also to confirm low wages as another source of poverty.

Unemployment and low wages the main determinants

This situation clearly has a direct effect on working conditions. In fact, almost all working and employment conditions at enterprise level in the new EU member states can be traced back to the population's general social situation, particularly high unemployment and low wages. Most case studies carried out recently at individual enterprises tend to show that the main reason why employees tend to accept bad working and employment conditions – without complaining or going to court – is fear of losing their job. In particular, long-term unemployment in these coun-

Table 1
Unemployment rates and minimum wage levels, EU-25

	Unemployment rates 2003	Minimum wage level (in Euro) 2003	Minimum wage (in PPP) 2003
Austria	4.4	–	–
Belgium	8.1	1,163	1,162
Cyprus	4.4	–	–
Czech Republic	7.6	199	389
Denmark	5.6	–	–
Estonia	10.1	138	264
Finland	9.0	–	–
France	9.3	1,154	1,150
Germany	9.3	–	–
Greece	9.3	605	725
Hungary	5.8	212	384
Ireland	4.6	1,073	910
Italy	8.7	–	–
Latvia	10.5	116	239
Lithuania	12.7	125	252
Luxembourg	3.6	1,369	1,338
Malta	7.8	535	752
Netherlands	3.7	1,249	1,225
Poland	19.3	201	351
Portugal	6.5	416	543
Slovakia	17.1	118	265
Slovenia	6.5	451	668
Spain	11.3	526	617
Sweden	5.6	–	–
United Kingdom	5.0	1,105	983
EU-15	8.0	–	–
EU-25	8.3	–	–

Source: Eurostat; EC Employment in Europe 2003, p. 80.

tries acts as a strong disincentive for employees to complain about their working conditions, or to apply somewhere else for another job with hypothetical better working conditions. This process is generating poor workers' motivation and productivity in the enterprise and also very low turnover and mobility between enterprises. In this regard more concrete action to fight long-term unemployment is needed in these countries, where their efforts for active labour market policies remain rather weak.

Another reason why employees generally accept very hard working conditions such as long working hours

– often not remunerated – and very high and stressful working rhythms is the urgent need to raise their living standards.

We see from table above that not only minimum wages (as well as average wages) continue to be well below the other EU countries' average, but that many of them already experience higher unemployment rates. The gap existing in the level of the minimum wage explains why it would be unrealistic to fix an EU-25 minimum wage level as it was proposed by many during the recent debates on the European constitution, especially in France and in the Netherlands,

where a majority of people voted against the Constitution often because of a feeling of a lack of social Europe and of harmonisation on wages and working conditions. At the same time, however, a progressive levelling-up of the national minimum wage in most new EU Member States – where it often remained at rather symbolic level – may greatly help towards a progressive social catching-up and towards to avoid sources of destructive competition.

Many examples can be brought forward about the effects of wages and employment situation on the world of work. For example, the workers in many Latvian enterprises who do not want to complain about the unhealthy conditions because they fear that the employer may need to layoff part of the employees to catch up with health and safety standards. Or employees in the banking sector in Hungary who have been forced by their employer to shift from a regular to a self-employment contract if they want to keep their job. Or the myriad of temporary workers in Poland forced to remain on very short-term contracts or civil contracts. Or employees of many enterprises in Slovenia obliged to accumulate working hours during the weekends.

The practice of self-employment for instance is mainly motivated by the wish to increase wages.

Another practice observed at enterprise level in many of the new EU member states well illustrates the predominance of the wage issues: the widespread payment of bonuses or premia compensating for very poor working conditions, especially in occupational health and safety, a practice whose continuance both workers and trade unions seem content to accept.

Cumulating long working hours has also become one major way to increase living standards with an interesting development that seems to be taking place. We have observed over the last few years a progressive decrease in the number of workers with a second or even a third job, the typical way of coping during the first transition years for a majority of workers. In Estonia, for instance, the percentage of people having a second job decreased from 9 per cent in 1997 to 4.5 per cent in 2002. It seems that the workers now concentrate on one activity but accumulate working hours to increase their wages or at least their probability of being retained by their employer.

On the reverse, the rather poor willingness to work on a part-time basis that we observe in all new EU member states seems to be due to the wish not to decrease wages and living standards. In Estonia, the main reason for involuntary part-time work (according to 51 per cent of part-timers) is the failure to find

a full-time – and thus fully remunerated – job. The situation is the same in Poland (where 40 per cent of part-timers would like a full-time job) where part-time work is generally associated with social exclusion (especially if we consider the high price of urban transportation in cities like Warsaw, approximately 15 per cent of the average wage of a part-time job; moreover, a part-time wage does not seem to be enough to cover child-care costs). In addition, when it is of a voluntary nature it may correspond to a second job for those already working full-time in a main job (for instance, this affects 12 per cent of part-timers in Estonia).

A recent survey in Hungary shows that most people on part-time contracts are unable to find a full-time job. Only one-third agreed to such contracts by choice, particularly women. Part-time work in Hungary seems in fact to be more voluntary for women than for men.

Part-time work is therefore something whose mechanisms seem different to those in the current EU-15. Part-time work has been developing more as a flexible form of employment rather than as a way of reconciling work and family, as it is the case in many of the previous EU-15, notably in the Netherlands. Part-time work in most new EU member states is used mainly to employ particular categories of workers, such as retired people, the disabled, young first entrants and the unemployed, who generally already receive social allowances but urgently require additional income. In Hungary, nearly 20 per cent of the 4.8 per cent of employees working part-time are disabled. In Poland, 40 per cent of part-time workers are either pensioners or disabled.

The influence of the massive informal economy

The presence of a large informal sector is part of the unintended processes brought by the transition – together with the serious production collapse of early transition – that was not much foreseen by external advisers, including those from international monetary institutions, and which yet has to be documented in a proper way. The emergence of the informal economy was also seen as a temporary phenomenon that would fade along with economic growth and the expansion of employment developed.

Contrary to such initial predictions, the presence of the informal sector remains a key, and seemingly a permanent feature of most transition economies. Partly fed by the disengagement from the official sector along the restructuring process – long-term unemployment in particular being a phenomenon that leads directly to informal activities – it also takes its roots

in the general economic and social situation of these countries with different motivations from both the supply and the demand side. From the employer, that is the demand side, informal activities are a way of avoiding what they consider the 'over-taxation' of the labour market. It is more often found in the small and even micro enterprises, whose life expectancy is very short – less than two years. Although the development of myriad small private businesses has contributed to increasing official employment, it has been accompanied by a similar development of small units in the informal sector. From the supply side – that is from those providing the service or doing the work – the informal sector represents a way of obtaining additional income, which avoids taxation as well as other constraints that come with an official job, such as obligatory working time (which makes difficult to hold down two or three jobs), or social security contributions. In general however, most have been forced by the circumstances to accept a job in the informal sector, where they do so under very precarious conditions, being also excluded from the possibility of unemployment benefits and other social allocations should they lose their job. It is important to add that there is also an important demand from the consumer's side since buying items on the black markets has become a way of surviving for many households.

The extent of the informal sector remains enormous throughout the region: in Hungary, for instance, it has been calculated through surveys that it may well generate more than one third of GDP. This sector has more than doubled in Latvia, reaching more than 35 per cent of GDP, although this is probably an underestimate. Poland is another country where the black economy has expanded enormously, estimated at more than 27 per cent by Schneider (2002). There is also a significant informal sector in Slovenia, although no data are available on its exact extent. Hidden employment is also well developed in Estonia (it was estimated at 39 per cent by Schneider 2002), especially in sectors such as construction, agriculture, trade, hotels and restaurants, and other services. It must be emphasized though that the size of the informal economy as a percentage of GDP, while serving as an approximate measure of the phenomenon, is not ideal since many informal activities do not generate much added output as regards GDP (small jobs between neighbours, and so on), but rather represent lost opportunities for the formal sector, the time that people dedicate to the informal sector being in effect deducted from the formal economy. Other complementary and generally better measures should be used, such as the number of people involved in informal activities; the amount of time they dedicate to the informal sector; the share in total income of revenues

earned in the informal sector; or even the share of expenditure on informal markets. Information of this kind is generally collected through household surveys of representative samples. So far, however, they remained limited. Something which is partly due to the neglect of the phenomenon (and even its promotion as a way of deflecting difficulties during periods of restrictive macroeconomic policy)² that has unfortunately contributed to its tolerance and development at all levels.

Obviously the presence of a massive informal sector does influence very much all working and employment conditions in the formal economy. In fact, the informal sector does represent indeed the most extreme form of 'flexibilization' of the labour market. For management the informal sector does constitute a permanent reserve of cheap and flexible labour, that obviously helps them to keep pressure on their employees to accept any working and employment conditions. The presence of an important informal sector has obviously played a non-neutral role with regard the prevalence of long working hours, unpaid overtime and the increasing recourse to self-employment. In fact the status of self-employment does represent an open door to the informal sector, a path to the informalisation of previously formal activity. In this context it would be hopeless to expect improving working and employment conditions without taking timely and adequate action on the informal economy.

The role – or absence of role – of social dialogue

It is obvious that *social dialogue*, especially collective bargaining at local level, could serve as an important lever for improving conditions at work. Not only it could improve each issue of work in a significant way, but also help to address these different areas within a combined and coherent approach. Especially since social dialogue has become a transversal governance tool at the EU level. Nevertheless the outcome in the enterprises of the new EU member states is rather mixed.

On the one hand case studies at enterprise level (see Vaughan-Whitehead, ed. 2005) show that working and employment conditions are definitely improved where there are trade unions or where collective agreements have been signed at enterprise level. On the other hand the weaknesses of trade unions and of employers' organisations seriously limit the possible achievements in this field. Employers' organisations

² The World Bank for instance has taken little account of the informal sector, with very rare mentions of the phenomenon in all its reports on transition (see Vaughan-Whitehead 2003, pp. 177–83).

do not seem to have much influence on the myriad of small businessmen and entrepreneurs who have emerged in the new private sector. Trade unions on their part have yet to find the right strategy to achieve representation in small private companies. Moreover, they continue to face a fall in membership and low mobilisation capacity.

Direct forms of workers' participation – such as *participation in boards of directors or works councils, including European works councils* – which are also found to have a direct impact on working conditions, especially where a role is foreseen for workers' representatives, such as for the implementation of all EC directives on health and safety, which require health and safety committees, are also not much developed yet. Among the new EU members only Slovenia and Hungary, and more recently Slovakia and the Czech Republic, have implemented some type of works council. In the other new members workers' participation is still surprisingly missing. In countries like Poland and the Baltic states, works councils and other forms of workers' involvement in decision-making, considered as 'vestiges' of socialism, have been totally dismantled, together with other self-management forms, such as cooperatives, often with the cooperation of trade unions (we remember the fierce opposition during the first years of reform of the Polish trade union Solidarnosc to works councils because they were considered to contradict the good functioning of a free market economy).

Workers' participation and forms of information and consultation are more likely to be present in larger companies, which also generally have trade union representatives. Conversely, small private enterprises generally do not have trade unions or works councils and other participatory mechanisms that could act as a counterbalance to management.

Moreover – and contrary to tripartite structures – the independent channels of social dialogue and bilateral negotiations continue to be poorly developed in most new EU member states. Worrying trends continue to be observed at the enterprise level, which often seems to be beyond the control of the social partners. At the same time – in contrast to EU experience – there is a lack of *collective agreements* at the sectoral and regional levels, meaning that there is no intermediate social dialogue either. These different features explain the low coverage of collective bargaining currently experienced in most new EU Member States. A majority of workers – sometimes up to 80 per cent, for instance in Latvia and Lithuania – are not covered by collective agreements. This contrasts with the general trend in the EU-15, where in 2000–2002 coverage rates were as high as 100 per

cent in Belgium and Austria, above 90 per cent in Sweden, Finland and France, and covered more than two-thirds of employees in Denmark, Spain, the Netherlands and Germany (85, 81, 78 and 67 per cent respectively).

Only in Cyprus is the estimated coverage rate (65–70 per cent) comparable with the above-mentioned EU Member States. Slovenia is a particular case, since its high coverage rate is due mainly to an obligatory system of collective agreements – signed between relevant sectoral trade unions and relevant sectoral organisations of the Slovenian chamber of commerce rather than with the national employers' association – so that a fully voluntary collective bargaining system has yet to emerge.

However, even when the coverage rate is higher, enterprise characteristics may be a cause for concern. Even in Hungary – where the coverage rate is higher – micro and small enterprises account for more than 1.5 million jobs, thus representing half of the labour force. In these enterprises there is little probability of seeing any form of collective industrial relations. Instead, working conditions continue to be governed by the employer through the individual employment relationship with his employees. We must also emphasise that employees who shift to self-employment status legally cannot be reached by social dialogue anymore.

Not only does the number of collective agreements remain very low in new EU Member States, but their contents are limited too. They generally reproduce the contents of the respective legal texts. A recent study of the contents of agreements in Estonia reveals that in some cases where a collective agreement was signed, its contents were sometimes even more modest than what was enshrined in the law, showing the social partners' lack of knowledge of the existing legislative provisions on working conditions (Eamets et al. 2005).

Collective agreements also cover a very narrow range of issues, generally only wages and wage bonuses – sometimes also working time – but rarely. All the other essential working conditions described in this article, such as health and safety, working rhythms, working time flexibility, payment of overtime, employment contracts, and so on are not covered by social dialogue, which easily explains the crisis observed at enterprise level.

This absence of collective bargaining helps of course to explain the excesses in employment and working conditions described in previous sections. The employers seems to have become in practice the main

decision-makers on working and employment conditions, so that changes at work may well continue to depend for a while on the employers' discretionary power.

This leads however to another important conclusion: as working conditions have been weakened by the lack of social dialogue, they could only be reinforced in the future through a significant strengthening of social dialogue.

Are these short-term or long-term trends?

Obviously the fact that high unemployment and low wages push workers to accept any working conditions to maintain their jobs does mean that the trade unions if and where they are present cannot do much more than to support workers' choices. This explains why the few collective agreements that are observed do only define employment and wage conditions, without addressing other working conditions. This context obviously puts the employer in a dominating bargaining position that only a radical progress in the economic and social situation could modify. Even then it is not sure that such disbalance would be improved since it really depends on the improvement of the labour markets and in particular to the better matching of labour demand and supply – which currently explains the persistency of long-term unemployment – that does not seem to have been improved yet despite the strong economic growth of these countries. This would mean that such working and employment conditions imposed by employers may well prevail for a long time. For instance, will the upward trend of self-employment arrangements continue? And will it continue to be applied at enterprise level to substitute regular labour contracts? According to Eurostat, the percentage of employees in self-employment has been decreasing recently, although this will have to be monitored regularly in the future.

Anyway the fact that the world of work at enterprise level seems to be too much influenced by the fear of falling into deprivation and social exclusion also highlights the importance to develop appropriate social protection policies. Among the new EU member states, Slovenia certainly represents a success story in this regard since it has managed to achieve a successful economy while maintaining the main features of its social protection system. However, even there the fight against social exclusion – with notably very high long-term unemployment rates – would require an even more comprehensive policy. In this regard the macroeconomic context will also play a role. The need for the new EU member states to adopt the EMU criteria – very demanding considering the current state of their economies – will not leave them

with much flexibility, something that may comfort the liberal options and ideologies of policy-makers in these countries – that expect the totally free functioning market economy to reabsorb all economic and social imperfections.

4 Conclusion

While work under the previous communist regime was characterised by very low wages but the guarantee of life-long employment, the shift to a free market economy has brought radical changes in patterns of employment and working conditions. During the years of transition, which brought with them the unprecedented – in these societies – phenomenon of restructuring with dismissals and growing unemployment and with the emergence and development of the private sector, new enterprises started to leave former corporate models behind to adopt new forms of employment and working-time arrangements in order to better adapt to the newly competitive environment.

This is confirmed from the assessment at firm-level of working and employment conditions in the new member states, that points to a first major conclusion: not only is their general responsiveness to change very strong but also they have shown innovative policies and practices in all aspects of working conditions.

At the same time, reality at enterprise level points to a second major conclusion: this adaptation to difficult circumstances has clearly led to a number of excesses, and has often generated extreme behaviour. This is observable in a number of areas of working conditions, for instance the employment status, but also working time, the payment of overtime and wages, and occupational health and safety.

While new member states are witnessing a growth in atypical forms of contract such as temporary contracts or contracts through interim employment agencies, self-employment is their most increasingly used form of flexibility. This type of contracts is often more convenient for the employers, since it allows them to reach maximum flexibility more easily, with maximum avoidance of social contributions and labour regulations. This is significant in Poland, Hungary, Lithuania and Latvia, but also in Estonia and other new Member States.

Since these various forms of flexibility – temporary work, self-employment, interim agency work – do already exist in other EU countries – where they are increasingly used by employers but are also start to be recognised by the trade unions, we may conclude that

such shift to these forms of contract in the new EU member states may well be a sign of convergence towards the practices developed in other EU free market economies. On the other hand if we compare to the other older EU members, this recourse not only seems to be more extensive already, but it may sometimes capture a different phenomenon. This seems to be the case for self-employment that is used to convert regular employees' normal labour contract, while self-employed in the previous EU-15 also does integrate a significant proportion of small businesses ran by former employees.

Working time is undoubtedly another area in which there are some differences between the EU-15 and the 10 new Member States: employees seem to be working on average more hours in the latter, and to be using working hours much more as a flexibility tool. On the other hand the fact that already the average weekly working time has decreased in many of the newcomers – for instance by two hours a week on average in the Czech Republic since 1997 – is obviously an encouraging sign of convergence.

So there are good signs both of convergence and increased diversity. What should be kept in mind is that the growth of new forms of employment and working conditions in these countries has taken place within a context of total economic restructuring and alongside the emergence of a new type of entrepreneur – especially in SMEs – for whom profits and short-term survival are the priority. This has often been taking place alongside a lack of tradition of human resources and industrial relations so that the outcomes have often led to large discrepancies in the balance between the employers' desire for flexibility and the workers' aspiration to security in the terms of employment and working conditions. A type of developments that does question indeed the sustainability of these new members' societies, not only in terms of social but also of demographic and economic balances.

But this is precisely why we may expect more sound policies in the future since sustainability does represent one of the major goals – together with social cohesion – defined by EU policy-makers in the 2000 European Lisbon Council. Social dialogue in this regard may represent an essential governance tool to be used by social partners to redirect their societies towards more positive routes. An outcome that will be more easily reached more rapidly will be the economic and social catching-up process. In this regard the difficulties experienced by some of these countries in the more recent years, as witnessed by their recent lower economic growth, may well hinder that

process. Especially since more intense competition – along with the full liberalisation of goods and services brought by EU enlargement – may well induce many governments not to opt for more social protection and better working conditions in order not to risk reducing – at least in the short run – the competitiveness of their enterprises currently based on lower labour costs. More than in other areas, the working and employment conditions – that seem to have been acting as an important adjustment variable so far – will need continuous monitoring in the future.

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