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Accounting for Variations in Trade Union Effectiveness: State-Labor Relations in East Central Europe

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**Accounting for Variations in Trade Union Effectiveness:
State-Labor Relations in East Central Europe**

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03/6

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Abstract

This paper offers an explanation for variations in the effectiveness of trade unions to obtain legislative and policy concessions in peak-level tripartite negotiations in post-communist East Central Europe. I examine the usefulness of some standard interpretations for such variations, namely economic-structural arguments, arguments originating in democratization literature, political cycle arguments, and neo-institutionalist arguments (particularly from the corporatist literature). I argue that none of them offers a fully satisfactory explanation for the problem at hand. Standard explanations mostly offer static accounts which either neglect the importance of key actors' strategies or assume that these strategies are predetermined. Instead, I argue that the sources of these variations are to be attributed to distinct paths of state-labor relations which are the product of continuous strategic interactions within the general framework of tripartite institutions. To present a mechanism through which these paths evolve, this paper sketches a model of government-union interactions that combines institutional and behavioral variables. I propose a set of hypotheses with respect to the conditions that determine initial choice of strategies and factors that influence continuation or modification of these strategies later on. The paper further illustrates how these interactions shape tripartite institutions in such a way that they start reflecting accentuated power disparities between the contending actors, thereby limiting the scope of future choices for weaker actors. I demonstrate how the interplay of the proposed variables has shaped distinct paths of state-labor relations, and influenced the effectiveness of unions, in the Czech Republic, Hungary and Poland.

Zusammenfassung

Das vorliegende Discussion Paper bietet eine Erklärung für den unterschiedlichen Erfolg, mit dem Gewerkschaften in Mittel- und Osteuropa in tripartistischen Verhandlungen legislative und politische Konzessionen erlangt haben. Hierzu gibt es bereits eine Reihe von gängigen Erklärungen, etwa der Verweis auf die Demokratisierungsliteratur, die Betonung von politischen Zyklen oder unterschiedlichen Wirtschaftsstrukturen, aber auch neoinstitutionalistische Argumente insbesondere aus der Korporatismustheorie. Keiner dieser Ansätze bietet aber eine wirklich zufrieden stellende Erklärung für das vorliegende Problem. Die gängigen Erklärungen sind meist statisch und messen entweder den von den zentralen Akteuren verfolgten Strategien keine große Bedeutung bei oder sehen diese als weitgehend prädestiniert an. Der Aufsatz erklärt Unterschiede im gewerkschaftlichen Erfolg hingegen mit unterschiedlichen Entwicklungspfaden der Staat-Gewerkschaftsbeziehungen. Sie sind das Ergebnis fortwährender strategischer Interaktionen innerhalb tripartistischer Institutionen. Ein Modell der strategischen Interaktionen zwischen Regierungen und Gewerkschaften erklärt, wie sich diese Pfade entwickeln. Das Modell kombiniert institutionelle und Verhaltensvariablen und setzt diese in Verhältnis zu einer Anzahl von Hypothesen über die Faktoren, die die anfängliche Strategiewahl und spätere Strategiewechsel beeinflussen. Dabei spiegeln tripartistische Institutionen die veränderten Machtverhältnisse zwischen den zentralen Akteuren wider, und begrenzen damit auch die Bandbreite zukünftiger Handlungsoptionen schwächerer Akteure. Der Aufsatz zeigt, wie sich durch diese Interaktionen spezifische Entwicklungspfade der Staat-Gewerkschaftsbeziehungen ausbilden, die die Unterschiede in der Durchsetzungsfähigkeit der Gewerkschaften in der Tschechischen Republik, Ungarn und Polen erklären.

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1# Introduction

Soon after the first democratic elections, virtually all governments in post-communist East Central Europe (ECE) placed the task of building capitalism on top of their agendas. International financial institutions and economic advisors widely advocated neoliberal economic blueprints as the most efficient way to the desired economic system. Consequently, economic packages adopted to facilitate a quick transition to capitalism were all based on three essential pillars of reforms: stabilization, liberalization, and privatization. Such neoliberal strategy for economic transformation has posed common challenges to organized labor across the region. The combined effects of stabilization and liberalization quickly led to a sharp drop in real wages, while industrial restructuring and privatization endangered job security and led to unemployment. At the same time, restrictive monetary policies left little room for bargaining over wages, while fiscal policy constraints eroded the social dimension of reforms by dismantling the universal systems of social security benefits that were characteristic of the socialist system. Thus, soon after the implementation of the reforms, labor in all ECE countries was faced with falling standards of living and rising job insecurity.

In order to prevent a possible backlash against reforms and preserve social peace in the face of adverse effects of economic transformation, governments across the region initiated the establishment of national tripartite institutions. By comprising representatives of government, trade unions, and employers, the institutions of tripartite deliberations were expected to build a broad consensus for reforms. The formal functions assigned to these bodies at the time of their establishment were broadly similar across the region: they were to facilitate consultations and negotiations over broad economic and social policies, and more specific labor issues such as wages, employment, and working conditions.

It is in this similar context – where economic constraints inevitably demand sacrifices on the part of labor, but tripartite institutions provide potentially promising foundations for a distinct form of governance based on the inclusion of trade unions in the policy process – that one would expect similar outcomes for labor across the region. Yet, a closer look at individual country cases reveals important variations. Despite very similar formal requirements, both the practical impor-

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tance and achievements of the institutionalized tripartite negotiations have been rather different in different national contexts. Governments neither relied on these institutions to the same extent, nor were they equally responsive to union demands. Whereas some unions managed to strike deals in these negotiations, their counterparts in other countries were mainly informed on already decided government policy choices. While some unions were able to obtain certain material and legislative concessions for their members, others had to face extreme marginalization in national policy making arenas. In essence, this paper seeks to offer an explanation for variations in the effectiveness of unions to obtain concessions in national-level tripartite negotiations and represent their members' interests.

I examine the usefulness of some standard interpretations put forward to account for similar variations, namely economic-structural arguments; arguments originating in democratization literature; political cycle arguments; and neo-institutionalist (in particular corporatist theory) arguments. I claim that none of these interpretations alone can offer a fully satisfactory explanation for the problem at hand. Their basic shortcoming is that they provide largely static accounts, which either entirely neglect the importance of strategies followed by the key actors or assume that these are predetermined.

This paper, in turn, attempts to offer a more dynamic analysis that takes into account the interplay between political strategies and institutional structures since the beginning of transition. I argue that cross-national variations in labor effectiveness are to be attributed to distinct paths of state-labor relations (i.e. incorporation paths), which are the product of continuous interactions between governments and trade unions within the general institutional framework provided by peak-level tripartite institutions. In order to present the evolution of these paths more clearly, the paper sketches a model of government-union interactions which identifies conditions that determine initial choice of strategies and factors that influence continuation or modification of these strategies.

The paper is organized in the following way. Section two offers a brief account of the general impact of transformation on organized labor in ECE countries. The discussion of these similar outcomes is then followed by an outline of main variations in terms of effectiveness of unions in national tripartite negotiations in three ECE countries: the Czech Republic, Hungary, and Poland. The third section tests four alternative interpretations for these variations. Section four presents the argument and sketches a model of government-union interactions. The paper concludes by discussing potential contributions of the argument to the question of institutional evolution and change.

2# The Impact of Post-Communist Transformation on Organized Labor

2.1# Similar Pressures

Economic transformation did not only result in drastic falls of real wages and high unemployment across the region, but it also confronted trade unions with a number of other negative developments. An increasing body of sources on the changing labor relations in the region clearly points to the general weakening of trade unions reflected in plummeting membership figures; declining coverage by collective agreements; and low influence of unions on national public policy making (e.g. Crowley 2001; Kubicek 1999; Ost 1997). Due to large structural economic changes, as well as widespread perceptions of unions as the “remnants of the old system,” union density rates fell dramatically in all post-communist countries. Within the first decade of transformation, membership levels dropped from around 90% to between 20–35% (Cox/Mason 2000). These developments were accompanied by the declining coverage rates of collective agreements and the decentralization of collective bargaining. The coverage rates sank from about 100% to about 25–30%, placing most ECE countries at the bottom of the coverage scale for EU member states (EIRO 2002; Kohl/Platzer 2003).

A glimpse of hope in this gloomy picture for trade unions in ECE was the establishment of tripartite institutions in the early 1990s. Encouraged by the ILO, new governments initiated the establishment of these institutions in order to obtain broad support for the necessary reforms and preserve social stability. In addition, the adoption of macro-level corporatist bargaining institutions was perceived as an important step in institutional transformation that would help these new democracies to “join Europe” (Crowley 2001; Pollert 1999). Unions, on the other hand, welcomed the institutionalization of tripartism as a means to rebuild their legitimacy, but also to be consulted on specific issues related to labor legislation and social and economic policy.

Soon after its initiation, tripartism became one of the central topics in studies that deal with labor relations in ECE countries. The question that dominated these studies in the 1990s was whether the establishment of tripartite institutions was a sign of the potential emergence of corporatism in the region. One group of authors argued that while tripartism might not have produced truly corporatist outcomes and strong gains for labor, these institutions have nonetheless facilitated interest intermediation and helped bring about a broad consensus regarding market reforms while preserving social peace (Ekiert/Kubik 1998; Iankova/Turner 2000). Taking into consideration the depth of the economic crisis in the region, tripartite social partnerships were successful in that they managed to foster communication between social partners and initiate processes that one of these authors described as “transformative corporatism” (Iankova 1998).

Another, and more widespread view, however, was that tripartite institutions are far from being vehicles for corporatist policy making, and that they have been used by governments mostly to legitimize their already decided policy choices rooted in neoliberal economic principles. If we are to assign any adjectives to the term corporatism, these authors argued, it should be “illusory” or “paternalistic,” rather than “transformative” (Ost 2000; Tatur 1995). Tripartite institutions in ECE did not protect or promote welfare state elements as they did in Western Europe (Heinisch 1999; Kubicek 1999), but have merely served as a corporatist façade. Most commonly, governments used them instrumentally, as a way of appeasement of labor, rather than a forum for proper negotiations over policy proposals (Kohl/Platzer 2003). Moreover, tripartite institutions often failed to facilitate consensus, and when they did, the implementation of various agreements was often problematic (Orenstein/Hale 2001). Furthermore, it was most often the governments who failed to stick to certain provisions.

Thus, most current research on industrial relations in post-communist ECE indicates that transformation has undermined the strength of trade unions in the region. However, most of the literature on the subject consists of either descriptive single-case studies (e.g. Gardawski 2001; Héthy 2001; Kubínková 1999; Tóth 2001) or of more general pieces that treat the region as the unit of analysis (Cox/Mason 2000; Crowley 2002; Kubicek 1999; Ost 2000). Only a handful of more comparative studies point to certain cross-national differences in terms of either the importance assigned to tripartite negotiations, or to the organizational and political capacity of unions (Pollert 1999; Orenstein/Hale 2001; Thirkell et al. 1998), but even they do not engage into a rigorous comparative analysis that would enable them to either systematically define these differences or more clearly conceptualize their causes. Quite unlike the literature on industrial relations in Western Europe – where one of the central questions has been whether (and why) similar systemic challenges result in different policy outcomes – studies that focus on the post-communist ECE have not properly addressed cross-national differences in the emerging industrial relations systems. This paper seeks to fill this gap by addressing the question of cross-country variation in the effectiveness of unions to obtain concessions in national-level tripartite negotiations and represent the interests of their members. The next section briefly reviews these differences between the Czech Republic, Hungary, and Poland to provide a basis for testing competing explanations for the observed variation.

2.2# Varied Outcomes

In order to preserve social peace in the face of economic hardships, all post-communist countries established national-level tripartite institutions in the early stages of transformation. By doing so, they sought to show their readiness to involve social partners in the reform process. Yet, in reality not all governments involved trade unions to the same extent. While in some countries unions have been included in policy-making from the beginning of transition and have negotiated on a broad range of economic and social policies defining transformation strategies, in others they were consulted but allowed to negotiate only on a narrow range of issues that directly affect employees, or they were kept outside the policy making process altogether until the main set of transformation policies was already well under way. In addition, even though the predominant position of government in tripartite institutions has been characteristic for all ECE countries, they have not used these institutions in the same way, or assigned equal importance to them.

For instance, formal authorities and functions assigned to tripartite institutions in the Czech Republic, Hungary, and Poland were fairly similar at the time of their establishment. In all three countries, they enabled social partners to engage in indicative wage bargains on an annual basis, participate in the drafting of labor legislation, and consult and advise government representatives on policies that affect them. However, whereas in Poland this consultation in practice has been focused on industrial relations and social issues while general economic policies were mostly left out, in the Czech Republic and partly in Hungary the tripartite consultation involved a broad range of not only labor and social affairs, but also general economic policies. In particular, in the Czech Republic the conclusion of the first general agreement represented a form of social contract on the main directions of transformation. Moreover, in contrast to other countries in the region, the government's legislative and policy proposals cannot be submitted to Parliament or enacted through the ministries before they are discussed in the tripartite institution (Horalek/ Formanova 2002; Orenstein/ Hale 2001).

In addition, the three countries also display significant differences regarding their achievements in terms of the number and scope of major agreements between social partners. While the functioning of tripartism has not been smooth in any of the countries under consideration, its effectiveness and the benefits that it has produced for organized labor seem to be highest in the Czech Republic. One of the most important outcomes of tripartite negotiations at the outset of the 1990s was the so-called low-wage and low-unemployment compromise, which became the underlying principle of the Czech transformation. The government argued that the recipe for successful economic reform had to include wage control and

undervalued currency. Low real wages were to keep unemployment down, while the undervalued currency was expected to help exports and consequently maintain employment (Orenstein 1996). In exchange for direct material sacrifices, the unions obtained social policy concessions to cushion the drop in real wages, as well as implicit guarantees that there would be no mass lay-offs. While wage control was a common element of reform packages in all ECE countries, it was the acceptance of this policy by trade unions, as well as the negotiated form of the main principles of the economic reform, that made the Czech experience distinctive. In addition, the unions managed to use the tripartite institution to negotiate and draft the new, largely union-friendly legislation. In particular, the Law on Collective Bargaining (1991) was one of the most important achievements for organized labor as it extended the unions' collective bargaining powers (Birle 1999; Myant/Smith 1999; Pollert 1999). Together with the other labor legislation written in accordance with the ILO Conventions, as well as relatively strong protection against job dismissals, the legal framework of industrial relations in the Czech Republic compared to other ECE countries has been rather favorable to unions (Orenstein 1996; Stark/Bruszt 1998). Furthermore, the 1991 General Agreement gave the tripartite Council an additional important role, namely negotiations and supervision of active labor market policies (ALMPs), as well as setting up employment offices that were responsible for administering the implementation of various retraining and job programs. The scope of the ALMPs, as well as their assignment to the tripartite institution, was a unique characteristic of the Czech system of labor relations (Nesporova 1999). The implementation of the measures stipulated by the 1991 Agreement – especially with regard to wages and unemployment – was monitored and evaluated annually during the negotiation of subsequent General Agreements.

In contrast to Poland where annual agreements have usually been only indicative wage bargains, or to Hungary where the initially broader scope has been reduced with time to merely the determination of the minimum wage and recommendations on wage increases, the Czech General Agreements are of a much broader scope. Their purpose is to set the guidelines for all economic sectors and to agree on a number of important issues involving economic and social policy, wage policy, and ALMPs (Kubínková 1999). Although by 1995, General Agreements had been signed for each year, the hostile attitude of the Klaus government, combined with privatization scandals and economic downturn, interrupted this practice. Nonetheless, since 1998 the situation has improved as the new Social Democratic government showed more willingness to negotiate annual General Agreements, but also to open lengthy discussions for the conclusion of a long-term social pact (European Commission 2002). In addition, the government proved to be responsive to the union's demands especially with regards to the tripartite negotiations over pension reform; the long-awaited amendments of the Labor Code; and the

legislation that would ensure the protection of workers in case of insolvency (Mansfeldova 2001; Rueschemeyer / Wolchik 1999; Večernik 2001).

In contrast, tripartite negotiations were less important to the overall transformation strategy in either Hungary or Poland at the outset of transition. Nonetheless, the Hungarian unions managed to use the institution of tripartite deliberations in a much more effective way than their counterparts in Poland. In 1990 and 1991 two important labor disputes, which potentially threatened overall social stability, were settled within this institution with an outcome largely favorable to the unions.¹ Both episodes demonstrated the importance of the relatively new tripartite institution in bringing social partners to the negotiating table and preserving social peace (Ladó 1996; Tóth 1998). During the 1991–94 period, tripartite negotiations regularly resulted in annual agreements. However, in contrast to the Czech Republic, annual agreements in Hungary are in essence income policy packages largely focused on determining the national minimum wage and proposing recommendations regarding the average, maximum, and minimum growth of gross earnings (Héthy 1999). When in 1994 the Socialist-led coalition came to power, tripartite deliberations were expected to play a more important role. Indeed, in the face of a serious economic crisis, the government proposed the negotiations of a broader social pact, but after more than six months of intense discussions, the social partners failed to reach an agreement (Héthy 1999; Tóth 1998). Instead of a grand corporatist compromise, the government in the end decided to completely bypass the tripartite institution and rely on its absolute majority in Parliament to unilaterally impose a neoliberal austerity package which entailed a number of measures that adversely affected employees (Ost 2000; Toth 2001).² This instance considerably weakened the commitment to social dialogue so that in the following two years no general annual agreements were signed.³ An additional blow to tripartism came with the 1998 general elections that brought to power another conservative government, which completely transformed the tripartite institutional framework. In essence, the role of the unions was limited to discussions of strictly labor-related issues, while pre-legislative consultations on the budget and general economic policy measures – which had served as a platform for signing income policy package agreements during the previous two governments – were

1 The two disputes are most commonly referred to as the “taxi-and-lorry drivers blockade” and “the autumn of discontent.” See Héthy (1999).

2 The most significant of these measures were: the reinstatement of wage controls; an increase of both consumer taxes and energy prices; a downward adjustment of the social policy budget; and further plans for restructuring of the public sector.

3 Tripartite cooperation improved slightly in the 1996-97 period when tripartite negotiations resulted in a few legal and administrative changes favorable to the unions. However, no significant “material” gains were achieved by organized labor within the framework of the tripartite institution.

no longer subject to tripartite negotiations. By transforming the institutional framework for social dialogue, dismantling the Ministry of Labor, and introducing certain union-unfavorable amendments to the Labor Code, the government clearly showed its intention to diminish the importance of tripartite negotiations in the policy making process. Consequently, no important tripartite agreement was signed in the 1998–2002 period. The Socialist government that came to power in 2002 is showing more commitment to social dialogue. It has re-established the tripartite Council and assigned it its original functions. Some agreements with public sector unions have also been reached, but negotiations over long-term policies for the public sector proved to be a more complicated issue.

Finally, the record of the Polish tripartite negotiations is undoubtedly the poorest among the three cases. For a country with such a strong legacy from the Solidarity movement, this is evidently a puzzling outcome. Indeed, it is due to this legacy that many expected to see the emergence of real corporatist arrangements which would promote a form of inclusionary democracy based on a strong input of organized labor. However, this is not what happened in Poland. Not only was the overall transformation strategy decided upon without structured tripartite negotiations, but it was not until 1994 that the national tripartite institution was established, and ever since its functioning has been rather problematic. While in the Czech Republic this institution helped craft a broad transformation strategy, and in Hungary, it at least attempted to facilitate the negotiations of a social pact, no such an attempt has been undertaken within the Polish tripartite institution. Neither the center-right conservative nor the social-democratic governments showed a true commitment to treating institutionalized social dialogue as an essential pillar of the policy making process. Nonetheless, the latter's stance towards tripartite negotiations has been relatively more positive (Pollert 1999). Indeed, it was during the first social-democratic government that four annual indicative wage agreements were reached. In contrast, during the center-right government's term in office (1997–2001), this institution was mostly inactive. Regardless of these differences, however, all Polish governments tended to bypass the tripartite institution and go directly to parliamentary debates when they saw indications that the unions might not support their legislative and policy proposals. Thus, in contrast to the two other countries, the national tripartite institution in Poland has never played such an important role in formulating principles of either socio-economic policy or collective labor relations (Hausner 1996; Orenstein/Hale 2001).

This brief overview of the functioning and results of tripartite practices indicates that, despite common pressures associated with transformation, the three cases clearly display variations in terms of union effectiveness in using the tripartite structures to secure a real input in policy making and obtain concessions for their

members. How can we account for these variations? The next section briefly discusses four possible interpretations, and argues that none of them offers an adequate explanation for the problem at hand. However, while economic-structuralist interpretations, legacy-arguments associated with the democratization literature, and political-cycle arguments can be readily dismissed, neo-institutionalist/neo-corporatist arguments – while not fully accounting for the variations – can still offer important building blocks for a more comprehensive explanation that would take into account both institutional structures and strategies followed by the key actors.

3# Accounting for Variations: Alternative Approaches

3.1# Economic-Structural Explanations

These interpretations come in various forms, but they always perceive economic-structural attributes of specific national contexts as the main determinants of the choice of socio-economic policies. For instance, in the economic transition literature, the starting position of a country in terms of general macro-economic conditions has often been referred to as an important determinant of a specific design and speed of economic reforms. According to this interpretation, the more difficult the economic situation is at the beginning of the transition, the smaller the number of policy options that governments can pursue (Blanchard et al. 1991). A similar argument can be applied in the case of social dialogue and union effectiveness in using institutions of tripartite deliberations. In this line of reasoning, governments that inherit extremely unhealthy economies have their hands tied, and are expected to opt for neoliberal economic policies without prior institutionalized exchange with organized interests.

Although this could be a reasonable explanation, it nonetheless fails to fully account for the observed variations in terms of both government readiness to rely on social dialogue and union effectiveness in tripartite negotiations. While it is true that the first democratic government in Poland inherited a much higher inflation rate than the other two countries, other indicators are not so clear cut. Even though the level of foreign indebtedness in Poland was much higher than in the Czech Republic, Hungary was in the most unfavorable position, and yet the first Hungarian government regularly used the tripartite negotiations and, on a number of occasions, even ceded to certain union demands. In addition, the Czech Republic was not only faced with the highest domestic indebtedness and government deficit, but it also had a particularly weak banking system. Nevertheless, this obviously did not prevent the establishment of a solid institutionalized

tripartite exchange and signing of general agreements of a wider scope.⁴ More generally, however, the trouble with this argument is that its assumption that initial economic conditions determine the quality of tripartite negotiations and effectiveness of organized labor is too deterministic as it completely neglects the possibility that strategies of the key actors might not be influenced only by economic conditions, but also by the overall balance of power in society. In addition, an overemphasis of initial conditions contributes little to understanding outcomes of tripartite negotiations and policy processes over more than a decade of transformation.⁵

3.2# The Role of Trade Unions in Regime Change

A second interpretation for the observed variations can be derived from the democratization literature. The main focus here is on the legacies of the transition process, or more precisely, the role of labor movements in undermining authoritarian systems and creating foundations for democracy. For instance, the role of trade unions in undermining authoritarian regimes through either strikes or riots, or political actions originating in their ties to opposition parties can be seen as the main determinants of the position of organized labor once the democratic system

4 In 1990 the inflation rate in the former Czechoslovakia and Hungary was 10.8% and 28.9% respectively, while the Polish rate – which was comparable only to the Former Yugoslavia – equaled 585.8% (World Economic Outlook 1993:94). Total external debt in 1991 equaled 29.5% of GNP in Czechoslovakia, while it amounted to 68.5% in Poland, and 77% in Hungary (World Development Report 1993: 285). Government deficit as a percentage of GNP in 1990 was 2.4% in Poland, 7.1% in Czechoslovakia, while Hungary had a slight positive balance of 0.8% (World Development Report 1992). On the starting economic conditions in Hungary and the Czech Republic, see also Stark / Bruszt (1998), and on Poland and the Czech Republic see Orenstein (2001).

5 An alternative economic-structural explanation could be that it is not only initial economic conditions that influence the fate of the unions, but also the changing economic conditions over time (I am grateful to Gabor Toka for pointing this out to me). Even though the focus here is more on economic cycles, the reasoning is still the same: the deeper the economic problems, the weaker the chances for proper tripartite bargaining. While this explanation might account for certain episodes of tripartite exchange in the individual cases, it cannot be generalized to all the cases and all the periods of tripartite interactions. For reasons of space, I cannot engage into a detailed empirical analysis of the three cases in this paper. However, the empirical record clearly shows that the fate of organized labor and the institutionalized tripartite deliberations did not always directly depend on the macroeconomic attributes of a given period. Indeed, on a number of occasions different governments decided to rely on the institutionalized social dialogue during economic difficulties (e.g. the Czech Republic 1997-99; Poland 1994-95) and to neglect it during the more prosperous periods (e.g. Hungary 1998-2002; Poland 1997-2001).

comes into existence (Foweraker 1987; Rueschemeyer / Stephens / Stephens 1992; Valenzuela 1989). A related view emphasizes the inclusion of union representatives in the official negotiations on regime change. If transitions are mainly elite-driven processes, it is unlikely that interests of labor would be taken into account. However, if labor movements manage to secure a place in negotiations – either through their historical ties to political parties or independently – outcomes for labor are expected to be more favorable since unions have a chance to affect the very nature of transition paths (Collier / Mahoney 1997).

While this interpretation sounds logical and has been proven on a number of cases of earlier democratization waves, it completely fails to account for variations among these three specific cases. Paradoxically, it is in Poland – where the Solidarity union was both a crucial force in undermining the Communist Party rule and the core of the opposition movement that directly negotiated the transition to democracy – that the corporatist exchange is the weakest and the unions seem to be the most impotent. Indeed, in no post-communist country did an independent union movement participate so actively in the transition to democracy. Moreover, due to the concessions that Solidarity secured in the 1989 Roundtable talks – such as indexation of wages, certain self-management provisions and a wider scope of industrial democracy – analysts widely expected the emergence of real corporatist arrangements (Kamiński 1991). In view of this, it is rather puzzling how quickly these issues, for which Solidarity fought so hard, were dismissed once Solidarity formed its own, first democratic government. Contrary to expectations, the new government tried neither to build real corporatist arrangements nor to promote a form of inclusionary democracy based on a strong input of organized labor. Instead, it opted for the harshest version of a neoliberal shock therapy that resulted in extreme drops of wages and living standards, as well as a dramatic increase in unemployment.

In contrast, trade unions were not the leading force in the Czechoslovak democratization. Moreover, unlike in the case of Solidarity, workers did not play such an important role in the Czechoslovak dissident movement, Charter 77 (Orenstein 2001). The unions did, however, contribute to the fall of the communist regime by organizing the general strike of 27 November 1989. While this action was important for it gave “the final blow to the communist regime” (Stark / Bruszt 1998: 183), it was nonetheless only the last one in a series of protests that started with a student march ten days earlier. Furthermore, and again in contrast to Poland, the Czech unions did not play a role in the following roundtable negotiations on the regime change. Thus, according to the hypothesis outlined above, their position should have been rather weak as they could not directly influence the nature of reforms. Yet, it was precisely this ex-communist, reformed union that managed to secure comparatively most concessions in tripartite negotiations over various aspects of economic reform.

Hence, the explanation that directly links the role of unions in democratization with their subsequent fate is incapable of explaining variations among our cases. In addition, from a more conceptual viewpoint, this interpretation fails to properly spell out how these “initial choices” are transmitted to future socio-political trajectories. In this way, the position of unions seems to be “crystallized” at the onset of transition. However, in order to understand the position of organized labor in the new democracy one needs to extend the time frame from the immediate process of transition to the whole period of consolidation, and to trace the impact of the ongoing political processes, changing allegiances, and political conflicts that continue within the new context.

3.3# Cyclical Factors: Political Orientation of the Government

Another interpretation originates in a long and extensive scientific debate that has been focused on the relationship between the political orientation of the government and the choice of macro-economic policies (see Hicks/Swank 1992; Boix 2000). The starting model proposed that depending on their political orientation, governments are likely to pursue a very different combination of fiscal and monetary policies. Left-wing governments are expected to opt for a Keynesian set of policies, while right-wing governments for policies that would ensure a balanced budget and low inflation (Hibbs 1977). The literature on social-democratic corporatism built on this proposition, suggesting that, due to their broad base in organized labor, left and center-left governments are more likely to pursue welfare policies, but also to strengthen the role of the unions in public policy making (Cameron 1984; Jessop 1978; Korpi 1983).⁶ In the same line of reasoning, we would expect more conservative, center and right-wing governments to pursue less labor-friendly policies and neglect regular negotiations with trade unions.

This argument could, for instance, account for a more pro-corporatist attitude of the social-democratic government in the post-1998 Czech Republic, and a dismissive attitude of the center-right FIDESZ government in Hungary (1998–2002) and the AWS government in Poland (1997–2001). However, this proposition also cannot be generalized to all cases and to all governments. For instance, democratic institutions of tripartite deliberations were introduced in both the Czech Republic and Hungary not by social-democratic, but by conservative governments. More-

6 Social democratic corporatist theory argued further that the success of these policies, however, does not depend only on the social-democratic participation in the government, but also on the existence of institutionalized centralized bargaining mechanisms (Garrett/Lange 1989; Alvarez et al. 1991) and/or strong, centralized unions that can ensure the wage moderation (Goldthorpe 1984).

over, for the good part of their terms in office, these governments actively used these institutions. As mentioned earlier, it was at the beginning of the 1990s when conservative governments were in power in both countries, that the unions managed to bargain more actively and, especially in the case of the Czech Republic, to achieve important concessions. While the social-democratic government formally established the Polish tripartite institution in 1994, the initial proposal for its creation came within the Pact on State Enterprises that was negotiated during the first Solidarity government. Even though social-democratic governments in Poland were not so adverse to the idea of the institutionalized tripartite exchange as the respective Solidarity-led governments, they nonetheless either did little to promote regular negotiations when they ran into trouble, or they relied on their majority in Parliament to pass policies and laws that were not approved in tripartite negotiations. Finally, the most striking example that clashes with the outlined proposition is the already mentioned case of Hungary where the first Socialist government (1994–98) opted for a unilateral introduction of a comprehensive neoliberal austerity package.

Thus, the proposition that links labor outcomes with political orientation of parties in power seems to be too simplistic to account for the observed variations. On a more general level, by assuming pre-determined strategies of political actors, this interpretation fails to recognize that the practical impact of these cyclical changes is conditioned by contextual factors (such as economic and political constraints) and / or specific institutional configurations.

3.4# Institutional Differences

The final set of interpretations for cross-national variations in union ability to obtain concessions is focused on different institutional characteristics, especially the organizational structure of trade unions and the existence of institutionalized, formal links between organized labor and political parties. The first argument, in particular, has been at the very core of neo-corporatist theorizing (Schmitter / Lehmbruch 1979; Goldthorpe 1984; Golden 1993). According to this argument, it is the number of union centers that determines the bargaining power of organized labor. A more encompassing, centralized and concerted union structure is expected to benefit organized labor since it minimizes coordination problems and facilitates formulation of a common bargaining strategy. In the same line of reasoning, a fragmented union structure weakens the bargaining power of organized labor as various unions might have different demands or prefer different methods for achieving their goals. Hence, according to this argument, the negative effect of transformation on union power in the ECE countries should be higher in cases where national labor movements are more fragmented.

This interpretation fits the case of the Czech Republic, which managed to retain the most centralized trade union structure. The whole trade union scene is dominated by the ČMKOS, the reformed confederation having its origins in the former communist trade union of Czechoslovakia. The so-called new unions were neither as abundant nor as influential as in Poland or Hungary. Such a structure of organized labor has indeed proven to be a beneficial element in the bargaining process within the national tripartite institution. However, while this corporatist argument seems to correspond to the Czech case, it fails to explain variations between Hungary and Poland, both of which have fragmented labor movements. In particular, the Hungarian trade union scene is extremely fragmented. Six union confederations represent employees in the national tripartite institution. Four of them have their roots in the old communist union (MSZOSZ, SZEF, ESZT and ASZSZ), while the two others (LIGA and MOSZ) were established as anti-communist, alternative unions. The trade union scene in Poland has been dominated by the two largest, strikingly opposing organizations – NSZZ Solidarity, and the successor union, the OPZZ. Thus, in both cases, national labor movements are fragmented, but as the more empirical part of this paper indicates, the Hungarian unions managed to use the tripartite institution in a more effective way than their Polish counterparts. Moreover, the fact that organized labor in Hungary, which is characterized by a pluralistic model of unionism, fares better than in Poland, where the structure of organized labor is largely bi-polar, does not fit the hypothesis that links the degree of union fragmentation with union power and effectiveness in national-level bargaining.

Therefore, the degree of union fragmentation alone cannot account for the observed variation. While this variable is undoubtedly important, the sole focus on the structural characteristics of organized labor indicates only an approximate, potential union bargaining power. In order to understand variation in union ability to obtain concessions in tripartite negotiations, these structural attributes need to be complemented with more attitudinal or behavioral characteristics. More precisely, what is needed – in addition to the organizational structure – is to examine whether (and to what extent) the mode of interaction between the unions can be characterized as cooperation or rivalry and competition. For instance, organized labor in both Hungary and Poland is fragmented, but the mode of inter-union dynamics has been significantly different. While inter-union conflicts have been evident in both cases, their intensity as well as the reasons that underpin them differ considerably. In Hungary, these conflicts have been mainly focused on organizational issues (such as the redistribution of the “old” union’s assets), though political differences also played an important role in the first half of the 1990s. Throughout the past decade, rivalry and competition between the confederations precluded a more serious attempt to outline a common strategy. It was only recently – after the last conservative government tried to further weaken the

unions by formally curtailing the power of the tripartite institution and introducing union-adverse amendments to the Labor Code – that some signs of union cooperation first appeared.⁷ In contrast, conflicts between the two main confederations in Poland have been of much higher intensity. While organizational issues played a role, the main dividing points have been of ideological and political nature. The irreconcilable political differences and extreme hostility between the two Polish confederations have impeded any form of collaboration and seriously eroded the overall capacity of organized labor in tripartite negotiations. Hence, the degree of fragmentation alone can tell us little about union capacity for effective bargaining without a more detailed examination of inter-union dynamics.

The final interpretation originates in the work of scholars who argued that a high degree of union centralization might be an important but not sufficient condition for achieving concessions for organized labor. What unions need, these authors argued, is institutionalized, formal ties to political parties (in particular social democratic parties) who would advance their interests (Esping-Andersen/Korpi 1984; Higgins 1985; Stephens 1979). In its simplest form, the argument is that connections between trade unions and political parties enhance the political power of labor and strengthen its influence in policy making. In this way, unions are able to secure favorable policies and legislative reforms and further enhance their position in society. Indeed, the experience of some advanced countries shows that historically such links have benefited organized labor (Huber/Stephens 2001). Labor-based parties promoted a generous welfare state, and helped unions obtain a wide range of policies and programs that would “shield workers from biographical and market exigencies” (Pieven 1992: 5). Hence, the basic proposition here is: the stronger the union-party ties, the higher the potential benefits for organized labor.

However, the experience of post-communist trade unions seems to suggest exactly the opposite. The evidence of the three cases examined in this paper indicates that organized labor achieved more not in the countries where unions were drawn into the political sphere through formal links with political parties, but rather where they managed to preserve their independence. Indeed, in Poland, where organized labor has been most ineffective in influencing socio-economic policies and reforms, unions have cherished the strongest formal links with the

7 The leaders of individual union confederations openly admitted that the prolonged inter-union conflicts have negatively affected their ability to successfully represent their members' interests, and presented respective governments with the opportunity to minimize labor's say in the tripartite institution (Polgár 2002). As a result, they committed themselves to promoting inter-union cooperation and jointly demanded the re-establishment of the tripartite Interest Reconciliation Council with its original functions. The proposal was adopted in July 2002 by the current Socialist government.

leading political parties. The successor union OPZZ has been a part of the social-democratic SLD, while the Solidarity union – as the core of the former opposition movement – has been an essential component of anti-communist, conservative parties, in particular the AWS. These ties enabled unions to have a significant number of representatives in parliament. In addition, the fact that a trade union leader served as a President during a crucial period of transformation (1990–1995), and that a number of trade union officials obtained high political posts in both conservative and social-democratic governments indicates the extent of politicization of the Polish unions. In contrast, the central Czech union confederation, which has managed to obtain some important legislative and policy concessions, has always explicitly insisted on its formal political non-alignment despite its general social-democratic orientation. Finally, the union-party links in Hungary are much more complicated than in the other two cases. Out of the six main confederations, the biggest one (MSZOSZ) has developed close links with the socialist party (MSZP). The two new unions, LIGA and MOSZ, have been more ambiguous in terms of political ties – initially they were connected with the liberal and conservative parties, but later on distanced themselves from them. The three remaining successor confederations have not been politically aligned. It is interesting to note, however, that the most radical neoliberal set of economic policies was accepted during the socialist government when a number of MSZOSZ representatives served as MPs on the list of the socialist party.

Thus, there seem to be significant differences in the way these partnerships have worked in the West as opposed to the East. I would argue that the main reason that union-party links do not benefit labor in post-communist ECE is related to the very character of social-democratic and/or labor-based parties, and consequently to the very nature of their ties with trade unions. The argument that these ties can be beneficial for labor originates primarily in the experience of Northern European social democracy where these partnerships have been historically and institutionally the strongest. Throughout the decades of close cooperation, these relationships have generally assumed the form of interdependence. In some cases unions even founded these parties and supported them not just with their votes, but also with financial contributions (Beyme 1985; Western 1997). The parties, in turn, advocated specific legal, material, and political concessions for their allies, thus facilitating the strengthening of unions. Although these partnerships were put under increasing pressure associated with de-industrialization and globalization processes, they have nonetheless survived, albeit in a somewhat modified form (Esping-Andersen 1999).

In contrast to such a nature of union-party links in the West, their relationship in ECE can best be described as a form of *inverse dependency relationship*, in which political parties have always been the strongest partner. Rather than relying on the

exclusive support of trade unions, social democratic parties in post-communist ECE have implemented from the very beginning more opportunistic strategies by creating institutional as well as informal links not only to organized labor, as the main loser of transformation, but also to other groups in society. Due to negative connotations assigned to the unions, these parties had to play very cautiously so as not to be perceived as the sole representatives of the “remnants of the old system.” Consequently, they designed their programs in a way that could appeal to a much broader electorate. Organized as “political Noah’s Ark,” these parties thus bare little resemblance to their Western counterparts (Orenstein 1998). In addition, serious economic problems and the much needed support of international financial institutions led to the endorsement of neoliberal economic principles. In general, the neoliberal approach was perceived as the quickest, and often the only, way to break with the past and “catch up with Europe.” Consequently, the distinction between social democratic and center-right parties in terms of economic policies became increasingly blurred.

In contrast to West European countries, formal ties with unions and the inclusion of their leaders in parliamentary politics in ECE have largely been a token gesture by political parties and governments who intended not only to preserve this “electoral asset,” but also to control organized labor and minimize its influence over policy making so that they could conform to the widespread political climate and secure a position in the realm of democratic politics. Moreover, in countries where union-party ties were extremely strong – as in the Polish case – unions not only failed to achieve considerable concessions for employees, but they even worked as “reform advocates” (Meardi 2002), propagating the idea that tough economic measures are in the long-term interest of workers. It is in the light of these developments that one should examine the real gains that organized labor derived from links to political parties, rather than assume that they benefit labor.

4# The Sources of Variations: A Model of Government-Union Interactions

I argued above that none of the four proposed interpretations can offer a fully satisfactory explanation for the cross-country variations in union effectiveness in national-level tripartite bargaining in the examined ECE countries. While each of these interpretations has specific weaknesses to explain the problem at hand, their common drawback is related to their inability to offer a more dynamic analysis that would take into account the interplay between institutions and political processes over time. In the discussion above, I have repeatedly called for putting a stronger stress on actors’ strategies in order to understand why very

similar tripartite institutions have produced rather different outcomes for organized labor across ECE. Thus, in addition to the traditional inquiry of how institutions shape actors' strategies and influence policy outcomes, we have to examine how changes in political strategies affect and modify the central institutions that govern labor relations. In other words, we need to explore how these institutions are used; what ends they serve and for which actors; and finally, how these institutions evolve and change over time.

In order to transcend the limitations of the above proposed interpretations, in the next section I try to modify some of their elements. Based on this, I sketch a model of government-union interactions that could hopefully shed more light on the sources of variations in union effectiveness in tripartite negotiations in post-communist ECE. When discussing different dimensions of the model, I try to relate them with relevant empirical findings for the three country cases. For reasons of space, however, this discussion is meant to serve only illustrative purposes, rather than provide an in-depth analysis of any of the cases.

4.1# Determinants of Strategies: A Static Picture

The starting point for understanding the nature of government-union interactions, and ultimately the results of tripartite negotiations, is to identify factors that can account for variations in strategies across countries.⁸ The focus here is particularly on government strategies vis-à-vis organized labor, since this actor has been relatively stronger and more influential in all ECE countries.⁹ Nonetheless, tactics that unions employ in their dealings with the government, as well as the nature of interactions among themselves, are extremely important for they influence government perceptions of union power. Accordingly, the choice of the initial strategies (i.e. at the onset of transition) depends on the balance of power between the government and the unions. In turn, this balance of power is affected

8 The focus is on union, and in particular government strategies, in tripartite negotiations. I do not discuss the role of employers associations for two reasons: first, they have been the weakest organized actor in tripartite institutions across ECE and have usually sided with governments' proposals, and second, the share of the state sector had been rather high, especially in the first half of the 1990s, so that employers associations, de facto, represented interests of the state.

9 Governments had an upper hand in the creation of not only the fundamentals of the new market economy, but also in the field of labor relations. As mentioned earlier, due to economic constraints, unions could hardly affect the choice of economic policies. In addition, legacies of socialism not only produced a negative image of trade unions, but also incapacitated them in terms of experience to bargain collectively and effectively use democratic corporatist mechanisms.

by two institutional variables – most notably the organizational structure of unions and the existence of formal union-party links – and a more agency-based variable, in particular the mode of inter-union dynamics.

Following neo-corporatist approaches, the degree of union fragmentation remains an important indicator of union ability to coordinate various demands and have a clear bargaining strategy. A single, encompassing union is not only more likely to uphold agreements, but, potentially, it also has higher capacity to disrupt the normal functioning of the economy should the government fail to take union interests into account. Thus, the existence of such a union structure is expected to increase the government's incentive to follow a pragmatic, responsive strategy to unions and facilitate their meaningful inclusion in policy making. Conversely, in cases of bi-polar or multi-polar models of unionism, the government might be less responsive to union demands. However, the union structure tells only one part of the story. As I argued above, the choice of strategies is not predetermined by institutional structures, but more crucially by the nature of inter-union dynamics. More precisely, rivalry and hostility between unions not only increases coordination problems, but also strengthens the government's position vis-à-vis organized labor, thus weakening its incentives to cede to labor demands. In other words, a high degree of inter-union conflicts can be used by the government as an excuse to minimize the role of organized labor in policy making. Depending on the specific socio-economic and political context, the government in such cases might either opt for an all-out attack on unions by, say, dismantling and weakening national corporatist structures, or it might attempt to use specific organizational or political issues to play out the unions against each other, thus deepening their division and further reducing their role in policy making.

In addition to the structural and behavioral characteristics of unions, the existence of formal union-party ties has to be taken into account to understand the choice of strategies. As I argued above, in the context of post-communist ECE, these ties are more likely to induce labor sacrifices rather than gains. In cases where unions have strong links (in particular) with the governing parties, the government has an incentive to try to use these connections to convince union leaders of the necessity of reforms and policies that might have harmful effects on labor. The inclusion of union leaders in the political structures of the state can thus be beneficial for the government. Not only does such a situation empower the government with the argument that interests of labor are strongly represented, but it also secures the control over unions by minimizing the possible backlash against reforms. By responding to partisan allies, union leaders in effect subordinate the interests of their rank and file. This is why partisan loyalty in post-communist ECE promotes the marginalization of labor rather than the strengthening of union

power. Conversely, political non-alignment of unions strips the government of the possibility to rely on party paternalism as the main strategy towards unions, and consequently increases the government's incentive to utilize more actively tripartite mechanisms of policy making. In cases where union structure is fragmented and labor is divided by political and ideological differences that are replicated in different party affiliations, inter-party rivalry is expected to be transmitted to the unions, thus weakening their capacity to bargain collectively and obtain concessions.

Specific combinations of these three variables led the first democratic governments in these three cases to implement rather different strategies vis-à-vis organized labor. In the Czech Republic, the existence of a unified, encompassing union confederation, combined with its insistence on political non-alignment induced the government to approach the unions in a more *cautious, pragmatic* way. Contrary to its political predisposition, the center-right government opted for the inclusion of unions in the formulation of broader reform principles by means of peak-level tripartite negotiations through which unions secured important concessions.

In Hungary, the existence of a fragmented, pluralistic union structure and union divisions that ran across old-new lines, combined with partial links with political parties created a more complex situation that can explain initial ambivalence and ad-hoc tripartite solutions to labor disputes that resulted in partial concessions to the unions. However, growing conflicts between the unions with regard to the redistribution of huge assets of the communist union federation – and even a plea of some unions that the government should solve the conflicts – empowered the government with the information that organized labor was a deeply divided and weak actor. Consequently, the government used this opportunity to side with the new unions by initiating controversial laws regarding the redistribution of the old union assets that were clearly intended to weaken the successor unions.¹⁰ However, this decision had little to do with the government's genuine wish to help the new unions, but rather with an opportunity to benefit from a *divide-and-rule* strategy (see Bruszt 1995). By preoccupying the unions with organizational issues, the

10 Essentially, the government insisted on redistribution that would provide equal opportunities to all unions irrespective of their size. This, in practice, meant diverting the assets from MSZOSZ to the new unions. In addition, the government insisted that the final decision about the actual redistribution take place during the 1992 negotiations of the tripartite annual agreement. During the negotiations, the government agreed to revise the controversial law, so that the asset redistribution be decided according to the results of the 1993 social security board and works council elections. While the unions were preoccupied with organizing these elections, the government unilaterally revised some of the provisions related to economic and social policies in the previous tripartite negotiations.

government practically reduced their role and effectiveness in the tripartite negotiations of economic and social policies. More importantly, such a strategy propelled union conflicts, which further eroded the possibility of a solid union coordination and outlining of a common strategy vis-à-vis the government.

Finally, in Poland, the fragmented, bi-polar union structure combined with the extreme ideological animosity between the unions, replicated in their strong formal links with two parties at the opposite sides of the political party spectrum, enabled the first Solidarity government to buy union consent to neoliberal reforms practically without any concessions. Solidarity union leaders formed the core of the government, thus blurring the difference between labor and government interests. By implementing *party-paternalism* as the main strategy, the government managed to get union leaders to sell out the interests of their rank and file to partisan allies, effectively subordinating and suffocating what used to be perceived as the strongest union in post-communist countries. Hence, the submissiveness of the Solidarity union leadership, and even its support for neoliberal dictates, reduced the government's incentive to support tripartite negotiations with organized labor. Moreover, any attempt of the successor unions to criticize the reform strategy was dismissed on ideological grounds. This, in turn, started a dangerous spiral of inter-union conflicts rooted in different political affiliations.

The interplay of these three variables explains the choice of strategies at the beginning of transition, and thus the origins of the subsequent state-labor relations. However, in order to understand how distinct paths of state-labor relations have evolved over time, and how they relate to union effectiveness in tripartite bargaining, the time frame of the analysis has to be extended from the initial period of transition to the whole period of transformation.

4.2# Shaping the Paths: A Dynamic Picture

Strategies that governments and unions settle on at the beginning of transition do not necessarily have to remain the same. As I argued above, the choice of strategies is heavily influenced by interactions among the main actors. Since the very term "interaction" presupposes a certain dynamism of the examined relationship, it is expected that initial strategies might be occasionally re-evaluated and even altered. These instances are generally associated with context-specific socio-economic and political shifts, such as government changes, a significant deterioration of macro-economic conditions, or wider union protests against specific policies. Depending on the nature of these shifts, as well as the balance of power vis-à-vis the unions, the government in general can either show more responsiveness to organized labor, or opt for strategies aimed at the reduction of union

power.¹¹ In relation to the initial strategy, the choice then becomes either “staying on course” or “strategy alteration.”

The choice between these two options, however, is not only affected by the nature of macro-economic and political shifts, but also by the form and outcomes of previous interactions. This is so because actors tend to reflect on their prior experience and draw lessons from previous episodes of interaction. To put it in a more schematic form, the choice of government strategy at t_x is affected not only by the specific contextual conditions surrounding that moment, but also by the experience drawn from interactions at t_{x-1} . If, say, government measures that are intended to reduce union power at t_{x-1} pass without significant opposition from the union side, at t_x the government is likely to either “stay on course” or attempt to marginalize organized labor even further. Conversely, if the union response at t_{x-1} is perceived by the government as strong enough to potentially erode the support for government policies or threaten the overall political stability, the government is likely to alter its strategy and show more responsiveness to union demands at t_x .

For example, after coming to power, the Czech Prime Minister Klaus was not able to undertake an all-out attack on unions despite his extremely strong neoliberal ideological predisposition, mainly because the previously negotiated wage-unemployment compromise had given the unions strong legitimacy and secured broader public support for tripartism. Instead, Klaus opted for a *carrot-and-stick* strategy (Pollert 1999) with the aim of weakening labor in a gradual way by increasingly dismissing the importance of tripartite agreements and limiting the responsibilities of the tripartite institution. However, the worsening of economic conditions combined with an increasing dismissal of union demands, strengthened union assertiveness and resulted in a number of protest actions that generated considerable public support. These developments, combined with the erosion of the electoral support in 1996, once again changed the balance of power and induced Klaus to back down, abandon the carrot-and-stick strategy and show more responsiveness to union demands. In an attempt to reach a consensus for a new economic package, Klaus offered to revive the original functions of the tripartite institution, include the unions in the formulation of general economic policies, and strengthen instruments for the extension of collective agreements. The experience of the Klaus government was also an important lesson for the new social democratic government. By realizing the importance of meaningful tripartite negotiations for the continuation of reforms and preserving social peace, the new government’s pragmatic responsiveness resulted in a number of important concessions to unions.

11 As the empirical part will show, these strategies can assume various forms in different contexts, e.g. pragmatic responsiveness, carrot-and-stick, divide-and-rule, party-paternalism, all-out attack; etc.

In Hungary, the serious macro-economic imbalance induced the Socialist-Liberal government to search for new measures immediately after its inauguration in 1994. Despite the attempts to negotiate a social pact, the government in the end introduced a harsh neoliberal package by neglecting the tripartite institution and directly relying on its majority in Parliament. While this move was obviously influenced by the depth of economic crisis, the government undoubtedly benefited from the formal links with the largest union, as well as the previous government's divide-and-rule strategy that had deepened inter-union division, which ultimately eroded the mobilizational capacity of organized labor. The fact that the unions did not mount much opposition to the new economic policies, but had focused instead on the new inter-organizational conflicts in 1997,¹² signaled to the subsequent, conservative Orbán government that organized labor was weak and unable to act in a unified way. Armed with this "knowledge" as well as the improvement of economic conditions, the government opted for an *all-out attack* on unions by means of dismantling and reorganizing the central institution for tripartite deliberations and drastically minimizing the role of unions in policy making.

Finally, in Poland, it was the rise of protests against the effects of reforms that induced the government to search for a more labor-responsive strategy in 1993.¹³ In order to restore social peace, the government proposed to negotiate a broader pact and institutionalize a tripartite framework of labor relations. However, due to the fall of the government, the revised version of the pact was implemented only by the subsequent social democratic government. This government learned a lesson from its predecessor and initially opted for a more responsive strategy towards the unions by offering small pay concessions, abolishing tax on wage increases, and offering tripartite consultations. However, when political inter-union hostility endangered the functioning of this institution, the government did nothing to improve it. Instead – in the face of economic recovery and a reduced likelihood of protests – the government decided to utilize its strong formal links with the OPZZ and settled on party paternalism as a means to control labor in policy making. Extreme animosity between the unions and the resulting lack of any form of unified action for the strengthening of tripartite negotiations, also enabled the subsequent conservative government to rely even more heavily on party-paternalism as the main strategy towards the unions.

Government-union interactions therefore evolve through an ongoing assessment of the mutual strengths and weaknesses, which then in combination with context-

12 The mandate of the self-governing social security bodies expired in 1997, and new inter-union conflicts emerged over the form of reorganization of these bodies.

13 Protests were initiated from below, as well as OPZZ, and only later supported by the Solidarity union leadership.

specific conditions affect the choice of strategies. The outcomes of negotiations at each specific moment – whether they refer to policies, labor legislation, or particular labor disputes – not only reflect this distribution of power, but also affect the nature of subsequent government-union interactions, since the government's responsiveness to union demands partly depends on previous interactions. In this way, tripartite institutions that facilitate these negotiations start reflecting a particular power distribution, which feeds back to subsequent choices by reducing the likelihood that weaker actors would be able to achieve substantial gains. In other words, if the government repeatedly uses the institution of tripartite deliberations only instrumentally, the chances that unions would be able to initiate alternative policies or modify the existing ones are lower with time. Thus, these ongoing strategic interactions within the tripartite institutions shape specific paths of state-labor relations, which over time become more resistant to change. These paths, in turn, determine the very effectiveness and power of organized labor. Hence, it is not the formal rules of tripartite institutions that determine labor outcomes, but rather the way in which these institutions are used and the goals they are supposed to serve. The ongoing strategic interactions between governments and unions in a way facilitate gradual modification of tripartite institutions. Consequently, these institutions can become either an indispensable element of the policy making framework or only a token gesture on the part of governments that effectively facilitate marginalization of organized labor.

By carefully tracing strategic interactions in the three ECE countries, we can clearly see the evolution of three distinct paths of state-labor relations, which influenced the power and effectiveness of organized labor in different ways. In Hungary, complex union dynamics combined with frequently changing government strategies – from divide-and-rule, over partial political inclusion and unilateralism, to an all-out attack on unions – have accentuated power disparities between the contending actors in the tripartite institution, and weakened the capacity of organized labor. Although this institution facilitated negotiations over some important labor issues at the outset of transition, the ongoing strategic interactions have over time shaped the path of *unstable bargaining* with a rather low level of concessions for organized labor. In Poland, the widely accepted party-incorporation of unions combined with the highest degree of inter-union conflicts has enabled respective governments to marginalize the role of the tripartite institution and follow largely similar party-paternalism strategy towards the unions, which served the purpose of the direct control of labor demands. Such interaction has shaped the path of labor *cooptation* with minimal concessions to the unions, which over time became increasingly resistant to change. Finally, in the Czech Republic – despite Klaus's attempt to marginalize the role of the tripartite institution and weaken organized labor through a carrot-and-stick strategy – the earlier constructive incorporation of unions in policy making combined with the ability

of the Czech organized labor to show a unified opposition to Klaus's measures helped preserve and further the path of *pragmatic institutionalized bargaining*. As everywhere across post-communist ECE, the transformation process has adversely affected the Czech unions. Nonetheless, staying on the path of pragmatic bargaining has preserved the tripartite institution as an indispensable part of the policy making machinery through which the unions managed to achieve the relatively highest degree of concessions.

Any analysis that attempts to trace interactions between actors over time inevitably incorporates variables of a more contingent nature. Hence, one might ask whether such frameworks are capable of generating truly testable hypotheses and parsimonious conclusions. Because of its focus on the ongoing government-union interactions and "path shaping" processes, the framework presented in this paper can be charged with a similar criticism. However, without a careful tracing of these interactions, it would be hard to discern particular intricacies of each case and enhance the dynamic component of the analysis. As Hall (2003: 387) put it, when "political outcomes depend not on a few socio-economic conditions but on complex chains of strategic interaction, they cannot be explained except by reference to that chain."

Relying on such a method, however, usually means employing small-N comparisons. A standard objection raised against such analyses is that they are unable to offer propositions that can be generalized. Yet, this does not mean that they do not produce theoretical gains. As Rueschemeyer (2003) convincingly argues, problem-driven small-N comparisons are capable of not only disputing standard theories, but also of generating new hypotheses, offering useful conceptualizations and producing "testable explanatory propositions" (see also Ebbinghaus 2003; Mahoney 2003). The framework developed in this paper suggests three explanatory variables that influence the choice of initial strategies. In this way, it enables a relatively simple testing of the proposed hypotheses on other ECE cases.¹⁴ While the examination of the evolution of specific paths of state-labor re-

14 Preliminary evidence indicates that the three variables proposed by the model were also relevant for government-union interactions in other ECE countries at the outset of transition. For instance, in the case of Bulgaria, the bi-polar union structure organized around old-new divisions and the existence of formal ties to opposing political parties proved to be a disadvantage for the unions. Even though both confederations cut their formal links with political parties as early as 1991, ideological divisions associated with these ties had influenced inter-union dynamics and enabled the government to use the issue of the redistribution of the old union's assets as a major component of its divide-and-rule strategy at the outset of transition. Similarly, in Romania the fragmented union structure, combined with ideological differences and partial links with political parties produced labor disunity and weakened the capacity to outline a common strategy. By passing the 1991 Trade Union Act that further

lations would obviously require a more elaborate tracing of actors' interactions within context-specific conditions and over time, the suggested framework could nonetheless serve as a guideline for such an exercise.

5# Conclusions

This paper has demonstrated that traditional economic-structural arguments, democratization literature arguments, and political cycle arguments cannot take us far in explaining variations in the outcomes of tripartite-level bargaining in ECE. In addition, I have argued that variations in union effectiveness cannot be attributed solely to institutional variables, and that closer attention has to be paid to interactions between the main actors. In order to more systematically analyze government-union interactions in post-communist ECE, the paper offers a framework that combines institutional and behavioral variables, and proposes a set of hypotheses regarding the choice of strategies.¹⁵ I have tried to show how in the three examined country-cases these ongoing strategic interactions have shaped distinct paths of state labor relations – *pragmatic bargaining*, *unstable bargaining*, and *cooptation* – which in different ways influenced the effectiveness of unions in tripartite bargaining. The manner in which these distinct paths have evolved has been largely conditioned by the ongoing mutual assessments of strengths and weaknesses between the contending actors.

encouraged inter-union competition and rupture, the government showed the intent to follow a divide-and-rule strategy. In addition, union-party connections, or the affiliation of some union leaders with political parties, provided the room for infiltration and cooptation experiments. In Croatia, the first nationalist/conservative government used its ties with the new union confederation in order to counterbalance reformed union which advocated social-democratic values. Like in Poland, the government followed the strategy of party paternalism by transforming its union leaders into “advocates of patience” in the face of national exigency associated with the war. By accusing the reformed unions of allegedly unpatriotic values and unrealistic economic demands, the government precluded union input in policy making, and effectively silenced both labor and political opposition at the outset of transition. In contrast, in Latvia, the existence of a single reformed union confederation that insisted on its political independence, induced the first democratic government to act pragmatically and initiate broader negotiations with labor that were aimed to mitigate negative effects of the reforms.

15 For a related argument that actors' choices might not be determined solely by institutional structures, but also heavily influenced by interactive games among actors, see Regini's (2000) analysis of divergent responses of European economies to globalization pressures.

Consequently, this paper has important implications for theorizing about path-dependency of political processes. By tracing how power asymmetries further specific paths, the analysis broadly corresponds to the “power mechanism” of path reproduction, but it also diverges from it in an important aspect. In this view (see Mahoney 2000), the reproduction of certain political and policy trajectories is explained by power asymmetries that are inherent to specific institutions. Institutions do not only embody power asymmetries but they also reinforce the power of stronger actors, thus furthering an existing path until some strong exogenous shock disturbs the very foundations of institutions, leading to their replacement and setting of a new path. The problem with this argument, I believe, is that it pushes aside the analysis of how broader extra-institutional shifts – that do not necessarily qualify as major exogenous shocks – influence actors’ strategies and the subsequent distribution of power that affects the very functioning of institutions. In other words, power asymmetries are not necessarily “frozen” from the time of the institutional formation until the complete institutional replacement. Indeed, as my analysis shows, if the distribution of power is determined purely by institutions, then trade unions in ECE would have fared much better since formal requirements of tripartite institutions assigned them a considerable leverage over the formulation of socio-economic policies. Instead, I demonstrate that power asymmetries between governments and unions are not “frozen,” but rather shaped through ongoing interactions within the tripartite institutions. By putting more stress on agency, its reflexive properties (Emirbayer/Mische 1998; Hay/Wincott 1998), and conflicts that develop within relevant institutions, this analysis emphasizes the dynamism of political processes that is often neglected in more rigid path-dependency accounts.

Because of its emphasis on the dynamic components of the analysis, this paper also contributes to the wider debate on institutional evolution and change (Alexander 2001; Pierson 2001; Thelen 2003). In particular, the model of government-union interactions indicates a mechanism through which endogenous forces – and not only major external shocks – might gradually alter institutional arrangements. Throughout the paper I have tried to show how actors respond to changes in socio-economic and political contexts by adjusting their strategies, and how these continuing strategic interactions affect and gradually modify the very institutions within which these interactions evolve, so that they can start serving rather different goals and purposes.¹⁶ More precisely, I have used the case of

16 This type of institutional modification broadly corresponds to the mechanism of institutional conversion, elaborated by Thelen (2003). According to her, the conversion – as a mechanism of institutional change – refers to processes that “can be set in motion by a shift in the environment that confronts actors with new problems that they address by using existing institutions in new ways or in service of new goals” (2003: 228).

post-communist institutions of tripartite deliberations to demonstrate how over time both governments and unions have been reacting to broader socio-economic and political shifts by re-evaluating and adjusting their strategies while taking into account mutual strengths and weaknesses at particular moments. These responses, in turn, have modified the tripartite institutions in a way that they either became an essential part of the policy making process or an institution of marginal importance. In other words, the paper shows that the political maneuvering within the tripartite institutions has over time subtly altered particular institutional parameters (e.g. their form and functions), thus affecting subsequent policy outcomes. In this way, originally very similar national tripartite institutions have served different functions and over time produced rather diverse outcomes across respective national contexts.

By indicating mechanisms that drive such incremental modification of tripartite institutional arrangements, this paper suggests one possible way to analyze a complicated logic of institutional change. At the same time, however, it raises some important questions for further conceptual work. In particular, it invokes the question of whether path-dependent processes are such because of the specific constraints imposed by institutional structures, or because of the logic of particular processes that largely rests on the ability of agency to perpetuate certain type of interaction, and thus sustain and further paths that are based on power asymmetries. In other words, if particular political and policy outcomes are heavily dependent on specific balances of societal power, are institutions true causes of these outcomes as traditional path-dependency arguments claim, or are they effects of the ongoing struggle between the contending actors? This question is particularly relevant in the transitional contexts, where it is often not entirely clear how credible and firm actors find institutional constraints. As Alexander (2001: 252, 266) demonstrates in a number of cases of democratic consolidation, when actors perceive institutions as “anything but ‘locked in’” and correspondingly “regularly treat them as effects, our ability to treat them as causes is circumscribed.” Hence, it is the task of future work to conceptualize more clearly the various ways through which institutions gradually evolve and change. The analysis presented here provides one step in this direction.

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