

Funk, Lothar; Lesch, Hagen

Article — Published Version

Industrial relations in Central and Eastern Europe: Organisational characteristics, co-determination and labour disputes

Intereconomics

Suggested Citation: Funk, Lothar; Lesch, Hagen (2004) : Industrial relations in Central and Eastern Europe: Organisational characteristics, co-determination and labour disputes, Intereconomics, ISSN 0020-5346, Springer, Heidelberg, Vol. 39, Iss. 5, pp. 264-270

This Version is available at:

<https://hdl.handle.net/10419/41804>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Lothar Funk* and Hagen Lesch**

Industrial Relations in Central and Eastern Europe

Organisational Characteristics, Co-determination and Labour Disputes

This article analyses industrial relations in the new Central and Eastern European EU member states and the candidate countries Bulgaria and Romania. Focusing on the private sector, it describes the major organisational attributes of the social partners and the structural features of the collective bargaining systems in these countries. The extent of strikes and industrial disputes is discussed, and some indications of future developments are presented.

Industrial relations in the eight new member states in Central and Eastern Europe that joined the European Union in May 2004 and in Bulgaria and Romania, which are still in the process of accession negotiations, exhibit, on the one hand, differences in terms of trade-union density and days lost to strikes. On the other hand, this group of post-socialist countries have many important things in common, such as, in particular, the predominance of decentralised wage bargaining. Because this latter characteristic distinguishes the accession and candidate states from the majority of the former EU-15 member states, industrial relations in Central and Eastern Europe more closely resemble those in the Anglo-Saxon model than they do those in the Continental European model. This is also true for the lesser importance attached to the role of works councils in industrial relations in the accession and candidate countries. Currently, industrial disputes are rare, particularly in the private sector; as a result of economic development in the region, this might not be the case in the future, however.

Industrial relations include the interaction between employers and employees. The state also intervenes in this area as it sets the legal framework within which employers and employees operate, often regulates social pacts, and is the employer of public-sector

workers. A particular characteristic of the European Union (EU) accession states in Central and Eastern Europe (CEE) that are examined here is that the pay and working conditions in the public sector are – with the exception of Slovenia – to a larger degree than in Western Europe determined by the state.¹ The focus of the following analysis is on industrial relations in the private sector. In doing so, it will describe the most important organisational attributes of the social partners and the structural features of the collective bargaining systems in the new EU member states (though excluding the two Mediterranean states Malta and Cyprus) – Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia – as well as in the candidate countries Bulgaria and Romania. Moreover, the extent of strikes and industrial disputes will be discussed. Finally, some indications with regard to possible future developments will be presented.

Trade-union density – that is, the proportion of trade-union members as a percentage of all employed persons excluding the self-employed – is regarded as an important indicator of the ability of unions to negotiate collective agreements. In the ten post-socialist countries, the unweighted average for trade-union

* Head of the "Labour Relations and Trade Union Economics Section", Cologne Institute for Business Research (IW), Germany.

** Head of the "Wage and Collective Bargaining Policy Section", Cologne Institute for Business Research (IW), Germany.

¹ See European Commission: Industrial Relations in Europe 2002, Luxembourg 2002, p. 114. However, mechanisms for public sector wage-setting vary in detail to a large degree in the new EU member and candidate states. See A. Tóth, L. Neumann: National-level tripartism and EMU in the new EU Member States and candidate countries, <http://www.eiro.eurofound.eu.int/2004/03/study/index.html> (downloaded 29.6.2004).

Table 1
Subjects Mentioned by the Panel of Experts

New EU Member States¹, Bulgaria and Romania in 2001

	Trade union density in per cent ²	Number of the most important		Employees in firms that are members of an employers' association in per cent ³
		Trade unions	Employers' associations	
Bulgaria	30 (na)	4 (2 ⁴)	2	na
Estonia	20 (14)	2	1	38
Latvia	25 (30)	1	1	56
Lithuania	19 (15)	4	2	na
Poland	25 (15)	2	2	24
Romania	35 (na)	5	8 ⁵	65 ⁶
Slovak Republic	39 (35)	3	1	50
Slovenia	30 (41)	4	4 (1 ⁴)	60
Czech Republic	32 (30)	5	2	33
Hungary	25 (20)	6	10	na

na: not available.

¹ Without Malta and Cyprus.

² Trade-union members as a percentage of employed persons excluding the self-employed; own calculations based on the membership figures for the most important trade unions; in parentheses: EIRO estimations that, because of the different methods and the different annual data that are used to calculate the figures, are not directly comparable.

³ As a percentage of employed persons excluding the self-employed; own calculations based on figures from the most important employers' associations (Slovakia and Slovenia: estimates from the European Commission).

⁴ Number of dominant trade unions or employers' associations.

⁵ Number of associations that are involved with government in a social pact.

⁶ Because of the high number of self-employed workers and family members employed in small firms, percentage based on all gainfully employed persons.

Source: M. Carley: Industrial relations in the EU, Japan and USA, 2002, <http://www.eiro.eurofound.eu.int/2004/01/feature/tn0401101f.html> (downloaded: 29.6.2004), pp. 3-4; European Commission: Industrial Relations in Europe 2002, Luxembourg

density was, in 2001, just under 28 per cent; this was about the same rate as Germany (30 per cent) and the UK (29 per cent). However, it was considerably lower than the unweighted average – 43 per cent – for the 15 member states of the EU until end of April 2004.² Only in Romania and the Slovak Republic do trade-union densities come close to reaching the unweighted average for the current EU member states (cf. Table 1).

Since 1990, the numbers of trade-union members

² M. Carley: Industrial relations in the EU, Japan and USA, 2002, <http://www.eiro.eurofound.eu.int/2004/01/feature/tn0401101f.html> (downloaded: 29.6.2004).

in the post-socialist states have decreased considerably, despite the reform of the previous Communist employee associations and the founding of new ones. This development can to a large extent be explained, firstly, by the revocation of the usual obligation in Communist countries to belong to a union, secondly, by the increase in unemployment, and thirdly, by the increasing number of small and medium-sized enterprises that resulted from various privatisations. In turn, the waning willingness to become a trade-union member has, because of "missing" members' dues, influenced the ability of unions to recruit members.³

On the employers' side, a weakness in the industry associations can be observed; these associations had to be founded afresh – partly with the support of the state-run chambers of commerce – after the political revolutions in Central and Eastern Europe. Governments and individual employers often view these associations as ones that only have a purely consultative character.⁴ The main reasons for this are the short tradition of private employers in CEE, rivalries between different associations, and the structural changes in the economy. These structural changes have gone hand in hand with a high rate of company closures and company start-ups; this development has, in turn, made the development of employers' associations more difficult.⁵

The European Commission estimates that, whilst it may be true that 30 to 40 per cent of industrial companies in Central and Eastern Europe are members of employers' associations, only 2 to 5 per cent of all companies are members of such associations.⁶ In particular, it is large firms that tend to be members of employers' associations. This means that the number of employees who work for companies that are members of employers' associations as a percentage of all employees is higher than the number of member companies as a percentage of all companies. In Latvia, Slovenia and the Slovak Republic, 50 to 60 per cent of employed persons excluding the self-employed work in firms that are members of an employers' association; in Estonia, Poland and the Czech Republic, the figure lies between 24 and 38 per cent (cf. Table 1).

³ See M. Kahmann: Changes in national trade union structures, ETUI Discussion and Working Papers DWP 2003.02.02, Brussels 2003, pp. 6-7; and T. Steger: Industrielle Beziehungen in Mittel- und Osteuropa, in: Personalführung, Vol. 36, No. 5, p. 24.

⁴ See T. Steger, *ibid.*

⁵ See EEAG – European Economic Advisory Group at CESifo: Report on the European Economy 2004, Munich 2004, p. 64.

⁶ See European Commission, *op. cit.*, p. 98.

INDUSTRIAL RELATIONS

Table 2
Structural Features of Wage Bargaining Systems
 New EU Member States¹, Bulgaria and Romania in 2001/2002

	Wage bargaining levels ²	Percentage of employees covered by a collective agreement in per cent ³	Ability to extend agreement to workers in firms that are not in an employers' association	Tripartite social pacts	Minimum wage regulations ⁴
Bulgaria	Company*** Sector*	40	Exists	Yes	Tripartite Recommendation
Estonia	Company*** Sector*	28	Exists	Yes	Tripartite Recommendation; 28 per cent
Latvia	Company*** Sector* Inter-sectoral*	<20	na	Yes	Tripartite Recommendation ; 40 per cent
Lithuania	Company*** Sector*	10-15	na	Yes	Tripartite Recommendation; 43 per cent
Poland	Company*** Sector*	40	Exists	Yes	Tripartite Recommendation; 40 per cent
Romania	Company*** Sector*	na	Exists	Yes	Tripartite Recommendation
Slovak Republic	Sector*** Company*	48	Possible	Yes	Tripartite Recommendation; 39 per cent
Slovenia	Inter-sectoral*** Sector** Company*	100	Exists	Yes	Tripartite Wage Negotiations; 58 per cent ⁵
Czech Republic	Company*** Sector*	25-30	na	Yes	Tripartite Recommendation; 34 per cent
Hungary	Company*** Sector** Inter-sectoral*	31	Exists	Yes	Tripartite Recommendation; 40 per cent

na: not available.

¹ Without Malta and Cyprus.

² *** = dominant level; ** = important level, * = of relatively minor importance.

³ Proportion of employees that have their pay and conditions set, at least to some extent, by collective agreements as a percentage of total workforce.

⁴ Minimum wage as a percentage of the average wage (average gross income for the whole economy).

⁵ Goal of negotiations.

Sources: M. Carley: Industrial Relations in the EU, Japan and USA, 2002, <http://www.eiro.eurofound.eu.int/2004/01/feature/tn0401101f.html> (downloaded: 29.6.2004), pp. 9-10; EEAG – European Economic Advisory Group at CESifo: Report on the European Economy 2004, Munich 2004, pp. 62-64; European Commission: Industrial Relations in Europe 2002, Luxembourg 2002, pp. 111-112; European Commission: The EU Economy: 2003 Review, Brussels 2003, p. 200; own calculations by Cologne Institute for Business Research.

Bargaining Levels

Table 2 shows that collective agreements are predominantly conducted at the firm level. Additionally, "multi-employer agreements" exist that apply to several companies. Industry-wide negotiations are only important in the Slovak Republic, though collective bargaining above company level is also of some importance in Slovenia and Hungary.

It should be noted that, in these countries, industry-wide wage agreements tend to be most common in branches with monopolistic or oligopolistic structures, such as the energy sector and the railways. It is also obvious that, even in Slovakia, collective

agreements in many sectors merely contain very general clauses that must be "filled out" at the firm level.⁷ "Frequently it even happens that the few industry-level agreements that are signed simply reproduce existing statutory standards."⁸ Agreements that span more than one economic sector exist in Slovenia and, to a lesser extent, also in Latvia and Hungary.⁹

The number of employees who are either partially

⁷ See European Commission, op. cit., pp. 111-112.

⁸ W. Schroeder: In the wake of EU enlargement, in: Mitbestimmung, Vol. 49, No. 8, 2003, p. 46.

⁹ See European Commission: Employment in Europe 2003. Recent Trends and Prospects, Brussels 2003, p. 77.

or totally covered by a collective agreement as a percentage of the total workforce extends, in Central and Eastern Europe, from between 10 and 15 per cent in Lithuania to nearly 100 per cent in Slovenia, where collective agreements are mandatory. In Bulgaria, Estonia, Poland, Slovenia, the Slovak Republic and Hungary, the percentage of employees covered either partially or wholly by a collective agreement is higher than the percentage of employees who are members of a trade union. This difference is largely the result of employers voluntarily extending the terms and conditions of the collective agreement to workers who are not union members. In other words, whilst a legal extension, for example by ministerial decision, of the terms and conditions of a collective agreement to workers and firms that are not bound to the initial agreement is possible, it is not common in the majority of countries,¹⁰ and the extension of the terms and conditions occurs on a voluntary basis. The percentage of workers covered either partially or wholly by a collective agreement can also be lower than the trade-union density rate – as is the case, for example, in Latvia – if trade-union members work in firms that do not have to adhere to the terms and conditions of an industry-wide collective agreement.

Social Pacts

Wage negotiations are, in all accession countries, complemented by tripartite social pacts – that is, by institutionalised means of finding a consensus between employers' and employees' representatives and government at the national level. Social pacts initially aided governments, first and foremost, by legitimising necessary economic reforms as they were also agreed to by the social partners, and by securing a role for governments in setting the economic framework within which firms and workers operate. Social pacts have, to this day, remained a process dominated by the state, as the weaknesses of the social partners have prevented a partnership on an equal footing from emerging. This is also the reason why the implementation of tripartite agreements is hard to guarantee¹¹ despite the fact that "the solid building of institutionalised social dialogue has always remained unaffected in these countries".¹²

Social pacts have the greatest influence on collective bargaining policies in Slovenia, Poland and Hungary. In these countries, too, however, wage guidelines – except minimum wage regulations – have more the character of recommendations than of ties on "downstream" bargaining levels. In the other countries, social pacts are only relevant, in terms of wage

policies, for nationally determined minimum wages, which exist in all accession countries and which, at the moment, lie between 28 and 43 per cent of the average gross wage in the economy as a whole.¹³

Overall assessments of industrial relations in the countries of Central and Eastern Europe that have been considered here differ in their conclusions.

- Basing their judgement on the characteristics of the wage bargaining systems noted above, Kohl and Platzer speak of a "model of industrial relations [peculiar] to the transformation societies of Central and Eastern Europe".¹⁴ According to Schroeder, "the region has produced no clear model that could stand beside the Anglo-Saxon or continental European models or those of Southern Europe, or the Nordic countries".¹⁵
- Belke und Hebeler conclude that the "form of industrial relations and the position of trade unions [conform] more to the Continental European model than they do to the Anglo-American one".¹⁶ In making their assessment, they take into consideration further labour-market institutions (wage replacement rates, non-wage labour costs, regulations on employment protection and part-time work, and the role of active labour market policies) that have already approached the high regulatory levels of the EU.
- Finally, the European Economic Advisory Group has noted that the central structures of industrial relations in Central and Eastern Europe have more in common with the United Kingdom than they do with Germany or other Continental European countries. Accordingly, they have labelled industrial relations in Central and Eastern Europe Anglo-Saxon.¹⁷ Also Schulten sees more similarities of the current bargaining institutions in the CEE countries with Anglo-Saxon countries than with other continental European ones.¹⁸

¹⁰ See European Commission: Industrial Relations ..., op. cit., p. 113.

¹¹ See European Commission, *ibid.*, pp. 95 and 103-110.

¹² A. Tóth, L. Neumann, op. cit.

¹³ EEAG, op. cit., p. 65.

¹⁴ H. Kohl, W. Platzer: *Arbeitsbeziehungen in Mitteleuropa. Transformation und Integration*, Baden-Baden 2003, p. 13

¹⁵ W. Schroeder, op. cit., p. 47.

¹⁶ A. Belke, M. Hebeler: *EU-Osterweiterung, Euro und Arbeitsmärkte*, Munich/Vienna 2002, p. 69. See also A. Belke, M. Hebeler: *EU Enlargement and Labour Markets in the CEECs*, in: *INTERECONOMICS*, Vol. 35, No. 5, 2000, pp. 219-230.

¹⁷ See EEAG, op. cit., pp. 9-10; and T. Steger, op. cit.

¹⁸ T. Schulten: (Flächen-)Tarifvertragssysteme in Europa – ein Überblick, in: *WSI in der Hans Böckler Stiftung (ed.): WSI Tarifhandbuch 2004*, Frankfurt am Main 2004, p. 57.

Works Councils

This last hypothesis is supported by the relatively weak significance of works councils in the CEE accession countries. Works councils only exist in Hungary, Slovenia and to a lesser extent in Latvia, Lithuania, Slovakia and the Czech Republic. In Poland, works councils do not exist in the private sector. They continue to operate, however, in some state-owned enterprises. Only Hungary, Slovenia and recently Latvia have a type of works council structure comparable to a continental European works council.¹⁹

To promote the collective bargaining process and worker participation some countries have introduced statutory works council systems (Czech Republic in 2001, Latvia and Slovakia in 2002, Lithuania in 2003).²⁰ Contrary to the German system of dual representation in which works councils co-exist with trade unions, the legislation primarily aims at encouraging the creation of works councils in plants without formal union representation (competing system). This fact is mainly a reaction to the behaviour of the unions, which reject works councils because they fear rivalry. For the same reason they oppose the dual representation system.

Overall we can differentiate between three types of worker representation. The dual representation system was established in Hungary, Slovenia and partially in Latvia. In Hungary and Slovenia the works councils protect employees participation rights while the unions negotiate wages and other working conditions. In Latvia works councils and unions have both consultation and collective bargaining rights. A pure union representation only exists in Estonia, Poland (with the exception of some state-owned enterprises) and to a large degree in Romania, with the exception of small enterprises without union representation. In the other countries (Bulgaria, Czech Republic, Lithuania, Slovakia) works councils or other worker representatives are allowed in principle, but only in enterprises without trade union representatives. If a works council or worker representative exists it must be disbanded if a union moves into the company. This type of "monistic" employee representation was introduced for the first time in the Czech Republic in 2001 and is therefore sometimes called the Czech model.

Table 3 shows that there is no clear correlation between the different types of employee participation

and the information, consultation and co-determination rights at the plant or workplace level. On the one hand, the strongest co-determination rights, for example related to redundancies, plant shut-downs, company restructurings or dismissals, have been introduced in Slovenia. On the other hand there are no co-determination rights in Estonia and Lithuania. Furthermore there are no co-determination rights in Czech enterprises with a worker representation or works council (instead of a union representation).

Consultation or information rights are more widespread than co-determination rights. They often apply to reorganisations, privatisations, health and safety at the workplace or the current and future economic situation of a company. The requirement to implement EU-legislation (European Works Councils Directive, Directive establishing a general framework for informing and consulting employees) is likely to accelerate the introduction of consultation and information rights in the accession countries in the near future. European law demands, for example, that companies with at least 50 employees or plants with at least 20 employees inform or consult employee representatives on a range of business, employment and work organisation issues.²¹

Labour Disputes

A further indicator of labour relations is the number of working days lost by strikes and lockouts. In spite of formal recognition of the right to strike in the former socialist regimes industrial disputes or actions were in most cases banned, their existence denied or their legitimacy questioned. Only the Polish labour movement Solidarnosc was recognized by law in 1982.²² Not until these countries made the transition to democracy in the early nineties did official statistics provide reliable figures on labour disputes. Now the right to strike is constitutionally or legally guaranteed. Lockouts are legal only in Estonia, Romania, Slovakia and the Czech Republic whereas they remain unlawful in Bulgaria, Latvia, Lithuania, Poland, Slovenia and Hungary.²³

The main indicator of the extent of industrial actions is the number of working days lost through labour disputes per 1,000 employees because the

¹⁹ See European Commission, *Industrial Relations ...*, op. cit., pp. 116-118.

²⁰ H. Kohl, W. Platzer, op. cit., p. 131.

²¹ Regarding board-level representation of employees see European Trade Union Institute: *Benchmarking Working Europe*, 2004, p. 75.

²² A. Tóth, L. Neumann: Labour dispute settlement in four central and eastern European Countries, in: *EIRO-Observer*, No. 6, 2003, pp. i-viii (insert).

²³ European Commission: *Industrial Relations ...*, op. cit., pp. 101-102.

INDUSTRIAL RELATIONS

Table 3
Co-determination and Consultation Rights

Country	Responsible institution	Co-determination	Consultation or Information
Hungary	Works council, workers' representative (small enterprises)	Health and safety in the workplace	Reorganisation, privatisation, company restructuring, outsourcing, training measures, control of collective agreements
Slovenia	Works council, confidante (small enterprises)	Redundancies, closing of plants, company restructuring, new technologies, health and safety in the workplace, dismissals	Postings and transfers, current economic situation of a company, collective agreements
Latvia	Works council, union representative	Dismissals, collective agreements, working time, firing of elected union representatives	Collective agreements, vacation plans, working time, health and safety in the workplace, mass dismissals
Slovak Republic	Works council, workers' representative (small enterprises), union representative	Working time, vacation plans, health and safety in the workplace	Company restructuring, current economic situation and future development of a company
Estonia	Union representative	No	Mass dismissals, working time, training measures, health and safety in the workplace
Poland	Union representative, works council (only in state-owned enterprises)	Firing of elected union representatives, mass dismissals, wage norms	Dismissals, current economic situation of a company, working conditions
Czech Republic	Worker representative (small enterprises), works council	No	Mass dismissals, health and safety in the workplace, company restructuring
	Alternative: union representative	Firing of elected union representatives, health and safety at work, working time	Mass dismissals, company restructuring, wage agreements
Romania	Union representative, workers' representative (small enterprises)	Work schedules and working process, further training	Mass dismissals, health and safety in the workplace, company restructuring
Bulgaria	Union representative, workers' representative	Part time, health and safety in the workplace	Working time, mass dismissals,
Lithuania	Works council, union representative	No	Change of legal status of a company, current economic situation and future development of a company, mass dismissals

Sources: H. Kohl, W. Platzer: *Arbeitsbeziehungen in Mitteleuropa. Transformation und Integration*, Baden-Baden 2003, p. 131; European Trade Union Confederation 2002: *Systeme der Arbeitnehmervertretung in der Europäischen Union und den Beitrittsländern*; European Commission: *Industrial Relations in Europe 2002*, Luxembourg 2002; national documents.

absolute number of working days lost through strikes and lockouts alone would not reflect the size of the labour force of a country. The statistics in this article are based on data provided by the International Labour Organisation (ILO),²⁴ the Organisation for Economic Cooperation and Development (OECD), and national labour force surveys. Because Bulgaria and Slovenia are not included in the ILO data base, we use data from the European Industrial Relations Observatory (EIRO) for Slovenia and exclude Bulgaria in the table.²⁵

International comparisons of strike rates, however, should be considered with caution. ILO and EIRO do not collect data on their own. Instead they assemble statistics on labour disputes published by the national statistical offices. Due to significant variations between the national methods of compiling statistics, an

exact comparison between countries is impossible.²⁶ These deviations are, however, negligible in the CEE countries. In spite of these caveats and the scarcity of data, in particular in the cases of Latvia, Lithuania, Slovenia and the Czech Republic, the figures in Table 4 nevertheless shed an instructive light on the consensus in labour relations in the post-socialist accession countries.

Table 4 demonstrates that Poland and Romania are the most strike-prone CEE countries. In Poland strike activity was highest during the first years of economic transition in the early 1990s. From 1991 to 1996 the average annual strike rate was 66 days, peaking in 1992 with 223 days. Between 1997 and 2002 the annual average dropped to 6 days. As in Poland, strikes were relatively frequent in Romania. However, in Romania the average strike rate per year was much higher during the second (68 days) than during the

²⁴ See <http://laborsta.ilo.org>.

²⁵ See A. Tóth, L. Neumann: *Labour dispute settlement ...*, op. cit., p. viii.

²⁶ J. Monger: *International comparisons of labour disputes in 2002*, in: *Labour Market Trends*, Vol. 112 No. 4, pp. 151-152.

Table 4
Labour Disputes: Working Days Lost
per 1,000 Employees
 (all industries and services)

	1991-1996	1997-2002	2000	2001	2002
Estonia	0 ¹	0 ²	0	0	na
Latvia	na	8 ²	0	0	4
Lithuania	na	na	9	2	na
Poland	66	6	7	0	0
Romania	40	68	94	0	6
Slovak Republic	16 ³	0	0	0	0
Slovenia	na	na ⁴	6	na	na
Czech Republic	2 ¹	na	na	na	na
Hungary	17	21	46	2	0

na: not available.

¹ 1992-1996.

² 1997-2001.

³ 1991-1995.

⁴ 1999: 10 days.

Sources: ILO, EIRO, Eurostat, OECD, authors' calculations.

first period (40 days), reaching a maximum in 1999 (225 days). Labour relations in several other CEE states seem peaceful compared to these countries. The labour dispute-induced number of working days lost per 1,000 employees was 17 and 21 in Hungary and 16 and 0 in Slovakia during the first and second period respectively. The most peaceful country was Estonia, where no strike or lockout induced losses of working days were observed. In comparison to the old EU member countries with an average of 86 working days over the first and 54 over the second six-year period the accession countries appear relatively peaceful. Estonia, Slovakia and Poland (in recent years) exhibit a similar stability to Germany in industrial relations (15 and 3 days). Keeping the lack of data in mind, Latvia, Lithuania, Slovenia and the Czech Republic show similar results. We found an annual average of eight working days lost over the period 1997 to 2002 for Latvia and 2 days during the period 1992 to 1996 for the Czech Republic. The results are about the same for Lithuania and Slovenia in the years for which figures are available.²⁷

Outlook

Industrial action is concentrated in the public sector, including state-owned enterprises in the energy and mining sector. Strikes and lockouts are scarce in the private business sector because trade union density is low, employees' mobilisation is weak and

the risk of job loss is high. Additionally, most workers recognise the necessity of structural change in order to strengthen the international competitiveness of domestic firms. Except in Poland, other reasons for social peace in the private sector are the lack of experience with mass demonstrations and the fear of causing political instability.²⁸

Accession to the EU will further strengthen the democratisation process in these countries and as income and wages move closer to the EU average it is possible that labour disputes will become more common, especially in the private sector. Even if this happens, labour costs will very likely remain the most important competitive advantage of the EU accession countries in the longer term.²⁹ As a result of the wide gap in labour costs, incentives exist, in particular for west European firms, to move the labour intensive parts of their production activities to the accession countries.³⁰ Therefore, future developments in industrial relations in the CEE countries will also depend on the decisions on how to organise the internal labour relations of these "immigrating" western companies.

Finally, it is also unclear what repercussions the probably higher average rate of economic growth of the accession countries than in most of the EU-15 countries, as well as west European pressures to change the CEE industrial relations systems so as to conform better to "EU standards", will have on collective bargaining and co-determination structures. However, the latest evidence should be kept in mind which seems to show that the "existing 'Anglo-Saxon' combination of enterprise-level bargaining and limited importance of collective agreements in these countries is likely to produce better macroeconomic outcomes than a move to collective bargaining at the sectoral level of the Western European type".³¹

²⁷ However, nationally available evidence for Slovenia based on alternative indicators seems to show that from the mid 1980s up to 1997, "Slovenia was, in terms of strike frequency, quite similar to EU-strike-prone countries." M. Stanovjevic: Formation of the Slovenian pattern: the strike wave and industrial relations 'rigidities', in: South-East Europe Review, Vol. 6, No. 3, 2003, pp. 17-30, here p. 18.

²⁸ European Commission: Employment in Europe ..., op. cit., p. 100.

²⁹ According to C. Schröder: Die industriellen Arbeitskosten der EU-Beitrittskandidaten, in: IW-Trends, Vol. 31, No. 1, 2004, p. 49, "a simulation of the convergence of labour costs shows that [for example] the Czech Republic will reach 50 per cent of the German level only in 2039."

³⁰ See EEAG, op. cit., p. 97. See also K. Lammers: How will the enlargement affect the old members of the European Union?, in: INTERECONOMICS, Vol. 39, No. 3, 2004, pp. 138-141 on the resulting adjustment pressures on the European welfare states.

³¹ EEAG, op. cit., p. 81.