

The European Union and its new members

Industrial relations in Central and Eastern Europe/Transformation and integration/A comparison of the eight new EU member states. Edited by Heribert Kohl and Hans-Wolfgang Platzer (translated by Pete Burgess). Brussels, Belgium, ETUI, 2004, 422 pp., 27 euros.

Heribert Kohl and Hans-Wolfgang Platzer offer a comparative evaluation of the history, developing structures, and emerging problems in the 2004 transition of eight Central and Eastern European countries (CEE-8) to the European Union (EU): Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovak Republic, Hungary, and Slovenia. Their first-time study compares the standards and practice of employment law; industrial relations at the level of the workplace, company, industry, and region; state-level tripartism (defined here as social dialogue between the government, trade unions, and employers); and changes relative to EU accession. The study recommends external support for accession countries, cooperation between countries, improvement through social dialogue and sectoral collective bargaining (defined here as the regional and national levels) and an erosion of differences between national-level employment relations systems.

The editors propose three specific groupings of the countries for examination. The first group includes the Baltic States of Estonia, Latvia, and Lithuania. These former Soviet republics underwent a radical reorientation. Small and medium sized

enterprises were created (with waning Russian Federation integration) and industrial relations were decentralized. These countries had positive experiences with market-oriented industrial relations—with the continued practice of employment law established in the interregnum between the two world wars.

The second, or Visegrad, group includes Poland, Czech Republic, Slovak Republic, and Hungary. This group has had a long tradition of industrialization and trade links with Western Europe and only a recent history as formally independent socialist states within the Soviet Union's geographical arc.

Slovenia is considered separately due to its unique characteristics. Initially a socialist market economy with self-managed enterprises and a pluralistic state structure, the market had to be completely reoriented to the EU after independence from the former Yugoslavia. Slovenia's population is better educated relative to the other seven countries and its approach to the transition has been more structurally conservative (that is, they maintained existing structures) and innovative (that is, they have been willing to adapt EU employment law).

Government, union, and employer institutions emerged among the CEE-8 countries for the purpose of consulting and policy setting. Kohl and Platzer note, however, that none of these bodies have been capable of markedly shaping employment law in these eight countries.

Industrial relations is considered at the workplace, sector, regional, and national levels for the CEE-8 countries. Each of these countries experienced a loss of union protection and greater pressure from management at

the workplace level, resulting in low levels of collective bargaining and a lack of agreements. Most labor contracts are set by company agreement rather than works councils. Some successes were achieved due to the positive influences of joint ventures with multinational firms, but employer associations were rarely able to organize with initiatives for modern and cooperative forms of management. The study further cites the strength of works councils as a legally based form of employee representation. These councils are more numerous and more favorable to industrial relations in the southern group of countries (Slovenia, Hungary, and Slovakia) than in other parts of the CEE-8.

With the exception of Slovenia (and Slovak Republic, to an extent), collective bargaining is conducted mainly at the workplace or national level under tripartite agreements. Therefore, there is little data for comparing industry-level agreements for the CEE-8 countries. Trade unions are weak due to division within the trade union movement itself in most of the countries. The lack of employer associations contributes to limited collective bargaining above the workplace level. Another difference highlighted by Kohl and Platzer is that, for most Western European employer associations, industry agreements have allowed for wage cost stability whereas employers in the CEE-8 countries have not accepted that view. Also, pay setting in the CEE-8 is mainly at the company level, in contrast to industry bargaining in Western Europe. The findings of the study illustrate strike activity confined almost entirely to the public sector, with corresponding pay levels well above those of

the competitive private sector. This is further evidence of the slow long-term convergence of wages between the CEE-8 countries and EU member states.

The Kohl-Platzer study includes an East-West comparison of industrial relations as well. Although the models show that diversity in industrial relations continues within the EU, and challenges within those systems are dealt with according to national priorities, there is also standardization due to the influence of EU integration. Examples include the European Works Councils Directive of 1994 (creating the first institution of collective labor law at the European level) and the establishment of the EU employment policy. The controversial debate over the future of industrial relations and collective bargaining in EU member states is also considered by the editors. The changes in industrial relations mentioned include the loss of significance of collective bargaining parties, decentralization, and the focus of regulation shifting to the workplace.

The transformation of industrial relations in Western Europe is illustrated through examples of the “Thatcher Revolution” in the United Kingdom (weakening union organization and abolishing the closed shop), the 1982 Auroux laws in France (increased collective agreements at the workplace and multi-enterprise levels), and the transformation of bargaining in Italy from an adversarial to an institutionalized system. This transformation took place with regulations at the workplace, sector, and national levels (probably due to the European Monetary Union Convergence—the criteria which must be met by member states of the EU before they are permitted to adopt the euro as the single currency and monetary system).

Finally, the book considers industrial relations in the enlarged EU relative to the European Social Model. This model is “a vision of society” that combines sustainable economic growth with ever-improving living and working conditions. It implies full employment, good quality jobs, equal opportunities, social protection for all, social inclusion, and citizen involvement in the decisions that affect them.

In an enlarged EU, what are the prerequisites and challenges for successful EU integration? According to the editors, successful integration can be attained by external support and mutual cooperation between CEE-8 countries. Specifically, improved social dialogue and industrial relations are necessary for achieving it. The study indicates that successful integration is likely to result from the European Works Councils Directive. To promote social dialogue, they recommend instituting an official register of collective agreements and EU projects. Utilizing specialized training agencies for personnel, management, and negotiating workplace agreements will strengthen tripartism with well-established capabilities and expertise. Additionally, studies suggest that sectoral collective bargaining strengthens the development of productivity and reduces the frequency of migration to Western Europe. Successful integration is also related to achieving a balance of interests at work—through pay, benefits, quality assurance, and personnel management (within the scope of preserving, creating, and shaping jobs).

Industrial relations must be expanded from the “shop floor” to industry level. For example, Kohl and Platzer note that a low minimum wage in new member states hampers convergence. Compromise on agree-

ments to raise wages has failed, in some instances, due to governments of those countries (often a significant employer) failing to support a minimum wage increase.

One of the most serious consequences of transition in the CEE-8 countries has been in the area of unemployment. Due to unresolved structural problems in some countries there is no single cause or easy solution, especially for the younger generation. Effective long-term alleviation of unemployment will come from greater business activity (capital inflows, modernization, innovation, employee skills, and flexibility). New effective systems of social security—specifically, social support for unemployment—is often only possible at payment levels below relative national poverty levels. Many CEE-8 employees are forced to work second jobs or rely on overtime.

Kohl and Platzer have provided additional insight into the complex issue of European Union integration. Their study is most useful to readers with a background in labor relations and intricate knowledge about the history of the European Union. There is extensive use of jargon related to that topic, so additional research may be required. The book provides useful detailed information about each country that acceded to the EU in 2004 (too extensive to cover here entirely), will add to the evolving study of industrial relations, and be useful for the integration of additional countries to the European Union. The current financial crisis will certainly provide another critical impact on EU integration, as will the ratification of the Lisbon Treaty. □

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