Revisiting the Transition: Labour Markets, Work and Industrial Relations in the New Europe

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Objectives

• Twenty-five years of transition in the CEECs - an assessment of the “big transformation", and the more minor, micro-political and sociological transformations that have taken place in the field of labor relations and labour market institutions...

• The opportunity to discuss and illustrate the Eastern-European characteristics of the present (dependent capitalisms, etc....), and of the past, the dependence on singular paths (transition, communism)
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4. Institutional Transition, Power Relations and the Development of Employment Practices in Multinational Companies operating in Central and Eastern Europe - Ilona Hunek and John Geary

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    Adam Mrozowicki, Mateusz Karolak and Agata Krasowska
Contributions and structure of the presentation

- Broaden the geographical scope - beyond Central Europe – including the Balkans
- Emphasize national specificities on the basis of macro and micro complementarity, and analysis through different disciplines
- Discuss Europeanization and its limits/obstacles
- Deepen and illustrate the theme of “dependent capitalism"
- Go back on issues of social anomie / recent signs of labour awakening
1. Eastern European specificities

- The observation of the persistent differences in the field of labour regulation, work, wages, in the field of industrial relations - the Eastern laboratory? (precariousness, emigration, instrumentalized social dialogue)

- The *path dependency* or the weight of a double inheritance (communism, long transition)

- The models of capitalism - differences between countries and within a single country (segmented capitalism)
2. Europeanization?

• The ‘selective’ Europeanization:

  – From the point of view of the prescriber (the EU, which has been able to lower its ambitions of convergence from above, particularly in the social field - IR)

  – From the point of view of the new member states whose actors have been able to interpret the community norms, circumvent them and instrumentalize them in accordance with domestic interests. Logic of appropriation (Bafoil).
2. Channels and obstacles?

- **Top-down** Europeanization
  - Formal transposition of the hard *acquis* (Meardi)
  - Limited role of the soft *acquis* (Meardi)
  - Ambiguity of structural funds – substitution, welfare state retrenchment (Bonnet)

- **Bottom-up** Europeanization
  - Contradictory results by sector, country, firm
  - Selective rules transfers within the MNCs (Drahokoupil & Myant, Hunek & Geary)
  - Limited role of representation bodies – EWCs
  - European socialization of trade unions; social demands referring to EU soft and hard laws
2. Towards a de-europenization?

• The crisis and the limits of convergence
  – The volatilized ambition of consolidating and diffusing the European social model (principles, rules, practices).
  – New supranational levers - the new economic governance of the EU, the Structural Funds, the donor financial assistance - to promote the deregulation of labor markets
• Divergence or even « de-europenization » ...
<table>
<thead>
<tr>
<th>Europeanization</th>
<th>De-europeanization</th>
</tr>
</thead>
<tbody>
<tr>
<td>« Top-down » process</td>
<td>European Governance (European Semester), (Tax rules)</td>
</tr>
<tr>
<td>Directives (hard law)</td>
<td>Conditionality related to the financial assistance program (EU, IMF, World Bank - WB)</td>
</tr>
<tr>
<td>Guidelines and Recommandations (soft law)</td>
<td></td>
</tr>
<tr>
<td>Structural Funds</td>
<td>Silence or complicity of the EU on deregulation at the national level</td>
</tr>
<tr>
<td></td>
<td>Europeanization</td>
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<tr>
<td>--------------------------------</td>
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</tr>
<tr>
<td><strong>“Bottom-up” process</strong></td>
<td>At macro level</td>
</tr>
<tr>
<td></td>
<td>-Voluntary accession of States (non-members of the Eurozone) to the Budgetary Pact.</td>
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<td></td>
<td>-Use of hard law et soft law of the EU, ILO conventions</td>
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<tr>
<td></td>
<td>At micro level, Multinational selective transfers of home country employment norms and practices in host country</td>
</tr>
<tr>
<td></td>
<td>Transnational and transborder trade union coordination</td>
</tr>
</tbody>
</table>
3. CEECs: as model of « Dependant Capitalism »

- CEECs, illuminating the model of « dependant capitalism »:
  
  - Variety of capitalisms: « Dependant Market Economies » (Nolke, Vliegenhart, 2009);
  
  - Diversity of capitalisms: « Dependant Capitalism » (King, 2007); « Semi-peripherical Capitalisms » (Bohle, Gerskovitz, 2012)
3. CEECs: as model of « Dependant Capitalism »

- A series of sources of dependency (strong idiosyncrasies by countries):
  
  - Economic dependencies (micro/macro):
    - FDI/GDP: subaltern position into the Global Value Chains (manufacturing); exploitation of local markets (finance, real estate, telecommunications, construction, etc.) Hunek & Geary; Drahokoupil & Myant
    - Openness of the economies (Import + Export/GDP)
    - Remittances from labour migration (/GDP) Markova - Meardi
    - European Funds (EU) - Bonnet
    - Financial Assistance Programs (II, EU)
  
  - Institutional and political dependency (EU membership, II, ...); Meardi

->conversion of economic dependencies into political power of influencing the institutional framework (micro/macro): FDI, II.
-> dependencies: constraints / opportunities/ beneficial constraints (EU discipline to fight against corruption in Balkan economies);
3. CEECs:
as model of « Dependant Capitalism »

- Variety of « dependant capitalism »/ of resistance to the crisis and call for labour and social deregulation (economic regime, State regime, social forces)
  - Visegrad + Slovenia: FDI focusing manufacturing sector; more integration into the GVC;
    -> More resistance to dereglementation.
  - Eastern Balkans: FDI in other sectors (manufacturing in third position); less or more peripherical integration into GVC; lower competitiveness, higher dependancy and the vicious circle of a « low road » regime.
    -> Partial resistance to dereglementation (pressed by II, EU); but permissiveness of institutions contributing to « low road » regulation (« Weak State »).
  - Baltics: strong exposure to external markets and investors; deregulation.
3. CEECs: as model of « Dependant Capitalism »

• The « Segmented Capitalism» (Makó, Illéssy), inherent to the « Dependant Capitalism »?
  
  - A segmentation between Foreign companies and most of domestic firms -> limited spillover effects / ripple effects
  
  - The reinforcement of territorial segmentation (Bafoil): FDI centred in metropoles and high growth areas (agglomeration effects); incentive politics to attract FDI in less developed and shrinking areas, costly with low efficiency
  
  - A segmentation of local social models: no convergence, no coordination
Regional disparities
4. Weakening versus awakening of social forces?

The thesis of the « labour quiescence » (Ost, 2001) to shade

– The first years of the transition process: a ‘precoce’ tripartism, a pact of « social peace»
  - favoured by an initial context of « extraordinary politics » (Myant) and promises (investment, job opportunities in MT/ against high social costs in the ST);
  - The weakness of trade unions to defend labour and social (cooperation stance).
  - The deficit of legitimacy of the three actors (government, trade unions, employers): tripartism as a legitimation strategy (Delteil, Kirov).

– The adhesion to the EU: limited external resources for the labour side
  - some new institutional resources but limited in their application and counterbalanced by deregulative rules (Meardi)

– Trade union power of mobilisation in some sectors (public, strategic ones), relative power of resistance/influence when political allies in the government (Myant);
– Civil protest competing with social protest (anti-corruption; democratic or ecological demands)
4. Weakening versus awakening of social forces?

The awakening of social forces accelerated by the crisis?

- The «end of patience» (Beissinger, Sasse, 2014)? Failed promises: welfare state retrenchment, inequalities, job precariousness (‘junk contracts’ in Poland), massive informal jobs; low redistribution of FDI benefits to the host country (repatriation of profits/tax exonerations, etc.).

- A context more favourable to «voice»: new labour shortages in some cluster areas (especially for skilled jobs); decrease of labour migration (less exit, more voice in some dynamic areas).

- A slow and structural conversion of trade union to a role of labour defence: European socialisation.
4. Weakening versus awakening of social forces?

- **The recomposition of the trade union strategies** (boosted by the crisis):
  - The affirmation of trade union’s counter-expertise (tripartite agreements; i.e. « anti-crisis packages »)
  - The devaluation of the tripartism: ‘one platform among other instruments (Myant)
  - New strategies of alliances and coalitions (trade unions; trade unions / civil society; more rarely alliances of circumstance trade union/employers organizations...); more sporadic, transnational trade union cooperation.
  - The « externalisation of domestic conflicts » (Greskovitz, 2015) : call for the ILO expertise (technical memorandums), reference to the UE norms (directive) to counter governmental projects of dereglementation, strategic use of EWC as « sounding board » of local dysfonctioning.
  - Influence remains limited : ie. rereglementation in Poland (Mrozowicki et ali); no correction of dereglementation in Romania (Delteil, Kirov)
Conclusion

• Some implications in terms of trade union policies:

  - Launching a « living wage campaign » in the CEE region (minimum wage stalled at 40% of median wage, previous mobilisation by the TU of the EU Parliament recommendations); what kind of support and channels?
  - Launching a “decent work campaign” (Bulgaria, oct 2016);
  - Exploring further the routes of counter-expertise based on new coalitions: trade unions and civil society (i.e Poland, Bulgaria, etc.); what kind of European support? How to overcome the contradictions between trade unions and civil movements (in terms of environment, corruption).
  - Coordinating positions in order to impact/review the EU governance (EU Semester) – what allies?
<table>
<thead>
<tr>
<th>Country</th>
<th>Union membership in 2004, %</th>
<th>Employers, %</th>
<th>Coverage of collective bargaining agreements, %</th>
<th>Works councils</th>
<th>Union membership in 2014, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>42%</td>
<td>50%</td>
<td>98%</td>
<td>Yes (broad spectrum)</td>
<td>27%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>35%</td>
<td>50%</td>
<td>48%</td>
<td>Yes (weak)</td>
<td>17%</td>
</tr>
<tr>
<td>Hungary</td>
<td>25%</td>
<td>40%</td>
<td>42%</td>
<td>Yes (average)</td>
<td>12%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>30%</td>
<td>30%</td>
<td>35%</td>
<td>Only in exceptional cases</td>
<td>17%</td>
</tr>
<tr>
<td>Poland</td>
<td>18%</td>
<td>19%</td>
<td>30%</td>
<td>Only in firms remaining under government ownership</td>
<td>12%</td>
</tr>
<tr>
<td>Latvia</td>
<td>19%</td>
<td>30%</td>
<td>20%</td>
<td>Still rare</td>
<td>13%</td>
</tr>
<tr>
<td>Estonia</td>
<td>15%</td>
<td>30%</td>
<td>20%</td>
<td>No</td>
<td>10%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>14%</td>
<td>20%</td>
<td>13%</td>
<td>Anticipated</td>
<td>10%</td>
</tr>
<tr>
<td>Total EU 2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: Bafoil
Percentage of foreign ownership in four strategic sectors:

<table>
<thead>
<tr>
<th></th>
<th>Automotive sector</th>
<th>Manufacturing sector</th>
<th>Electronics</th>
<th>Banking sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republique</td>
<td>93.1</td>
<td>52.6</td>
<td>74.8</td>
<td>85.8</td>
</tr>
<tr>
<td>Hungary</td>
<td>93.2</td>
<td>60.3</td>
<td>92.2</td>
<td>90.7</td>
</tr>
<tr>
<td>Poland</td>
<td>90.8</td>
<td>45.2</td>
<td>70.3</td>
<td>70.9</td>
</tr>
<tr>
<td>Slovakia</td>
<td>97.3</td>
<td>68.5</td>
<td>79.0</td>
<td>95.6</td>
</tr>
</tbody>
</table>

Source: Nölke Vliegenthart, 2009, p. 681
<table>
<thead>
<tr>
<th>Countries</th>
<th>Average nominal gross monthly wages (in €)</th>
<th>GDP per capita, PPP/EU-28 (EU-28=100, in %)</th>
<th>Stock of FDI (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>291</td>
<td>28.1</td>
<td>29.2</td>
</tr>
<tr>
<td>Bosnia et Herzegovina</td>
<td>660</td>
<td>27.0</td>
<td>42.0</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1,048</td>
<td>58.5</td>
<td>54.0</td>
</tr>
<tr>
<td>Croatia</td>
<td>965</td>
<td>80.0</td>
<td>62.7</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>949</td>
<td>71.1</td>
<td>812</td>
</tr>
<tr>
<td>Estonia</td>
<td>777</td>
<td>65.2</td>
<td>77.8</td>
</tr>
<tr>
<td>Hungary</td>
<td>717</td>
<td>63.7</td>
<td>49.7</td>
</tr>
<tr>
<td>Latvia</td>
<td>646</td>
<td>71.5</td>
<td>35.5</td>
</tr>
<tr>
<td>Lithuania</td>
<td>504</td>
<td>35.2</td>
<td>49.1</td>
</tr>
<tr>
<td>Macedonia</td>
<td>726</td>
<td>39.6</td>
<td>112.3</td>
</tr>
<tr>
<td>Montenegro</td>
<td>870</td>
<td>65.9</td>
<td>45.6</td>
</tr>
<tr>
<td>Poland</td>
<td>490</td>
<td>52.6</td>
<td>42.4</td>
</tr>
<tr>
<td>Romania</td>
<td>537</td>
<td>36.7</td>
<td>61.9</td>
</tr>
<tr>
<td>Serbia</td>
<td>824</td>
<td>74.1</td>
<td>58.0</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1,523</td>
<td>80.7</td>
<td>29.7</td>
</tr>
<tr>
<td>Slovenia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Member States (11 countries)</td>
<td>770</td>
<td>64.1</td>
<td>53.6</td>
</tr>
<tr>
<td>Euro-zone (18 countries)</td>
<td>1,845</td>
<td>106.7</td>
<td></td>
</tr>
<tr>
<td>EU (28 countries)</td>
<td>1,742</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Adapted from WIIW (2014)*
Average GDP growth rates between 1998-2007 (data in %)

Source: Soos, 2015
Remittances, FDI net inflows. Cumulated amounts 2008-2013 (billion USD)

Source: World Bank data, BNB.
Table 2

Remittances as a share of GDP in 2008 and 2013 (%)

<table>
<thead>
<tr>
<th></th>
<th>Albania</th>
<th>Bosnia and Herzegovina</th>
<th>Bulgaria</th>
<th>Croatia</th>
<th>Macedonia</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>Romania</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>12.2</td>
<td>14.8</td>
<td>5.3</td>
<td>2.3</td>
<td>4.3</td>
<td>11.1</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>6.2</td>
<td>10.6</td>
<td>3.1</td>
<td>2.6</td>
<td>3.7</td>
<td>8.2</td>
<td>7.5</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Source: World bank data.
GDP growth/drop between 2007 and 2009 (%)

Source: Soos, 2015
The collapse (change) of total industrial production between Feb 2008 and Feb 2009 (%)

Source: Soos, 2015
Graph 9

GDP growth/drop between 2009 and 2013 (%)

Source: Soos, 2015