1. Introduction

By: Igor Guardiancich

The global financial crisis that since 2008 spilled over from the United States of America and Western Europe to the new EU Member States[1] from Central and Eastern Europe (CEE) was the harshest since the post-1989 transformational recessions. The GDP and industrial production slumps, the rise in unemployment, and the impoverishment of the population were results of a severe credit crunch and falling international orders, and of years of postponed structural reforms that aggravated the region's vulnerabilities.

Such an emergency required not only decisive executive action, but also the concertation of short- and long-term anti-crisis measures between governments, organized labour, and employers' organizations.

The aim of this edited volume is to present and assess whether there are instances where the forums for social dialogue that post-socialist countries established during the 1990s – often with the support of the International Labour Organization (ILO) – have been able to function and forge adequate responses to the crisis through national social pacts and collective agreements at various levels. Or, alternatively, whether these forums have been prevalently overridden by governmental unilateralism, as happened in those Western and Eastern European countries most affected by the economic, debt and political crises (such as Ireland, Greece, Spain, Hungary and Romania). It is, therefore, a stocktaking exercise on the responses to the economic crisis and not a theoretical contribution beyond the vast literature on industrial relations.[2]

The volume presents the institutions, actors, practices and outcomes that characterized social dialogue in the years 2008–12 in four new EU Member States: Bulgaria, the Czech Republic, Poland, and Slovenia. The countries under review represent both institutionally and socio-economically a diverse and representative sample in the region. With respect to social dialogue, this ranges from mainly firm-level de-centralization in Poland, to neo-corporatism and national social pacts in Slovenia. With respect to the crisis, it exerted the worst impact on Slovenia, which entered a double-dip recession in 2012, but was almost entirely avoided by Poland. In both of these dimensions, the Czech Republic and Bulgaria are to be considered intermediate cases.

Each of the case studies are organized as follows: in Section 1, the chapters illustrate the industrial relations set up before the economic and financial crisis by presenting the actors involved, the institutional framework for tripartite consultations, and the main features of collective bargaining. Sections 2 to 4 show the achievements of social dialogue in the recovery from the crisis during 2008–9. Section 2 includes a thorough description of the economic and labour market performances during the recession. Section 3 analyses the role of tripartite concertation in devising both short-term measures that support firms to preserve employment and workers' income, and long-term measures that promote enterprise sustainability and workers employability. Section 4 (in the Slovenia chapter subsumed in Section 5) explores the role social dialogue played in mitigating the impact of the crisis. Finally, Section 5 focuses on fiscal consolidation and assesses the extent to which the negotiations held during 2010–12 led to the implementation of measures promoting austerity and fiscal sustainability.

The study is complemented by this Introduction that presents, in comparative terms, the framework of analysis and sets the stage for the four cases. The conclusions provide practical policy recommendations and describe possible developments in the post-recession period.

1 The new EU Member States refer to the countries that joined the European Union (EU) through the enlargement process. Following the collapse of socialism in 1989, many countries from Central and Eastern Europe accessed the EU in two waves: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia (plus Cyprus and Malta) in 2004; Bulgaria and Romania in 2007.

2 Among the latest contributions, see Avdagić; Rhodes and Visser (2011) and Pochet, Keune and Natali (2010).

1. The impact of the global financial crisis

Central and Eastern European countries experienced since the early 2000s large capital inflows from the West, a credit boom, and rapid expansion in consumption and investment. The external indebtedness of the private sector crept, increasing the risk of currency mismatches: the real wealth of countries that borrow in foreign currency, but whose assets are denominated in the local one, and which depends on the exchange rate. The most exposed were the Baltic countries, Bulgaria, Croatia, Hungary, Romania, and slightly less so, Poland (Berglöf et al., 2009).

Hence, banking and currency crises occurred simultaneously in Central and Eastern Europe (CEE) in 2008–9 (Diemo, Knedlik and Lindner, 2011). Even though the epicentre was in the USA, due to the sub-prime mortgage collapse, and in Western Europe, because of excessive leverage and lax supervision of commercial and investment banks (Carmassi, Gros and Micossi, 2009), the crisis spread through multinational financial institutions that refused to refinance their operations in the area. Currency mismatches followed the banking crises, and markets lost confidence in these countries' ability to service foreign currency-denominated debt.[3]

Drahokoupil and Myant (2010) show that this was the first of four distinct stages of the crisis. Initially, international financial inflows dried up, leading to a severe credit crunch. Most countries with high shares of foreign currency loans faced sharp devaluations – Slovenia and Slovakia were immune due to Economic and Monetary Union (EMU) membership. Several governments experienced solvency problems and swiftly enrolled in IMF lending programmes (among the new EU Member States Hungary, Latvia, Poland, and Romania). Moreover, the European Commission played a prominent role in coordinating and providing funding.

The slump in domestic demand and the plunge in real estate prices came next. Those countries heavily relying on exports, for example Slovakia, suffered the most, while those having a developed internal market, such as Poland, were the least affected. As shown in Table 1.1, the collapse in industrial output and overall GDP took place both in countries caught in the credit crunch (Hungary and the Baltics) and in those that escaped it (the Czech Republic and Slovakia). Only in Poland do analysts talk of just a deceleration in growth.

TABLE 1.1
GDP GROWTH IN POST-SOCIALIST COUNTRIES 2004–11

	2004	2005	2006	2007	2008	2009	2010	2011
EU-27	2.5	2.1	3.3	3.2	0.3	-4.3	2.1	1.5
Bulgaria	6.7	6.4	6.5	6.4	6.2	-5.5	0.4	1.7
Czech Republic	4.7	6.8	7.0	5.7	3.1	-4.5	2.5	1.9
Estonia	6.3	8.9	10.1	7.5	-4.2	-14.1	3.3	8.3
Hungary	4.8	4.0	3.9	0.1	0.9	-6.8	1.3	1.6
Latvia	8.9	10.1	11.2	9.6	-3.3	-17.7	-0.9	5.5
Lithuania	7.4	7.8	7.8	9.8	2.9	-14.8	1.5	5.9
Poland	5.3	3.6	6.2	6.8	5.1	1.6	3.9	4.3
Romania	8.5	4.2	7.9	6.3	7.3	-6.6	-1.6	2.5
Slovakia	5.1	6.7	8.3	10.5	5.8	-4.9	4.4	3.2
Slovenia	4.4	4.0	5.8	7.0	3.4	-7.8	1.2	0.6

Source: Eurostat.

3 However, the impacts showed great variance; one of the reasons lying in the greater stability offered by multinational banks lending through a local network of subsidiaries, as opposed to direct cross-border lending.

Several sectors, some of which accounted for most of the gains in overall employment, were hit particularly hard. Regarding the cases in this volume, low-end manufacturing (clothing and textiles, furniture) and the construction sector imploded in Slovenia and in Bulgaria; the automotive industry shrunk in the Czech Republic; and the processing industry registered a significant contraction in Poland. As Western Europe enacted expansionary measures, such as the German car scrappage premium (the *Abwrackprämie*), manufacturing in CEE picked up. However, the redirection of international orders to cheaper suppliers outside of Europe implied that many low-end jobs were lost for good. Unemployment, especially among the young and the unskilled, shot up everywhere (see Table 1.2). Short-term anti-crisis measures became necessary to preserve jobs and to shield the most vulnerable from sudden drops in income.

TABLE 1.2
UNEMPLOYMENT RATE IN POST-SOCIALIST COUNTRIES 2004–11

	2004	2005	2006	2007	2008	2009	2010	2011
EU-27	9.3	9.0	8.3	7.2	7.1	9.0	9.7	9.7
Bulgaria	12.1	10.1	9.0	6.9	5.6	6.8	10.3	11.3
Czech Republic	8.3	7.9	7.1	5.3	4.4	6.7	7.3	6.7
Estonia	9.7	7.9	5.9	4.7	5.5	13.8	16.9	12.5
Hungary	6.1	7.2	7.5	7.4	7.8	10.0	11.2	10.9
Latvia	11.2	9.6	7.3	6.5	8.0	18.2	19.8	16.2
Lithuania	11.4	8.3	5.6	4.3	5.8	13.7	17.8	15.4
Poland	19.0	17.8	13.9	9.6	7.1	8.2	9.6	9.7
Romania	8.0	7.2	7.3	6.4	5.8	6.9	7.3	7.4
Slovakia	18.4	16.4	13.5	11.2	9.6	12.1	14.5	13.6
Slovenia	6.3	6.5	6.0	4.9	4.4	5.9	7.3	8.2

Source: Eurostat.

The adjustment to the new economic environment took its greatest toll in the Baltic countries. The impact in CEE was limited: even though domestic demand fell, external finance was reduced, and output, wages as well as employment in export-oriented activities decreased, this did not overwhelmingly affect banks and loans. The third stage resulted in lower living standards, lower tax revenues, rising budget deficits and public debts (Tables 1.3 and 1.4), but there was only limited further downturn, and only Latvia and Romania experienced a GDP slump during two consecutive years (2008–09), while Hungary and Slovenia entered a double-dip recession in 2012. Recovery was slow, perhaps L-shaped in Bulgaria, while particularly swift in Estonia and Slovakia. Notwithstanding, new foreign direct investments (FDIs) dried up and those countries relying on remittances fared particularly badly.

TABLE 1.3
BUDGET BALANCE IN POST-SOCIALIST COUNTRIES 2004–11 (% OF GDP)

	2004	2005	2006	2007	2008	2009	2010	2011
EU-27	-2.9	-2.5	-1.5	-0.9	-2.4	-6.9	-6.5	-4.4
Bulgaria	1.9	1.0	1.9	1.2	1.7	-4.3	-3.1	-2.0
Czech Republic	-2.8	-3.2	-2.4	-0.7	-2.2	-5.8	-4.8	-3.3
Estonia	1.6	1.6	2.5	2.4	-2.9	-2.0	0.2	1.1
Hungary	-6.5	-7.9	-9.4	-5.1	-3.7	-4.6	-4.4	4.3
Latvia	-1.0	-0.4	-0.5	-0.4	-4.2	-9.8	-8.1	-3.4
Lithuania	-1.5	-0.5	-0.4	-1.0	-3.3	-9.4	-7.2	-5.5
Poland	-5.4	-4.1	-3.6	-1.9	-3.7	-7.4	-7.9	-5.0
Romania	-1.2	-1.2	-2.2	-2.9	-5.7	-9.0	-6.8	-5.5
Slovakia	-2.4	-2.8	-3.2	-1.8	-2.1	-8.0	-7.7	-4.9
Slovenia	-2.3	-1.5	-1.4	0.0	-1.9	-6.0	-5.7	-6.4

Source: Eurostat.

TABLE 1.4
PUBLIC DEBT IN POST-SOCIALIST COUNTRIES 2004–11 (% OF GDP)

	2004	2005	2006	2007	2008	2009	2010	2011
EU-27	62.3	62.9	61.6	59.0	62.2	74.6	80.0	82.5
Bulgaria	37.0	27.5	21.6	17.2	13.7	14.6	16.2	16.3
Czech Republic	28.9	28.4	28.3	27.9	28.7	34.2	37.8	40.8
Estonia	5.0	4.6	4.4	3.7	4.5	7.2	6.7	6.1
Hungary	59.5	61.7	65.9	67.1	73.0	79.8	81.8	81.4
Latvia	15.0	12.5	10.7	9.0	19.8	36.7	44.5	42.2
Lithuania	19.3	18.3	17.9	16.8	15.5	29.3	37.9	38.5
Poland	45.7	47.1	47.7	45.0	47.1	50.9	54.8	56.4
Romania	18.7	15.8	12.4	12.8	13.4	23.6	30.5	33.4
Slovakia	41.5	34.2	30.5	29.6	27.9	35.6	41.0	43.3
Slovenia	27.3	26.7	26.4	23.1	22.0	35.0	38.6	46.9

Source: Eurostat.

Finally, the last phase involved a solvency crisis in a number of vulnerable countries. Most governments enacted harsh fiscal consolidation measures. Even though the region started with low public debt levels, tax revenues fell faster than GDP due to falls in imports, the declining asset base, weak compliance and, sometimes, lower taxes. Budget deficits that had been triggered by anti-crisis measures and increased public borrowing to recapitalize banks led to near-defaults of countries such as Latvia.

2. Social dialogue and tripartite consultations in the new Member States

Far from embodying the Western corporatist ideal, where strong labour negotiated with employers and the government a restrictive incomes policy in exchange of full employment guarantees, the role played by social dialogue under socialism was often equated with the unions functioning as 'transmission belts' for the Communist Party in socio-economic matters.

The situation changed radically after 1989: the pluralization of the labour movement, the establishment of independent employers' organizations, and the institution of tripartite bodies for social dialogue generated hopes that neocorporatism would spring up across CEE.

However, almost twenty years later, observers are not unanimous when assessing the state of social dialogue in post-socialist countries. Mailand and Due (2004) argue that despite several weaknesses, social dialogue and tripartism in CEE has been far from futile. It assisted in creating mutual acknowledgement between the social partners, raised the level of information, and was instrumental in reducing social tensions in the region. Tangible results are collective agreements at various levels, and the progressive maturation of the social partners through participation to concertation. Similarly, Rychly (2009: 11) claims that tripartism played an indisputably positive role:

"[...] tripartite bodies in Central Europe contributed to easing the transition and mitigating its corollary economic difficulties by creating or strengthening labour institutions, adapting systems of social protection, and involving social partners in the management of various bodies in the field of labour and social affairs."

Moreover, later on, the social partners were positively involved in the EU accession process, through participation in negotiations, transposition and implementation of the *acquis communautaire*, and preparations for European social dialogue (Vaughan-Whitehead, 2000).

Other authors are more critical: Ost (2000) describes tripartite concertation and formal pacts in CEE as 'illusory corporatism', where political elites implement tripartism to comply with EU norms and to share responsibility with a marginalized labour movement.[4] Keune and Pochet (2010) negatively evaluate the state of industrial relations in the new Member States (for the main characteristics, see Table 1.5), with the exception of Slovenia, basing their judgment on the absence and low quality of social pacts. They attribute it to two interrelated reasons: the incapacity to reach pacts of the tripartite partners, due to their weaknesses; and the existence of alternative ways to achieve the goals of social pacts.

TABLE 1.5
INDUSTRIAL RELATIONS CHARACTERISTICS

Country	Main wage bargaining levels (since 2008)	Extension of collective agreements by law to non-organized firms[1]	Existence of tripartite 'social pact' since 2000 (year signed)	Institutionalized tripartite institution
Bulgaria	Sectoral + firm	Limited	2006	Yes
Czech Republic	Sectoral + firm	Limited	None	Yes
Estonia	Firm	Limited	2008	No
Hungary[2]	Sectoral + firm	Widespread	2002	Yes[2]
Lithuania	Firm	Limited	2005, 2009	Yes
Latvia	Firm	Limited	2004	Yes
Poland	Firm	Limited	None	Yes
Romania[2]	Industry / Sectoral + firm	Limited	2001, 2002, 2004, 2008	Yes
Slovakia	Sectoral + firm / Firm	Limited	2006	Yes
Slovenia	National + sectoral + firm / Industry	Widespread	2003, 2007	Yes

Source: Visser (2011).
Notes: 1 For a somewhat different assessment, see CEC (2011: 37). 2 The data presented by Visser do not reflect the important legislative changes that happened after the global economic crisis hit Central and Eastern Europe. Both the levels at which collective agreements are negotiated as well as the tripartite forums in Hungary and Romania have undergone substantial changes, which negatively affected bi- and tripartite social dialogue. See Box 1 for details.

4 See, however, the counterargument by Bohle and Greskovits (2010), who claim that even symbolic participation helped the unions to survive as organizations despite the difficulties.

Even though there is a grain of truth in Keune and Pochet's conclusions, these probably do not entirely reflect the complexity of social dialogue and tripartite consultations in post-socialist countries. In a thorough taxonomical exercise, the European Commission (2009: 50) gave a more nuanced picture:

"Absence of sectoral collective bargaining and low bargaining coverage rates tend to orient the CEE economies towards the liberal or uncoordinated model. But the state and collective labour law play a much stronger role and this makes them more like the state-centred models of southern Europe. However, in contrast to the latter, the interaction between unions and management, and between unions and the state, tends to be less confrontational and more determined by the weakness of the union actor."

Hence, it is important to analyse the relative strengths of the social partners, the level of negotiation and content of collective agreements, as well as the institutionalization and role played by tripartite forums in policy-making, in order to assess whether the social partners in CEE have the ability to craft social pacts and find collective solutions in critical moments.

2.1 The social partners

Social pacts are frequently forged between (possibly strong) social partners and governments facing a substantial socio-economic problem load. Undoubtedly, in CEE, the social partners were often weak or subject to legal and practical obstacles (including governmental interference, especially in the activities of the unions) to negotiate on equal terms. Table 1.6 shows that union and employer densities are declining, and that collective agreements coverage is shrinking over time (the only exceptions are Latvia and Lithuania, which start, however, from a very low level of coordination).

TABLE 1.6
UNION DENSITY, EMPLOYER DENSITY, COLLECTIVE AGREEMENT (CA) COVERAGE (1990–2009)

	1990–94	1995–99	2000–04	2005–09
Bulgaria				
Union density	73.8	37.5	27.9	20.7
Employer density	–	–	–	55.0
CA coverage	–	–	40.0	30.6
Czech Republic[1, 2]				
Union density	58.0	36.4	23.3	18.2
Employer density	–	–	35.0	35.0
CA coverage	63.3	55.3	43.6	44.0
Estonia				
Union density	51.3	26.0	12.6	7.6
Employer density	–	–	35.0	23.9
CA coverage	–	–	28.3	22.3
Hungary[1]				
Union density	83.1	35.8	18.8	17.0
Employer density	–	–	–	40.0
CA coverage	–	–	43.0	34.7
Lithuania				
Union density	–	32.7	18.1	9.3
Employer density	–	–	–	20.0
CA coverage	–	7.5	12.5	13.3

TABLE 1.6
UNION DENSITY, EMPLOYER DENSITY, COLLECTIVE AGREEMENT (CA) COVERAGE (1990–2009)

	1990–94	1995–99	2000–04	2005–09
Latvia				
Union density	–	28.3	20.2	16.9
Employer density	–	–	20.0	30.0
CA coverage	–	–	18.0	21.7
Poland				
Union density	31.6	29.0	22.8	16.3
Employer density	–	–	–	20.0
CA coverage	–	–	41.0	38.0
Romania[1]				
Union density	74.4	45.1	37.2	33.6
Employer density	–	–	–	60.0
CA coverage	–	–	–	70.0
Slovakia[1, 2]				
Union density	67.3	42.1	28.0	19.8
Employer density	–	–	33.0	29.2
CA coverage	–	–	48.0	41.3
Slovenia				
Union density	61.1	45.4	40.3	29.7
Employer density	–	60.0	–	55.0
CA coverage	100.0	100.0	100.0	94.8

Source: Visser (2011).
Notes: Due to the scarcity of available data, the figures are aggregated in 5-year averages. 1 As mentioned above, Visser does not present data after 2009, which may be negatively affected by subsequent reforms of the level and coverage of collective bargaining, as well as of social partners' representativeness criteria. The worst outcomes are expected in Hungary and Romania (see Box 1 for details). In the Czech Republic, the unions' influence has been reduced (see Veverková, this volume). Some reforms are underway in Slovakia. 2 For the Czech Republic and Slovakia the first column refers to the average in 1993–94.

Ost (2009: 17) is unforgiving, by arguing that during the post-socialist transition, the labour movement *'lost prestige, resources and voice'*. Apart from pluralization and voluntary membership, fundamental changes in the economy affected unionization in the region. Privatization, the emergence of small and medium-sized enterprises (SMEs), the spread of services, often dominated by multinational enterprises (MNEs), at the expense of manufacturing and agriculture, and of atypical employment contracts reduced union density everywhere – ranging, in 2009, from 6.7 per cent in Estonia to 32.8 per cent in Romania (Visser, 2011). The public sector (healthcare and education) is instead still a labour movement's stronghold, and representativeness is stronger in privatized former state-owned enterprises (SOEs) than in the emerging private sector.

Additionally, especially younger workers in CEE often consider the labour movement as a relic of the communist era, rather than an indispensable component of modern market economies (Ladó and Vaughan-Whitehead, 2003: 69; Mailand and Due, 2004: 181). Due to their linkages with the previous regimes, most successor unions were long entrenched in pro- versus anti-communist disputes with newer organizations that prevented cooperation. Even though the cleavage is slowly being surpassed, bipolarity or pluralism with antagonistic unions still exists, for example, in Estonia, Hungary, Lithuania and Poland. Excessive politicization was counterproductive: instead of promoting labour-friendly policies through institutionalized ties with political parties (Huber and Stephens, 2001), these have forced upon the unions 'inverse dependency relationships' (Avdagić, 2005: 38–40). The intention was to reduce the influence of organized labour on policy-making and, often, exchange neoliberal policies for favours towards 'elite welfare stakeholders', such as the state bureaucracy; protected working categories, and also, sometimes, the unions' leaderships (Cook, 2007). As the Polish President and former union leader Lech Wałęsa famously stated, Solidarność had to be weak in order for capitalism to take root (Ost, 2001).

Employer fragmentation is, firstly, a legacy of the 1990s, when private capital was emerging, and today still represents an obstacle to collective agreements as is the case in Bulgaria. Employer density is lowest in Poland and Lithuania, roughly 20 per cent, and highest in Romania, at 60 per cent (Visser, 2011). The greatest gaps appear at the sectoral level; often the unions have no negotiating counterpart to conclude branch-level collective agreements. The reasons for low organizational capacity are similar to those of the labour movement: the rise of SMEs and of the service sector, dominated by MNEs in wholesale trade and finance, impairs the formation of employers' organizations (Ladó and Vaughan-Whitehead, 2003). Again, privatized former SOEs are well represented, but much less so public enterprises and firms operating in areas of general public interest, such as utilities (electricity, gas, water, postal services and telecommunications). New enterprises, instead, want to fully enjoy their freedom; they do not face organized labour to begin with and, hence, their willingness to engage in collective bargaining is low. Foreign employers often set up their own distinct economic organizations to deal with the unions. Multinational enterprises directly lobby the governments through Foreign Investors Councils, which do not register as employers' organizations, and there is competition for influence by foreign chambers of commerce. There are occasional signs of greater involvement in social dialogue; however, MNEs prefer individual negotiations to collective bargaining. This may stem from an unequal balance of power between capital and labour, where foreign capital is influential and perhaps employs firm-level negotiations to further weaken organized labour (Gardawski and Meardi, 2010). Finally, employers' organizations have representativeness problems. They often lack the authorization of their affiliates to undertake binding commitments, including collective agreements. Therefore, several employers' organizations rather act as chambers of commerce or lobby groups, undermining their traditional role as labour-market actors in industrial relations, except where legislation separates the two functions (e.g., in Poland and Latvia).

2.2 Collective agreements

As illustrated in Table 1.6, collective agreements in CEE do not cover more than one third of wage and salary earners in all countries, except for Slovenia (over 90 per cent), and only slightly more in the Czech Republic, Poland, and Slovakia (roughly 40 per cent). Moreover, the quality of collective agreements is sometimes poor, and their implementation does not live up to their expectations, as circumvention, disregard, and open breach are seldom sanctioned.

The reasons lie in the frequently decentralized and single-level bargaining structure; the institutional weaknesses and fragmentation of the social partners, especially at sectoral level; and the changing nature of employment practices under the slogan of flexibility and competitiveness (Ladó and Vaughan-Whitehead, 2003).

Table 1.5 shows that collective agreements are mainly concluded at firm level with a subsidiary role for sectoral ones, and with limited extension rules in place. National-level bargaining exists only in Slovenia; while sectoral bargaining – before the recent, sweeping reforms – was present in Bulgaria, the Czech Republic, Hungary, Romania and Slovakia. Ladó and Vaughan-Whitehead (2003) attribute the lack of national (central) bilateral bargaining, which might lead to binding agreements, to the important role played by national (central) tripartism in all the new Member States. Ghellab and Vaughan-Whitehead (2004) argue that inadequate state support for workers and employers, and their respective organizations, in their bipartite interactions has contributed to the weakness of collective bargaining, in particular at the sectoral level.

2.3 Tripartite bodies and social pacts

Tripartite cooperation at national level in CEE was introduced in the first half of the 1990s (in Hungary already in 1988, in Estonia, formally, in 1999), implying that these forums are rather well institutionalized and functioning in most new Member States (see Table 5; CEC, 2009). Tripartite bodies during the early years of transition were created, with mixed results, for three reasons: as a countermeasure to the strike waves during the transformational recession; to share responsibility between the Government and the social partners for privatization and social reforms; and as an alternative mechanism to regulate the labour market because of the weakness of collective agreements (Mailand and Due, 2004). They mainly performed an advisory function, representing a wide range of social interests.

Keune and Pochet (2010) distinguish between the role of tripartism to coordinate wages, and to build consensus on broader socio-economic reforms (mainly regarding the welfare state and the labour market). As national wage coordination takes place only in Slovenia, and few tripartite forums host the consultations on national minimum wages, social pacts in CEE are needed for broader socioeconomic issues.[5] Indeed, there is demand for tripartite solution to the big welfare problems of the region. However, Avdagić (2011) convincingly argues that there is no functional emergence of pacts: demand is not enough if the right institutions and actors are absent.

As has been noted above, the social partners in post-socialist countries are weaker than their Western counterparts. Notwithstanding, the tripartite bodies have proven institutionally robust in several instances (they meet regularly and have been instrumental in easing the transformational recessions and facilitating the accession of CEE countries to the EU), but they are seldom adequately included in the decision-making process. In fact, the 'established and validated expectation' of effective and routine participation in tripartite policy arrangements is not fully established, in particular for trade unions (CEC, 2009: 24–5).

As is also reflected in the case studies, the tripartite bodies and their functions are not always established by law. They are regulated by parliamentary legislation, governmental decision, or by agreement between the tripartite partners. Since evidence shows that despite legal uncertainty tripartite forums may effectively function, the problems lie elsewhere. Understaffing and lack of skills are frequent; the legitimacy of tripartite bodies has been often questioned due to interrelated causes: competences are ill-defined, creating tensions with the governments; and representativeness rules are seldom clear, generating friction among the social partners. Moreover, on multiple occasions, the governments obstructed the work of tripartite bodies, setting excessively short deadlines, which lead to rubberstamped decisions, or even the bypassing of consultations entirely while preparing social legislation and economic policies that directly affect the interests of the social partners.

Hence, it comes as welcome news that, despite the bad auspices, the tripartite forums in the four cases analysed in this volume proved to be more resilient than several of their Western counterparts, or of countries such as Hungary and Romania. Tri- and bipartite negotiations on how to overcome the worst effects of the crisis in the new Member States were vibrant and often led to admirable, if fragile agreements.

3. Common trends and good practices

Comparing the four countries, some clear trends emerge, not all of them favourable to the effective functioning of social dialogue. The common characteristics shared by the cases regard the political-institutional structures where the social partners operate as well as the attitudes of the parties involved (the Government, the unions and employers' organizations) towards the policies needed to weather the crisis. By

5 However, see again Bohle and Greskovits (2010), who argue that the huge and unionized public sectors in CEE contrast sharply with the atomized private sector. In the former, social pacts and/or national-level collective agreements would be extremely useful as *quid-pro-quos* for wage moderation.

combining the two it is possible to single out the factors that either hinder or encourage the development of sound tripartism and social dialogue in the region.

3.1 Political-institutional characteristics

Bulgaria, the Czech Republic, Poland and Slovenia share at least four common political-institutional characteristics. First, despite the evident differences in the competences and legal standing, the tripartite forums in the region held regular (bi- or tripartite) meetings. Their proposals were seriously considered by the respective governments and fed into most anti-crisis packages. No formal social pacts or collective agreements have originated from the discussions within the Bulgarian National Council for Tripartite Cooperation (NCTC), the Czech Council of Economic and Social Agreement (RHSD), the Polish Tripartite Commission for Socio-Economic Affairs (KT), or the Slovenian Economic and Social Council (ESS).[6] This notwithstanding, the forums proved to be crucial in brokering the anti-crisis deals between the unions, employers and the governments, which was more or less in line with the adoption of early relief packages in those Western countries that have longer traditions in tripartism (see Freyssinet, 2010).

Second, under severe economic stress, the social partners mobilized with the common aim to maintain existing jobs and the overall employment level. This happened not only through national tripartite negotiations, but was also reflected in the bilateral collective agreements at sectoral/branch and firm levels. Despite the inevitable frictions, the unions accepted lower compensation for employees, in exchange for subsidized inactivity, retraining, shorter working time and similar measures. In Bulgaria, flexible employment options were agreed upon in metallurgy, construction, forestry, mining and mineral resources, agriculture, food processing and tourism. In the Czech Republic, the Czech-Moravian Confederation of Trade Unions (ČMKOS) updated its methodological aids on how to conduct company-level collective bargaining during times of crisis. This included the organization of workshops on how to negotiate with the employers on tough measures such as mass dismissals, shorter working time and so on. Sometimes conflict was avoided in distinctive ways: either the workers themselves agreed to temporary harsher conditions of employment to maintain their job; or external conciliation and mediation systems helped resolving disputes peacefully (for example, in the construction sector), unblocking social dialogue. In Poland, sectoral and firm-level agreements closely followed the provisions contained in the Act of 1 July 2009 on the Relief of the Effects of Economic Crisis for Employers and Workers, which had been shaped by the Government upon recommendation of the social partners. In Slovenia, bargaining at the national level overshadowed branch- or firm-level solutions. The unions and the Government forged a milestone collective agreement for the public sector in May 2012, which cut salaries and benefits in exchange for the maintenance of employment levels.

Finally, the relationship between the social partners and the government was uneven at best. This stemmed from two interrelated reasons: the political instability exacerbated by the crisis and the external pressures on governments to implement austerity measures.

Thus, the third characteristic shared by the countries under review, bar Poland, is that the crisis heightened the instability of domestic politics through increased polarization (the ideological distance between the Government and opposition, often leading to sharp alternation), which, in turn, does not guarantee the smooth operation of tripartite consultations. In Bulgaria, the personality-driven centre-right party of Boyko Borisov (Citizens for European Development of Bulgaria) won the elections at the height of the crisis in July 2009, replacing Sergei Stanishev's (Bulgarian Socialist Party) centre-left coalition. The Czech Republic changed three governments in two years. Between two conservative Premiers (Mirek Topolánek and Petr Nečas, both from the Civic Democratic Party), Jan Fisher's caretaker government took office after a no confidence vote forced Topolánek to resign in early 2009. In Slovenia, political developments were similarly

6 The Slovenian ESS has been negotiating the Social Contract 2012-16 since March 2012.

unpredictable: Premier Borut Pahor (Social Democrats) quit after a vote of no confidence in September 2011. The elections did not produce a clear majority until February 2012, when the centre-right coalition of Janez Janša (Slovenian Democratic Party) was sworn in. Clearly, under high political instability and polarization, leading to sharp ideological shifts through alternation, concertation works irregularly and is definitely not at its best. In comparison, the Polish case stands out as uncharacteristic. Here, Premier Donald Tusk (Civic Platform) confirmed its centrist government by winning the elections in October 2011. He became the first Prime Minister to be reelected in Poland after the fall of the Berlin wall. The absence of an economic downturn and Tusk's reconfirmation emboldened the Government to the extent that it started disregarding the social partners when drafting structural reforms and austerity measures to balance the future budgets.

Finally, as the crisis unfolded, most new Member States experienced severe external pressures to restructure their public finances (the Council of the European Union issued several Excessive Deficit Procedures). These austerity plans were mostly prepared by the Ministries of Finance, which held during the crisis a more powerful portfolio than the Ministries of Labour (responsible for the initial short-term anti-crisis packages). Finance Ministers often overrode the demands of organized labour. Hence, CEE countries did not experience only political instability, but also abrupt changes in the personnel and orientation of the politicians combating the economic emergency. In fact, the deterioration of social partnership that followed coincided with the fiscal consolidation measures in the region. However, and despite the evident stalemates, the tripartite bodies were still used as debate forums by all of the countries under examination.

With the exception of the atypical cases of Romania and Hungary (see Box 1.1), the region does not seem to have witnessed a breakdown of social dialogue similar to some West European states, which led to the unilateral adoption of austerity packages in Greece, Italy and, to a varying degree, Ireland, Portugal, and Spain (Ghellab and Papadakis, 2011: 88).

BOX 1.1

THE UNDOING OF SOCIAL DIALOGUE IN HUNGARY AND ROMANIA

Hungary

In mid-2009, under the (essentially caretaker) centre-left Government of Gordon Bajnai, Hungary experienced the first deregulatory labour law reforms, which enhanced the freedom of employers in setting the working time arrangements for their employees. Concomitantly, the Hungarian Parliament adopted Act LXXIII on the National Interest Reconciliation Council (*Országos Érdekegyeztető Tanács*, OÉT); and Act LXXIV on sectoral social dialogue committees (*Ágazati Párbeszéd Bizottságok*, ÁPB). The Acts entered into force in October 2009, reducing the roles of these institutions and resetting the representation criteria for the workers' and employers' organizations involved. In particular, sectoral social dialogue committees have to determine whether the signatory organizations are representative enough to be permitted to ask the competent Minister for an extension of the agreement they negotiated (Clauwaert and Schömann, 2012).

Under the Premiership of Viktor Orbán, whose increasingly nationalist and populist party, the Alliance of Young Democrats (*Fiatal Demokraták Szövetsége*, Fidesz), won a landslide during the 2010 parliamentary elections, Hungarian social dialogue has been basically demolished. The Government thoroughly revised the Labour Code in 2011–12 and dismantled the tripartite National Interest Reconciliation Council, against the strong opposition of the nation trade unions, who asked the ILO for technical assistance, and, partly, against the protests of employers' organizations.

The Minister for the Economy György Matolcsy carried out the replacement of an 'obsolete and inefficient' tripartite forum with an all-inclusive consultation body, the National Economic and Social Council (*Nemzeti Gazdasági és Társadalmi Tanács*, NGTT) as of January 2012. The NGTT regroups the unions, representatives of business chambers, social and scientific civil organizations and Hungary's historical churches. It does not include state representatives, who are just observers to the Council's plenary sessions. The NGTT can only draft proposals to the Government, which can unilaterally decide on wages and labour regulations (Komiljovics, 2011).

As for the Labour Code, this provides that work councils both have the exclusive right to be consulted on certain issues (including transfer of undertakings and collective redundancies) and may conclude 'work agreements' which have the effect of collective agreements, where trade union membership is below a certain threshold. Finally, collective agreements may now deviate from parts of the Labour Code, also to the disadvantage of workers (Clauwaert and Schömann, 2012).

Premier Orbán, whose autocratic tendencies are increasingly worrying the international community, had been inimical to tripartism already during his previous term in office (1998–2002), when the first Fidesz-led coalition Government already dismantled the country's social dialogue system. Hence, recent developments are hardly surprising and should be treated as an unwelcome exception in Central and East European industrial relations.

Romania

During the global financial crisis, extreme political instability (four Premiers and five Governments in less than five years, during 2008–12) and a severe economic contraction characterized Romania (GDP fell in both 2009 and 2010, cumulatively more than 8 per cent). The uncertainty for fiscal policy and concerns about the magnitude of the account deficit led the international rating agencies to cut Romanian creditworthiness more severely than other emerging economies. This prompted Romania to seek emergency assistance from the IMF, the EU, and other international lenders. The IMF not only asked for rash austerity measures but also criticized Romania for its excessively rigid labour market regulations.

The conservative-liberal Governments by Emil Boc of the Democratic Liberal Party (*Partidul Democrat-Liberal*, PD-L or PDL), supported by different party coalitions, committed to introduce by the end of 2010 a labour market reform, mainly to increase the flexibility of working time, and to reduce hiring and firing costs through more flexible contracts. Consequently, the new Social Dialogue Code (Law 62/2011) provides for flexible collective agreements, with bargaining firmly anchored at the enterprise level. Negotiated wages are entirely based on productivity at firm, rather than at sector level.

More worryingly, the Government enacted measures that partly dismantled the country's social dialogue system. It overhauled the way social dialogue is regulated, changed the structure and functioning of trade unions and employers' organizations, as well as the information and consultation of employees, collective bargaining and labour disputes. Furthermore, the composition of the national Economic and Social Council (*Consiliul Economic şi Social*, CES) changed. It is no longer a *'tripartite public institution of national interest established for the social dialogue at national level between trade unions, employers' organizations and the government'*. Instead, it became a *'public institution of national interest charged with the creation of the conditions for civic dialogue between employers' associations, trade unions and structured entities of the civil society'*, and the mandate of which is still unclear (Ciutacu, 2011).

3.2 Attitudes towards policies and policy-making

As evinced from the political-institutionalist characteristics above, the attitude of the social partners towards different policies created (un)expected cleavages that, first, reinforced and then muted tripartism and social dialogue across the region. At the beginning of the crisis, the social partners, and in particular, the unions, learned that sticking to their traditional mandate of exchanging wage moderation for the maintenance of jobs is the essence of mutually agreed short-term anti-crisis packages, and most of these deals have been brokered by Ministers of Labour. The employers, as compensation, received much-needed financial support. As the crisis continued, and most countries heavily overshot their budgets three years in a row (Table 1.3), harsh austerity measures as well as structural reforms became each government's top priority, and the Ministries of Finance were often in charge. With rare exceptions, such as the Bulgarian 2010 pension reform, the unions opposed the austerity measures and the policy-making process, which often relegated tripartite consultations to a marginal role. Interruptions to negotiations, demonstrations and protest actions followed, indicating that tripartism is still fragile and in need of constant nurture. The two phases are treated separately.

Short-term anti-crisis measures

In Bulgaria, three distinct anti-crisis packages saw the light. The centre-left Government led by Sergei Stanishev proposed the first package in December 2008. It contained subsidies for training and retraining, as well as job-saving measures (recognition of unpaid leave, encouragement of part-time employment). The social partners sitting in the NCTC reacted positively. The second and third packages, adopted in July 2009 and March 2010 by the conservative Government of Premier Boyko Borisov originated from proposals by the Confederation of Independent Trade Unions (CITUB), also in collaboration with the Bulgarian Industrial Association (BIA). As explained by Markova (in this volume), both packages were discussed and agreed in the NCTC. In particular, significant additional funds were channeled to SMEs through the Bulgarian Development Bank, flexible working time and specific terms of leave were guaranteed to employees in firms experiencing economic distress, and additional funds for subsidized employment were earmarked under the National Employment Plan. Finally, the Government and the social partners in Bulgaria agreed to utilize the Global Jobs Pact (GJP) (ILO, 2009) as a framework for devising and implementing coherent policy responses in socio-economic matters, protect employment and stimulate tripartite dialogue.[7] Several missions of ILO experts presented the GJP, prepared a country scan (ILO, 2011), organized international conferences, and supported anti-crisis measures, such as higher minimum wages and unemployment benefits, as well as active employment policies.

The Czech road for drafting the anti-crisis measures was not as smooth as in Bulgaria, owing partly to the unstable political environment. Under the Premiership of Mirek Topolánek, both the unions and employers were critical of the National Anti-Crisis Plan on procedural grounds: the Plan was proposed at an extraordinary meeting of the RHSD in February 2009 and sent to Parliament two days later, leaving no time for the social partners to comment on it. The Plan contained various stimuli, but the reduction in contributions and other tax-related interventions attracted the criticism of the unions. On the contrary, employers were satisfied with the support to firms, channeled through measures such as amortization acceleration and lower tax prepayments. Succeeding Topolánek, the caretaker Government under Fischer committed to continuous negotiation with the social partners. After several failed attempts, the social partners involved in the RHSD agreed on a list of 21 measures to reduce the 2010 deficit. Most were incorporated in the document: Ways Out of the Crisis – 38 Common Measures of the Government, Trade Unions and Employers (see Veverková, this volume), representing the pinnacle of Czech tripartism in 2008–10 and including provisions to fight corruption and cut red tape for business.

Similarly, in Poland, no formal tripartite agreement underpinned the anti-crisis measures drafted by the centrist Government of Donald Tusk. Nonetheless, the Act of 1 July 2009 on the Relief of the Effects of Economic Crisis for Employers and Workers directly referred to the 13 points to exit the crisis drafted by the social partners negotiating in the Tripartite Commission (see Guardiancich and Pliszkiewicz, this volume). The Act introduced benefits for employers in distress that either reduced the working time of their employees, stipends for retraining, and similar anti-crisis stimuli. The anti-crisis package was considered a relative success, as it helped more than 1,000 undertakings employing over 100,000 workers. In addition to employment-related measures, several other anti-crisis acts were promulgated, such as the Stability and Development

7 Bulgaria became the only European country that actively participated in the GJP.

Plan of late 2008. In particular, subsidies for employers were given in the form of accelerated amortization of fixed assets, financial support for firms that have suffered substantial and prolonged losses, an enhanced system of warranties for SMEs and similar measures.

Finally, in Slovenia, the centre-left Government of Premier Borut Pahor (Social Democrats) rather smoothly implemented the first anti-crisis measures (see Guardiancich, this volume). Among these, the Partial Subsidy of Full-Time Work Act and the Partial Reimbursement of Payment Compensation Act stand out for having directly saved some 25,000 existing jobs. The two Acts were duly discussed and approved by the ESS, where the main Slovenian trade unions and employers' organizations acted in common synergy. In addition to several interventions strengthening social assistance and the labour market, the anti-crisis package devised by the Ministry for the Economy contained stimuli for enterprises worth almost 700 million Euros, including funds for investment in R&D, for improving the business environment of SMEs and for upgrading the technological intensity of production (Government RSS, 2010: 9–16).

Fiscal consolidation and austerity

As the crisis unfolded and the region emerged from the recession (see Table 1.1), the first cracks in social concertation appeared; only Bulgaria was an exception to the general trend, and only in part. In late 2009, a Consultative Council on Pension Reform, headed, crucially, by the Minister of Labour and Social Policy, drafted a comprehensive reform package that was discussed with the social partners and approved in 2010 by the NCTC. However, after this significant accomplishment, tensions started to mount: not only was the reform of the retirement system imperfectly implemented, but a clear division between the Labour and Finance Ministries also emerged, where the latter systematically disregarded the opinions of the social partners. Under the pressure exerted by the IMF and the European Commission, the Borisov's Government drew ambitious reform plans for the public administration and, again, for the public pension system. Being overruled and having their proposals ignored, Bulgarian unions walked out of the NCTC and organized mass anti-government demonstrations in November 2011.

In the Czech Republic, tripartite consultations deteriorated after the centre-right Government headed by Petr Nečas took office in mid-2010. The Government refused to fully implement the document "Ways Out of the Crisis", which had been agreed together with the social partners less than a year earlier. By 2012, the situation degenerated: the unions abandoned the RHSD extraordinary meetings and organized a vociferous 'Stop the government' campaign, mainly because their proposals were entirely overridden by the Finance Ministry, which foresaw harsh austerity measures.

In Poland, the activity of tripartite forums decreased after it became clear that there would be no recession. This notwithstanding, the Ministry of Finance in Donald Tusk's centre-right Government prepared a wide range of austerity measures to rein in the budget deficits. These included an unpopular pension reform, which raised and equalized at 67 the statutory retirement age for both men and women. This extremely unpopular measure elicited mass protests in Warsaw in mid-2012, and mobilized the trade union confederations, with Solidarność taking the lead role in organizing nationwide protests and awareness campaigns.

In Slovenia, structural measures, such as the reform of pensions and of the labour market brought tripartite concertation to a standstill. The unions organized mass demonstrations and protest actions. Pahor's beleaguered centre-left Government was forced to resign after it lost as many as four crucial referendums during 2011. Slovenia then skipped two years of fiscal consolidation when Janez Janša took office in 2012, but with the crisis running so deep, it sobered the social partners; as a result, a centre-right Government succeeded where a centre-left one failed. The Finance Minister Janez Šušteršič introduced a vast savings package, the Public Finance Balance Act, and the Government convinced the public sector unions to give in on salaries, indexation, and benefits. However, the Act did not contain long-term structural measures, which represent a far more challenging test for tripartism in the country.

3.3 Factors hindering the institutional, political and legal framework of social dialogue

There is enough evidence indicating that, despite its undeniable successes, tripartism and social dialogue are fragile in Central and Eastern Europe. Among the long-term causes, the insufficient incorporation of tripartism into the decision-making processes, the feebleness and factiousness of the unions and employers' organizations are to blame. Among more immediate concerns, the crisis hitting the region had a double effect: on the one hand, it encouraged the social partners to find common solutions to preserve jobs; while on the other hand, it weakened social dialogue to the point that when proposals for the consolidation of public finances were tabled, tripartism was a bit shaken.

In a long-term perspective, CEE countries have overcome the phase of 'illusory corporatism', and tripartite institutionalization at the national level is solid. Meetings are held regularly, and this has generated important learning dynamics among the social partners; however, poor quality (or lack) of social pacts and collective agreements, and the insufficient regard of politicians for tripartism, are at times undeniable. In fact, apart from the Slovenian exception, where several social pacts were forged between 1994 and 2007 (Stanojević and Krašovec, 2011), in the Czech Republic there are no social pacts, and most attempts in Poland failed (Gardawski and Meardi, 2010). While in Bulgaria the social partners signed a three-year Pact for Social and Economic Development for the first time in 2006 (see CEC, 2009: 52).

Additionally, the weak position of social partners in policy-making also stems from the somewhat inadequate legal and institutional framework for tripartite social dialogue. Not adequately defined representation criteria and domains of competence, as well as the inadequacy of monitoring, are factors that hinder the emergence of high-quality social pacts.

As for the social partners participating in bipartite and tripartite negotiations, the unions and employers' organizations suffer from interrelated weaknesses, and which have been exacerbated by the current crisis. Drawing from the present case studies, the social partners and the governments in Central and Eastern Europe have come under extraordinary stress, rendering the negotiations ever more difficult.

Neither the unions nor employers responded adequately. The long-term trend in union density decline, coupled with negative labour market conditions (and some isolated legitimacy problems) probably contributed to the radicalization of the social partners' attitudes, and their entrenchment in positions that allowed little compromise. The employers became plagued by firm insolvency and low competitiveness, experienced representativeness problems, and in several instances were concerned only with their own narrow issues (e.g., the reduction of social benefits at the expense of workers).

Of course, the downturn did not spare the governments: political instability and polarization went hand-in-hand with the economic crisis; additionally, most governments came under extreme pressure by international organizations, especially the OECD, the European Commission, and in some cases the IMF, to consolidate public finances. Finance Ministries, notoriously disinclined to long negotiations with the unions, were suddenly in charge, and excessive haste during decision-making of different structural reforms forced the governments to act unilaterally.

Consequently, by 2010, the room for compromise between a beleaguered government and the social partners, who wanted to be able to show some results to their members, shrunk dramatically. On the positive side, tripartism did not collapse: the forums are still used and the social partners are in most cases consulted by the respective governments; while on the negative side, social dialogue did not lead to acceptable solutions for fiscal consolidation, provoking the mobilization of labour.

3.4 Factors facilitating social dialogue and crisis recovery

Against the backdrop of several factors undermining social concertation in Central and Eastern Europe, the sheer existence of tripartite negotiations to devise anti-crisis measures should be considered an evident success. With some exceptions, such as the repeatedly mentioned cases of Hungary and Romania, a breakdown of social partnership similar to what occurred in parts of Western Europe did not happen due to functional and institutional reasons.

The work of the ILO and the European Commission that assign a determinant role to various forms of social dialogue to resolve socio-economic problems has borne its fruits: the majority of the new Member States have an institutionalized tripartite negotiating forum. These played crucial roles in maintaining social peace during the turbulent days of early transition, and lent important support (in a mutually-reinforcing relationship) during the accession to the EU. Despite experiencing some setbacks in the 1990s, the institutions were reformed and the social partners entered an age of maturity (Gardawski and Meardi, 2010).

In this respect, the economic crisis can be seen not only as a challenge, but also as an opportunity to strengthen social dialogue and to build consensus on crucial policies. During the economic downturn, social dialogue gained momentum among the social partners. They were eager to voice their concerns and interests in hopes of reaching an agreement with the governments on how to best address the economic challenges facing their country. As a consequence of the worst impacts of the crisis, the social partners realized it was time to act and they proved to be instrumental towards negotiating socio-economic reforms that required national rather than lower-level solutions.

This worked well for short-term anti-crisis measures protecting jobs, but broke down during tougher negotiations on fiscal consolidation and structural measures. Avdagić (2011) provides a convincing explanation: the demand for social pacts is insufficient if the tripartite partners are (or perceive themselves as) too feeble, reducing the room for compromise between governments, labour, and employers, and this was definitely the case with the crisis in the new Member States dragging on for four years.

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