

6. Conclusions

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Despite the fact that by late 2010, the crisis which affected the new Member States was drawing to an end, its negative effects were deeply felt across the region: increased rates of unemployment and lower living standards, rising public debts, a sluggish recovery in Bulgaria, and even a double-dip recession in Slovenia. The harshest downturn since the post-socialist transformational recessions have elicited frantic negotiations among the governments, employers, and unions on how to retain jobs, rein in the public deficits, increase competitiveness and restart growth in the region.

In times of crisis, social dialogue proved to be a formidable instrument with which to promote reforms, while also maintaining social peace. From the early transition until the mid-1990s, when the parties involved sought recognition and legitimacy, the institutionalization of tripartite social dialogue was quite successful. The newly established forums allowed governments in the new Member States to carry out painful reforms (including privatization, stabilization, liberalization, as well as public sector restructuring) while at the same time guaranteeing social peace and stability.

Later on, after the initial emergency was over, and the EU accession process started, tripartite institutions proved to be versatile governance tools as well. Through them, the social partners participated in the negotiations, leading to the transposition into national legislation and implementation of the *acquis communautaire*. Subsequently, tripartism helped with the post-accession period, with the aim of fulfilling the criteria required to join the Economic and Monetary Union.

Given the contribution that concertation gave during the past two decades, the research question asked in this volume is straightforward: *To what extent did bi- and tripartite institutions and forums play a role in the formulation of adequate responses to the crisis in the new Member States?*

In order to provide an informed answer, the edited volume compares social dialogue and broader industrial relations in four Central and Eastern European countries: Bulgaria, the Czech Republic, Poland, and Slovenia. To systematize the analysis, the interventions that required concertation are divided into three distinct classes: i) short-term anti-crisis measures that helped to preserve jobs, maintain a stable employment level, and insure workers against a sudden loss of income –and which had to be discussed at the highest, possibly tripartite national bargaining level; ii) those, mainly executive measures approved through bipartite social dialogue (between employees and employers) and collective bargaining at sectoral and firm levels; iii) longer-term interventions aimed at fiscal consolidation through both structural socio-economic reforms (reform of the retirement and healthcare systems as well as of the labour markets) and savings measures (rationalization of the public administration, reductions in salaries, freezes to indexation, etc.), which again had to be decided through tripartite concertation.

As the cases have made clear, social dialogue worked reasonably well during the initial part of the crisis. First, in all of the countries short-term anti-crisis measures were implemented with considerable input from the social partners. Most interventions included compensation for employee inactivity or reductions to full working time, as well as measures meant to help enterprises in adapting to the decrease in international and domestic demand. Hence, it is beyond doubt that the social partners have reached maturity in several new Member States: not only did they analyse and comment on governmental proposals, but they also tabled their own recommendations on ways to mitigate the consequences of the crisis and accelerate the recovery.

Second, collective agreements at firm or sectoral levels have also adapted to new economic conditions with similar results: a major lesson being that the workers were much more interested in the preservation of jobs than in salary or benefit rises, and that these measures have been approved by the trade unions as well.

If the successes of bipartite social dialogue are undeniable, its shortcomings are also apparent. On the

positive side, the crisis has spurred collective bargaining activity at sector and enterprise levels, as illustrated by the case of Bulgaria. This trend was strengthened by the decision of the Ministry of Labour to extend several branch agreements to the entire labour force and enterprises in the industries concerned. In Slovenia, public sector employees (almost one fourth of the labour force) concluded in mid-2012 a collective agreement with the Government that reduced wages and fringe benefits, preserving current employment levels, as well as existing norms and standards regulating work activities.

On the negative side, enforceability of tripartite agreements is unsatisfactory; for example, the anti-crisis measures agreed upon by the Government and the social partners have not been fully implemented in Bulgaria and the Czech Republic. This implementation gap fosters frustration among the social partners, especially the unions, and suggests that the framework for social dialogue still suffers from insufficient monitoring capacity, a problem that needs to be addressed.

During the more challenging second phase of the crisis, social dialogue came under strain, after international organizations (the OECD and the European Commission in particular) demanded fiscal consolidation and spending cuts in order to comply, among other reasons, with the Maastricht criteria governing the Economic and Monetary Union. Structural reforms (pensions, healthcare, and the labour market) together with austerity measures, such as savings in the public administrations, triggered the protests of organized labour in Bulgaria, the Czech Republic, and in Poland. The unions often abandoned the tripartite forums that had been operating for the past two decades, in protest against the lack of consultation and unilateral governmental action. The worst happened in Slovenia: tripartite concertation entered into a definitive gridlock during 2010–11. In protest, labour organizations either supported or even initiated several referendums, with the aim to halt the unilateral adoption of reforms; these referendums brought down the centre-left Government of Borut Pahor in 2011, leading to the postponement of the planned measures.

Clearly, the hasty adoption by the governments of fiscal consolidation measures and related structural reforms have strained the relationship with the social partners, especially with the workers' organizations. However, this did not lead to a total halt of tripartite social dialogue in the new Member States analysed here; on the contrary, efforts are being made to keep the dialogue going. Even in Slovenia, concertation resumed in 2012, and discussions are underway between the tripartite partners in order to conclude a new social pact for the period 2012–16.

1. Making sense of the discontinuity in social dialogue

Bulgaria, the Czech Republic, Poland and Slovenia share four important characteristics, which qualitatively distinguish the two phases of the crisis: job-protection and stimuli for employers at the beginning; austerity measures and structural reforms in 2010–12. First, the content of reforms has changed, eliciting different reactions by the social partners; second, the relative balance of power between the social partners and the governments shifted, restricting the room for manoeuvre within tripartite forums; third, increased political instability and polarization have negatively affected the effective operation of social concertation (and in Poland an overconfident Government started disregarding tripartite negotiations); fourth, the actors involved changed as well, and the reformers in charge gradually became less inclined to engage in an effective dialogue with the social partners on fiscal consolidation policies.

The content of the anti-crisis packages radically changed during these two aforementioned periods: the short-term anti-crisis measures were beneficial for both social partners, as the employers were awarded compensation for keeping jobs, in the face of declining international orders and the credit crunch and thereby avoiding costly layoff procedures, while the unions learned that their members preferred to keep their jobs at a lower salary, rather than experiencing the uncertainty of unemployment. Longer-term fiscal consolidation measures were entirely different, as they were adamantly opposed by the unions because they would cut current (through lower indexation and lower salary levels) and future benefits (for example, via more stringent links between pension contributions and benefits); while they were instead welcomed by the

governments and employers (due to a lower contributory burden, more flexible labour market arrangements, and so on).

After three to four years of recession and sluggish recovery, the relative strength of the social partners further declined compared to the pre-crisis period. The unions continued losing members and, in a limited number of countries, still suffered from political antagonism (in some, isolated cases, there were even legitimacy problems, as the unions were overruled by the employees during negotiations). What followed were the radicalization of the social partners' attitudes and, more often than not, the unions' entrenchment in positions that allowed little compromise, in order to regain the support of their core memberships. The traditionally fragmented employers were further destabilized by the collapse of demand for goods and services, thereby promoting cost-cutting measures that would reduce wage and non-wage labour costs and consequently increase their competitiveness. Most importantly, international organizations put the region's governments under severe pressure, by requiring reductions in public deficit and debt levels, which in turn led to excessive haste in decision-making. Several governments set ultimatums to the social partners (in particular towards the trade unions), implying that even without signing an agreement, fiscal consolidation would go ahead.

Not surprisingly, during the downturn political instability and polarization increased in Bulgaria, the Czech Republic, and Slovenia. The ideological distance between the governments and the oppositions increased, leading to very different attitudes to socio-economic problems, and towards the social partners once governments were replaced. If in Bulgaria, at least, the electoral process functioned smoothly, the Czech Republic and Slovenia experienced no confidence votes, caretaker governments, excessively contested elections, and sharp alternations in power. As a consequence, social dialogue entered various stop-and-go loops, underwent changes in policy-making style and in the governments' consideration for tripartite forums and bipartite social dialogue. Hence, the changes of government in these three countries unambiguously disturbed the smooth operation of the social dialogue process.

The Polish experience was different: instead of recession, the country recorded a deceleration in growth, and instead of political chaos, electoral volatility decreased; indeed, in 2011 Donald Tusk became the first post-socialist Polish Premier to be reelected for a second term in office. Emboldened by these positive developments, the Polish Government started putting much less weight on tripartite concertation and pressed ahead with some structural reforms, not bothering to find an agreement with the social partners.

As a final point, during the second phase of the crisis, the government representatives involved in the negotiations with the social partners changed as often as the governing coalitions above. Being the first set of short-term anti-crisis measures mainly aimed at reviving and stabilizing the labour market, the natural interlocutor for the employers and the unions was the Ministry of Labour; or in several cases, the social partners autonomously and jointly drafted their policy proposals and these were then accepted and adapted by the respective governments. The austerity and fiscal consolidation packages were instead firmly in the hands of Economic and Finance Ministries that are notoriously less concerned with the unions, and have a more powerful portfolio than the Ministries of Labour. The governments, eager to approve these austerity measures as soon as possible and with few modifications, exacerbated the already-strained social dialogue by setting impossibly short deadlines and presenting reforms to the social partners as a *fait accompli*.

2. The road ahead

As the new Member States (with some exceptions) are slowly weathering the crisis, it is important to delineate what the future of social dialogue in the region should be. The crisis has been a double-edged sword for bi- and tripartism in post-socialist countries; on the one hand it dramatically increased the problem load for the governments, and this was conducive to negotiated solutions with the unions and the employers, as the initial responses to the labour market emergencies have shown. On the other hand, the crisis has enfeebled the positions of the tripartite partners, largely impairing their capacity to agree when more aggressive

restructuring of the welfare state and the labour market appeared on the agenda. In the worst cases, such as Hungary and Romania, tripartism dramatically collapsed.

If there is no dearth of recommendations, especially by the International Financial Institutions, on how to fix the economies in the new Member States by reducing inefficiencies and containing costs, there is little valuable advice on how to do it without undermining social dialogue institutions, as well as the confidence of social partners in public policy and crisis recovery strategies.

Two main problems with the promotion of viable social dialogue and sound industrial relations emerged from the four cases studied in this volume. First, despite the existence and institutionalization of tripartite forums across Central and Eastern Europe since the early 1990s, their role and impact in policy-making remains too weak, and this is testified by the relative absence of high-quality social pacts. Second, the feebleness of the social partners participating in these forums (as illustrated by their declining membership in most new Member States, and their fragmentation in some of them) is not only a consequence of the recent crisis; rather, it is rooted in legacies from the first post-transformation period and before. Both shortcomings need to be addressed if social dialogue is to play an important role in the strategies to exit this current or any eventual future crises.

The economic and social challenges facing the Central and Eastern European region (low competitiveness, raising unemployment, increasing inequality, and so on) cannot be addressed through unilateral decision-making. As witnessed in the case studies, such a course of action creates social resistance and unrest, unevenly distributes the burden of the adjustment, and generates frail policies that are often politically and socially unsustainable and prone to reversals after their adoption. Therefore, the depth of the adjustment needed to exit the crisis is such that any policy strategy should aim at gaining the support of the social partners, thereby lending credibility to the policymaking process.

This is in line with the stipulations of the Global Jobs Pact (ILO, 2009: 8–9), which assigns to social dialogue a crucial role in the fair and equitable resolution of the crisis:

“Especially in times of heightened social tension, strengthened respect for, and use of, mechanisms of social dialogue, including collective bargaining, where appropriate at all levels, is vital.

Social dialogue is an invaluable mechanism for the design of policies to fit national priorities. Furthermore, it is a strong basis for building the commitment of employers and workers to the joint action with governments needed to overcome the crisis and for a sustainable recovery. Successfully concluded, it inspires confidence in the results achieved.

Strengthening capacities for labour administration and labour inspection is an important element in inclusive action on worker protection, social security, labour market policies and social dialogue.”

In order to bolster tripartism and collective bargaining, a number of complementary measures would help.

To begin with, the role in policy-making played by existing tripartite forums, which proved to be useful instruments for consensus-building in the first phase of the crisis, should be strengthened both *de jure*, through adequate legislative action, and *de facto*, through the assignment of sufficient resources for operation. In particular, the case studies showed that:

- the socio-economic domains where tripartite institutions have responsibilities should be specified, as often these are not clearly defined, leading to social pacts the content of which does not always meet high-quality standards;
- the responsibilities, obligations, and rights of the social partners and governments in social concertation should be defined, especially when legislation and agreements are not followed by diligent implementation (which is why reinforcing the labour administration and inspection systems, as well as their monitoring capacity, is crucial);
- the material resources and staffing of tripartite forums should be strengthened considerably, as several practitioners and commentators lament their inadequacy;

– adequate training for the parties involved should be provided, as it is key to enhancing the capacity of tripartite institutions to deliver high-quality recommendations.

Therefore, governments should look at these institutions with renewed interest, and increase their functions and resources, thus creating genuine forums for democratic deliberation on the strategies to exit the crisis, and especially to promote sustainable reforms. Social dialogue should be regarded as an investment for the future, lest the social stability and sustainability of the reform processes be undermined.

Additionally, the role of bipartite social dialogue as well as the legal and material standing of the social partners should be invigorated. Employers' and workers' organizations should fortify their membership and technical capacity in order to play a stronger role in the shaping of anti-crisis policies and reforms. Several interventions are advisable.

For employers' organizations:

– the representativeness of employers' organizations should be enhanced by codifying the rules for participation in tripartite forums and negotiations;

– employers' organizations should be strengthened, especially at the sectoral level, where the unions frequently have difficulties in finding a suitable interlocutor, leading to enfeebled collective bargaining beyond the firm level.

For the labour movement:

– broadening the membership of the trade unions in post-socialist countries should be a top priority, to include workers in the private sector (especially in services), in Small and Medium Enterprises, and those workers employed in non-standard forms of employment;

– similarly to the employers' organizations, the representativeness criteria and rules of participation in negotiations should be pre-established and objective, in line with international labour standards.

Finally, for bilateral social dialogue:

– as collective bargaining beyond the firm level is particularly weak in Central and Eastern Europe, this should be strengthened by ensuring a better articulation between its various levels, as well as a better coordination of the functions of bipartite social dialogue and those of tripartite cooperation;

– the governments, in consultation with the concerned social partners, should establish mechanisms of extension for collective agreements at the sectoral level.

References

ILO – International Labour Organization. 2009. *Recovering from the Crisis: A Global Jobs Pact* (Geneva).