Trends and developments in east central European industrial relations

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This article overviews developments in industrial relations in the Czech Republic, Hungary and Poland since the fall of the communist regimes in 1989, and assesses the extent to which key developments in these countries reflect both change and continuity from the communist period. We explore the four main institutions through which industrial relations have been conducted: trades unions, workers’ councils, employer organisations, and the tripartite arrangements involving representatives of unions and employers with the state.

The objective of this article is to examine key developments in industrial relations within the transformation context of east central Europe (ECE). In order to investigate such processes, at a time when the changes are still under way and much is still confused concerning the reconfiguration of workplace and industrial relationships, this study focusses on the three societies of the region where economic reforms and property change have proceeded furthest to date: the Czech Republic, Hungary and Poland.

During the 1990s, the dismantling of the old mechanisms for incorporating social interests within the structure of the state has enabled employee and employer organisations to operate more independently than before 1989, but at the same time it has contributed to concerns about their fragmentation and a decline in their effectiveness in representing the social interests of their members. In this article we assess the significance to industrial relations of a variety of organisations that have emerged to represent the interests of both workers and employers during the 1990s. In terms of worker interest representation during the transformation process, ‘successor’ trade unions, ‘independent’ unions and workplace councils have each attempted to become important industrial relations actors, but have experienced a tense relationship both

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with each other and with employers. Concerning the latter, two types of organisations have emerged during the 1990s: reformed ‘successor’ chambers of commerce, and new employers’ interest representation groups. Finally, we offer some thoughts on tripartite arrangements which have involved representatives of unions and employers’ groups with the state, and through which national policies concerning employment and related issues have been discussed, and attempts made to deliver centralised policies to the sectoral and enterprise level.

**Employee organisations**

**Successor trade union organisations**

In all three countries, the former statist union confederations have been reconstituted as free-standing successor organisations. However, there have been considerable differences between each country, both in the degree of continuity between the structures of the communist and post-communist periods, and in the nature of their relations with newly formed union organisations.

The Czech Republic (as well as Slovakia) has retained a more concerted trade union structure than either Hungary or Poland. The former official ROH confederation of Czechoslovakia was disbanded in March 1990, to be replaced by a new set of officials within a renamed and reconstituted confederation, the Czech and Slovak Confederation of Trade Unions (CSKOS), with an estimated seven million members organised in 63 affiliated unions (Pollert and Hradecka, 1994: 54). In the absence of a viable alternative confederation, and the size of its membership, CSKOS gained some leverage on the former Czechoslovakian government. In April 1990, for example, CSKOS successfully threatened a general strike to force the government into consulting it on draft legislation concerning social and trade union rights. CSKOS was also successful in influencing the provisions of a new law on union recognition, bringing Czechoslovak law into line with International Labour Office conventions (Free Labour World, 1990: 2–3).

Following the separation of the Czech and Slovak Republics, CSKOS split into two national confederations at the end of 1993: the Czech and Moravian Trade Union Chamber (CMKOS) in the Czech Republic, and KOZ-SR in the Slovak Republic (Free Labour World, 1993: 6; McShane, 1994). However, although the relatively high level of cohesion that characterised CSKOS was initially retained by the two separate successor union confederations, an undercurrent of tension developed in the later 1990s between local trade unions and their national centre, and with the CMKOS, over the desire for high levels of autonomy at local level (Herod, 1998). Trade union density fell to around 40 per cent by the late 1990s in the Czech Republic, leaving CMKOS with a membership of around 1.5 million (although significantly higher than the

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1 The membership figures claimed for these employee organisations and detailed in this section should be treated with caution. From a situation under communist rule where trade union membership was in practice compulsory (reflected in the normal 98 per cent union density figures of the post-war period), membership levels have become an issue of controversy. First, there appears to be a significant amount of dual (and possibly multiple) membership amongst the organised workforce in east central Europe, reflecting the practical need of workers to belong to various union groupings to tap into different services. Second, counting retired members in an undifferentiated fashion has been common practice amongst unions. Third, there has been a tendency amongst active union members to switch allegiance, making it difficult for the unions to keep track of membership. Finally, there has been an intense battle amongst ECE union groupings to retain/gain control over former state sponsored union assets, such as holiday, leisure and sporting facilities, and often substantial finances. This has led union confederations into claiming many more workers than they represented in reality, in order to maximise their claim for a share of these assets. These caveats notwithstanding, it is clear that the reformed successor union confederations organised a significantly larger number of workers in the Czech Republic and Hungary during the 1990s compared to the independent confederations, whilst in Poland, the OPZZ and Solidarity probably represent equal numbers of workers (ie. not including retired members).
combined total of the smaller autonomous unions, totalling a few hundred thousand) (International Labour Office, 1997: 236–240).

In Hungary the official union, SzOT, began the process of reconstituting itself as an independent organisation in the last years of communist rule. In 1988, in response to a worsening economic situation and falling real wage levels, it published a policy document proclaiming its independence from the government (Gill, 1990). Subsequently, SzOT was dissolved in March 1990, with the majority of its member unions establishing a new national confederation, the National Federation of Hungarian Trade Unions (MSzOSz). At the same time, three smaller groupings of unions split from MSzOSz to form their own confederations. These were the Confederation of Autonomous Trade Unions (ASzOK), the Confederation of Unions for Professional Workers (ESzT), and the Forum of Trade Union Cooperation (SzEF) (Girndt, 1998: 137).

Containing most of the industrial unions and some in the service sector, including the rail and postal unions, MSzOSz was the main successor organisation. In its new form it was structured along more decentralised and democratic lines than SzOT and developed a predominantly reformist socialist outlook. From 1990 to 1993 MSzOSz maintained a membership of over a million, around 500,000 of whom were working members, with about the same number of apprentices and retired workers. By the mid 1990s however, its membership had fallen to around half a million in total (Toth, 1998: 128). Whilst the MSzOSz has coexisted with newer union organisations, its has enjoyed a relatively dominant position over them.

Of the other successor organisations, SzEF was the largest with an active membership in the early 1990s of 380,000 and a further 170,000 retired workers. It was made up of 19 unions of public employees, especially teachers, cultural workers and employees in both central and local government and the health services. Next in size was ASzOK with 210,000 members from eleven unions, including workers in commerce, transport and the chemical industry. Finally ESzT was made up of seven unions of employees in science and education, with a total membership of around 100,000. While ASzOK had a predominantly social democratic political stance, SzEF and ESzT were neutral in terms of ideology or party links (Andor, 1996: 70; Cox and Vass, 1995: 165–66; Girndt, 1996: 48–49; Toth, 1997: 170).

In Poland, the official confederation, OPZZ, had been reconstituted in 1982 in an attempt to compete for working class support with Solidarity (at that point banned under martial law). Towards the end of the 1980s OPZZ had already begun to develop more militant tactics under communist rule and after the 1989 upheavals it declared itself formally independent of the state. Thereafter, unlike its Hungarian counterpart, it faced strong competition from a powerful rival in the form of Solidarity, but survived as a significant force in industrial relations, with a working membership in the late 1990s of around 1.5 million, roughly the same as Solidarity (Mason, 1987; OPZZ, 1999).²

The independent unions

Among the main general factors explaining the development of independent labour organisations in ECE after 1989, were the widespread disillusionment with official industrial relations and trade union reforms, and the prior example provided by Solidarity in Poland that independent working class organisation was possible.

In Poland itself, after emerging from its underground operations in the late 1980s, the Solidarity movement splintered into various political factions and trade union organisations. The larger rump of Solidarity attempted to reorganise into a mass trade union movement (NSZZ Solidarnosc), but with policies antithetical to the post Solidarity political elites. Within this changing context, Solidarity as a trade union lost some of its political influence, and two smaller groups broke away in 1989 to

² The OPZZ claimed 3.2 million members at the end of 1996. However, this probably included up to 50 per cent retired members.
form the Free Trade Union (allying itself to the Socialist Party) and Solidarity ‘80 (consisting of about 150,000 members in the early 1990s) (Gortat, 1994). The fragmentation of Solidarity was concomitant with the erosion of its former mass base, and by the late 1990s the trade union Solidarity claimed 1.3 million members (compared to its mid-1981 peak of approximately 10 million), representing 14 per cent of the industrial workforce (Solidarnosc, 1999).

In Czechoslovakia, independent unions were less significant than in Poland, although a fourteen strong grouping of unions from the art and culture sector formed an autonomous confederation (KUK) following the break-up of the ROH and creation of CSKOS in 1990 (Pollert and Hradecka, 1994: 54). Also, a small regional grouping of unions formed the Communist Trade Union Association of Bohemia and Moravia at this time. The lack of significant independent unions rivalling the successor confederation in firstly Czechoslovakia and then the Czech Republic reflected the relatively concerted nature of industrial relations in this country, which in turn reflected its relative economic prosperity in the 1980s and early 1990s. However, by the later part of the decade, decentralisation tensions had developed, and whilst apparently retaining a centralised confederated structure, local union branches ‘jealously guarded’ their sovereignty vis-a-vis national unions and the CMKOS itself. The tendency of branch unions to claim greater autonomy from the centre was partly a legacy of AFL-CIO influence in the early phase of transformation amongst Czech trade unions, but by the late 1990s, there was growing concern within CMKOS and some national union centres of the lack of control exercised over branch affiliates, particularly concerning the growing propensity towards independent strike action in industries such as the railways, mining and health sector (Herod, 1998: 206).

In contrast, in Hungary, an important factor underpinning the emergence of a plethora of independent unions was the impact of market reforms since the late 1970s and the disadvantages these had produced for many workers who found it difficult to exploit market conditions to improve their situation. One of the first initiatives were taken by groups of scientific workers and teachers to set up their own independent unions and to cooperate in a new federation, the TDDSz. As its leader commented at the time, ‘the crisis of the last few years has affected scientific workers and teachers particularly deeply. Inflation has hit us hard, with great job losses and cuts in operating budgets’ (International Labour Reports, 1989: 17). Thereafter the TDDSz, alongside other autonomous unions, metamorphosed into a larger confederation, the Democratic League of Independent Unions (FSzDL, later known as Liga), representing a membership of cultural and educational workers and increasing numbers of blue-collar workers. Although the confederation failed (together with other new unions) to win over the bulk of the successor confederation’s membership, Liga soon became the largest of the independent unions in Hungary, with a claimed membership of between 250,000 and 300,000 by 1993 (Pataki, 1993: 58) but by the late 1990s the Liga membership had declined to around 100,000 working members (reflecting a general fall in union membership in Hungary) (International Confederation of Free Trade Unions, 1999).

A number of autonomous unions were established in the early 1990s in Hungary, but were typically small and remained localised, largely representing intellectual or professional groups. Such unions emerged due to the desire of well-qualified white-collar workers to raise their status and remuneration relative the blue-collar workers, who had been well rewarded compared to intellectual workers under communist rule. In some cases, local unions were formed to pursue ownership claims, a situation that was common throughout Hungary, as autonomous unions operated as ‘contra-unions’ within enterprises dominated by an established and recognised successor union.3 However, this oppositional stance failed to offer potential members a meaningful industrial relations function, particularly collective bargaining representation,

3 This was the case in a Hungarian brewery, for example, where an autonomous enterprise based union was established as part of an attempted management-worker buyout (Cox, T. and Mason, B., 1999, chapter 9).
and the fortunes of autonomous unions tended to fade during the 1990s. In the early 1990s it was estimated that autonomous unions represented around 410,000 members, but later in the decade that figure had fallen to 210,000 (Toth, 1998: 129).

An indication of attitudes towards the different union confederations, and the strength of the main successor confederation, can be seen from the results of a series of elections contested by the unions in 1993. A ballot to decide which union confederations would represent employees on newly constituted pension and health boards saw MSzOSz gain significant victories, with over 50 per cent and 45 per cent of the votes for the boards respectively. In contrast, those independent union confederations that had emerged since the late 1980s failed to gain a secure foothold. The largest of these, Liga, gained only 10 per cent and 13 per cent of the votes respectively in the above elections. More tellingly, in respect to grass roots union support, MSzOSz representatives won over 70 per cent of the vote for elections to workplace councils while the autonomous unions gained only around 18 per cent, Liga just under 6%, and the workers’ council confederation just over 2 per cent. Further works council elections produced similar trends in 1995, although MSzOSz share of the vote fell to 64%, while Liga increased its share slightly to just under 7 per cent (Cox and Vass, 1995: 168–169; Toth, 1997: 168).

Workplace councils

In the aftermath of the 1989 upheavals, and the introduction of privatisation programmes, the role of workplace councils came under scrutiny, especially in Hungary and Poland; in the Czech Republic, they were disbanded, as part an attempt to streamline industrial relations in that country, with only CSKOS branch unions representing workers’ interests at enterprise level (Herod, 1998: 207). By the late 1990s, the issue of the councils resurfaced in the Czech Republic, with the leadership of the Communist Trade Union Association of Bohemia and Moravia advocating the introduction of German style elected workplace councils. With its strong local networks in the regions, the communist unions would be able to consolidate their workplace presence through the councils. However, the leadership of CMKOS affiliated branch unions strongly opposed this strategy, fearing a further erosion of their influence.

Although workplace councils were not disbanded in Poland, there too they were seen as a problem by governments of the early 1990s. In particular it was felt that the existing councils were a potential barrier to the privatisation process, given the extensive enterprise level powers legally assigned to councils during the heyday of Solidarity in 1981. In February 1993 a pact was signed between the Labour Ministry, the OPZZ and Solidarity, which agreed to the elimination of workplace councils in companies going through the privatisation process. In return, workers were given 30 per cent representation on enterprise management boards and a significant influence over how (but not whether) privatisation should proceed. However, once the enterprise was fully privatised, this board level representation would then be disbanded (Havlovic and Moore, 1997: 267). This approach was often used, for example, in ‘liquidation’ privatisations in Poland, where the state was the sole creditor of ‘bankrupt’ enterprises, involving the sale of the assets of these companies, either in whole or part, by the state holding company at an auction, typically to enterprise insiders who supported the process of privatisation.4

In Hungary, there initially seemed a relatively strong basis for a revival of the influence of workers’ councils, after their marginalisation in the 1970s and 1980s. Following their participation as a party in the roundtable talks, workers councils re-emerged as a significant industrial relations institution. They were organised at

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4 This was the case in a Polish company manufacturing textiles for export, which became subject to liquidation in the first half of the 1990s. A state ‘commissioner’ was brought in to take over the management of the enterprise, as a first step towards privatisation (Federowicz, M. and Pankow, W., 1994). For a more general overview of this trend see Frydman, R., Rapaczynski and Earle, J. (1993), 168–169.
national level in the MOSz, with the initial aim (harking back to their roots in 1956) of establishing workers' self-management (Szalai, 1994: 1). As far as the government was concerned, in contrast to the aspirations of some of the older activists who had re-emerged after 1989, the preferred role for the workers' councils was as a less politicised alternative to the trade unions. Under the influence of the International Labour Office they promoted the idea of works councils that would help solve problems caused by trade union fragmentation, fill an institutional gap in the newly emerging industrial relations framework, and offer a forum for the representation of the growing number of non-unionised workers. Consequently, workplace councils were granted further legitimation with the passing of a revised Labour Code in 1992. They became mandatory in companies employing over 50 workers, while a single employee could be elected as a representative, enjoying all the rights of a council, in companies employing between 15 and 50 workers.

However, even these modest changes represented a compromise between government, employers and unions. For their part, employers (as in Poland) were eager to curtail any further rights and bargaining prerogatives for their employees, preferring on balance to deal with the unions. They were concerned that workplace councils, once established, might develop as a cohesive employee representational forum within the enterprise, in contrast to the weak and fragmented position the unions found themselves in. From the successor unions' viewpoint, the councils were initially viewed sceptically, partly due to the direct involvement in the councils of activists from the new political parties, such as the Democratic Forum and Social Democratic Party, which were openly in favour of rapid privatisation. More generally, the councils were seen as a potential threat to the already atrophied state of the unions within the workplace.

Despite the need of the trade unions and workplace councils to work together in the early 1990s in order to protect members' jobs, the key issue between them was which organisation would have bargaining rights with employers. The 1992 Labour Code marginalised the councils in this respect, by allowing them only rights of consultation and information provision. Collective bargaining at workplace level was retained by the unions: where one union had obtained over 50 per cent of the employees vote it could bargain as the sole union in the enterprise; where no union achieved this level of support several unions could negotiate jointly with management. Only where the combined trade unions were in a minority in term of workers' votes could the council collectively bargain for the employees (Toth, 1997: 165–167).

Thus although gaining formal legitimacy in Hungary, the overall position of the councils was still relatively weak, and it was weakened further when its initial political ally, the Democratic Forum, dropped its original support for the policy of workers' ownership. In the face of antipathy from other political parties towards the idea of any form of self-management, the MOSz leadership attempted to create a new identity for the movement, and in 1992 pronounced that the workers' council federation had become a Christian trade union. This shift in orientation, which included a dilution of its self-management principles, found little support amongst rank and file council members, and is seen, by at least one commentator, as having lost its direction and purpose (Szalai, 1994). At national level, the goal of self-management increasingly took the form of pursuing worker share ownership, as the realities of impending privatisation took hold in Hungary. At enterprise level, the councils failed to attract any extensive grass-roots support and the scope of their activity increasingly became a contentious issue between government, employers and trade union. By 1993, it has been estimated that there were only 300–350 workers' councils in Hungary (Laki, 1994: 2); and between 1993 and 1995 membership of the workers' council movement fell from 160,000 to between 60,000 and 70,000 (Toth, 1997: 171).

The rise of non-unionism

The fragmentation of worker representative organisations has taken place alongside a growing non-unionism in the Czech Republic, Hungary and Poland. In some cases
the decline in union membership began quite early after 1989, and the trend continued during the 1990s. In Czechoslovakia, for example, a survey of around 1,000 adults in 1991 found that 44 per cent did not belong to a trade union (Myant and Waller, 1994: 63). As the decade progressed, union membership fell dramatically in all three countries between 1990 and 1995: by 51 per cent in the Czech Republic, 46 per cent in Hungary and 38 per cent in Poland, leaving union density levels as low as 42 per cent, 60 per cent and 34 per cent in each country respectively (International Labour Office, 1997: 236–240). More recent figures for overall density have been difficult to find for the Czech Republic and Poland, although some estimates put Hungarian union density in the late 1990s at between 25–30 per cent (International Confederation of Free Trade Unions, 1999; Toth, 1998).5

The growth of the small company sector in these countries is clearly related to this phenomenon, as is the increasing number of foreign owned firms.6 Alongside increasing foreign ownership, the increasing use of fixed term labour contracts, has made organising and representing workers more difficult for the unions. A study of the Hungarian electronics industry, for example, found that whilst 75 per cent of workers on indefinite contracts were unionised, less than one third of short term contract workers belonged to a union (Kasahara and Mako, 1996: 41–43). Moreover, the tendency of ECE managers to adopt the ‘multi-divisional’ organisational form, for example in the Czech Republic, is also likely, a priori, to have a constraining influence upon the unions’ ability to organise workers, particularly if the specific multi-divisional form takes the shape of ‘holding companies’, whereby companies enjoy strategic independence from the head office in their own product or market sphere (Clarke and Soulsby, 1999: 535–559).

Surveys conducted in Poland indicate that union density fell consistently during the 1990s. In the early part of the decade, for instance, Solidarity was present in about 40 per cent of newly privatised companies, compared to a rate of 17 per cent for the OPZZ (and 12 per cent for other branch unions). However, this hid a much lower density level, with Solidarity organising only 28 per cent of employees in these companies, and OPZZ 22 per cent. Overall, around 45 per cent of the workforce lacked any form of representation in this period. Very few new small private firms in the early 1990s employed any union members, and medium sized enterprises undergoing liquidation experienced a dramatic fall in union recognition rates from over 90 per cent to 43 per cent. In contrast, union membership in larger enterprises, whether commercialised or fully privatised was still over 50 per cent in that period (Pankow, 1993: 59 and 157–163). Evidence since the mid-1990s showed similar trends. Union presence in state owned enterprises stood at 97 per cent, compared to 32 per cent in companies undergoing ownership transformation and 23 per cent of limited liability companies (Havlovic and Moore, 1997: 275). By the late 1990s, the combined working membership of Solidarity and OPZZ totalled around 3 million, representing about a third of the industrial workforce (with a few hundred thousand organised workers belonging to smaller autonomous unions) (OPZZ, 1999; Solidarnosc, 1999).

In Hungary, a further reason for the decline in union membership, according to Neumann, has been the tendency for highly skilled work groups to re-establish informal bargaining arrangements similar to approaches that had become established in the VGMKs (enterprise work partnerships) in the 1980s. Under these schemes core workers in enterprises had been allowed to subcontract work within state enterprises, and effectively to carry out collective wage negotiations while circumventing trade unions; at the same time, the job security and wage levels of the less skilled members

5 The mid 1990s figure of 60 per cent density for Hungary, may be a significant over-estimate, as there is little evidence to suggest that union membership would have halved in the last few years of the decade. Indeed, it is unlikely that union density in Hungary would be higher than in the more concerted Czech Republic in this period.

6 For example, in a newly established textile manufacturing company in Poland, the foreign owners did not recognise any form of collective employee representation. Instead an ‘employee assembly’ was established, which was essentially a managerially driven briefing and discussion forum (Federowicz and Pankow, 1994).
of the workforce had been undermined. Although contemporary management in foreign owned firms have avoided the re-emergence of such informal bargaining, many skilled workers in enterprises remaining under state or ‘insider’ privatised ownership have been able to re-establish a modified version of the VGMK system (Neumann, 1997: 185). However, while such workers see union membership as less relevant to them, for lower skilled workers in less secure jobs, unionisation remains more important. Density levels range significantly between sectors and types of worker. In the electrical and electronic sector, for example, one survey conducted in 1994 found average density levels of 70 per cent but whilst 75 per cent of blue-collar workers and 78 per cent of supervisors belonged to a union, only 30–35 per cent of technical workers did so (Mako and Simonyi, 1996: 29).

Overall, union density across the Czech Republic, Hungary and Poland is likely to continue falling, although in a differentiated way, depending particularly on size and ownership of organisations, the skill level of the workforce and the extent to which decentralisation becomes the predominant tendency amongst large organisations.7

Employer organisations

Although both entrepreneurial activity and the representation of employer interests had become increasingly possible during the 1980s, especially in Hungary and Poland, it was only after 1989 that national level employer organisations were able to emerge. As with the trade unions, their development followed two general patterns. Firstly, there were organisations that had existed within the old system, including chambers of commerce that had been incorporated into state structures, and groupings representing cooperatives and craft workers. These organisations were transformed into more autonomous ‘successor’ organisations, undergoing radical changes in their structure, roles and leadership. Secondly, new groupings have emerged, based on the concept of ownership representation, drawing their membership from new independent enterprises (Oechslin, 1991: 100–102). According to one estimate, the total number of employers’ organisations in eastern Europe increased from around 30 in 1992 to nearly 100 in 1994, with the largest number of these located in the Czech Republic, Hungary and Poland (Aro and Grunewald, 1995: 389).

Two problems in particular have affected the development of employers’ organisations in contemporary ECE. First, there has been a basic problem of indentifying interests of employers as a group. There are, for instance, entrepreneurs and owners of new private companies, including the owners of some fully privatised former state enterprises, and also managers of corporatised publicly owned enterprises, most typically joint stock companies being prepared for privatisation, that have gained greater independence from ministerial control. The division between entrepreneurs and managers of corporatised firms, has seriously inhibited the development of a recognisable set of employer interests on which employers’ organisations could mobilise (Egorov, 1995: 10). Second, in defining their roles in the 1990s, it has proved difficult for some employers’ organisations to distinguish their activities as chambers of commerce from their role as interest representation organisations for employers and entrepreneurs. The resulting confusion of roles has tended to limit the development of a cohesive set of organisations representing employers’ interests and has fragmented the structure of employer groupings overall.

Despite these problems however, employers have organised around a limited set of interests. First, they have recognised the need to participate in government sponsored tripartite fora and to become involved in shaping macro-economic policy. Second, employers have organised themselves in attempts to steer the process of deregulation

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7 Clark and Soulsby (1999) make the point that the multi-divisional form has been largely adopted in the Czech Republic in an attempt by managers to gain societal legitimacy, as introducers of western practices. In their study of three companies the trend proved unstable, with re-centralisation occurring periodically.
and to gain greater influence over the privatisation process. Third, employers’ organisations have responded to the needs of their members for more practical assistance, such as overcoming obstacles to business activity emanating from unreconstructed parts of the former regime, and by assisting them in such areas as raising capital, improving technology, developing new production methods and entering foreign markets (Grant, 1993: 86).

Within these general trends, there have been distinct differences between the three countries. Developments in the Czech Republic and Poland have focussed mainly on the emergence of new organisations, whilst in Hungary, there have been parallel processes of the emergence of new organisations and the transformation of older organisations. The state has also adopted a different stance in each country towards employers’ groupings. Whilst as Agh has noted, governments have displayed ‘functional empathy’ towards business in all three countries, their attitudes to employers’ and business associations have varied considerably, from the ‘top down’ approach of the Czech government to the ‘bottom up’ approach of successive Polish governments, with Hungarian policy lying somewhere in between the two (Agh, 1996: 15 and 19).

In Czechoslovakia prior to 1989, the main employers’ organisation within the state structure had been the Czechoslovak Trade and Industry Chamber which was active mostly as an agency supporting the export of Czechoslovak goods to the west. Although the Chamber survived into the post-communist period, it did not develop any clear role in representing the interests of independent firms in the new business environment; and so two new federations were established in 1990 to represent the two main groups within the ranks of the employers: the Union of Industry and the Association of Entrepreneurs.

Emerging partly out of old state structures, the Union of Industry brought together a number of different associations, mainly representing former state industrial enterprises. By 1995 it claimed a membership of around 1300 firms, employing around 20 per cent of the labour force. It had been formed originally by a group of 150 state enterprise heads who had recognised the need for a new interest representation body for managers and employers following the economic reforms. As a result, first of the break-up of the VHJ associations of enterprises after 1988,8 and secondly of the scrapping of enterprise councils in 1990, enterprise managements had been deprived of the organised networks they had previously used. Whilst the dismantling of the VHJs had disrupted their ability to deal with each other, the loss of enterprise councils had left managers without formal channels to communicate with trade unions as the remaining employee institution. The aim of the Union of Industry was to help in both of these roles.

The Association of Entrepreneurs was established as a completely new organisation to represent small and medium sized businesses. In the mid-1990s it claimed a total of 200,000 small business members, who employed less than 20 employees on average. While lobbying government for more support for small business, it has taken a more public and confrontational stand than the Union of Industry, not only in relation to government, but also to large scale industry and the big banks. Although they were set-up without the direct involvement of government, both organisations owed much of the extent and direction of their subsequent expansion to government intervention. Having established a tripartite council in 1990, the Czech government decided it was necessary to have a single business organisation to sit alongside the main trade union confederation. Faced with a range of different chamber and interest representation organisations with no clearly formalised division of functions between them, the government decided in 1993 to impose a more coherent structure. On the one hand, for the purposes of regulating business activity the chamber structures inherited from the old regime were merged into a broader Econ-

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8 VHJs were conglomerates of large Czechoslovak state enterprises, introduced in the early 1980s to create a highly centralised management structure. They were disbanded in the late 1980s as part of the decentralisation process.
omic Chamber of the Czech Republic. From now on the Chamber was confirmed in its role of providing support services and information rather than interest representation.

On the other hand, for the purposes of interest representation, the government used its influence to create a Confederation of Employers and Business Unions, including the two main organisations described above and a number of smaller associations that had also emerged during 1990. By the mid-1990s six associations were represented in the tripartite council as part of the Confederation. In addition to the Union of Industry and the Association of Entrepreneurs, they were the Union of Employers’ Unions (mainly representing the service industries), the Union of Civil Engineering Businesses, the Czech-Moravian Union of Agricultural Cooperatives, and the Cooperative Association.

As a result of the predominant role of the state, business associations in the Czech Republic have focussed largely on ‘peak level’ negotiations and have been relatively inactive at local level. Most of them, with the exception of the Association of Entrepreneurs, still bear the stamp of the old government networks from which they emerged. Moreover, perhaps reflecting the top-down character of the formation of their confederation, the business associations are more divided among themselves than the trade union confederation. Such conflicts came to a head in 1995 when the Union of Industry withdrew from the Confederation of Employers and Business Unions following a dispute with the Association of Entrepreneurs over relations with the trade unions. Whereas the Association had taken an antagonistic attitude towards the unions, the Union of Industry preferred a calmer negotiating stance (Orenstein, 1996).

In contrast to the Czech Republic, employers’ organisations in Poland were left to develop from ‘the bottom up’, without any clear direction from the government, and unlike the trade unions, little was done to set up means of representing employer interests at national level.9 After 1989 a wide range of employers’ and business associations were formed, and although they varied widely in size of membership, none gained the degree of preponderance that the two main organisations in the Czech Republic had achieved. Furthermore, whereas tripartism has supported a consolidation of employers’ organisations in the Czech Republic, the intractability of union disagreements in Poland tended to undermine the position of the employers’ associations and to distract attention away from them. For example, when talks of a social pact finally began in earnest in 1993, they soon became confused with party and trade union rivalries between different groups inheriting Solidarity and communist traditions. Moreover, there were many problems and inconsistencies in the measures that were introduced by Polish governments to regulate the representation of employers’ interests, including ‘unequal rights of trade unions and employer organisations, withholding the right of general representation from employer organisations, and inconsistencies between legislation on employer organisations and the labour code’ (Hausner, 1996: 114–118).

The effectiveness of employers’ groups has also been undermined by divisions and conflicts between them. Only one organisation, the Confederation of Polish Employers has played a relatively consistent role of cooperating in tripartite discussions, while other groups have either attended but then withdrawn, or have stayed away altogether. More fundamentally, the employers’ ‘constituency’ has been split between the very different interests and outlooks of public and private sector firms. While public sector firms are quite closely regulated many of the rules and restrictions only apply minimally to private companies. As a result, ‘employers in the private sector usually adopt an opportunistic attitude and try to benefit as much as they can from the absence of control. . . . This attitude excludes the possibility of any formal self-organisation’ (ibid: 118). Some of the larger associations attempted

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9 The main exception was an association representing craft industry businesses, which went on after 1989 to transform into an employers’ association, incorporating many newly formed (small) private companies.
to overcome the disunity by pressing for legislation to require compulsory membership of employers’ organisations in one of four national level confederations: the Polish Chamber of Commerce, the Association of Polish Craftsmen, the Union of Trade and Services Associations, and the Union of Transport Associations. However, this too has been contested by many of the newer and smaller groups (Orenstein, 1996).

Reflecting the more extensive market reforms prior to its political transformation (dating back to the late 1960s), the development of employers’ groups in Hungary has taken place over a longer period and has been more diverse and structurally fragmented than that of its neighbours. By the 1980s there were six organisations within the structure of the state that mainly served to regulate and incorporate economic activities outside the state owned sector, but also represented the interests of their sectors to a limited extent. Three of these represented the different kinds of cooperatives in agriculture, industry and trade, and two others represented small handicraft producers and retailers. The largest organisation, the Hungarian Chamber of Commerce mainly provided support for foreign trade and acted as the regime’s business representation organisation on international bodies. As the economic reforms of the 1980s deepened, it gradually took on a more active role in interest representation on behalf of a growing number of independent and privately owned firms and collected the latter in their own subsidiary branch organisation.

Following the systemic changes in the late 1980s and early 1990s, a proliferation of smaller groups sprung-up representing employers’, professional and business interests in different areas of economic activity, numbering nearly 1,000 by 1992. This led to a general problem of the fragmentation of employers’ interests, with a wider range of organisations overlapping in terms of both membership and functions. Moreover, “some hundred thousand new, mostly small and medium sized entrepreneurs did not belong to any of these organisations … and many firms opted for the strategy of free riding” (Agh, 1996: 13). A more diverse situation also developed at the national level. Changes took place in the leadership, ideology and functions of the six ‘business’ representation bodies, their former links with the state were broken, and they transformed into six independent ‘successor’ organisations. Alongside them, three new organisations emerged to represent newly formed private firms.

As a result it was not clear how far any of the employers organisations could speak for any identifiable interest. Whilst the emergence of so many different associations and groups reflected a strongly developed business community in Hungary, the rapid proliferation of groups hampered any clear definition of roles between them, and the representation of specific employers’ interests suffered from confusion and fragmentation. Competition was even greater than among trade unions, and unlike union members, some employers had sufficient economic power to attempt to lobby government directly rather than working through intermediary associations. Furthermore, a major problem for the effectiveness of the Hungarian employer organisations was a confusion between the role of chambers providing various kinds of information and support services to their members, and the role of interest representation on behalf of the business community.

In response to the general confusion and fragmentation, and in order to identify employers’ representatives to negotiate with, successive Hungarian governments have intervened to impose some order in the affairs of business representation organisations. First, under the MDF led coalition between 1990 and 1994, pressure grew for employers’ groups to affiliate with one or other of the nine member confederations on the employers’ side. Thereafter, under the Socialist-Liberal coalition from 1994 to 1998, these developments were sustained as part of the government’s aim of greater tripartite cooperation (see below). The new government also sought to provide greater regulation and clearer demarcation between the roles of different kinds of employers’ organisations through legislation on chamber organisations. A new law that became effective in 1995 required the separation of the functions of official
chamber organisations that regulate business affairs from the role of business interest representation.

Under this law there were three different chambers for different areas of the economy: the Hungarian Chamber of Commerce, the Hungarian Chamber of Agriculture and the Hungarian Chamber of Handicrafts. Membership of one or other of these chambers was compulsory for all firms and self-employed people. The functions of the chambers were to register firms according to their activities, regulate hours of operation, promote licensing and standardisation of occupations, and regulate entry into some business activities, especially in craft production (Cox and Vass, 1995: 114–116). Now separate from the chambers, the nine business interest associations that had emerged by the early 1990s held seats on the Interest Reconciliation Council. Three of these aim to represent large and medium sized businesses: the Hungarian Employers’ Association (a successor organisation now completely separated from the Chambers of Commerce, with around 9,000 members); the National Association of Hungarian Industrialists (with over 2,000 members in large and medium sized companies); and the Agrarian Employers’ Organisation (representing large farms and agri-business). A further three organisations that formerly represented the cooperative sector still retain that role as well as representing other small and medium sized businesses under different forms of ownership. There are also three groups representing smaller and medium sized firms without roots in the old cooperative sector, two of these having their origins in the old handicrafts and small trading sector.

To some extent, government influence and specific legislation brought about more cooperation between employers’ groups. However, these changes in turn produced new sources of uncertainty and competition. Although the chambers themselves were able to regulate business and employment more effectively than before, their separate existence, and especially the legal requirement of compulsory membership of the chambers, provided a threat to the viability of the business interest representation associations. They were reduced to providing a smaller range of services while at the same time needing to convince their members of the necessity of paying for two separate subscriptions (Agh, 1996: 19). Partly in response to these problems, the FIDESz-led government that was elected in 1998 has introduced a measure to end compulsory membership of the chambers, thus opening up again the question of government relations to business representation organisations.

Thus, attempts to reorganise employers’ and business organisations in ECE, whilst laying the general foundations for free market oriented employers’ associations to develop, has not overcome the problems of the diversity of interests among the different types of employer, continuing competition between associations for membership, or confusion between different roles that associations may have taken on. Beyond a broad interest in supporting the marketisation process, the different types of employers appear to share little in common. Employers and high level managers of the larger state, or recently privatised enterprises, continue to have a separate agenda from entrepreneurs in the small and medium size sectors of the economy, not least in the goal of the former group to retain state subsidies and hoarding labour. Foreign owned companies tend not to have been incorporated into the emerging new national structures. Furthermore, many large companies have expressed discontent with the whole structure of representation of business interests through tripartite councils. Although governments in each country have exerted some influence over the organisation of employers’ interests, albeit in different ways and varying degrees, the fragmentation of employers’ interest representation seems likely to remain a problem for the foreseeable future.

Renegotiating national employment relationships

In attempting to put some degree of order and regulation into increasingly differentiated ownership structures and fragmented industrial relations and employment institutions, the Czech Republic, Hungary and Poland have all introduced tripartite fora to replace the centrally administered state system. The empirical details of the
development of tripartism in ECE during the 1990s have been well documented, and will not be repeated here (see for example, Fine, 1997; Hethy, 1995; Reutter, 1994). Interpreting the significance of the emergence of tripartite institutions and agreements, however, is problematic, particularly in terms of what it implies for the nature of social partnership during the 1990s and beyond. Despite initial reservations by post-communist governments in the early 1990s, tripartite bodies emerged and extended their roles to varying degrees in all three countries. However, the long term trajectory of this trend is difficult to determine, especially as evidence since the mid-1990s suggests current conditions are not conducive to the further development of social pacts. According to Martin and Cristescu-Martin, three explanations of tripartism can be advanced. First, that it is purely a temporary expedient, with no long term significance for ECE industrial relations or social cohesion; second, it has long term goals but only as a ‘cover for liberal, free market strategies’; or third, it represents an . . . ‘embryonic form of neo-corporatism’ (1999: 6–7).

Although there is little likelihood of a return to state management of the economy and the incorporation of social interests into the institutional framework of the state as under communist rule, elements of ‘path dependency’ may have influenced a trend towards the establishment of corporatist arrangements instead.10 In this view, tripartism can therefore be seen as the beginnings of a system where the major social interests are incorporated into a social pact with the state through the participation of their interest representation organisations in a tripartite body. In return for a role in influencing policy through their ‘peak’ representation organisations they also accept regulation by these bodies on behalf of the state.

In terms of constraining industrial conflict, tripartite fora in the Czech Republic, Hungary and Poland had some success in the first half of the 1990s. Only a handful of officially recorded strikes or lockouts took place during the 1990s in the Czech Republic and Hungary,11 whilst in Poland the total number fell consistently during the decade from the turbulent period of the early 1990s.12 Whilst some of the characteristics of conflict differed between the three countries, particularly in Hungary where the average number of workers involved in each strike appeared to be very large, on the whole, the strikes or lockouts lasted for a very short time in all three countries; typically one to three days on average throughout the first half of the 1990s (International Labour Office, 1997: 250–254). The cause of and settlement basis of these conflict situations is not clear, although many of these disputes probably revolved around a complex cocktail of pay issues and economic restructuring. It is reasonable to suggest that negotiations at national level in tripartite fora played some role in constraining the actions of both employers and workers and their unions, especially in the more high profile disputes, such as the Hungarian taxi drivers and Polish railway workers strikes in 1990, and the Czech railway workers strike in early 1997.

In contrast to the ‘corporatist’ view on tripartism, an alternative possibility is that tripartism has been a pragmatic response to pressures on key social agencies to reach some kind of temporary accommodation, and therefore they are unlikely to survive in the longer term. In the words of one commentator, ‘tripartite bodies, and especially the integration of trade unions aim . . . at reducing social conflict for a limited time [rather] than of shaping long-term public policies’ (Reutter, 1994: 22).

By the late 1990s, industrial conflict had become a characteristic of industrial relations in strategically important sectors such as transport, education and health.

10 In each country, the transformation process has been ‘path dependent’, depending on the details of the way various groups and institutions had begun to adapt and change under communism (Stark, 1992).


12 The total number of strikes and lockouts peaked in Poland in 1992 (6,351) and 1993 (7,443), and then declined significantly to 42 in 1995, 21 in 1996 and 35 in 1997 (International Labour Office, 1998, 1220).
There were strikes in all these sectors in Poland during 1998, and railway workers struck in Hungary in early 1999. Even in the Czech Republic, where industrial relations retained a veneer of cohesion, and social interest group conflict has been most constrained on the basis of a trade off between low wages and low unemployment, the tripartite system (the RHSD) came under great strain in the late 1990s. Whilst the Czech social pact worked relatively well in maintaining social harmony in the first half of the decade, in recent years there has been growing worker unrest, especially in the public sector, where according to Pollert, the issue of low wages and impending sectoral restructuring and privatisation plans have become the ‘central union platform’ (1997: 212–215). In the railway industry, for example, a national strike was sparked in early 1997 by management proposals to shed 40,000 jobs over three years. A compromise agreement was thrashed out in the RHSD, although leaving unresolved the central long term issue of job cuts and line closures in return for large scale investment (Financial Times, 1997: 2). Public sector workers took industrial action throughout the Czech Republic in the summer of 1998 over discontent with salaries, a dispute that was settled in early 1999 with the implementation of a 17 per cent increase on basic wages.

Moreover, it should be noted that in all three countries, governments do not have to accept the decision of these fora, can generally dictate the agenda (if only by deliberate inertia), and play one party off against another, thus potentially undermining the degree of commitment of the other parties to these discussions. In Poland, the OPZZ withdrew from the tripartite Commission for Social and Economic Issues in April 1999, due to constant friction with NSZZ Solidarity representatives, and a perception that the OPZZ was not being dealt with on an equal footing by the government. The only example to date of a more concerted attempt at a general social pact involving longer term policy making was the failed attempt of the Hungarian government in 1994–95 within the framework of the Interest Reconciliation Council, a strategy critically undermined by the new Socialist-Liberal government’s introduction of a package of ‘shock therapy’ reforms in order to stabilise the economy in 1995, thus requiring a series of cuts in spending that the unions could not agree to.

A further problem, especially as far as the trade unions were concerned, lay in the doubts over the ability of tripartite decisions to be effectively transposed to individual enterprises. Whilst tripartite bodies in Poland, the Czech Republic and Hungary have been able to set national or sectoral minimum wage guidelines relatively easily, the guidelines have often not been followed by individual enterprises. For Hungary, Neumman has argued that ‘multi-employer’ collective agreements have not become an effective regulatory mechanism for wages and conditions of employment. Their real impact has remained a rather indirect influence on local agreements (Neumman, 1997). Finally, it is not certain that the legitimacy amongst the members of either unions or employer organisations would be sufficient to maintain their support in the face of tripartite agreements that were particularly disadvantageous to their membership.

Together with the fragmentation of industrial relations organisations, which has often made reaching a consensus on national level policies difficult, the shifting locus of industrial relations to the enterprise, has reduced the need for the parties to discuss key issues at national level. Most notably by the second half of the 1990s, where collective bargaining took place (often not at all in the private sector), it had become, de facto, an enterprise level activity. For example, in Hungary, the overall number of registered enterprise agreements increased from 391 in 1992 to 816 in 1995. In Poland, the number of agreements at this level stood at 6,128 in September 1996, of which 2,337 had been concluded since September 1994. And by 1995 in the Czech Republic, over 30 per cent of employees were estimated to be covered by enterprise wage agreements. At the same time, whilst industry-wide agreements had gained momentum in the early 1990s, facilitated by tripartite negotiations in all three countries, by the mid 1990s they had clearly declined in importance. In Hungary, 24 sectoral agreements were in place in 1992, but only 7 in 1995; in Poland, only 10 agreements had been concluded above the enterprise level by September 1996. Even
in the apparently centralised Czech industrial relations framework, enterprise bargaining has become the explicitly favoured level of the Government (International Labour Office, 1997: 148–149), and by the late 1990s, there was increasing tension between the interests of government, employers and unions over the degree of (de)centralisation in the system.

Moreover, the diversification of ownership forms has created a highly differentiated set of employer and worker interests. During the second half of the 1990s in Hungary, the lack of a coherent set of interests between private and state sector employers, led the government and trade unions to consider formalising an already changing set of institutional arrangements, turning the IRC into a consultative body solely for the private sector, and leaving the Forum for Budgetary Institutions (KIET) to conduct macro level negotiations in the remaining state sector (Girndt, 1998: 10–11). Under the post-1998 FIDESz-led government a more radical restructuring of interest reconciliation has been introduced. This included the decentralisation of more issues to firm level agreements, and the division of national level discussions between a range of different specialised councils dealing with different areas of policy. So far these councils have not developed sub-committees and it seems likely they will deal with less business than their unified predecessor.

All of these developments raise the question of whether ‘tripartite agreements are substantially underwritten’ in east central Europe in terms of delivery mechanisms of nationally agreed policies to the enterprise level (Thirkell et al., 1994: 93). In the context of the fragmentation of industrial relations organisations and the increasingly tenuous nature of agreement between employers’ and employees’ organisations and government, the scepticism of the ‘pragmatic/compromise’ view of tripartism would seem appropriate as we enter the new millennium, although it is likely that the industrial relations parties in all three countries will seek to maintain some form of social dialogue, given their ambitions to enter the European Union.

Conclusions

This article has examined the evolution of industrial relations in the Czech Republic, Hungary and Poland, focusing on two main themes. First, the fragmentation of employee and employer organisations since the late 1980s, and second, the development of various tripartite fora in the three countries.

The ‘divergent paths’ in the changing nature of property ownership in the three countries have created both similarities and differences in patterns of industrial relations and the previous Soviet style system of industrial relations continued to constrain the development of a ‘new industrial relations’.

In Hungary and Poland, it is difficult to escape the overriding sense of a growing particularism amongst employers, managers and workers, which is undermining attempts both at creating strong representative national bargaining, consultation and policy making systems, and also in translating tripartite decisions to the level of the enterprise. For example, many individual enterprise employers are unlikely to adhere to nationally agreed wage minima or safety net standards, in sectors where competition over labour costs is fierce. Where employers see labour costs as less significant, in the foreign owned sector for example, adherence to nationally agreed minima may well be at the expense of an erosion in employment security, and the degree of worker participation in decision making; again undermining relationships between the tripartite parties. These differentiated approaches will further fuel the fragmentation of industrial relations in Hungary and Poland, for example, polarising wage differentials both between occupational groups and within individual enterprises. Moreover, non-unionism has become an important feature of employment relations in all three countries.

Within these broad trends, there has been a significant divergence between the three countries. In contrast to Poland and Hungary, trade unions in the Czech Republic have been able to retain a greater degree of cohesion and political legitimacy, especially noticeable in the relatively consensual process of integrating employee
organisations into tripartite fora. Poland appears most vulnerable to increasing fragmentation and conflict, given the lack of political legitimacy and industrial strength of employee organisations (at least outside of the traditional industrial sectors), and the lack of a clear set of employer interests. In Hungary, the best potential for the emergence of a more coherent industrial relations system theoretically lay in the restructuring of employee organisations around the largest union confederation, MSzOSz. However, even though independent unions have failed to gain a critical membership mass, this development is unlikely given the political and workplace friction between the various trade unions, as the failure of merger discussions between Liga and ASzOK in 1997 indicates (Girndt, 1998: 138).

In the Czech Republic, the emergence of relatively coherent employee and employer organisational structures offered some prospect for a concerted and relatively stable industrial relations in the first half of the 1990s, with the Czech tripartite body—the RHSD, acting as a key agency in the process of social stability. However, the social pact came under increasing strain in the latter part of the 1990s, with tensions also emerging over the degree of centralised control the national trade unions should exercise over their plant affiliates.

The main dilemma facing the development of social consensus in these countries is that tripartism needs to be a forum for effective interest group representation, but at the same time has to assist in the creation of coherent interest groups, particularly in the field of industrial relations, where the main actors (government, employers and trade unions) tend to lack societal legitimacy.

The long term opening-up of political life which includes a meaningful input from a broad set of social interests, will depend on the outcomes of political battles, in which trade union representation in tripartite fora are a central part (Myant and Smith, 1999: 11). Through the 1990s the character of tripartism has changed in all three countries, largely contingent on the interaction of political processes and economic developments. But generally, in all three states, newly formed governments of varying political persuasion, have been reluctant to concede too much ground to the trade unions for fear of collective employee goals undermining economic strategy and the privatisation drive, a factor which has added to the tension between the main tripartite parties, and has undermined the likelihood of a more concerted and stable industrial relations developing.

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