

**Peripheral convergence in the crisis?**  
**Southern and Eastern European labour markets and industrial relations**  
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Paper for the SASE Annual Meeting, Boston, 28-30 June 2012

**Introduction**

Debates on labour market and industrial relations convergence in the EU have been concerned mostly with two types of possible convergence: between liberal and co-ordinated market economies, and between East (new member states) and West (old member states). This paper argues that the most striking process of convergence, if a partial one, has actually occurred between South and East, towards a socially embedded but strongly segmented and politicised form of flex-insecurity.

The paper compares the two largest Southern European EU countries (Italy and Spain) and the largest new member state (Poland), drawing on fieldwork and secondary literature on industrial relations and on labour market reforms since 2008, and especially changes in collective bargaining, trade union reactions, and labour market regulations.

The crisis has changed the form of labour market governance at the EU level from a very 'soft' towards a 'harder' one, which however affects only peripheral and indebted countries, mostly in Southern and Eastern Europe. The first question that arises is whether the deep reforms in collective bargaining and employment protection, combining with rising unemployment and weakened trade unions, are pushing Southern European countries towards a combination of flexibility and insecurity that had so far characterised Central-Eastern Europe. The second question is whether those Central Eastern European countries that have managed to escape the worst consequences of the crisis, like Poland, have moderated their neoliberal reforms, converging towards standards that so far characterised South Western Europe.

**Industrial relations in Europe in the crisis: systemic change?**

The research question of this paper came to my mind rather casually, when in the Autumn of 2011, during a period of research visiting period in Warsaw, I discovered that my neighbour was Greek, who had recently come to Poland in search of work.

In January 2012, Poland increased the minimum wage by 8.2%, to 1500 zlotys (€357). In February 2012, Greece reduced the minimum wage by 20% to €586, and by 32% for people under the age of 25, to €510. As an effect, for the first time, the minimum wage at Purchasing Power Standards (that is, considering the cost of living) is, for people younger than 25, higher in new member Poland than in old-member Greece. In 2012, according to data collected by the Wirtschafts- und Sozialwissenschaftliches Institut (Schulten 2012), the Polish minimum wage has also overtaken the Portuguese one.

Poland and especially Greece may be extreme cases in 2011-12: the only EU country that escaped recession, versus the most-crisis hit country. However, an extreme example may just highlight a broader but less noticeable trend: convergence, in labour standards, between Southern and Eastern Europe - unfortunately, mostly downwards.

The last few years have modified the terms of debates on convergence and divergence in European industrial relations. The influential Variety of Capitalism theory had claimed that economic internationalisation, far from leading to convergence, reinforced, through the 'institutional arbitrage' of international investors, national specialisation and therefore differences. However, others had rejected the idea of uniform national models of capitalism (e.g. Crouch 2005) and argued that in particular financial globalisation undermines supposed

national 'models' like the German one (Streeck 2009). While before 2008 doubts were raised on the viability of the 'Co-ordinated Market Economies', during the crisis the employment performance of Germany has been so impressive in relative terms, to become a 'model' across Europe for both Left and Right. The crisis seems to have validated the Varieties of Capitalism expectation of divergence: Germany, as well as, on the other side the UK, Ireland and the USA, have consolidated their 'institutional comparative advantages' and their dominant practices have been re-legitimised. However, not all developments are in line with the Varieties of Capitalism assumptions: Germany has expanded a low-wage sector, while Ireland, UK and USA have registered a massive state intervention into the economy.

Another convergence trend has not occurred: the one between old and new member states. Despite some degree of economic convergence, in terms of industrial relations the gap between East and West has even widened. In the new member states, collective bargaining, social security and interest associations, instead of catching up with western standards, have continued their fall and confirmed their distance from the so-called 'European Social Model' (Meardi 2012). During the crisis, new member states have performed in very different ways. Some (Baltic states, Hungary, Romania) have been hit very hard, and interestingly the very radical austerity and structural reforms implemented in the Baltic states (resulting in signs of economic recovery after two years, if only after a fall of up to a quarter of the GDP) started to be widely invoked (e.g. by IMF Director Lagarde and by the *Economist*) as a pattern to be followed by Southern European countries such as Greece and Portugal. On the other side, Poland has been exceptionally resilient, and the former Czechoslovakia, despite falling exports, has avoided the worst, showing also a revival of social concerns: in Slovakia the Left has returned to power, and the Czech republic has witnessed the largest union demonstrations of its history.

At the same time, the most disruptive effect of the crisis on industrial relations has been on Southern European countries, whose comparative advantage has long expired due to the EMU and to globalisation. While it is too early to say whether the reforms enacted in 2010-12 will lead to systemic change, they do impact some core institutions such as co-ordinated collective bargaining and employment security.

So far, Southern and Central Eastern European countries have shared some industrial relations commonality (relatively weak unionisation, union fragmentation and politicisation, gap between large and small companies, legacy of state intervention in the economy, high degree of informality, incomplete welfare state focussing on categories outside the labour market) but also some major differences: collective bargaining coverage is very high in Southern Europe and very low in Central Eastern European countries, strikes are much more frequent in Southern Europe, class orientations more prevalent in Southern European unions, and national-level social dialogue, while irregular on both sides, has produced much more concrete results (e.g. the so-called 'social pacts' of the 1990s) in Southern Europe. In the paper, I will discuss if these differences are waning under the pressure of the global economic crisis.

In terms of 'Varieties of Capitalism', Central-Eastern European countries, and even more Southern European ones, are 'mixed' cases with no clear comparative institutional advantage. As such, they should be forced, in the long run, either to change (by developing competitive institutions) or to decline. While Southern European decline has been evident over recent years, the adoptions of complementary competitive institutions is much less clear in either Southern or Central Eastern Europe. After investigating the process of change in Spain, Italy and Poland, I will look at possible explanations that take into consideration economic geography and political economy.

## Italy

Italy had passed important labour market reforms in 1997 and 2003, which corresponded to the fastest process of liberalisation amongst OECD countries in the last two decades. However, the reforms had been conducted through social dialogue, with tripartite agreements (although the largest union, CGIL, did not subscribe to the 2003 reform), and respected the core principles of multi-employer collective bargaining and of protection against dismissal. When in 2002 the government threatened the reform of dismissal protection (art. 18 of the Workers' Statute of 1970), a three-million demonstration of CGIL forced it to backtrack. Until the crisis, Italy seemed a case of relatively enduring strength of collective bargaining and trade unionism. At the beginning of the crisis, short-working time programs and responsive trade unions allowed to maintain employment levels despite a sharp fall in GDP, similarly as in Germany. However, the country entered the crisis with two major economic problems: high public debt inherited from the 1980s made the country very vulnerable at a time of crisis, while a productivity decline since the introduction of the Euro in 1999 had worsened competitiveness especially in sectors with important new entrants such as Eastern Europe and China. Pressure on social rights steadily increased.

In January 2009, the employer confederation Confindustria and the unions CISL and UIL agreed a reform of collective bargaining, reducing wage indexation guarantees, despite opposition from CGIL. More drastic changes were introduced in 2010-11 by the largest Italian industrial company Fiat, now controlling Chrysler and managed by an Italo-American CEO, Sergio Marchionne. By threatening relocation to Poland, Marchionne could obtain the consent of CISL and UIL, and of a majority of employees in referenda, to new plant and company agreements outside the sectoral metalworking agreement, introducing notably more working time flexibility and a peace clause. The Fiat agreements were of historic relevance because Italy had lived since 1948 under the illusion of an *erga omnes* system of sectoral agreements: while not legally binding technically, sectoral agreements were routinely used by the courts as reference for setting the constitutional rights to fair wage and fair working time. The Fiat agreements affected union recognition too: by abandoning multi-employer agreements, Fiat also withdrew from the one of 1993 on the system of workplace union representation, and could de-recognise all unions that had not signed the company agreement – including CGIL, the largest union in the company and in the metalworking sector. On the 28th of June 2011 a new tripartite agreement was signed (including by CGIL) to reform sectoral collective agreements, allowing more decentralisation, but still in a co-ordinated way.

In August the situation precipitated because of financial turmoil in the Eurozone. Following unsustainable increase in the spread of government bonds, on the 5th of August, the European Central Bank's incumbent and elect presidents, Jean-Claude Trichet and Mario Draghi, wrote letters to the Italian and Spanish governments, asking for austerity budget measures, structural and constitutional reforms as implicit conditions for intervening, from the following week, on the secondary markets and purchase Italian (and Spanish) bonds. The two crucial measures (beside public services reforms) were the 'further reform the collective wage bargaining system allowing firm-level agreements to tailor wages and working conditions to firms' specific needs and increasing their relevance with respect to other layers of negotiations' and 'a thorough review of the rules regulating the hiring and dismissal of employees' (Trichet and Draghi 2011). A further request from the ECB was the amendment of the Constitution to introduce, on the recent German example, a commitment to budget balance. Constitutional reform is however a long process in the Italian legal system, requiring a minimum of four months and the possibility of a referendum, and the process could only start in 2012.

In response to this, then still unpublished, letter, the Berlusconi government prepared an austerity budget and reform draft bill on Saturday the 13th of August, and the following Monday the ECB started to buy Italian and Spanish bonds (the 15th of August is bank holiday in Italy and for most of August workplaces are closed for summer holidays, so no union protest was possible). The bill included a collective bargaining reform, which was made explicitly retroactive in order to legalise Fiat's legally disputed agreements. The new law allowed company agreements to derogate not simply from sectoral agreements, but also from legislation on dismissals. That article 18 of the Statuto dei Lavoratori, which had survived since 1970 and had been successfully defended by CGIL in 2002-03, to the point that the government and the employers had started considering it as 'untouchable', was now potentially emptied of content. Trade unions reacted angrily and committed never to sign company agreements derogating from the art. 18. On the 21st of September, on CGIL initiative, they reached a new bipartite agreement with Confindustria, reaffirming the agreement of the 28th and adding the commitment to include in company negotiations only matters previously agreed by the confederations at national level – that is, for the time being, excluding dismissal protection. As a reaction, Fiat announced to definitely leave Confindustria from the 1st of January 2012.

The sovereign debt crisis of Italy and of the Eurozone continued, however, and in November 2011, following new urgent requests for further reforms from the European Commission and the European Central Bank, and faced with strong mistrust from the financial markets, Prime Minister Berlusconi had to resign and was swiftly replaced by Mario Monti, former European Commissioner for the Internal Market, who formed a technicians' government with a very broad parliamentary majority. The Monti government passed immediately a drastic austerity budget for €30bn, including the drastic acceleration of the postponement of retirement age to 67. While the unions had successfully resisted more moderate pension reforms plan when threatened by the Berlusconi's government in 1994, this time they were powerless. A 3-hour general strike by the unions had limited following and no impact. In March 2012 the government announced a new labour market reform that rewrites the art.18 and reduced the right of return to work in case of unfair dismissal. The reform was prepared after consultation of the social partners, with the opposition of CGIL, and was approved by Parliament in May.

## **Spain**

The Spanish labour market is marked by the liberalisation of temporary employment that occurred in 1984, when unemployment was at 24%, after which temporary contracts multiplied from half million in 1984 to over 8 million in 1996. In the 2000s Spain witnessed a spectacular improvement in the employment figures, pulled by a boom in the construction sector, which accounting for 14% of total employment, twice the EU average, and by waves of large regularisation of undocumented immigrants working mostly in agriculture, construction and services.

In Spain the crisis has been sharper than in the other two countries. While the GDP fall in 2009 has actually been slightly less than in Germany and Italy, unemployment quickly more than doubled from 9 to 21%, reaching 24% by the beginning of 2012. Already in 2010, Socialist Prime Minister Zapatero had to stop its social reforms plans, introduce drastic austerity measures including public sector wage cuts, and confess, in May 2010, that governments cannot do anything when faced with the international markets, and that he wakes every morning worrying about the spread of Spanish bonds.

In particular the Bank of Spain, in association with the ECB, started exerting strong pressure for liberalisation, including decentralisation of collective bargaining the introduction of a flexible 'single employment contract' to overcome the dualisation between permanent

and temporary contracts. There is no evidence that such reforms could help Spain: actually, the drastic fall in employment shows that the Spanish labour market is, if anything, excessively flexible numerically. The derogation from multi-employer collective agreements' pay rates (the *discuelgue salarial*) had been possible since the reform of 1994. As a matter of fact, collective bargaining has also been responsive, if not immediately in 2008, certainly in 2009-10, with widespread wage moderation (Martín 2010). Radical reforms plans from the ECB are not supported by Spanish employers either. They reject the 'single contract' because the status of 'permanent employee' is a very important tool for the management of human resources in the structurally segmented Spanish labour market and Spanish companies, as proven by the lack of success, despite financial and legal incentives, of any intermediate contractual form such as the 'special contracts for the promotion of permanent employment' (*contratos de fomento de la contratación indefinida*), which tend to be rejected by employees as 'second-class' contracts. With regard to collective bargaining, Spanish SMEs, like their Italian counterparts, are not ready for company-level negotiations and therefore need the external reference of a multi-employer agreement, even if as flexible as possible.

The Spanish government responded to the crisis by launching a series of labour market reforms. The first major reform, announced in June 2010, significantly eased the preconditions and costs for lay-offs and for the *discuelgue salarial*, added incentives to the contracts of transition from temporary to open-ended contracts (*contratos de fomento de la contratación indefinida*) and liberalised temporary work agencies in sectors where they were banned, like construction. The reform was opposed by the trade unions which however could do no more than calling a largely ritual general strike on the 29th of September, with no perceivable impact. In February 2011, a tripartite agreement was passed to reduce pensions and to start negotiations on a collective bargaining reform. The negotiations suddenly collapsed at the end of May, on initiative of the most hard-line component of the employer confederation CEOE, the Madrid region's employer federation CEIM. In the lack of agreement, the government decided to legislate unilaterally. The final bill downgraded provincial collective agreements and limited the automatic prorogation of agreement, opening up the possibility for worsening employment conditions over time.

Far from being a definitive reform, due to the financial pressure in August Spain had to make, like Italy, new crucial steps as requested by the ECB. It quickly amended the constitution to introduce the budget balance principle, which is particularly striking given that the Spanish Constitution of 1978 had only been amended once, in 1992, and was considered as close to untouchable: its quick amendment almost without debate is so far the clearest occurrence of EU impact on national state traditions. In relation to the labour market, on the 26th of August the government announced a further reform that facilitates temporary agreements.

Facing increased unpopularity due to the crisis and the austerity measures, the Socialist government lost the snap elections of November 2011 to the rightwing Partido Popular. As in Italy, the new government moved swiftly to implement reforms, starting from austerity measures and then, in February 2012, to labour market and collective bargaining reforms. The reforms included a variety of major changes: (a) employer unilateral prerogative to introduce 'internal flexibility' (changes in job tasks, location and timetables), without the need for union or works council consent; (b) a new employment contract form, '*contrato de apoyo a los emprendedores*', foreseeing one year probation without employment security; (c) the reduction of compensation for dismissals; (d) priority of company-level agreements over multi-employer ones, and employer prerogative to reduce wages without union consent, subject to arbitration; (e) reduction of the time extension (*ultraactividad*) of collective agreements, until now indefinite, to a maximum of two years, after which all established rights from previous agreements terminate until a new agreement is signed.

The overall effect of the reform, against which the trade unions called a general strike for the 29th of March 2012, is a major increase of employer power. As in Italy, it is difficult to understand the economic urgency of these measures. Even the governor of the Bank of Spain, Miguel Ángel Fernández Ordóñez, admitted that in the short term the reform is likely to lead to further employment destruction. A socialist-allied think tank, Fundación Ideas, foresees that the reform would lead to the loss of 800,000 jobs, adding to the social, economic and public finance crisis (Fundación Ideas 2012). Moreover, the reform, by reducing administrative and collective forms of establishing working conditions and setting disputes, is likely to lead to a significant increase of legal disputes at the company level.

### **Poland**

While Poland is the only EU country to have not experienced any recession since 2008, this is not to say that crisis has not been felt in the country: the macroeconomic data, in fact, hide deep social and sectoral inequalities in the exposure to economic uncertainty.

Employees have felt the crisis more than the employers. Company profits kept rising between 2008 and 2011, from 85 to 120mld PLN (data: GUS). But at the same time, employment fell despite production and profits growing. Unemployment had been declining in Poland since entry into the EU, thanks to both economic growth and to emigration, but the trend was abruptly reverted by the crisis. The unemployment rate, which had reached a historic record low of 7.1% in 2008, reached 10.1% at the beginning of 2012 (data: Eurostat). Among the factors that contributed to the rise there are the crisis of some labour-intensive sectors, like construction, but also the negative situation on western European labour markets, which reduced opportunities for emigration as a 'safety valve' for hundreds of thousands of Polish workers. However, no significant return of emigrants from western Europe was registered, and the surprising fast rise of unemployment in a period of economic growth (however slow) requires a broader explanation

Poland belongs to the group of industrialised countries with the largest proportional increase in unemployment, and in particular to those with the highest elasticity of employment to economic downturn, like for instance Spain and the USA. This appears in direct relation to the high numerical flexibility of these countries, and in particular weak employee protection. Poland has relatively low levels of employment protection legislation and in particular the highest share of temporary employment in the EU (26.9% in 2011), with self-employment also above EU average (18% as against 15% EU average). The stress on flexibility in the last two decades has turned employment reduction into the natural response for companies in crisis, rather than working time reduction or functional flexibility as it happened in countries with strongest social dialogue structures such as Germany. At the same time, regardless of the crisis, Polish companies have proceeded with the process of labour intensification and labour substitution through technology that has accompanied economic transformation since the 1990s.

Polish employees have also been affected by the crisis in terms of pay, which, in nominal terms has remained constant in the three years 2009-11 (data: GUS). Although Poland has not seen the falls in nominal pay that have hit employees in other more crisis-hit countries (e.g. in the Baltic states), and nominal pay has at least increased at the same rate as inflation, the crisis has interrupted the process of slow but continuous wage convergence with western Europe that had started in the 1990s. The ratio between nominal Polish hourly wages and the German ones had risen from 0.14 in 1996 to a record high of 0.27 in 2008, but it then fell back to 0.22 in 2009, as a consequence of wage stagnation and a worsening exchange rate (our elaboration on Eurostat data).

In terms of sectors, services and agriculture were largely unaffected thanks to enduring internal demand, with the notable exception of banking. Manufacturing was the

economic sector where employment was hit the hardest, with an 8% fall in employment in 2009 and only very little growth in 2010-11 (data: GUS). Construction was affected, but, thanks to growing public investment in infrastructure, including through EU structural funds and the preparation of the European Football Championship of 2012, in a much less dramatic way than in western Europe.

The rapid changing conditions on the labour market were recognised by all actors. In the previous period, retention of employees in Poland had become a political and economic priority, which had led to frequent wage increases, including in the public sector ahead of the 2007 elections: the labour market was considered as ‘overheated’ by rapid mobility. Since the emerging of the crisis, despite relatively good macroeconomic conditions, job protection, including through working time reduction, became a priority. A consequence of this shift was a change in the rhetoric of labour market flexibility, which had been dominant in Polish debates since the mid-1990s and especially during the reforms of the Labour Code of 1996 and 2002. Even a representative of the private employers’ confederation PKPP-Lewiatan (our interview, October 2011), had to concede that the flexibility side of EU-promoted flexicurity was not an adequate policy in periods of economic downturn.

There has been, however, relatively little change in macroeconomic political orientations. With the exception of the short-lived populist governments of 2005-07, Poland has remained officially loyal to a policy of minimal intervention in the economy, as from the famous sentence of the first non-communist industry minister Tadeusz Syryjczyk in 1990, that ‘the best possible industrial policy, is no industrial policy’. Poland did introduce a stimulus package in 2008-09, equal to around 2% of GDP, but below European average, and the government did not need to bail out or nationalise any important company, as it happened in several western countries. The main political change caused by the crisis was the deferral of entry into the Eurozone. While in 2007-08 the government planned to prepare Poland to enter the Economic and Monetary Union by 2012 (under the slogan ‘Euro for the Euro’, referring to the European football tournament to be host by Poland in 2012), the unfolding instability of the Eurozone and the volatile exchange rates quickly convinced the government to defer such strategy to more stable periods.

However, a significant change in political climate could be registered. The government coalition between liberals and peasant party that has been in power since 2007 has conducted rather centrist, moderate policies, avoiding radical reforms, which contrasts with the alternation of neoliberal and populist excesses that had characterised Poland since the beginning of the democratic transition. This has led to more stability, despite increased tensions with the opposition following the disaster of Smolensk in April 2010, in which President Lech Kaczyński and a number of state authorities died. In the 2011 elections, the Tusk government was the first incumbent government since 1989 to win a second mandate. At the same time, new opposition forces with new political messages emerged. During the crisis, the term ‘junk contracts’, originally launched by marginal leftist forces, quickly became the common-language term, used by the whole political spectrum, to refer to all atypical and precarious employment contracts – which until only few years before were universally accepted as expressions not only of flexibility, but even of ‘freedom’ for both employers and employees. A new party, called ‘Palikot’s Movement’ in the name of its founder and leader, comparable to western European forces such as the ‘pirate parties’ of Germany and Scandinavia, entered parliament with 10% of the vote in 2011, campaigning against those ‘junk contracts’, and also proposing that ‘the state should build factories’ to create employment, something that was previously considered as tantamount of communism. The Palikot’s Movement, however, is at the same time strongly anti-union and represents business circles rather than employees: but in its search of a new political language, it has

contributed to a striking change in the terms of public debates on social and economic issues in Poland.

The global financial crisis of the Autumn 2008 rapidly found its echo in Poland, leading to intense tripartite negotiations on how to respond to it. After several western governments implemented rescue packages for banks and large companies and started elaborating large stimulus packages, similar proposals were raised in Poland. The first demands came from the automotive sector, which is tightly linked to western economies and especially that of Germany. Soon after the German government introduced its investment plan and the extension of the short-working time scheme in November, in December the metalworking federations of *Solidarność* and *OPZZ* joined forces with the employers' Automotive Industry Association to demand a government rescue plan for endangered companies. This marked a shift from adversarial industrial relations to a new pattern of 'political exchange': the Automotive Industry Association had until then rejected any proposal of co-ordinated industrial relations and collective bargaining, but now needed social support for its economic demands towards the government.

This pattern quickly reached the national level, and in February bilateral negotiations started between unions and employer associations within the Tripartite Commission, on the crisis and on EU subsidies. The negotiations led to the most comprehensive bilateral agreement since the early 1990s, with the signature of an 'anti-crisis package' proposal in 13 points on the 13<sup>th</sup> of March (Gardawski and Meardi 2010). Among the 13 points there were employers' requests, including working time flexibility (annualisation of working hours) and subsidies for lifelong learning, besides union requests, such as the increase in the minimum wage and limits on temporary contracts. The government expressed appreciation but it had not been a part of the negotiations, and it reserved the right to implement the 13 points, subject to financial considerations. When it eventually did implement it into law, on the 1<sup>st</sup> July 2009, it did so selectively, namely postponing any minimum wage increase, and with changes, in particular on working time flexibility. The package, introduced for a period of two years, received employers' support but caused the uproar of the unions and especially of *Solidarność*, which felt that the spirit of the agreement had been violated. However, the unions limited their disappointment to declarations, and no protest against the measures was organised, although campaigns for an increase in the minimum wage continued.

The anti-crisis package had mixed success. The working time regulations were the most popular: over 1,300 companies, employing over one million people (half of whom in the automotive sector), took advantage of the norm that allows company-level agreements to make working time more flexible (in particular, the annualisation of working hours). Some implementation occurred also outside manufacturing, in large companies and especially multinationals, such as France Telecom. This measure is deemed to have limited job losses in manufacturing, although a precise assessment of the effects is lacking. Although the trade unions criticised the law, at the company level employee representatives behaved in an accommodating way, exchanging working time changes for job protection. In companies where no unions are present, the law allowed agreements on working time to be signed by ad hoc employee representatives. This wave of company agreements might appear as a step forward for company-level social dialogue and collective bargaining, but it does not seem to have had any spill-over effect on negotiations on other topics, or in other sectors of the economy. Other aspects of the package remained virtually dead-letter, in particular the support to lifelong learning (only 15 companies for a total of 55 employees benefited from it), mainly because of the administrative burden involved and the limited interest in retraining among both employers and employees. Changes in the regulation of temporary employment did not affect the extremely high level of temporary employment. Given the divergent



opinions on the package, it was not renewed when it expired at the end of 2011, but negotiations of a revised version of some measures resumed in the Spring of 2012.

A second, if indirect, impact of the crisis was on social expenditure. Polish government deficit increased to over 7% of GDP in 2009 and 2010, and although the accumulated debt is, at 56.3% of GDP in 2011, well below the EU average of 82.5% and within the Maastricht criteria, this raised demands for welfare cuts. After winning a second mandate in 2011 the Tusk government launched a plan for a reform of the pension system, involving in particular the increase of retirement age from 65 (men) and 60 (women) to 67. Trade union opposition to the plan was very strong, and it became the occasion for unprecedented joint action between the long-time rival union confederations *Solidarność* and *OPZZ*. *Solidarność* collected two million signatures to ask for a referendum on the reform, but the Parliament rejected the petition. Nonetheless, the protests forced the government to make some changes in the proposals strongly opposed the plan, allowing earlier retirement for women, even if with lower pensions. The unpopularity of increased retirement age for women must be understood in the context of the Polish welfare state, which provides the lowest levels of childcare in post-communist Europe: as a consequence, retired women tend to play a crucial subsidiary role, whose removal threaten the maintenance of female employment, which is already, at 53.1% (2011) well below EU average (58.5%).

As a consequence of the deep sectoral differences in the exposure to the economic crisis, the collective bargaining developments changed as well. I can distinguish between sectors that have benefited from rising prices of energy and fuel (coal mining), sectors protected from the global economy (i.e. healthcare), those affected by volatility (construction) and the manufacturing export sectors closely tied to the global downturn (such as automotive).

In the coal sector, a traditional core industry in Poland, the continuous reduction of employment, which was accompanied by social negotiations and conflicts, came to an end after the increase in oil price made Polish coal competitive again. At the same time, tripartite consensus between unions, employers and government was achieved on the strategic issue of emissions: Poland decided to veto EU directives that would involve binding reductions of emissions on all EU countries, which in the case of Poland could only be achieved through the closure of coal-fired power stations. Despite this political cross-class coalition, industrial relations in the mining sector are marked by traditionally adversarial, on both pension reform and wages. The reform of miners' pension scheme in 2010 was however a case of successful, if difficult, negotiated reform, on which the government avoided acting unilaterally but still achieved significant change. In collective bargaining, trade unions were very assertive in exploiting the sector boom and increased productivity to demand wage increases well above inflation (in 2011, 30% as against a national average of 5.4%, according to GUS data). Similarly above-average wage increase took place in the related energy sector.

The healthcare sector also witnessed employee assertiveness, although for different reasons. Public healthcare expenditure in Poland is among the lowest in the EU (4% of GDP in 2007, as against 6.7% EU average, data European Commission), but there has been a strong political pressure to increase it. In the years before the crisis, strong mobilisation from the trade unions of nurses and doctors, waving the risk of massive emigration of health professionals towards Western Europe, achieved significant concessions from the government (Kahancová and Kaminska 2012). Despite the worsening financial conditions of many hospitals since 2007, the overall healthcare expenditure was not cut but kept slowly increasing, and the unions maintained their mobilisation power, effectively defending jobs and employment conditions. Doctors were more successful in achieving wage increase, but also nurses reached a particularly important collective agreement in June 2010, improving employment conditions such as the nurses-patient ratio. The fact that the best gains were

achieved by the unions in election years (2007 and 2010) indicated that in the public sector the unions have been able to use their political power effectively, regardless of the global economic crisis. Overall, the public sector has had the main responsibility for the large increase in strikes in the period since EU accession. Since 2009, pay bargaining in the public sector is no longer subject to regular negotiations on each February, but depends on the will of the sides. As an effect, labour conflicts on wages in the public sector have doubled since 2009, as unions now often need to use the strike threat to force the employer side to the bargaining table.

The situation has been more complex in construction. While the home-building sector suffered from the credit crunch, Poland also witnessed large infrastructure investment, in relation to both EU structural funds and the organisation of the 2012 European Football Championship. The Polish construction sector, characterised by its inherently mobile workforce, had also suffered from massive emigration towards western Europe and in particular the UK, and despite the crisis that started in 2008, no significant return of those migrants occurred. During 2007, emigration had led to labour shortages and disorderly pay increases. Despite government promotion of sectoral collective bargaining to stabilise wage developments in 2007-08, the employers opted for the alternative strategy of asking the easing of immigration for construction workers from the Ukraine, Belarus, Moldova and Asia. Although only 35,000 work permits were issued, the construction trade union *Budowlani* estimates that 300,000 foreign workers work in construction in Poland (our interview). The main reason for the lack of sectoral bargaining is the enduring disorganisation of the sector, where companies range from large western multinationals to informal small companies, and there are three competing employer associations. The trade unions are also too weak in this sector to force alternative solutions: exit through emigration, rather than voice through collective action, has therefore remained, since the 1990s, the default option for Polish construction workers (Meardi 2012).

The automotive sector is the one most clearly affected by the crisis. It is export-oriented, and it is largely dominated by western multinational companies. Given that production is largely for export, the enduring internal demand was not sufficient to avoid a major fall in production. The fall was particularly marked in 2009 and again in 2011, when it fell by 20%. After a period when relocation from the West to the East was the main industrial relations issue at the transnational level, the crisis revealed that central eastern European employees' jobs were more insecure than their western counterparts', being to a certain extent a production 'buffer', while the core workforce in the West was more protected, also thanks to the political intervention. For instance, in 2010 Fiat decided (after major union concessions in Italy) to transfer the production of the Panda from the Polish factory of Tychy to the Italian plant of Pomigliano, while the General Motors Polish factory of Gliwice, previously considered as the corporation flagship factory in Europe, in 2011-12 found itself under the same pressure than the older western plants. As mentioned in the previous section, this was the sector where the anti-crisis law found its largest implementation, with hundreds of agreements that exchanged working time changes for job protection. Despite this increase in company-level bargaining, no progress was made at the sectoral level, except for the above-mentioned joint union-employers position on the crisis of December 2008.

The steel sector is exceptional in its trend. The level of unionisation is with 60% high, which is considerable in comparison to the 15% national average. Steel was one of the first sectors to have a sectoral collective agreement after 1990 (sectoral agreements formally existed under communism in most sectors, but were not the expression of free collective bargaining), in contrast with decentralised bargaining that dominates in most of the economy. Important sector agreements were signed between 1998 and 2004, and company agreements also later, including employment guarantees until 2009. However, once the crisis struck, the

employers refused to renew or renegotiate the agreements when they expired in 2009. Companies, including the largest sector employer, ArcelorMittal, proceeded to the unilateral cut of 10,000 jobs in 2009-11, and re-employed up to a half of them through job agencies, with lower guarantees. In one of the very few sectors where multi-employer bargaining existed, the crisis seems to have put an end to it.

### **Conclusion**

Statistics on industrial relations in Italy, Spain and Poland have not yet detected a systematic convergence between Southern and Central Eastern Europe, also because data are only available until 2008 or 2010 (Table 1). In particular, union density and collective bargaining coverage have not yet registered significant changes: Italian trade unions are still stronger than their Spanish and Polish counterparts, and collective bargaining coverage is still very different between South and East. The only quantitative dimension where convergence is detectable is strike intensity: while in 2002-04 there was an abyss between Southern European strike-proneness and Polish worker quiescence, in 2008 data were comparable for the three countries. This is however the dimension where data are more volatile and national statistics least comparable: strike regulations being very different, it is likely that fewer Polish work stoppages deserve the definition of legal strike. This trend in mobilisation will therefore need to be confirmed over time, but it seems consistent with anecdotal evidence of stronger worker assertiveness in Poland following EU integration and better labour market conditions (Meardi 2012) and on Spanish and Italian workers disillusion with the traditional tool of general strikes.

The detailed analysis of the most recent developments (2010-12) presented in this paper offers however qualitative evidence of strong convergence on other dimensions: collective bargaining centralisation, national social dialogue and employment protection law systems. Recent reforms of collective bargaining, through national agreements and unilateral employer action in Italy, and through legal changes in Spain, have undermined the influence, if not the extension, of multi-employer bargaining in these countries, and in particular the core principle of non-derogation from sectoral agreements. In Poland there have been attempts at collective bargaining co-ordination, especially in the period of labour market shortages around 2007, but with little effect, and the crisis has confirmed a system based on decentralisation and voluntarism. On the collective bargaining dimension, convergence is occurring towards Central Eastern European standards.

On national-level social dialogue, the importance of social pacts in Italy and Spain, although more regular and institutionalised in the latter (Pochet et al. 2010) has been reduced by the reforms of 2010-12, largely imposed by external actors and with little scope for negotiations. By contrast, in Poland social dialogue in 2009-12, even without producing important agreements, has been much more concrete than in previous years, when it had been labelled as 'façade corporatism'. The anti-crisis law of 2009 was anticipated by an important bilateral agreement, miners' pensions were reformed through social dialogue, and the pension reform of 2012, while technically unilateral, took into consideration union demands much more than the Italian reform that took place at the same time.

Finally, employment law has registered major change in regulations, practice and discourse. In Italy and Spain, the traditional segmented system has undergone gradual flexibilisation. By contrast, in Poland flexibility rhetoric has reached a limit and the government is forced, in 2012, to negotiate the introduction of more rights for atypical employment contracts, whose incidence in the meanwhile has overtaken Spanish levels.

**Table 1 – Industrial relations in Italy, Spain and Poland before and after the crisis<sup>1</sup>**

	Around 2004			Around 2012		
	Italy	Spain	Poland	Italy	Spain	Poland
Unionisation	34%	16%	22%	34%	16%	15%
CB coverage	80%	88%	42%	80%	84%	38%
CB centralisation	High	High	Low	Medium	Medium	Low
Strike intensity	122	197	1	52	74	28
Social dialogue	Irregular/ incomplete	Regular	Façade corporatism	Irregular/ incomplete	Irregular/ incomplete	Irregular/ incomplete
Employment protection law	Flexibility at margins	Segmented	Flexible	Flexible	Segmented	Flexible and segmented

It is too early to say whether it will actually lead to systemic change: it remains to be seen if the actors will actually implement, at sector and company levels, the changes introduced centrally. These countries have a tradition of mismatch between higher formal levels and lower informal ones, as described particularly sharply by Regini (1995) in the case of the contrast between national-level conflict and local-level micro-corporatism in the 1980s Italy, and several liberalisation reforms of the last few years (many parts of the 2003 Italian reform, the *contrato de fomento del empleo* in Spain, the permission of company agreement derogation from dismissal protection introduced in Italy in August 2011) remained very little used. Yet the change enabled by recent reforms affect the core of Italian and Spanish labour market regulations: co-ordinated collective bargaining and employment security. The reforms of 2011-12 would not have been thinkable without direct institutional intervention from the EU. In few months, the European Commission and the ECB achieved what Spanish and Italian employers and rightwing government had not even dared to ask. Labour resistance, which had previously had some success, is now in a weaker position when fighting a more elusive opponent, uninterested in local political exchange and unaffected by general strikes.

In Poland, the developments mark the end of market euphoria in Poland, the frontrunner of neoliberal transformation in the region. Restructuring through integration in global markets is no longer seen as necessarily good, given the experience of the steel sector. Previously hyped employment flexibility is no longer considered as unproblematic, given the emerging social problem of precariousness. And while the pension reform through privatisation of 1998 had passed almost without resistance, the new reform of 2012 run into massive, and partially successful, union opposition. The crisis' mediated effects rather strengthened and stabilised the main lines of the Polish socio-economic model, which has been defined as 'embedded neoliberalism' (Bohle and Greskovits 2007): a form of neoliberalism that includes decentralisation, flexibility and residual welfare state, but which moderated its inherent insecurity through strong political intervention in the economy and through a relative degree of self-reliance.

In Southern Europe, some have interpreted the new trends as a new form of 'dependency': richer European countries would force austerity and labour market reforms on peripheral ones (in the East and in the South), despite their apparent economic uselessness and even harmfulness, in order to poach skilled labour and to reduce potential competitors to the subordinate role of low-skill, low-added value producers (Neguerela 2012). The fact that the Italian companies most negatively affected by the crisis are those of the previously most successful industrial districts might be seen as evidence for such an interpretation: disruptions in legal institutions undermine the informal resources that at least some companies have developed, loading more problems rather than solving any. In large part, the reforms

<sup>1</sup> Data: Union density, collective bargaining coverage: ICTWSS database, 2004 and 2010; strike intensity: ILO Laborsta, average 2002-04 and 2008.

correspond to the interests of financial capital to shift their losses on to employees and public budgets, even when this is harmful to productive capital. It also corresponds to the interests of some new or larger employers, which rely less on traditional informal relations and on paternalistic management control, starting from large multinational companies like Fiat and Vodafone.

There is no doubt that the recent reforms are the most radical of the last thirty years for Italy and Spain and aim to radically modify the employment relationship in terms of representation and association rights, employment protection and social security. The outcome could be a convergence of Southern Europe towards social standards of Central Eastern Europe, with much weaker social partners, a more decentralised labour market, high levels of emigration, but on-going state interference and large areas of informality.

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