

Social Pacts: a Western Recipe for Central and Eastern Europe?

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Abstract

The paper examines the issue of relevancy of social pacts in the shape that has developed in the Western Europe to a specific environment of Central and Eastern Europe. Firstly, experiences of western European countries with social pacting are summarised ('the western recipe'), with a particular emphasis put on significant similarities observable between the western European countries that managed to sign social pacts. Secondly, attempts undertaken in Central and Eastern Europe in tripartite negotiations aiming at concluding social pacts are reviewed. Finally, an arguably main difference between old and new member states in the context of social dialogue is discussed, that is multi-employer collective bargaining, which while retaining relatively strong position in the west, plays marginal role in the east.

Introduction

For more than twenty years now there have been attempts to transpose western European-style national-level social dialog to Central Eastern Europe. Tripartite institutions had been established everywhere in the early 1990s, largely on

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recommendations from the International Labour Organisation, but their actual functioning attracted dismissive definitions such as ‘illusory corporatism’ (Ost 2000), aimed at pre-empting possible union opposition. Later on, EU accession in 2004–2007 was seen as the biggest opportunity to strengthen social dialog (Mailand and Due 2004). Social dialogue was part of the so-called ‘soft’ *acquis communautaire*, that is not a legal requirement but a recommended ‘capacity’ accession countries had to develop. The EU had started promoting social dialogue in Central Eastern Europe already in the 1990s, among others through PHARE projects. With accession, formal promotion came into force, through the involvement of social partners in inter-sector and sectoral European social dialog, the inclusion of social dialogue in the European Employment Strategy, and the promotion of tripartite ‘social pacts’ in the process of convergence into the European Monetary Union (EMU). However, results have been rather meagre, and real ‘social pacts’ have not been achieved.

This article reviews the experiences of Western and Central Eastern Europe in the field of social pacts, and asks if western European experiences with this form of policy-making can be a model for the new EU member states. After having pointed at important similarities between the western European countries that signed social pacts, it focuses on the main difference between old and new member states, i.e. multi-employer collective bargaining.

The western recipe

Social pacts are tripartite (state – unions – employer associations) agreements on income policies and the welfare state. They had been popular in Western Europe in the 1990s, especially in relation to the introduction of the EMU. They are not part of the *acquis* and are not formally required by the EU: many old Member States have done without them. In Western Europe, social pacts have been popular in the ‘periphery’: Ireland, Finland, Portugal, Spain, Italy, and to a lesser extent (only one social pact, in 1997) Greece (Pochet, Keune and Natali 2010; Avdagic 2010; Hamann and Kelly 2011). These countries were not already in the core of the ‘D-Mark zone’, used to disciplined monetary policies, nor had the ‘classic’ features of corporatist governance, such as strong unitary trade unions and employee associations – except Norway, which did have corporatist institution but in a social-democratic framework different from the German one, and which had to adapt to new monetary policies

too (unlike the other Nordic countries, which decided not to enter the Eurozone). In addition, in those countries trade unions were dominated by the protected public sector, rather than the exposed manufacturing and export one: therefore, they were not 'disciplined' by the market and needed some form of centralized involvement and control to behave responsibly. All these features correspond to the case of the new member states as 'new periphery', which could therefore imitate the path of the 'old' one.

Social pacts appear to have been frequently recommended during 'peer reviews' at multiple levels, mostly by the ILO (e.g. Ghellab and Vaughan-Whitehead 2003, 28) but also by the EU. My interviews with social partner representatives in Hungary, Poland and Slovenia reveal the suggestions come mostly from Irish and Italian counterparts. I witnessed such explicit recommendation, especially from representatives of the Italian tripartite body CNEL (Consiglio Nazionale dell'Economia e del Lavoro), at a European conference at the Ministry of Labour in Warsaw in March 2004, attended by officers of tripartite institutions from most of the EU. A comparative study by the European Foundation for the Improvement of Working and Living Conditions in 2004 promoted the idea that social pacts would be the most socially acceptable way to meet the Maastricht criteria (Tóth and Neumann 2004), an opinion which is also expressed by academic observers (Donaghey and Teague 2005).

The argument in such promotion was that EMU reforms (notably, meeting the 'Maastricht criteria' on inflation and public deficit) are socially costly and require some co-ordination and restraint on wages: in order to avoid social protest or uncontrolled wage demands by groups of workers (so-called 'leapfrogging', continuous wage increases prompted by workers' fears, in each company, to receive lower wage increases than their neighbours), it is best to involve the social partners in centralized, national level negotiations in the name of national competitiveness. The best advertisements for social pacts were Ireland and Italy. Both 'sick' and ungovernable economies until the end of the 1980s, they eventually managed, thanks to centralized social dialogue over wages and reforms, to enter the Euro: Ireland, as best performer, and Italy, as miraculously if suspiciously cured at the last minute. The limits of western social pacts, and the dubious advantages for labour (Meardi 2006; Erne 2008), at the time, were not publicized.

Table 1 lists the main features and conditions of social pacts in western Europe, and points at the similarities with most of the new EU member states. It is evident that most functional needs are similar on both sides. Both old peripheral member states and new member states needed to control public deficit to meet the Maastricht criteria, although, until the crisis of 2008, the situation of the new member states was

much better than in countries like Italy, Greece and Spain, which had had deficits around 10%. Both sides also needed to control inflation and most notably wage inflation, although this target was seen as less pressing in the new member states, already used to restrictive monetary policies. In order to meet these targets, they also needed to reform the pension system, as a major source of public deficit. At the same time, governments were under European pressures to liberalise the labour markets and privatise large parts of the economy. Equally similar were some initial difficulties, such as a lack of classic corporatist institutions and politically divided unions. And in many cases, on both sides, weak coalition governments meant that social pacts could be attractive tools to implement unpopular policies in a negotiated way, avoiding social and political instability.

Table 1. Conditions for social pacts, in old and new member states

| Feature | Old member states | New member states |
|---|---|---|
| Need to control inflation (especially wage inflation) | Italy, Ireland, Finland | Yes, but to a lesser degree given restrictive monetary policies |
| Need to control public deficit | Italy, Spain, Portugal, Greece | Yes |
| Need to reform the pension system reforms | Italy, Spain, Greece | Yes |
| Privatisations | Italy, Greece | Yes, to a lesser degree |
| Labour market reforms | Italy, Spain, Greece, Finland | Yes |
| Politically divided unions | Italy, Portugal, Greece, Spain | Yes (Poland, Hungary, Romania, Bulgaria) |
| Regional economic disparities | Italy, Spain, Finland | Yes |
| Risk of social unrest, strikes | Italy, Ireland, Spain, Portugal, Greece | Little |
| Weak classic institutional corporatism | Italy, Ireland, Spain, Portugal, Greece | Yes, except Slovenia |
| Previous experiences of negotiations | Italy, Finland, Spain, Portugal, Greece | Little |
| National consensus on need to introduce the Euro | Italy, Ireland, Spain, Portugal, Greece | Little |
| Previous devaluation | Italy, Ireland, Spain, Portugal, Greece | No |
| Weak government coalitions | Italy, Ireland, Spain, Portugal, Greece | Occasionally (e.g. Poland 2001-2007, Hungary 2002-2010) |
| Democratic processes (e.g. union referenda) | Italy, Ireland | No |
| Multi-employer collective bargaining | Italy, Finland, Spain, Portugal, Greece | No, except Slovenia |

The realities of social dialogue in the new member states

Did those arguments convince local policy makers? The relevance of EMU accession for social dialog varies country by country. In the Baltic states, macroeconomic convergence was not as compelling an issue because these young nations have not inherited high debt. In those countries, the Maastricht criteria were practically already met (Lithuania had expected to enter the EMU in 2007), apart from inflation which, in pre-credit crunch times, was not perceived as a warning sign of the underlying economic unsustainability. At the time, there was no social pact because, they said, there was no social problem, as an Estonian officer explained to me at a conference in 2007. When the Baltic bubble (caused by low-interest credit in foreign currency, dumped on the countries by foreign-owned banks thanks to the freedom of movement of capitals) eventually burst in 2008, governments started to need social pacts very much, to face protest and unpopularity, and negotiate the drastic reforms requested by the International Monetary Fund and the EU – Latvia, in the summer of 2009, cut state-sector wages by 15–27%, and shut down 10% of state schools. Social pacts were signed in the three Baltic states in 2009, in a situation of emergency and despite protests, when even the IMF asked for co-ordinated wage development negotiations (Gonser 2010). But, not having made any effort to build the necessary organizational capacities and dialog culture before, these social pacts were characterized by very poor governability capacity: cross-sector agreements that were not respected by sector-level employers and trade unions; therefore, in the public sectors hit by cuts protests and strikes went on, while in the private sector wages were not controlled. Nor were they respected by the governments, which in all three countries broke their commitments within months (Gonser 2010). The 2009 social pacts were no more than concession bargaining, but in an ineffective way: they did not provide unions with any guarantees that concessions would be sufficient, and governments soon started planning even harsher reforms and cuts. Given such poor governability, a political crisis accompanied the economic one. Riots occurred in Riga and Vilnius, the Lithuanian government lost the elections in October 2008, the Latvian one fell in February 2009 and again in 2010. The Baltic states, as Bohle (2010) has argued, have found in identity politics useful substitutes for social dialogue and social policy: social consensus and cohesion is obtained *against* others, that is through the exclusion of minorities, such as the Roma in Slovakia or the Russian speakers in the Baltic states. This explains why, in spite of the economic crisis and political failure, no social alternative has emerged in either the Lithuanian elections

of 2008 or the Latvian ones of 2010: in both cases, the opposition is perceived as defending ethnic minorities (the Russians in Latvia, the Russians and the Poles in Lithuania).

In the Visegrád countries (Poland, Czech and Slovak Republics, and Hungary), by contrast, public debt (and to a lesser extent inflation) is an open problem, but governments have opted, rather than for social pacts, for two opposite strategies: unilateral enforcement of macroeconomic convergence, at the cost of electoral defeat (Slovakia, Poland and Czech Republic) or a Maastricht-ignoring Euro deferral in order to ensure political survival (Hungary). Even more than in the West, then, EMU entry and socio-political stability are mutually irreconcilable: you cannot satisfy at the same time the electorate on one side, and international financial institutions on the other – unless you have an instrument to involve society in the reforms, and make the latter acceptable. This is what social pacts were meant to offer, and why governments should have looked for support from the social partners. However, this has not happened. Social pacts did not occur, or they occurred in one-sided, ineffective ways.

Among the Visegrád countries, at the EU accession, only in Hungary did the government prioritize social consent to Maastricht. The socialist-liberal coalition that narrowly won the 2002 elections engaged in populist concessions and especially wage increases in the public sector, disregarding the financial implication: unilateral concessions were the main strategy for political support (which was no different from the practice of the previous rightwing government). It also experimented, in November 2005, with a sort of tripartite social pact, including a three-year minimum wage agreement and pay policy guidelines (Tóth and Neumann 2006). However, this pact responded to internal political considerations only (the imminent elections and the agreement between the MSzOSz union and the ruling Socialist Party) rather than EMU constraints. As a result, the government did, with an exceptional recovery of popularity, manage to win the elections of April 2006, but immediately after, it was punished by the international markets for the excessive budget deficit (7%) and a financial crisis followed, with the Forint's value falling. A few months later, when, under direct international and EU financial pressure, the same government had to introduce a real economic program of monetary convergence, social dialog was promptly abandoned. The unions were left to protest against the government's unilateral and hard proposals, the employers considered terminating the 2005 agreement, and the president referred the draft laws on social dialog to the Constitutional Court with the aim of setting policy free from corporatist constraints. Violent riots accompanied the 2006–2007 period. A new national wage agreement

was concluded in January 2007 only with much difficulty after the trade unions were threatened with the end of national negotiations. In 2008, public sector strikes hit the country and the opposition called and won a 'social referendum' against some of the reforms. Hungary's curve in the EU was symptomatic of the instability that bypassing social dialog involves: from populism, to futile electoral success, to financial crisis, to social anger.

Slovakia's path was the opposite of the Hungarian, and shows symmetric consequences of the lack of social dialog. EU accession was immediately followed by the deterioration of social dialog: the conservative Dzurinda government in November 2004 repealed the Act on tripartism and replaced the Council for Economic and Social Concertation with a watered-down, consultation-only Economic and Social Partnership Council (Mansfeldová 2007). Socio-economic reforms pleased Brussels and foreign investors, the Slovak 'flat tax' of 19% for VAT, income tax and capital tax became the flagship of liberal reformers across the whole region, and the country met the Maastricht criteria allowing it to enter the EMU in 2009. However, those reforms, involving drastic cuts to social expenditure, caused social discontent, from riots in 2004 to healthcare strikes in 2006, that led to Dzurinda's defeat in the 2006 elections (Bohle and Greskovits 2010), when a coalition of populist parties from the Right and the Left came to power. The path was, then, from financial orthodoxy, to EMU success, to social discontent, to populism. It may be said that Poland and the Czech Republic followed similar paths to the Slovak one, with preference for unilateral neo-liberalism occasionally interrupted by populism (as in Poland in 2005–2007), but never by serious social negotiations.

The fact that in the EMU macroeconomic social dialogue (in spite of having been mentioned in the so-called 'Cologne Process' in 1999) remains no more than a disposable, optional extra is confirmed by the fact that in the only new member state where social dialog flourished in the 1990s and continued until 2004, it has been subsequently weakened. In Slovenia, a social pact on the EMU had been signed already in 2003, but the new right-wing government elected in 2004, while making EMU accession an urgent priority (the country became the 13th EMU member in 2007), disposed of social dialogue in favour of unilateral neoliberal and monetarist proposals. The EU had a direct impact on the deregulation of the previously corporatist Slovenia by requiring the separation of the Employer Confederation from the all-encompassing Chambers of Commerce and challenging state control on large firms, undermining in this way two important pillars of the Slovenian social model. Increased competition for foreign investment in the single market achieved the rest. The Slovenian unions were left with no other option than protesting, organizing

the largest demonstration since independence in December 2005 and successfully opposing the introduction of a 'flat tax' in 2006. A new social pact was signed after EMU accession, in 2007, but under a strict subordination of social aims to the Maastricht criteria and international competitiveness considerations (especially inflation), unlike the pre-2004 social pacts that contained pay-off for labour as well (notably, generous pension reforms) (Stanojević 2010). Interestingly, the one-sided pact of 2007 (unlike those of the 1990s) was not enough for the government to avoid electoral defeat the year after. With the arrival of the crisis, and a new Centre-Left government, Slovenian social partners negotiated hard over a new social pact in 2009, but the negotiations broke down and the employers left in protest the Economic and Social Council. Europeanization may have meant the end of the Slovenian brand of corporatism.

The real EMU effects are on wage growth and public expenditure controls. Their implementation through social dialog may have been a reasonable strategy for Western unions with large loyalty reserves, but it is dangerous for unions in the new member states, as they would risk losing the little popularity they have – also because the euro has lost much of its attractiveness in the meanwhile.

As Hassel (2009) has argued, when comparing social pacts in central eastern and in western Europe, governments and trade unions had an interest in tripartism only in the initial phase of post-communist transformation, when they both needed legitimacy. Soon after, the strengthening of governments (allied with powerful international institutions such as EU and IMF), and the emergence of employers as a new assertive actor, have quickly marginalized social dialog. Symbolic tripartism has allowed unions to survive as organizations, but nothing more. EU accession – and Europeanization in general in the whole of the EU – may have fostered the 'expressive' functions of concertation, and thereby guaranteed the survival of tripartism despite its apparent lack of results (Traxler 2010). But this has happened at the cost of concertation's instrumental functions in the actual regulation of labour, and therefore the content is increasingly nebulous. In this way, while tripartite social dialog may have contributed to limit the 'legitimation crisis' (Habermas 1973; Traxler 2010) of the state in the region, this has happened at the cost of deepening the 'legitimation crisis' of trade unions: increasingly associated to obscure central negotiation with the elites and thereby perceived as far away from the workplaces. Social dialogue after EU accession, in this way, has reinforced the power unbalance as a structural problem to social dialogue.

The weakest link: multi-employer bargaining

Table 1 points at some distinctive factors that may explain the failure to sign social pacts in the new member states: smaller risk of social unrest; weaker (although not inexistent) tradition of social negotiations; weakness of democratic procedures to ensure social partners legitimacy; weaker social consensus on the Euro, which was more popular in the 1990s than it is now; and impossibility (due to the new rules of the European Exchange Rate Mechanism) to enact a pre-emptive devaluation of the national currency, in order to temporarily 'boost' the economy and provide the resources for social agreement in a win-win situation. However, all these factors, while important, cannot be decisive: some western European countries did achieve social pacts in spite of sharing one or more of them. The most important distinctive factor is the lack of multi-employer collective bargaining: this did characterise all western countries that achieved social pacts (although to a lesser extent Ireland), while it is absent from all new member states, except Slovenia which is exactly the only post-communist new member state where social pacts have been signed.

Especially with regard to wages, a precondition of co-ordinated social dialog is the existence of multi-employer collective bargaining, which in western Europe tends to occur at the sector level (Traxler 2010). In the new member states, with the exception of Slovenia, it has been long noticed that this important prerequisite is nonexistent (Slovakia has a relatively large number of sector agreements, but of very little incidence). On the eve of EU enlargement, ILO experts had labelled sectoral social dialog in the region as 'the weakest link, and pointed at the meagre content, low coverage and poor enforcement of collective agreement (Ghellab and Vaughan-Whitehead 2003). As explanations for this dire situation, the weakness of the social partners, the ambiguous role of the state (at the same time too interventionist and too little facilitating) and the economic environment were mentioned (*ibidem*, 15ff).

As far as the social partners are concerned, it is employer organizations that constitute the crucial pillar of multi-employer bargaining: in some western countries such as Germany, it is the strength of employer organizations that allows sectoral level collective bargaining to survive in spite of rapid weakening of trade unions. In the new member states, until recently the weakness of employer organizations was blamed on, more generically, employers' organizational weakness due to their recent (post-1989) emergence as autonomous economic actors. For instance, in her study of Polish employer organization, Kozek argues that Polish business was not strongly organized because it was still 'in a developmental state', 'fighting for survival', faced

with 'the challenges of the European market and globalization', still in search of its 'ethos', and 'social identity' (Kozek 1999: 102). Such an interpretation requires a fundamental revision: business in the new member states is not weak at all and its disorganization is not a fate, but a choice.

As Offe and Wiesenthal (1985) have argued, collective organization is actually simpler for employers than for employees. And in the new member states, it is not the weakest employers, as small and medium enterprises, who hold back organization: it is, from the beginning (as mentioned by Ghellab and Vaughan-Whitehead among others), the multinational companies, who are neither weak nor unused to employer organizations. Moreover, employer organizations actually exist, and are highly efficient in other activities than social dialog, and especially in political lobbying – as in the case of the Polish Private Employers' Confederation (McMenamin 2002; Behrens 2004).

The point is therefore not the capacity of employers to organize, but their choice of not doing it – and the failure of the EU to set up any incentive in the opposite direction. Collective bargaining in the new member states has actually declined with EU accession, at company as well as at sector level. In Poland, for instance, the decline in registered company-level agreements has been constant: from 1,389 in 1996, to 405 in 2004, to 199 in 2008 (data from the State Labour Inspectorate). Moreover, according to the State Labour Inspectorate, there is a tendency towards the reduction of provisions that are advantageous to employees, and an increase in detrimental provisions, which have been allowed by the liberalization of the Labour Code (PIP 2008). The decline is associated with the privatization of the economy, something the EU has encouraged without setting any safeguard for employee rights. In the same way, sector-level bargaining has declined with the retrenchment of state-controlled sectors: in 2000, in Poland there still were six significant (i.e., without including small sub-sectors) sector-level agreements in the private sector. By 2008, half of them had disappeared due to employer withdrawal: road transport, cereal processing, and steel – all sectors where major privatization took place. Only one case followed the opposite trend: previously state-owned railway workers managed to keep a sector-level agreement despite privatization. As a result all four surviving private sector agreements have their roots in the public one: railways, energy, mining, military industry.

Private employers' active disinterest in co-ordinated bargaining is clear. In Poland, employer organization representatives from the private sector explicitly exclude relations with the trade unions from their functions, and some business organizations have gone as far as to forbid agreements with trade unions (Anacik

et al. 2009). Gardawski (2009: 487–488) reports the telling cases of Polish foundry, automotive and retail sectors, in which, despite union pressure and advanced negotiations, eventually employers decided to withdraw or even, to avoid any risk of having to sign anything, to dissolve the employer associations themselves. It was not the lack of organization, but the explicit choice to disorganize that prevented collective agreements.

Why, in spite of some institutional pre-condition through the discussion of minimum wages in tripartite institutions (Hassel 2009), is collective bargaining rejected by employer organizations, and industry-wide wage negotiations are seen as an infringement on entrepreneurial freedom, as for example by the Klaus government in the Czech Republic from 1992 to 1997 (Bluhm 2006; Stark and Bruszt 1998)?

Multinational companies, thanks to their ‘systemic power’ (Bohle and Greskovits 2007), have been the main actors behind this decision to avoid sector-level collective bargaining. Those operating in the export sectors, in particular, set their wage references cross-nationally and they are largely uninterested in national developments. But even in the sheltered sectors, such as services, competition on wages is, rather than avoided, actively promoted by private companies – which betrays a focus on short-term predatory profit opportunities, rather than on long-term sustainable investment and competition on the basis of quality and efficiency.

If we look inside the companies, the rejection of co-ordinated social relations and social dialog actually goes even further and has even deeper roots. For not only is wage setting decentralized towards the enterprise, but also very often towards the individual, especially in the extreme case of the Baltic states. Woolfson, Calite and Kallaste (2008: 328) describe the informal individualistic approach to salary issues in Estonia, Latvia and Lithuania, which leads to a drastic re-appraisal of the real impact of collective bargaining even in those companies where it occurs. The widespread practice of ‘envelope wages’, constitutes a barrier against formal negotiations of wages (Woolfson 2007; Williams 2009). Wage secrecy is a very common company policy, even if it meets resistance on the employee side. The competition from the large informal sector is a major obstacle to effective formal collective bargaining. According to the most trustworthy estimates, in 2004, the informal sector accounted for between 17% (Slovakia) and 39% (Latvia) of the economy, all above the OECD High Income average of 15% (Schneider and Buehn 2007). There is little evidence that this has declined: actually, according to Schneider and Buehn, if there is a trend at all, it is towards increasing informality. In Poland, the Central Statistical Office estimates that the number of workers in the informal sector has increased from 900,000 to 1.2m between 2002 and 2008, with a further increase expected for 2009

due to the economic slowdown in the formal economy (data: GUS). In Romania, a link has also been noted between emigration and informality, as circular migrants have a strengthened preference for short, informal jobs and tend to develop a 'culture of evasion' (Parlevliet and Xenogiani 2008).

Conclusion

As Traxler (2010) has argued, European social dialogue performs an 'expressive' function meant to compensate for the democratic deficit and the legitimization weakness of the EU. Nowhere is this more visible than in the new EU member states. Tripartism as a device has fulfilled this function to some extent, but at the cost of depleting trade unions of their own, fragile, legitimization. The frequently heard criticism of trade unions in the region as excessively political is therefore misplaced: the problem is not that trade unions use politics (if anything, they should have used it more, given the magnitude of the political decisions that have been made), but that politics has used trade unions – to then dispose of them. The clearest contrast is between tripartism and social pacts on one side, and organized collective bargaining on the other. The former have been formally sponsored by the EU, but with little content, while the latter would have a major regulatory and civilizing role, but has been further undermined.

From a comparison between the experience of western European social pacts and tripartism in the new EU member states, the lack of multi-employer collective bargaining in the latter appears as the main distinctive factor and the main obstacle to concertation. Research has consistently shown (Calmfors and Driffill 1987; Traxler et al 2001) that centralised collective bargaining, at least if combined with high governability and strong co-ordination between levels of negotiations, provides as good economic performance as decentralised, liberal systems. But in addition to strong economic performance, multi-employer collective bargaining offers an important pillar for inclusive social policies, reduction of inequalities and broader democratic participation and social consultation. If one compares Slovenia with the other Central Eastern European countries, it appears that this country, the only one with strong corporatist structures, has had at the same time one of the best economic performances, but without the economic volatility, political instability and social inequality that have characterised its eastern neighbours. While this point has

been neglected during the period of economic growth that followed EU accession, the subsequent crisis has revealed the social, economic and political fragility of a disorganised pattern of development.

The article has also pointed out, however, that the spontaneous emergence of centralised collective bargaining is unlikely in the new EU member states, given the deep differences among employers. In this regard, economic sociologists have argued that often the reliance on narrow economic calculus prevents companies to elaborate optimal strategies, for instance on skill creation and employee consultation (Streeck 1997). For this reason, it may be in the interest of the same companies, as well as the society as a whole, if 'beneficial constraints' are imposed on companies to force them into organised, long-term optimal action, instead of opportunistic behaviour. For this reason, more co-ordinated forms of capitalism, including co-ordinated wage bargaining and social pacts, can emerge in the new EU member states only if constraints, whether from the EU, national political decisions, or union pressures, are imposed on employers.

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