Employment and working conditions in the new Member States (152)

1. Introduction

Following the EU's enlargement with 10 new Member States joining on 1 May 2004, this chapter seeks to provide information on employment and working conditions in the new Member States, in particular at the enterprise level in relation to the four key elements defined by the EU's Lisbon strategy:

- Adaptability to change: to what extent are the new Member States demonstrating an ability to adapt to changing conditions?
- Social cohesion: how cohesive are the new Member States?
- Sustainability: how sustainable are the systems that have been put in place (during the transition as well as a result of EU accession) with regard to today's principal demographic, economic and social challenges?
- Partnership: to what extent are these societies based on broad participation, social dialogue and participatory mechanisms?

The chapter examines the full range of employment and working conditions at enterprise level, including employment contracts, working time, wages, occupational health and safety, stress at work, reconciliation of work and family life, social dialogue and industrial relations more generally.

The employment and working conditions indicated in this chapter, and the trends identified, are based on work done by the International Labour Organisation (ILO) on the basis of the Eurostat Labour Force Survey, European Household Panel data, the 2001 survey of the European Foundation (Dublin) on EU-10 (153) (the latest available), as well as expert country case studies as part of an ILO project on developments at enterprise level.

2. Adaptability to change

The assessment of employment and working conditions in the new Member States points to a first major conclusion: not only is their general responsiveness to change very strong but they have also shown initiative in the adaptation process by developing innovative policies and practices. This can be observed in all aspects of working conditions.

At the same time, reality at enterprise level points to a second major conclusion: this adaptation to difficult circumstances has often resulted in poor and probably unsustainable working conditions. This is observable in a number of areas of working conditions, for instance, in employment status and contracting, but also in working time, occupational health and safety, and remuneration practices.

2.1. Adapting to difficult circumstances

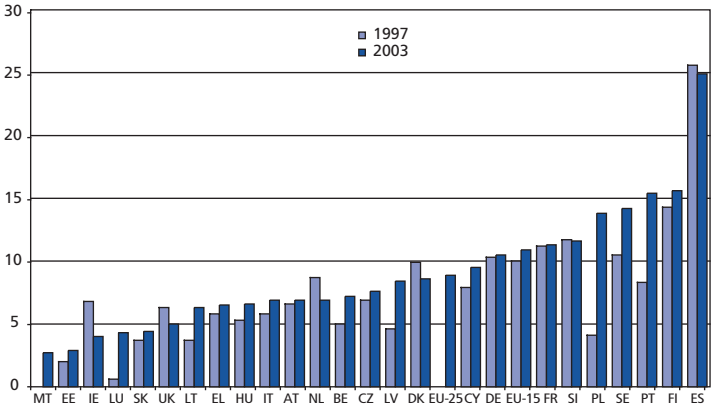
Work under the previous communist regime was characterised by very low wages but also the guarantee of lifelong employment. The shift to a free market economy has brought radical changes in patterns of employment, remuneration and working conditions. The transition years brought with them restructuring on an unprecedented scale, resulting in large-scale redundancies and soaring unemployment. As the new private sector emerged and developed, new enterprises started to leave former corporate models behind and to adopt new forms of employment and working-time arrangements in order to adapt to the new exposure to competition.

2.2. Temporary contracts

Although this form of employment did not exist in the previous communist regime and early years of transition, as most workers were employed on permanent contracts, fixed-term work has become a major form of employment and is being increasingly used (as in EU-15) as an important source of flexibility. Currently, the average share of fixed-term contracts in EU-10 is about 10 %, slightly below the EU average of 11 %. However, a few countries, such as Poland (14 %) and Slovenia (12 %), have seen employers making more systematic use of such employment contracts (see Chart 6.1). For employers, this has the advantage of reducing costs in the event of termination of employment. In Poland, the use of such contracts increased by nearly 25 % in 2003 alone. Polish legislation with regard to this type of contract is particularly permissive, providing a strong incentive for employers to make use of such flexible forms of employment contract.

(152) *This chapter is based on a contribution by Dr Daniel Vaughan-Whitehead of the International Labour Organisation (ILO).*
(153) *European Foundation for the Improvement of Living and Working Conditions (2003),* Working conditions in the acceding and candidate countries, *Luxembourg, Office for Official Publications of the European Communities.*

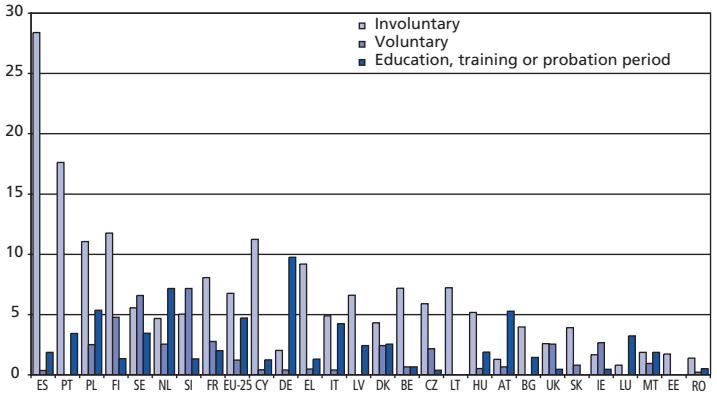
Chart 6.1: Temporary work (as a % of total employees), 1997-2003



NB: SK, LT, LV, EE, CZ: 1998 instead of 1997; CY, 1999 instead of 1997.

Source: Eurostat, LFS.

Chart 6.2: Temporary employment by reason, 2003



Source: Eurostat, LFS.

Temporary work can be an important stepping stone to more permanent employment. Nevertheless, there is a strong correlation between the development of temporary employment and the share of employees responding that this is not their first choice, but involuntary, suggesting that unemployment is the main factor making them accept the insecurity of temporary employment contracts. Besides the high incidence of involuntary temporary jobs in southern Member States such as Spain and Portugal (and to a lesser extent in Greece and Italy) not counting the 'underground economy', one can observe relatively high shares of involuntary temporary employment in Poland, Cyprus, Latvia, the Czech Republic and Lithuania (see Chart 6.2).

2.3. The development of interim agencies

Another new phenomenon is the use of interim employment agencies. Although this type of employment is only in its infancy — all new Member States being well below the EU average — a growing proportion of employment contracts are being concluded through the intervention of such agencies.

This phenomenon is most widespread in Latvia, Slovenia and Malta (around 10 % of the labour force). These contracts remain limited in the other new Member States. In Estonia, only 1.2 % of employees were employed through interim agency contracts, although this figure is rising. In Hungary, only 282 temporary agencies existed in 2002, employing 0.8 % of the total number of employees, including their own permanent staff, who represented half of this figure. The agencies had contracts with only 1 289 employers, something that remains insignificant compared to the total number of employers (close to 1 million with more than four employees). Moreover, this practice does not seem to be well regulated at present. Since several agencies were found to have leased workers to only one employer, there are reasons to believe that many of them have been created by the employers themselves as a way of reducing their labour costs and social security contributions.

2.4. Self-employment as a source of flexibility

The most commonly used form of flexibility which appears to be emerging in the new Member States is recourse to self-employment (see Chart 6.3).

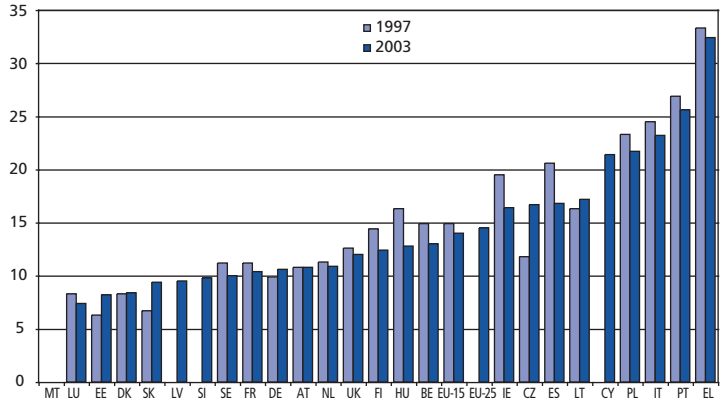
In 2003, 24 % of employees were self-employed in Poland, 17 % in the Czech Republic and Lithuania, and 13 % in Hungary, compared to an EU average of 14 %. In EU-15, the highest incidence of self-employment is found in Greece (32 %), Portugal (26 %), Italy (23 %) and Spain (17 %). In each of the southern Member States self-employment is very much associated with small farmers and retailing, and is declining. In Ireland and the UK, two more Member States with a relatively high incidence of self-employment, there has been a fall in its share between 1997 and 2003. The opposite trend can be observed in many of the EU-10 countries, with significant rises in Slovakia, the Czech Republic, Lithuania and Estonia, but small reductions in Poland and Hungary (the data for Cyprus, Malta, Latvia and Slovenia does not allow comparison).

The figures indicate a large increase in the number of self-employed over the last few years. However, in making

comparisons between countries it is important to control the size of the agricultural sector, in particular where there are many small independent farmers. Moreover, some 'self-employed' are actually small employers who employ one or more people on a perhaps part-time or irregular basis. This latter category, also existing in EU-15 and making up some 5 % of total employment, consists mainly of managers (42 %) and professionals (19 %). The self-employed (without employees) are mainly found in three sectors: agriculture (49 %), wholesale and retail trade (21 %) and construction (23 %) [154]. In EU-15, the sectoral concentration of self-employment is rather similar, but with a stronger bias towards agriculture (74 %). The difference, then, between EU-15 and EU-10 is that in the new Member States self-employment is more frequent in other sectors, such as manufacturing, financial services and even some public services, and it is also rising.

In the same way as temporary contracts, self-employment is providing a new source of flexibility. This may be partly because it enables employers to reduce their social security contributions and employees to have higher rates of net pay, but with less insurance and higher risks. This development is significant in Poland, Hungary, Lithuania, Latvia and Estonia, but has also been reported in the UK, Ireland, Portugal, the Netherlands and in some of the other EU-15 countries. These new forms of self-employment often involve a form of subcontracting, avoiding social security contributions and coverage by labour laws. While there may be short-term flexibility gains for employers and monetary gains for employees, it erodes the collective basis for social security and may create a regulatory gap with regard to pensions and social security coverage, with exclusionary consequences due to under-insurance in the future.

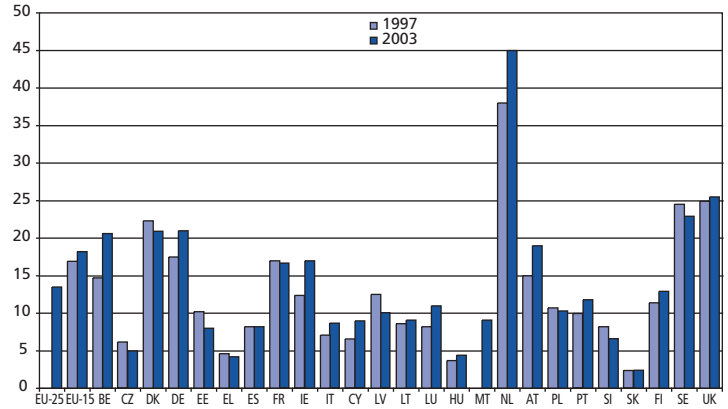
Chart 6.3: Self-employment (as a % of total employment), 1997-2003



NB: SK, LT, LV, EE, CZ: 1998 instead of 1997; CY, 1999 instead of 1997.

Source: Eurostat, LFS.

Chart 6.4: Part-time work (as a % of total employment), 1997–2003



NB: SK, LT, LV, EE, CZ: 1998 instead of 1997; CY, 1999 instead of 1997.

Source: Eurostat, LFS.

2.5. Part-time work for specific categories of workers

In contrast to other flexible forms of employment, part-time work is not very developed in the new Member States (see Chart 6.4). Moreover, it tends to be essentially involuntary. For instance, half of part-time work in Estonia (51 % in 2002 compared to 42 % in 1993) and in Poland (50 %) is of an involuntary nature. In addition, when it is of a voluntary nature, it may correspond to a second job for those already working full-time in a main job (this is the case for 12 % of part-timers in Estonia). These mechanisms (lack of alternative full-time employment, a second job) are also found in EU-15, but in many Member States, for instance the Netherlands, Germany, and in Scandinavia, the development of part-time work has also been developed as a way of reconciling work and family life [155].

In EU-10, part-time work is frequently used to employ retired people, the disabled, young first entrants and the

(154) *These averages are calculated for EU-10 and the two accession countries Bulgaria and Romania.*

(155) *For case studies of Sweden, Germany, the Netherlands, France, Spain, Ireland and the UK, see J. O'Reilly (ed.) (2003),* Regulating working-time transitions in Europe, *Cheltenham, Elgar. On part-time work as a strategy for reconciling work and family life, see J. Visser (2002), 'The first part-time economy in the world. A model to be followed?',* Journal of European Social Policy, *Vol. 12.*

unemployed. In Hungary, nearly 20 % of the 4.8 % of employees working part-time have disabilities. In Poland, 40 % of part-time workers are either pensioners or disabled.

In Hungary, part-time work is not very developed, despite the government's efforts to promote it as a way of raising the employment rate. The idea was to make this type of contract more attractive for both employers and employees, notably by reducing the amount of flat-rate healthcare contributions that are levied on employees on top of the insurance-type healthcare contribution. One possibility offered is to consider a part-time job (above a certain weekly limit) as a full-time job when the length of service is calculated for pension purposes.

Part-time work is nevertheless on the increase in EU-10 and may progressively evolve to serve the same function it normally does in EU-15. In Estonia the proportion of part-time workers rose from 5 % in 1993 to 9 % in 2002, mainly in the healthcare and social services sectors which are dominated by female employees. More favourable legislation for part-time work — especially with regard to employers' taxes and contributions — may encourage greater use of this form of flexible employment.

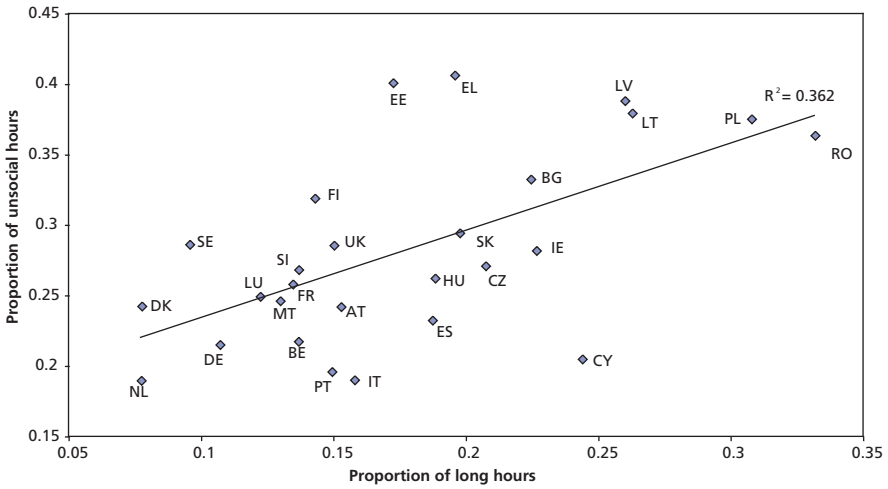
2.6. Long working hours

Working time is also an area in which there are differences between EU-15 and EU-10, with employees appearing to work longer hours on average in the latter. On average, some 38 % of all employed (employees and self-employed) in EU-10 and Bulgaria and Romania regularly work more than 45 hours per week, against 21 % in EU-15. In contrast, short working weeks of less than 30 hours are much less frequent in the new Member States.

In 2003 all new Member States — with the exception of Lithuania and to a lesser extent Slovakia — were working above the EU-15 average (41.4 hours a week), especially Latvia (43.8), Poland (43.4) and the Czech Republic (43.1). In EU-15, comparable long working hours were reported only in Greece, which registered the highest number of average working hours (44.4 hours a week) and in the UK (with 43.8). A breakdown by status, shows that the longest weekly and annual working hours are found among the self-employed (both in EU-10 and EU-15) and that sectors characterised by long working hours tend to be agriculture, hotels and restaurants, and the wholesale and retail trade.

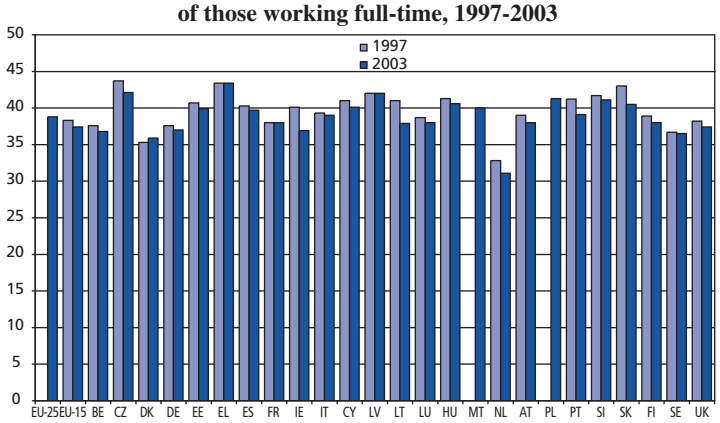
Long working hours appear to have become a way of coping for both employers and employees. For employers, it helps to respond to periods of peak activity with the same manpower. For employees, accumulating the number of hours worked during the week has become one of the main ways of increasing low basic wages and supplementing family income. Although it is probably mainly low hourly wage rates which impel workers to work long hours, often long hours are nevertheless the result of employer pressure rather than the employee's wishes. As an example, 30 % of extra working time in Poland is involuntary and does not therefore correspond to a free choice on the part of the employee. Long working hours probably represent an important form of adaptability in a difficult economic context at enterprise level and has been an important competitive element in manufacturing, but

Chart 6.5: Long hours and unsocial hours, 2001



Source: Dublin Foundation Survey 2000-01; derived from question 13 on unsocial working hours and question 14 on long weekly hours.

Chart 6.6: Weekly working time (in number of hours) of those working full-time, 1997-2003



NB: SK, LT, LV, EE, CZ: 1998 instead of 1997; CY, 1999 instead of 1997.

Source: Eurostat, LFS.

also in sectors such as mining, transport and electricity.

Weekend work or unsocial hours have also developed rapidly in some countries. Weekend work in the retail sector, for instance, is a major political issue in Slovenia, particularly the question of whether Sunday opening should be introduced.

Chart 6.5 tries to map the EU-25 in terms of both working time and unsocial hours. It shows that most new Member States are located in the upper right corner, representing a very extensive use of the labour force. These figures, well above the EU-15 average, obviously have direct implications for employees at work, especially since working time has strong correlations with other working conditions. Longer working weeks are associated with greater health and safety risks, and difficulties in reconciling work and family life.

Although the new Member States seem to have particularly long working weeks, there are two positive developments. Firstly, the number of hours worked has progressively decreased in all these countries over the last few years. When 2003 is compared to 1997, weekly working time has fallen in most countries, sometimes significantly, as in Slovakia, the Czech Republic (by nearly two hours), followed by Slovenia, Estonia and Cyprus (by one hour). These countries seem therefore to be already progressively converging towards the EU average. This has been achieved partly through changes in national legislation — reducing maximum weekly working time (for instance, in Poland this was reduced from 42 to 40 hours between 2001 and 2003) — mainly to fall in line with the EU working-time directive. Also in contractual working hours there is a convergence towards the EU average. Within EU-15, the movement towards shorter contractual and actual working hours which had characterised the 1980s and 1990s, has come to a standstill after 2001, though some national and sectoral changes are observed [156]. Working-time reductions do remain on the agenda of many unions, especially in those countries with above-average weekly hours, for instance in Greece where the Greek General Confederation of Labour (GSEE) included a significant working-time reduction in its demands for a renewal of the national agreement for 2004. In EU-10, the role of collective bargaining in setting normal weekly hours is much less pronounced, given the overall weaker role of (sectoral) collective agreements (see Chapter 1). Thus, in countries such as Estonia, Latvia and Poland, collective agreements tend merely to reflect the statutory norms. In Hungary, negotiations on the reduction of working time were held in the tripartite National Interest Reconciliation Council during 2003, but appeared to reach a deadlock.

Secondly, over the last few years, there has been a progressive decrease in the number of workers with a second or even a third job, the typical way of coping during the first transition years for many workers. In Estonia, for instance, the percentage of workers with a second job decreased from 9 % in 1997 to 4.5 % in 2002. It seems that workers now concentrate on one activity but accumulate working hours to increase their wages or their probability of being retained by their employer. Second jobs now seem to be common mainly among more skilled and professional employees, who can often easily obtain an additional work contract with another company.

2.7. The use of 'civil' and 'multiple' contracts

In the last few years, a new phenomenon has been emerging at the enterprise level, with a growing number of employees shifting from regular to self-employed status. This not only means that the employees get a new 'self-employed' job status, but also that their normal employment contract is replaced with a civil contract. This has the consequence that they are no longer covered by the labour code, but by the civil code, and are no longer considered to be employees, but business units. This phenomenon is not unknown in EU-15 [157], though its diffusion would seem to be limited to particular kinds of professionals and occupations (for instance, lorry drivers in the road haulage sector or hairdressers). The problematic consequences for social insurance have already been mentioned above.

This development seems to reverse a long historical development in industrial societies in which the 'employment relationship', regulated by labour law, took the place of the older 'contracts of work', regulated by commercial law [158]. In a contract of work, the employer pays a price for a particular piece of work — a 'job' — basically upon its completion. How the work is executed is left to the supplier, i.e. the worker who essentially remains an independent subcontractor. After the work is completed, the relationship between the two sides ceases to exist and there are no continuing mutual responsibilities. In contrast, in a contract of employment, it is not a particular work task that is contracted for,

(156) *see EIRO (2004),* Working-time developments — 2003 *(http://www.eiro.eurofound.eu.int/2004/03/update/tn0403104u.html).*
(157) *See the study commissioned by the Employment and Social Affairs DG by A. Perulli (2004),* Economically dependent/quasi-subordinate employment: legal, social and economic aspects, *http://europa.eu.int/comm/employment_social/labour_law/documentation_en.htm#6.*
(158) *See W. Streeck (2004), 'The sociology of trade unions and labour markets', in N. Smelser and R. Swedberg (eds.),* Handbook of economic sociology, *Newbury Peak Ca, Sage.*

but the availability of the worker to perform, within broad limits, any task assigned by the employer. Wages are paid, not prices. Instead of a temporary association for the duration of a specific project, the employment relationship constitutes an ongoing organisational relationship with mutual responsibilities defined by labour law and, for many workers, the collective or individual contract. In the case of employment contracts, trade unions have a role as agents negotiating the contractual obligations and protecting workers from excessive demands, and as guardians of trust in implicit and informal mutual commitments. There is no such role for trade unions in 'contracts of work' — in that case 'unions' would be more similar to small business associations that may protect the quality and price of 'jobs'.

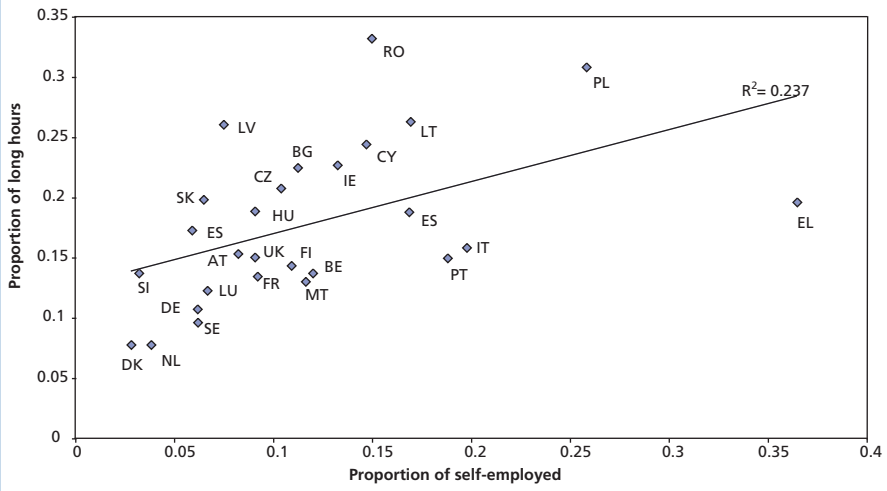
In spite of the general prevalence of employment contracts and the status of wage and salary earners, there has always existed a minority of jobs executed on the basis of contracts of work, for instance in construction, or in services where freelancers or consultants tend to operate — for instance, interpreting, translation, business consultancy, hairdressing or beauty specialists. Usually, contracts of work were based on some special 'craft' or skill that did not require much teamwork or complex organisational arrangements. The new phenomenon, possibly now more widespread in EU-10 than in EU-15, is often the result of the restructuring of jobs based on employment contracts into jobs based on contracts of work in steady services which are usually organised in firms with regular employment, such as in the banking sector in Hungary.

There seem to be various motivations for this. With regard to employers, it helps to reduce their tax burden and social contributions and to minimise the likelihood of strikes or the need for prior authorisation for dismissals. The advantages for employees are less clear, although being self-employed they would probably be able to claim certain expenses that may be deducted for the purpose of income tax. Such advantages would seem slight if set against the costs of insurance and protection (for instance, in the case of female employees the costs of absence and medical insurance in case of maternity). It is also possible that the lack of alternatives and weak bargaining power under conditions of widespread unemployment make this an involuntary choice on their part. Temporary agency work would probably be a functional equivalent, with better prospects for a gradual increase of security and the assumption of some 'employer' responsibility on the part of the employing agency, but it may be that the absence of a clear regulatory framework has made this an unattractive option.

Not only does this type of use of self-employment circumvent the payment of social security or pension contributions by the employer, it also affects working conditions. The self-employed tend to work longer hours due to tight deadlines fixed for their specific assignments, without proper remuneration, especially since their working hours are much more difficult to check and are much harder to count within official statistics on working time. In Poland, the self-employed were found to reach peaks of 56 hours per week (see Chart 6.7). The self-employed can also suffer from non-payment or from long delays before being paid. In Estonia, for instance, 13 % of self-employed persons reported having had their wages delayed by more than a month.

A second type of self-employment is also occurring, whereby the employer supplements the employee's normal employment contract with an additional job or 'self-employment' contract. The difference in employment status may be matched by a different form of activity, with one activity covered by labour law and the additional one by commercial law. This practice seems to be developing rapidly in some of the EU-10 countries. For example, the use within the same enterprise and for the same employees, a regular labour contract supplemented, for extra working time or additional work assignments, by a commercial contract of work. This practice seems to be particularly widespread in Poland, Hungary and the three Baltic States. It would seem a functional equivalent to the flexibility based on variable overtime hours, but outside the framework of labour and working-time legislation.

Chart 6.7: Self-employment and long hours, 2001



Source: Dublin Foundation Survey 2000-01; derived from question 35 on self-employed and question 14 on long weekly hours.

In Estonia, a not insignificant proportion of workers — 5 % in 2002 against 11 % in 1998 — continue to work without any written contract at all. Their employment and working conditions are agreed verbally with the employer, a practice that seems to be more developed in new enterprises, especially in Tallinn and in some rural areas (7 % of enterprises in 2002). In the Baltic States, in addition to an individual labour contract, employees sometimes sign a supplementary 'extra agreement', which is, in fact, a notice of dismissal that can be used at any time at the discretion of the employer. While this practice is decreasing in Estonia (from 10 to 6 % between 1999 and 2002), it is becoming more frequent in Latvia and Lithuania, where it affects nearly 10 % of the labour force.

2.8. Health and safety risks

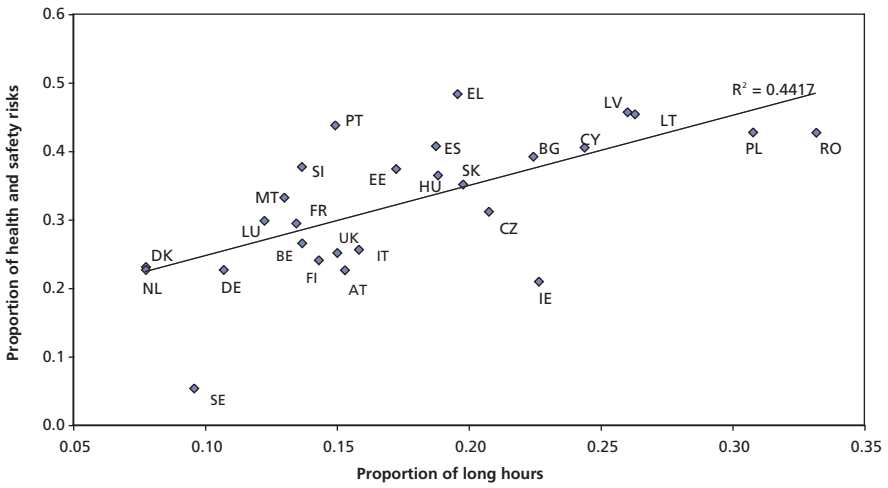
Health and safety is an issue to which enterprises still need to pay more attention. It has tended to be a rather neglected area so far because of the costs entailed without immediate returns. Although the general situation seems to be improving, the picture is still worrying in most of the new Member States. A health and safety index developed on the basis of the Dublin Foundation survey results of 2001, shows that the health and safety risks in most of the EU-10 countries are much higher than in EU-15 (see Chart 6.8).

When legislation exists, many enterprises, especially new small and medium-sized enterprises in the private sector, fail to comply with it. In Estonia, for instance, according to the labour inspectorate, only 15 % of enterprises were in compliance with legal obligations. The main violations involved the absence of a contract with an occupational health service specialist (70 % were found not to have one), no risk assessment or plan of activities (60 % of enterprises are not in compliance), no internal control (absent in 49 % of enterprises), no training (not even discussed in 44 % of cases), and no elected or appointed representatives with responsibility for health and safety (37 %).

Conversely, most of the inspected enterprises did not have problems with safety instructions, first aid equipment and personal protective equipment. However, the statistics on occupational accidents and diseases suggest that there are problems in this area, as their number increased by almost 50 % between 1999 and 2002 in Estonia. In other countries, such as Poland, while the number of accidents at work is decreasing, they remain at a high level. Moreover, most victims of such accidents are found to be on short-term or temporary contracts. There is also a direct correlation between long working hours and the risk of accidents.

It is possible, however, that the recent increase in accidents in some of the new Member States may be due not only to a real increase in absolute numbers, but to better reporting. This would appear to indicate a move towards greater transparency and public concern in relation to occupational health and safety issues. EU membership and the need to implement the EU's legislative *acquis* can be expected to have a further positive impact.

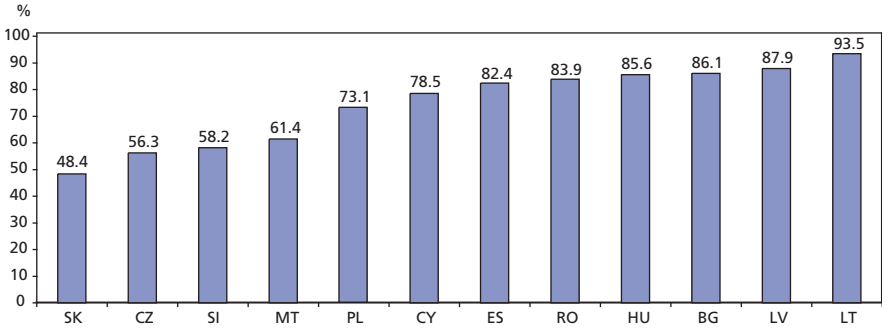
Chart 6.8: Long hours and health and safety risks, 2001



Source: Dublin Foundation Survey 2000-01; derived from question 30 on overall health and safety risks and question 14 on long weekly hours.

Chart 6.9: Proportion of workers who do not receive extra payment for overtime

(% of workers who are working more than 48 hours a week; employees only, 2001)



Source: Eurostat.

2.9. Unpaid overtime

While contractual and actual working time is already officially much longer than in all but a few of the EU-15 countries (Greece, UK), the true differences may be greater than suggested by offi-

cial statistics (and the provisions of the new labour codes), if overtime, second jobs, multiple contracts and, not least, the informal economy are taken into account. It should be pointed out, however, that these phenomena, in particular a widespread informal or 'underground' economy, in which many practices are by definition unreported and hard to gauge statistically, also exist in EU-15, for instance in Italy or Greece. Actual hours worked may therefore be underestimated for all the reasons mentioned. Finally, official statistics do not always capture the variation between periods of intensive activity with very long working weeks or days. Average working time remains low because the reference period taken for calculation of this average is mainly defined by employers, due to weak social dialogue or works councils, and the absence of collective agreements in which these matters are defined.

Problems have also been reported with regard to extra working time in the public sector in Hungary, Estonia and the Czech Republic. In Hungary, due to labour shortages, workers in the health sector (and particularly nurses) are legally permitted to work 62 hours per week. In the Estonian public sector, there is a practice of adding service contracts to regular employment contracts.

Beyond long working weeks, the case studies seem to confirm that a considerable amount of overtime is unpaid. For example, more than 70 % of workers in Poland do not receive any additional remuneration for overtime. The case of Lithuania is also striking, as only 6.5 % of workers who are working more than 48 hours per week receive extra payment. The best situation seems to be in Slovakia, where only 48.5 % of employees working overtime reported not being paid (see Chart 6.9). A similar situation exists for the payment of weekend work. In Cyprus and Lithuania, fewer than 10 % of workers are paid extra for working on Sundays.

While the phenomenon of unpaid overtime is not unknown in EU-15, it generally concerns managers and white-collar employees rather than manual workers, whereas in many of the new Member States it tends to concern all types of workers. Many reasons induce employees to accept such conditions. Unemployment is probably the principal factor. The second is the payment of part of the wages 'cash-in-hand', while only the minimum wage is officially declared.

2.10. Under-reporting of wage payments

Officially reporting the payment of the minimum wage and providing employees with extra payments 'cash-in-hand' is a way to save on the payment of (earnings-related) social contributions and taxes and, consequently, reduce labour costs [(159)]. A recent survey [(160)] suggests that nearly half of all Hungarian employers say that this is general practice in the Hungarian economy. It is the most quoted method (by 46 % of respondents) of saving on labour costs. Next in line among cost-saving methods is the use of commercial 'contracts of work' (27 %), while around 12 % of all employers mention temporary employment 'for a trial period', and 15 % refer to part-time employment. In Estonia, 10 % of employees received 'cash-in-hand' payments in 2002 (an improvement on 1999 when this practice was reported by 19 % of employees). In Poland this practice was strongly associated with employment in micro firms. In 2003, 'cash-in-hand' wages affected nearly 20 % of employees in enterprises with fewer than 5 employees, between 10 and 15 % of employees in SMEs with 6 to 150 employees, and fewer than 5 % of employees in large companies with over 150 employees.

The general practice of under-declaring wages obviously has implications for social security and tax revenues, as well as for the social rights and working conditions of employees. EU membership should help to improve the economic and social context.

3. Social cohesion

In this section, the position of particular groups and categories of employees will be reviewed. How have women, or those with responsibilities for children, fared? Are there particular groups with really poor working conditions and low wages? What categories of employees are excluded from the undeniable economic and social progress that has taken place?

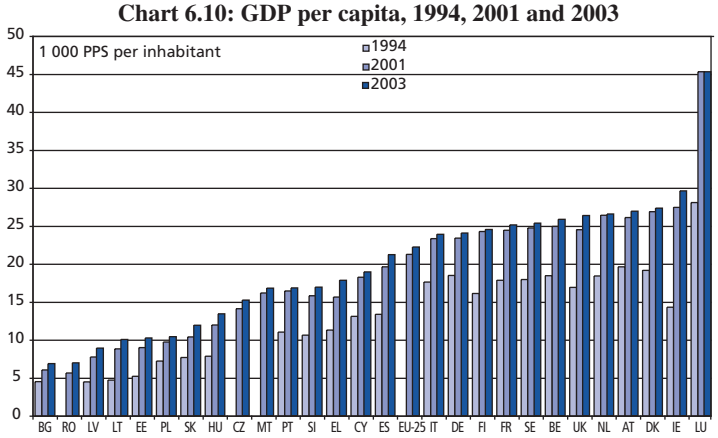
These important questions are reviewed against the background of the huge differences in economic development which has characterised the latest enlargement process. Representing an increase in the EU's population of 28 %, EU-10 added just over 5 % to total GDP. Chart 6.10 shows the massive differences in GDP per capita, between EU-15 and EU-10, but also within EU-10 in particular. However, considerable economic progress can also be observed since 1994, continuing in recent years.

There are good reasons to believe that the new Member States will 'catch up', even though this will probably take some time. Productivity per hour worked is still much lower in EU-10, reflecting various factors,

(159) *See the study commissioned by the Employment and Social Affairs DG by P. Renooy, S. Ivarsson, O. van der Wusten-Gritsai and R. Meijer (2004),* Undeclared work in an enlarged union: An analysis of undeclared work: An in-depth study of specific items. *http://europa.eu.int/comm/employment_social/employment_analysis/work_enlarg_en.htm*

(160) Economic Trends, *2003*

Chart 6.10: GDP per capita, 1994, 2001 and 2003

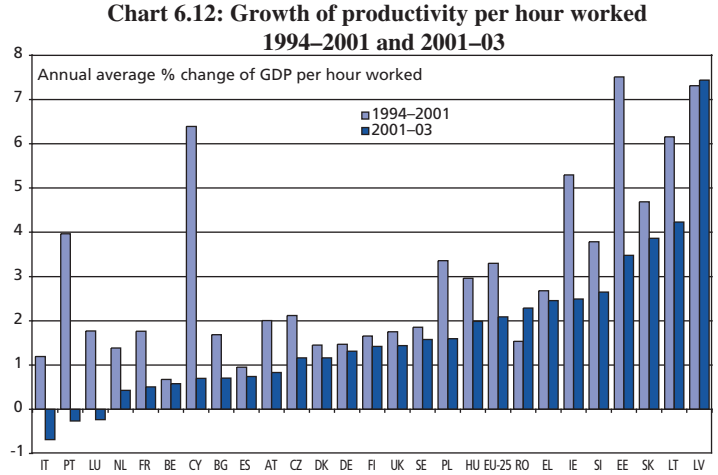


NB: PL: 1996 instead of 1994. *Source*: Eurostat, European System of Accounts, ESA 95.

Chart 6.11: Hourly labour productivity, 1994, 2001 and 2003

Source: DG Employment estimates; hours worked based on LCS and LFS; GDP, employed from European System of Accounts, ESA 95.

Chart 6.12: Growth of productivity per hour worked 1994–2001 and 2001–03



Source: DG Employment estimates; hours worked based on LCS and LFS; GDP, employed from European System of Accounts, ESA 95.

including the structure of capital, investment, skills, management, working practices and infrastructure (see Chart 6.11).

However, in general, growth trends in hourly productivity and in GDP per hour worked have been much stronger in EU-10 than in EU-15 (see Charts 6.12 and 6.13).

These positive trends have to be set against some problematic developments. Firstly, employment rates in the new Member States tend to be lower and in most countries remain far below the targets (70 % for all, 60 % for women) set for 2010 as part of the Lisbon agenda and the European employment strategy. More worrying even is that in some of the new Member States — Poland, Slovakia, Lithuania, Estonia, and the Czech Republic — employment rates have fallen in recent times (see Charts 6.14 and 6.15).

At the same time the unemployment rates of men and women tend to be much higher in the new Member States, ranging from a high 18 % for men and 20 % for women in Poland to 5–7 % in Hungary, the Czech Republic and Slovenia. After initially soaring unemployment, the decline in many countries has been slow (see Charts 6.16 and 6.17).

Finally, Eurostat's survey of living and working conditions suggest larger income differences in many of the EU-10 countries, although in this case the indicator based on the Gini-coefficients calculated after tax household income, suggest that the spread is very large and that some of the new Member States — Slovenia, Hungary and the Czech Republic (data for Slovakia are missing) — are as equal as for instance Germany or the Netherlands, while others — Poland and the Baltic States, and also Malta and Cyprus — tend to be characterised by much higher levels of income inequality, similar to the UK and most of the southern Member States (see Chart 6.18).

These background statistics on GDP, productivity levels and growth, employment and unemployment, and inequality are useful contextual factors when discussing developments in working conditions and social cohesion in the new Member States, as both constraints and opportunities for development.

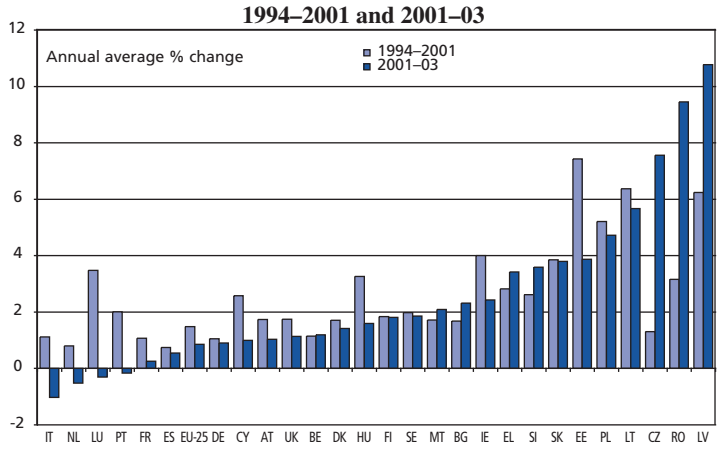
3.1. Unemployment and wages

Most recent case studies carried out in individual enterprises suggest that the main reason why employees accept poor employment and working conditions — without complaining or going to court — is fear of dismissal, against a backdrop of high unemployment. Another reason why employees tend to accept long hours, and at stressful working rhythms, is the urgent need to raise their living standards. Table 6.1 shows that minimum wages, as well as actual wages, are well below the average for EU-15 in terms of purchasing power.

Chart 6.19 shows that compared to employees on permanent contracts, those employed on temporary or fixed-term contracts tend to work longer hours, have lower hourly wages, find it more difficult to combine working time and family obligations, find their working environment harder to cope with, consider themselves more exposed to health and safety risks and are more dissatisfied with their work. In contrast, the self-employed differ from workers on permanent contracts mainly in two respects: much longer working weeks and a lower probability of low hourly wages. This seems to suggest that the self-employed option is mainly open to skilled ('craft') workers or 'jobbers' for whom the opportunity costs of not working and short weekly hours are relatively high. It is also possible that the risks associated with self-employment are compensated by above-average hourly rates. As a result, many self-employed were found to belong to the higher income category.

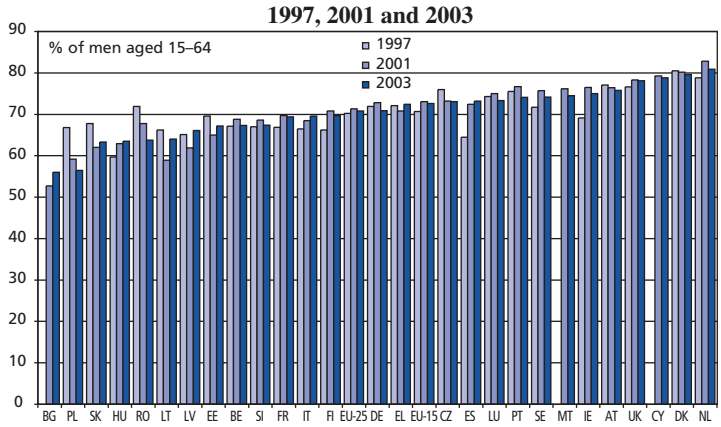
Another practice observed at enterprise level illustrates the salience of the wage issue: the widespread practice of payment of bonuses or premia as compensation for poor working conditions — particularly occupational health and safety — a practice which both workers and trade unions accept.

Chart 6.13: Growth of GDP per person employed, 1994–2001 and 2001–03



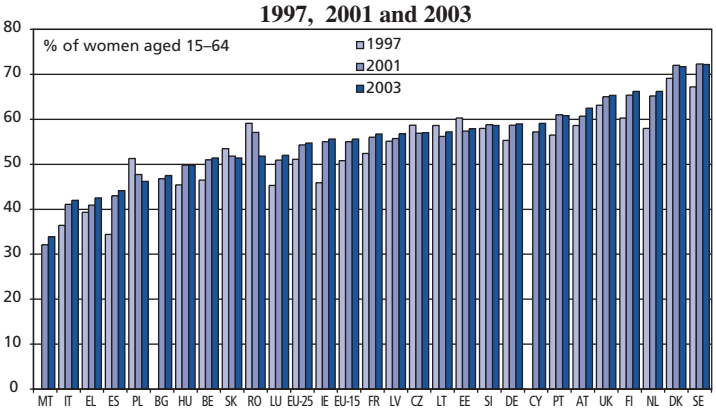
NB: PL, EU-25: 1996–2001. *Source*: Eurostat, European System of Accounts, ESA 95.

Chart 6.14: Employment rates of men aged 15–64 1997, 2001 and 2003



NB: SK, LT, LV, EE, CZ: 1998 instead of 1997; BG MT, CY, no data before 2000. *Source*: Eurostat, LFS.

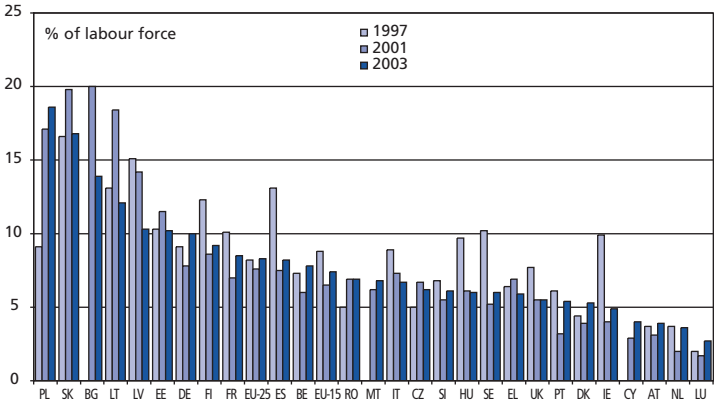
Chart 6.15: Employment rates of women aged 15–64, 1997, 2001 and 2003



NB: SK, LT, LV, EE, CZ: 1998 instead of 1997; BG, MT, CY, no data before 2000. *Source*: Eurostat, LFS.

The lack of development of part-time work can also be traced back to low wages and living standards. Apart from other disadvantages and the lack of a regulatory framework granting part-time workers similar social security and employment rights as full-time workers, the low incidence of part-

Chart 6.16: Unemployment rates of men, 1997, 2001 and 2003



NB: SK, 1999 instead of 1997; LT, LV, EU-25, CZ, 1998 instead of 1997; BG, MT, CY, no data before 2000.

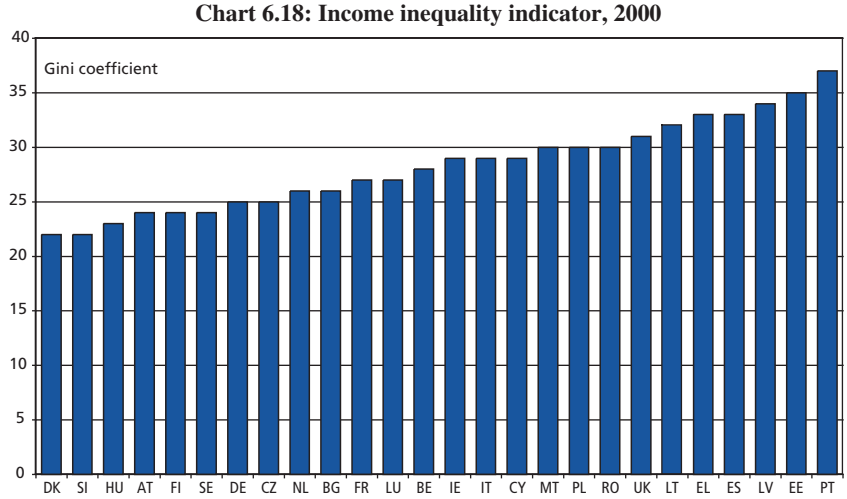
Source: Eurostat, harmonised unemployment series.

Chart 6.17: Unemployment rates of women, 1997, 2001 and 2003

NB: SK, 1999 instead of 1997; LT, LV, EU-25, CZ, 1998 instead of 1997; BG, MT, CY, no data before 2000.

Source: Eurostat, harmonised unemployment series.

Chart 6.18: Income inequality indicator, 2000



NB: SK: n.a.; CY: 1996; LV: 2001; MT, SI: 1999; Figures show the coefficient for the year to which income relates.

Source: Eurostat, income and living conditions.

time employment in the southern Member States (Italy, Greece, Portugal and Spain) has a similar background of low hourly wages (and social rights). Typically, in such cases, part-time employment, where it exists, is involuntary, because of the difficulty of finding full-time work. (Another factor is that the informal economy may offer better opportunities nearer home). A considerable proportion of part-time employment in EU-10, but also in some of the EU-15 countries, such as Greece, Italy, France and even Finland, is involuntary. There are numerous examples of high fixed costs (public transport, childcare, health contributions) that cannot be met by part-time wages and therefore make part-time work an unattractive option.

3.2. The female employment gap

Under communism, the central and east European countries tended to give women a secure place in the world of work. This is no longer the case. As shown by Charts 6.14 and 6.15, there is now a widening gap between male and female employment rates and female employment rates in these countries falling behind those in EU-15. In fact, the highest female employment rate among the new Member States is found in Cyprus, much in contrast to the usually low employment rates of women found in the Mediterranean countries. Next best, in terms of employment for women, are the Baltic States, though they have fallen behind the high levels found among their Nordic neighbours.

The transition to the market economy has increased the employment gap between men and women. Employment rates have fallen most dramatically in Poland, to 47 % in 2003, just ahead of the very low rates of female employment found in Italy, Greece, Spain and in Malta (see Chart 6.15).

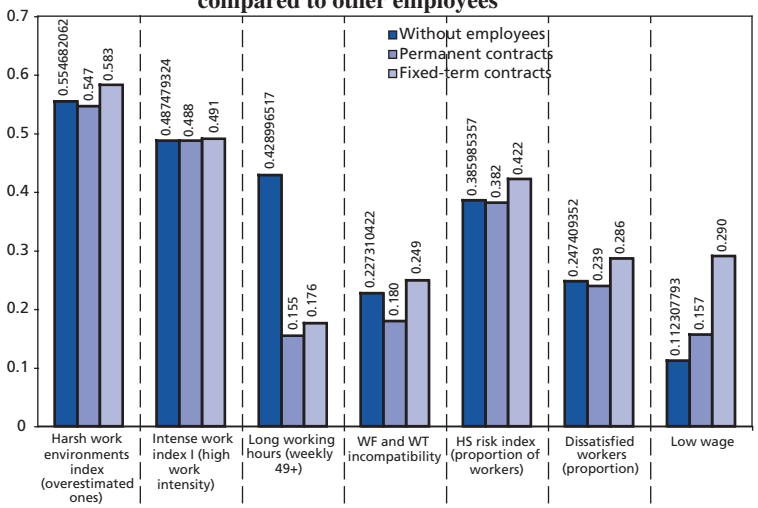
During the transition process, many 'family-friendly' workplace arrangements have been abandoned, which explains to a certain extent the fall in female employment rates in these countries. Many women have left the labour market, either because of difficulties in reconciling work and mater-

TABLE 6.1: MINIMUM WAGE LEVELS IN EU-25

	Minimum wage level (in euro) 2003	Minimum wage (in PPP) 2003
Austria	-	-
Belgium	1 163	1 162
Cyprus	-	
Czech Republic	199	389
Denmark	-	-
Estonia	138	264
Finland	-	-
France	1 154	1 150
Germany	-	-
Greece	605	725
Hungary	212	384
Ireland	1 073	910
Italy	-	-
Latvia	116	239
Lithuania	125	252
Luxembourg	1 369	1 338
Malta	535	752
Netherlands	1 249	1 225
Poland	201	351
Portugal	416	543
Slovakia	118	265
Slovenia	451	668
Spain	526	617
Sweden	-	-
UK	1 105	983
EU-15	-	-
EU-25	-	-

Source: Eurostat; *EC Employment in Europe 2003*, p. 80, on 01/01/2003.

Chart 6.19: Working conditions of the self-employed (without employees) compared to other employees



Source: Dublin Foundation Survey 2000-01; derived from question 35 on self-employed and questions 8 and 9 (for harsh work index); question 18 (for intensity at work index); question 14 (for long weekly hours index); question 17 (for work and family incompatibility index); question 30 (for health and safety index); question 34 (for the dissatisfaction at work index); and question EF21 (for the low wage index).

nity, or because of being more vulnerable in the restructuring process, which tends to affect the low-paid and lower-skilled jobs held by women. Women have lower prospects of finding work, since they tend to experience longer spells of unemployment. Some 67 % of all unemployed women in Slovakia and 58 % in Poland, compared to an also high percentage of 48 % in EU-15, stay unemployed during one year or longer. This can have negative consequences for experience, skills and motivation to seek new employment. The prevention of long-term unemployment has been one of the central issues in the European employment strategy since 1997. In EU-15, the long-term unemployment rate, though still high, has decreased in the past six years. A very high incidence of long-term unemployment is found for men and women in Slovakia, Poland and Lithuania, for men in Latvia and Estonia, and for women in Greece, Italy and Spain, and to a lesser extent in the Czech Republic [161].

3.3. Other disadvantaged groups

Efforts have been made in the new Member States towards the better social inclusion of pensioners, students and the unemployed. The long-standing political priority of reforming pension systems since the transition of these economies, and the more recent initiatives to extend working life and postpone retirement (similar to efforts being made in the Member States of EU-15), are both attempts to combat the problem of old-age poverty, as well as to create more financially viable systems for the long run. Measures have also been taken to facilitate the integration of new entrants into the labour market, for instance, through a lower minimum wage for young people in Estonia. With regard to older employees between the ages of 55 and 65, among

(161) *Report by the Employment Taskforce chaired by Wim Kok (2003),* Jobs, jobs, jobs — Creating more employment in Europe, *Chart 11: Long-term unemployment rates, 2002 (based on Eurostat, QLFD), p. 83.*

the new Member States only Estonia meets the Lisbon criterion of a 50 % employment rate. The other Member States are far behind, with employment rates (in 2002) of 30 % or lower in Hungary, Poland, Slovenia and Slovakia, and not many signs of improvement in recent times. Again, in this respect there is considerable similarity with the southern Member States and with France, Belgium and Luxembourg, also characterised by low employment rates among older workers and only modest improvements in recent years [162].

The situation of people with disabilities deteriorated significantly during the transition years. Studies point to the difficult labour market position of the Roma population. Roma are often excluded from education and employment opportunities. A number of programmes to give them better access to education and training have been implemented, leading to some progress. Nevertheless, their situation would seem to need a comprehensive policy, aimed at improving social protection and social assistance coverage as well as facilitating their social integration (schooling, housing, etc.).

3.4. Poverty

Poverty remains a major concern in most of the new Member States. Certain groups are more affected than others, such as the unemployed, especially the long-term unemployed, the disabled and those depending on social assistance. Among the families most at risk are those with three or more children as well as single-parent households, generally single mothers with dependent children. These poverty risks, which have a similar profile in EU-15, have of course direct implications for family structure, the main issue addressed in the following section.

4. Social sustainability?

Having examined some of the trends occurring in employment and working policies and practices at societal and enterprise level in the new Member States, what are the implications for the sustainability of these societies in demographic, economic and social terms?

4.1. Demographic sustainability

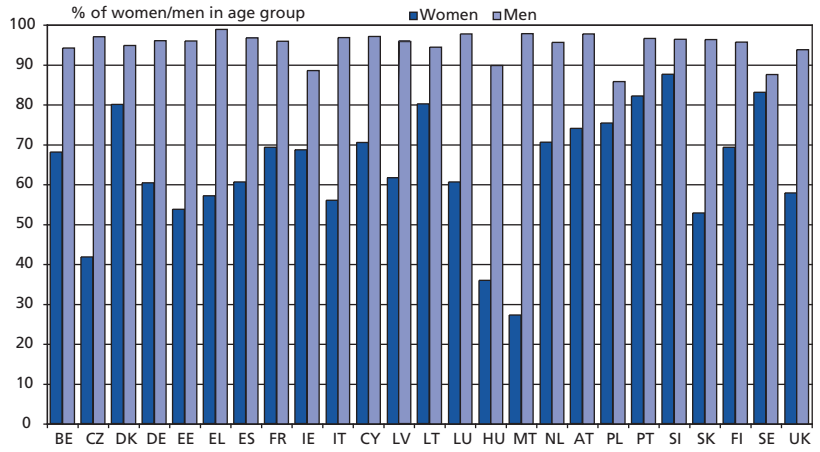
Most of the trends in employment, wages and security found in enterprises have an influence on life outside the workplace. Where this affects parents and young people involved in planning their lives and families, this can have deep implications for demographic trends. This has also been shown for many of the EU-15 countries [163].

4.1.1. Reconciling work and family life

The employment and working conditions described above do not seem conducive for either women or men to reconcile work and family life. Part-time work is not very developed and both women and men tend to work long hours, not least because of low wages. In contrast with the EU-15, where women work fewer hours than men — 33 as opposed to 41 hours a week on average in 2000 — there are hardly any differences between the length of the working week between men and women in EU-10. This has obvious consequences for combining employment with caring responsibilities, especially for very young children. Chart 6.20 shows that in some of the new Member States the female participation rate of women with children under school age (taken to be the age of six) is very low indeed, for example, in Hungary, Estonia, the Czech Republic, and Slovakia. These rates are even lower than those found in countries such as Greece, Italy, Spain and the UK. However, Slovenia and Lithuania have high rates, similar to those found in Denmark and Sweden. Low participation rates would appear to reflect difficulty in combining employment with family duties, the lack of availability or low attractiveness of part-time work (due to low wages and other disadvantages), and a shortage of affordable public facilities or services.

As in EU-15, where part-time employment is taken up in EU-10, it is a mainly female phenomenon, although in Slovenia, the Baltic States, Poland and Hungary the female share in part-time

Chart 6.20: Activity rate of persons (aged 20–50) with one or more children under 6 years of age, 2003

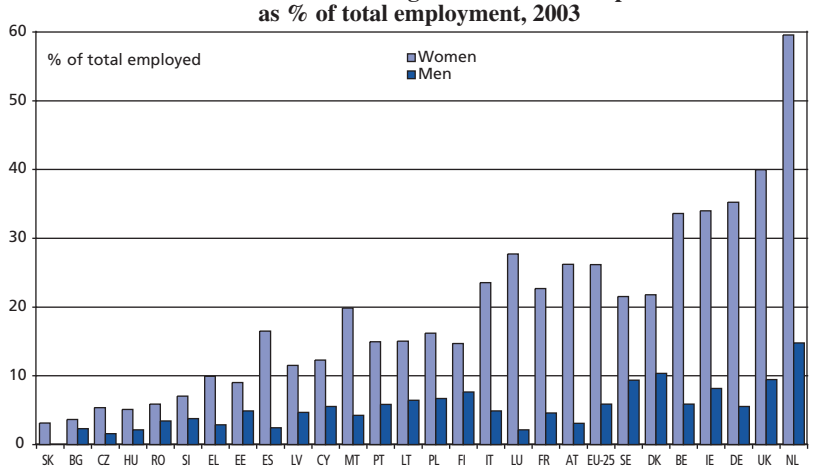


Source: Eurostat, LFS.

(162) *Report by the Employment Taskforce (2003), Charts 9 and 10: Employment rates of older workers (55–64) (QLFD, comparable annual estimates based on LFS and ESA 95, Eurostat), p. 82.*

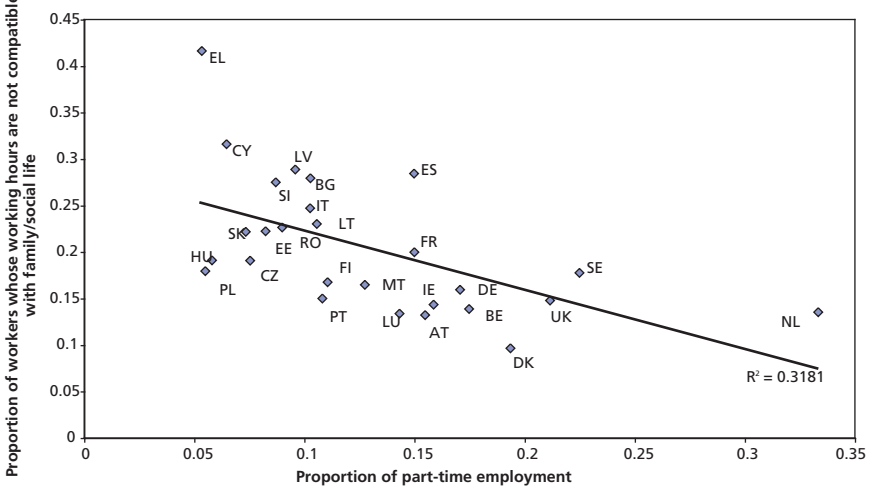
(163) *For an incisive analysis, see G. Esping-Andersen (1999),* Social foundations of post-industrial economies, *Oxford, OUP.*

Chart 6.21: Persons working less than 30 hours per week as % of total employment, 2003



NB: DE, LU, AT: 2002; EU-25: estimated. *Source*: Eurostat, LFS.

Chart 6.22: Part-time and reconciliation of work and family



Source: Dublin Foundation Survey 2000-01; derived from question 17 on work and family incompatibility and question 14a on part-time employment.

employment — usually three quarters or more — is not as pronounced (see Chart 6.21).

In these countries, part-time employment is also taken up by pensioners, the disabled, young first entrants and the unemployed and is less associated with an attempt by women to cope with work and family responsibilities. This is confirmed by the pattern shown in Chart 6.22. Those Member States in which part-time employment rates are low tend to be those in which people think that part-time work does not help to achieve a better balance between work and family life. Thus, many of the new Member States are situated in one corner, together with the southern Member States, i.e. those with low (voluntary) shares of part-time work, whereas most northern Member States occupy the opposite corner with high shares of part-time work and a more positive evaluation.

Other measures for reconciling work and family life being discussed by economic and social actors in the new Member States, include childcare centres, services provided by employers, opening hours of schools and shops, housing costs in cities (that involve longer distances between home, school and workplace), services for older children, and also telework and home-working. It is probable that self-employment contracts are also being used as a way of reconciling work and family life, since they would seem to leave more freedom to employees to organise their working hours. In Estonia, for instance, part-time work is more widespread among the self-employed, which may represent a way of reconciling work and family life.

4.1.2. Impact on maternity

These developments, namely the difficulty of reconciling work and family life, the absence of decent part-time employment, employers' search for flexibility and unstable employment prospects are also having an impact on maternity. In some new Member States tougher labour markets are found to be a direct cause of lower female employment rates, particularly in a context of high unemployment.

Women are finding it more difficult than before to reintegrate into the labour market after maternity leave. Some Polish labour market specialists summarise the situation as follows: give up work if you want to have children or postpone the first child, sometimes by 10 years. In fact, while 75 % of women between 25 and 39 years of age are active, this rate falls to 60 % if they have one child, to 47 % with two children, and 51 % for those with three children. Poland is among those Member States with the highest participation rate for women with children under the age of six, as illustrated by Chart 6.20.

Where the gap in the unemployment rates of men and women has narrowed, as is the case in some of the new Member States, this is also because women tend to leave the labour market. Whatever the cause, fertility rates have fallen dramatically, emulating the pattern found in many of the EU-15 countries, but with even greater speed. Fertility rates are now among the lowest in the EU (see Table 6.2).

Part of the decline — both in EU-15 and EU-10 — can be attributed to the decline in families with more than three children. This is clearly the case in Hungary, the Czech Republic, Slovenia and Slovakia, where people appear to be increasingly hesitant to

TABLE 6.2: FERTILITY RATES IN EU-25, 1980–2000

	1980	2000
EU-15	1.82	1.53
Austria	1.65	1.32
Belgium	1.68	1.65
Cyprus	2.46	1.83
Czech Republic	2.10	1.14
Denmark	1.55	1.76
Estonia	2.02	1.39
Finland	1.63	1.73
France	1.95	1.89
Germany	1.56	1.34
Greece	2.21	1.30
Hungary	1.91	1.33
Ireland	3.23	1.89
Italy	1.64	1.25
Latvia	1.90	1.24
Lithuania	2.00	1.33
Luxembourg	1.49	1.78
Malta (1)	1.99	2.05
Netherlands	1.60	1.72
Poland	2.28	1.34
Portugal	2.18	1.54
Slovakia	2.32	1.20
Slovenia	2.11	1.25
Spain	2.20	1.22
Sweden	1.68	1.54
UK	1.90	1.64

(1) Figure for 1999.
Source: The social situation in the European Union 2003.

TABLE 6.3: MEAN AGE OF WOMEN AT CHILDBEARING, EU-25, 1989–99

	1989	1999
EU-15 (1)	28.07	28.98
Austria	27.09	28.12
Belgium (2)	27.80	28.47
Cyprus	27.10	28.60
Czech Republic	24.75	26.87
Denmark	28.35	29.62
Estonia	25.88	26.57
Finland	28.78	29.58
France	28.19	29.35
Germany	27.57	28.66
Greece	26.98	28.88
Hungary	25.51	27.07
Ireland	29.95	30.48
Italy (1)	28.71	30.00
Latvia	25.60	26.78
Lithuania	25.94	26.50
Luxembourg	28.26	29.36
Malta	28.87	29.00
Netherlands	29.16	30.27
Poland	26.24	27.31
Portugal	27.22	26.60
Slovakia	25.08	26.39
Slovenia	25.75	27.97
Spain	28.72	30.66
Sweden	28.57	29.81
UK	27.57	28.38

(1) Figure for 1996. (2) Figure for 1995. Source: Eurostat yearbook 2003.

have more children. This may be related to financial difficulties, housing constraints, the lack of facilities, etc.

Labour market conditions might lie behind the tendency to postpone having the first child, a tendency which characterises both EU-15 and EU-10, but is more recent in the new Member States. Nevertheless, women in EU-10 on average have their first child at a younger age than those in EU-15, but the speed of change between 1989 and 1999 suggests that convergence towards a common age of 29 or 30 is just a matter of time (Table 6.3).

4.2. Economic sustainability

The viability of economic systems is, among other factors, also dependent upon the working conditions and social policies in enterprises. As shown by Charts 6.12 and 6.13, the new Member States experienced above-average output and productivity growth in recent years, which should be boosted further by accession. However, developments at the micro-economic level of enterprises may become a cause for concern if they are wasteful with regard to human resources and undermine productivity and competitiveness in the long run, making it more difficult to achieve the Lisbon targets of growth, more and better jobs, and social cohesion.

4.2.1. Wasted economic resources

One major feature of most new Member States is undoubtedly the existence of a large informal sector, accounting for approximately 30 % of GDP in Poland and 25 % in Hungary. Many employment practices and working conditions described above, such as undeclared wages, the under-payment of wages, the extensive recourse to self-employment, unpaid overtime, reduce the tax base for social security and other revenues needed for public investment, which may undermine the long-term economic capacity of these countries.

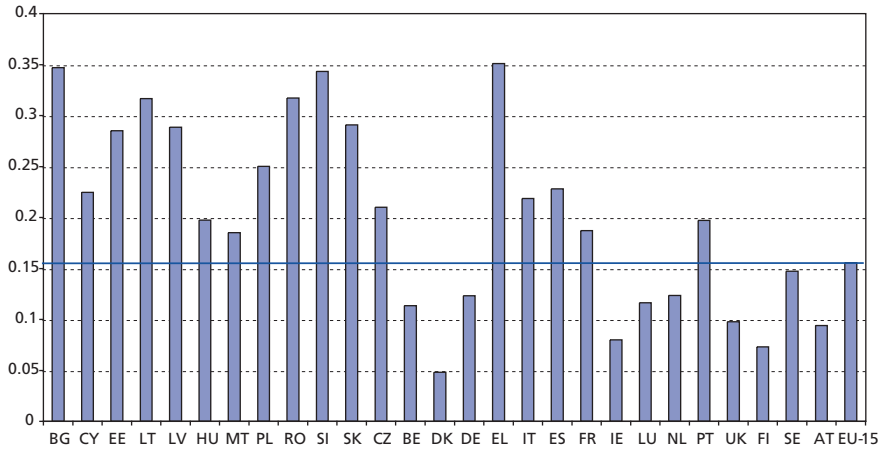
4.2.2. The need for more long-term-oriented activities

A large part of the economic dynamism in the new Member States seems to be coming from the myriad of new private SMEs that emerged during the transition process. However, the life expectancy of these firms is generally less than two years. This may have direct effects on employment and working conditions, which tend to differ sharply according to the size and form of ownership of the enterprise. Generally speaking, the larger the enterprise, the better the employment and working conditions. Large corporations tend to regroup public enterprises or multinational companies, both of which tend to provide better working conditions.

4.2.3. Quality of work and productivity

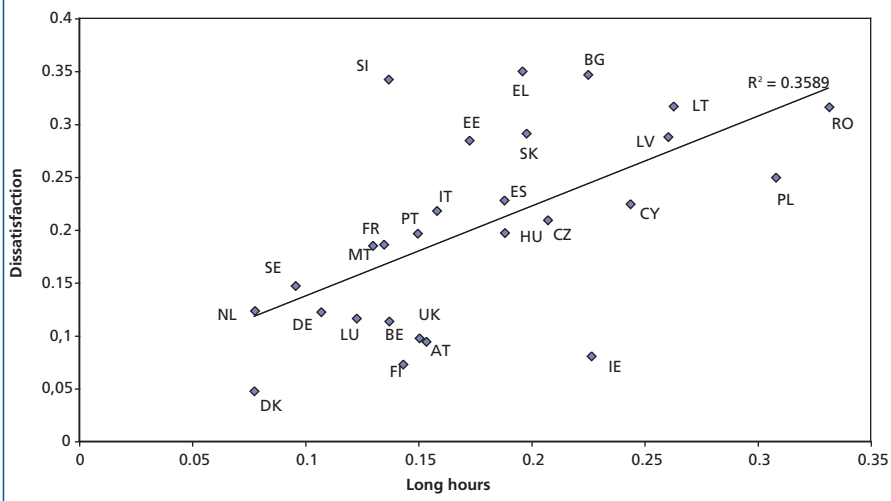
Although a number of economic studies and Charts 6.12 and 6.13 show significant increases in productivity in EU-10, this is in part the result of downsizing and rationalisation policies, leading to a more intensive use of human resources. Careful studies of developments in employment and productivity at the enterprise level, through specific enterprise surveys and case studies, are urgently needed before general conclusions can be reached. However, surveys of working conditions and worker satisfaction, such as the one conducted by the European Foundation for the Improvement of Living and Working Conditions, suggest that the quality of employment is still low and that employees may face so many difficulties in terms of income, long hours, health and safety, the balance between work and family, and insecurity, that it may undermine their positive contribution to growth and productivity (see Chart 6.23). The survey, conducted in 2000–01, clearly brings out that worker dissatisfaction, while varying from country to country, is much higher in the new Member States.

Chart 6.23: Dissatisfaction at work in selected Member States and candidate countries (proportion of workers who are not satisfied with their working conditions), 2000–01



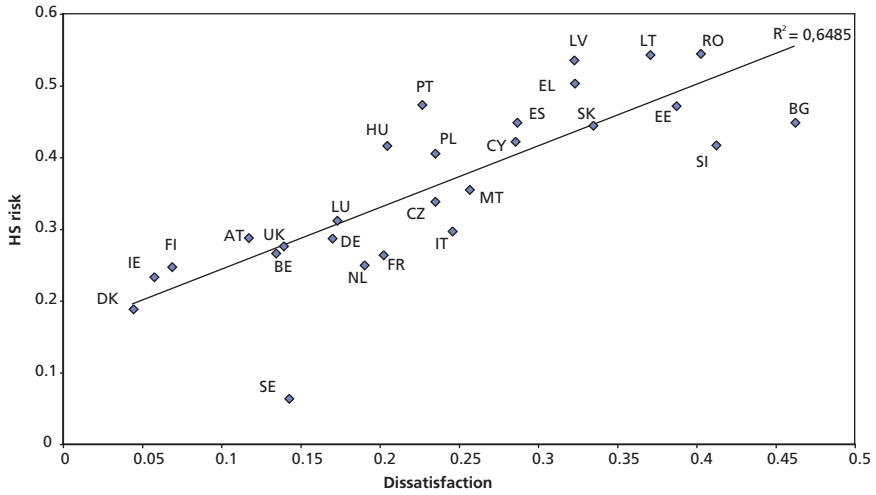
Source: Dublin Foundation Survey 2000-01; derived from question 34 on dissatisfaction at work.

Chart 6.24: Dissatisfaction at work and long working hours, 2001



Source: Dublin Foundation Survey 2000-01; derived from question 34 on dissatisfaction at work and question 14 on long weekly hours.

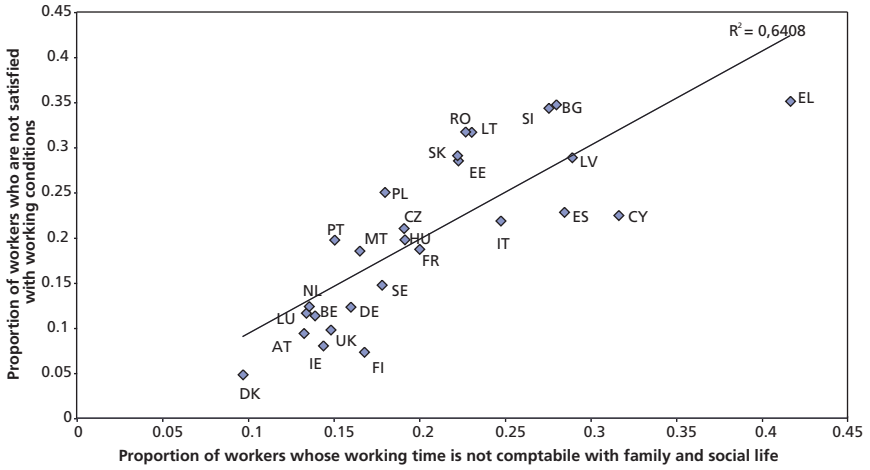
Chart 6.25: Dissatisfaction at work and occupational health and safety, 2001



Source: Dublin Foundation Survey 2000-01; derived from question 34 on dissatisfaction at work and question 30 on health and safety risks.

The survey also helps to identify some of the major sources of dissatisfaction. There appears to be a significant relationship between dissatisfaction at work and long working hours (see Chart 6.24). Even stronger corre-

Chart 6.26: Dissatisfaction at work and work and family reconciliation



Source: Dublin Foundation Survey 2000-01; derived from question 34 on dissatisfaction at work and question 17 on work and family incompatibility.

lations exist between dissatisfaction at work and occupational health and safety (see Chart 6.25) and between dissatisfaction at work and the proportion of workers who say that their working hours are incompatible with family and social life (see Chart 6.26).

4.3. Social sustainability

Poor working conditions at enterprise level not only influence long-term enterprise performance but also have damaging effects on workers' health and safety, result in stress and interfere with family life. These human and social consequences may sometimes only become apparent in the long run. Too great an imbalance between flexibility and security may be detrimental to investment, commitment and productivity, and be damaging for society as a whole.

4.3.1. Health indicators

Although the situation appears to be improving, life expectancy in the new Member States is below EU standards. In Hungary, life expectancy at birth is 7.8 years less than the EU-15 average for men and 5.6 years less for women. Early death is twice the EU average. Stress at work and stress in general between the conflicting claims of work and family are clearly contributing to such worrying mortality indicators. The death rate of men between 40 and 60 is significant. In 2000, in Hungary, 40 % of the men who died were below the age of 65, the main fatal diseases being of circulatory, bone, muscular or digestive origin. Poverty and social exclusion — made more acute by alcoholism — are also an important factor. In Hungary, a survey has established a direct relationship between individual health conditions, life expectancy, and socioeconomic status and income. As an example, there is a 10-year difference between the life expectancy of those in the most advantaged group and the Roma population, which belong to the most disadvantaged group. Mortality rates also closely follow regional socioeconomic inequalities and different access to healthcare.

With regard to occupational health and safety, in most countries labour inspectorates are clearly under-resourced. In Hungary, for instance, a total of 452 000 hours were spent in 2001 on occupational health inspections, corresponding to the full working time of 53 physicians and 173 public health inspectors. However, according to the national Public Health and Medical Office (ANTSZ), the optimal coverage would require 123 physicians and 303 public health inspectors, working a total of 852 000 hours per year. This means that the available staff corresponds to only 53 % of the optimal level. According to the National Labour Inspectorate (OMMF), in 2001, there were only 0.4 labour safety inspectors per 1 000 employees. The situation is similar in Poland, with only one inspector for 2 416 enterprises.

4.3.2. Stress

Work-related stress is often due to the difficulties of reconciling work and family life, of running from one job to another, or of having to cope with employers' demands of constant availability. This is no different in EU-10 compared to studies conducted in EU-15. However, the problem is exacerbated when working conditions are poor, dissatisfaction levels high, and it is difficult to make a living from one job. In addition, the lack of awareness of employers and absence of dialogue can contribute to increasing stress. With the move to a monetary economy and the intensification of work, work tends to dominate family life in the new Member States and there are many indicators showing that work and family life are not easily reconciled. For example, employers often demand total availability of their employees, as indicated by the formulations of many job announcements seeking workers who are 'fully available' and 'resistant to stress'.

5. Social partnership as a governance tool

In the EU, social dialogue is recognised as an important tool for anticipating and managing change and improving the governance of labour markets (see Chapter 3). In view of the potential role which social dialogue can play in delivering reforms, this section examines how social dialogue might interact with working conditions.

TABLE 6.4: MINIMUM WAGES IN EU-10

Country	Statutory minimum wages	Level	Fixing machinery
Cyprus	Yes	Sectoral	Government — following recommendation of the Tripartite Labour Advisory Board
Czech Republic	Yes	National	Government — following consultation with the social partners
Estonia	Yes	National	Bipartite agreement between the social partners — followed by government decree
Hungary	Yes	National	Agreement between the social partners at the National Labour Council — followed by government decree
Latvia	Yes	National	Government — following consultation with the National Tripartite Cooperation Council
Lithuania	Yes	National	Government — following recommendation of the Permanent Labour Remuneration Committee
Malta	Yes	National	Government — following recommendation of the Employment Relations Board and automatic indexation
Poland	Yes	National	Tripartite agreement
Slovak Republic	Yes	National	Government — following recommendation of the social partners
Slovenia	Yes	National	Tripartite agreement of the social partners — followed by government decree

Source: ILO, 2004.

TABLE 6.5: MINIMUM WAGES IN EU-15

Country	Statutory minimum wages	Level	Fixing machinery
Austria	***No***	-	No statutory minimum — industry level collective agreements
Belgium	Yes	National	Agreement between the social partners at the National Labour Council and automatic indexation
Denmark	***No***	-	No statutory minimum — industry level collective agreements
Finland	***No***	-	No statutory minimum — sectoral collective agreements
France	Yes	National	Government — following either report of the National Committee on Collective Agreements or automatic indexation
Germany	***No***	-	No statutory minimum — sectoral collective agreements
Greece	Yes	National	Tripartite agreement between the social partners
Ireland	Yes	National	Government — following either a national tripartite agreement or the recommendation of the Labour Court
Italy	***No***	-	No statutory minimum — industry level collective agreements
Luxembourg	Yes	National	Government — following government review and automatic indexation
Netherlands	Yes	National	Government
Portugal	Yes	National	Government
Spain	Yes	National	Government
Sweden	***No***	-	No statutory minimum — industry level collective agreements
UK	Yes	National	Government — following recommendation of the Low Pay Commission

Source: ILO, 2004.

5.1. Tripartism

As explained in Chapter 1, social dialogue in the new Member States is characterised by the predominance of tripartism. All central and east European countries, but also Cyprus and Malta, have promoted forms of tripartism. They have created tripartite national councils — as early as 1960 in Cyprus, 1988 in Malta and Hungary — to which the government regularly invites employer and trade union representatives to deliberate on a number of economic and social issues. These structures were instrumental in the transition years since they helped to overcome a difficult period of economic and social crisis, avoiding major social upheavals and serving as an important governance tool in difficult times.

The report, *Industrial relations in Europe 2002*, explained that in many cases such tripartite bodies have remained too formal and do not always produce concrete results. In Chapter 1, the disconnection between the national and sectoral levels, and between tripartite consultation and bipartite dialogue has been highlighted as one area where institutional change and innovation might be welcome. In recent years, in some new Member States such as Hungary, Slovakia, Slovenia or Estonia, tripartite bodies seem to have extended the range of areas which they cover to include wages, social protection and employment, but also such diverse topics as immigration, EU accession and ILO matters. Moreover, in certain areas, such tripartite bodies have acquired more authority. This is the case in relation to the minimum wage, an area where all of EU-10 have implemented a statutory minimum wage. In comparison, in EU-15, nine Member States have adopted legislation, whereas six set minimum wages by (sectoral or national) agreement (see Chapter 1). Looking at the procedure and mechanisms followed, it is usual in both EU-15 and EU-10 for the government to adjust the statutory minimum wage after consultation with the social partners (see Tables 6.4 and 6.5). In this area, there seems to be a considerable degree of convergence. As explained in Chapter 1, such consultations may be conducted in the framework of social pacts or national agreements, covering other issues as well (wage-setting procedures, taxation, employment policy, unemployment benefits, etc.). Recent examples of this approach in the new Member States are found in Hungary, Slovenia and Estonia.

5.2. Autonomous bipartite social dialogue

In contrast to the tripartite structures, the independent channels of social dialogue and bilateral negotiations continue to be poorly developed in most of the EU-10 countries (see Chapter 1). Employers' organisations do not seem to have much influence on the myriad of small entrepreneurs who have emerged in the new private sector. Trade unions, for their part, have yet to find the right strategy to achieve representation in small, private sector companies. Moreover, they continue to suffer from declining membership and a low mobilisation capacity.

In Chapter 1, it was shown that bargaining coverage is much lower in the new Member States, and declining, compared with relatively high and stable coverage rates in all but one or two of EU-15. As a proximate cause of this difference, the absence of sectoral (and regional) bargaining structures, backed by employers' associations representing companies, was identified. With the exception of Slovenia, wages and other working conditions are mostly negotiated at the company level, if at all. In most small and many large companies there is no collective bargaining or representation, and this situation affects the large majority of employees (see Chart 1.5 with coverage rates).

Not only is the number of collective agreements low and their coverage limited, most agreements are also thin on content. Many simply recite what is already in the law — a practice which is not entirely unknown in some of the EU-15 countries either, for instance in France. In some cases, as shown by a recent study of collective agreements in Estonia, the content of agreements is even more modest than what is already provided for by law, demonstrating the social partners' lack of knowledge of the existing legislative provisions on working conditions. In general, collective agreements in the new Member States cover a very narrow range of issues, mainly wages and earnings bonuses, and sometimes, but much less frequently, working time. The other essential working conditions described in this chapter, such as health and safety, working patterns, working-time flexibility, payment of overtime, work and family life, employment contracts, and so on, are usually not covered by social dialogue. This void helps to explain some of the practices occurring in employment contracting and working conditions described in the previous sections of this chapter.

There are, however, positive examples of social dialogue playing a supportive role in improving employment and working conditions. One case in point is the renewed regional social dialogue in Poland, which in recent years has helped some regions to carry out restructuring on the basis of partnership, rather than through conflict (see Box 6.1). Collective bargaining also seems to be playing an increasingly active role in regulating working-time arrangements in Hungary, as shown by the example in Box 6.2.

Finally, Slovenia offers an example of best practice in terms of the interplay between different levels of social dialogue, with national tripartite agreements on a number of issues being complemented by collective agree-

Box 6.1: Regional social dialogue emerging in Poland

Regional social policy is on the Polish agenda again, after the boost given to regional social dialogue in 2001. The Tripartite Commission for Social and Economic Issues and the voivodship (regional) commissions for social dialogue of July 2001 — that entered into force in October 2001 — provides for legally based regional tripartite social dialogue.

Voivodship commissions of tripartite social dialogue (WKDS) started to operate in March 2002. The law enables these commissions to be set up at the request of at least one of the representatives of either a trade union or employers' organisation, and is composed of: the voivod representing local authorities; the representatives of trade unions; the representatives of employers' organisations; and the marshall of the voivodship as a representative of the regional government.

The assessment of these regional commissions is so far mixed. On the one hand, the social partners have complained about their purely consultative nature. As they do not have any statutory mission, this prevents them from moving beyond 'theoretical' discussions. Research conducted in 2003 underlined that such consultative status may hinder rather than strengthen the development of regional social dialogue (1). According to the authors, at the beginning organisations tended to send their senior representatives to the regional commissions, but this is no longer the case, demonstrating disillusionment with regard to this form of dialogue. The commissions also seem to be suffering from their excessively narrow scope.

On the other hand, concrete steps could be achieved in the framework of these regional commissions. Cooperation between social partners could be initiated to implement national and international programmes aimed at improving employment at the regional level. This has been the case, for instance, with the commission of the voivodship of Swietokryskie where social partners worked together on the restructuring plan of the coal industry (Huta Ostrowiec). The social commission played a key role in avoiding social conflicts and finding concrete solutions. Discussions were also conducted with a potential Spanish investor who decided to buy the firm in September 2003 and who signed an agreement with trade unions on social conditions. The commission also started cooperating with the Friedrich Ebert Foundation in order to define and carry out a regional restructuring programme that could benefit from European funds. To sum up, while the functioning of regional social dialogue still needs to be improved, it nevertheless represents one of the specific features of Polish industrial relations today.

(1) Sroka Jacek et al. (2003), Rozwoj dialogu spolecznego na poziomie regionalnym — Raport z badan — Memo, Uniwersytet Wroclawski.

Box 6.2: Social dialogue on working-time arrangements in Hungary

Following the transposition of EC Directive 93/104/EC, the Hungarian labour code (Act XXII of 1992 modified in 2001) leaves considerable room for social dialogue over working-time issues. It allows certain flexibility to be negotiated between social partners, in particular to increase the maximum annual overtime ceiling (from the 200 hours legally allowed, to 300 hours) and the daily hours limit (from 8 to 12 hours). The reference period can also be negotiated and lengthened from two to four months, if there is an enterprise collective agreement, and even up to six months if there is an agreement involving several employers – a 'multi-employer' agreement. Finally, collective agreements may also stipulate a reference period of up to one year for four specified job categories: employees working in stand-by-shops, employees working in continuous shifts, those on alternating shifts, and seasonal employees.

Social dialogue on working time thus makes it possible to define a framework for working time within individual companies, and to take better account of the specific needs of the various sectors, professions and types of work organisation. Employers responded positively to such a call for social dialogue, with two major trends: an increased interest at enterprise level to negotiate on the reference period; and the lengthening of the reference period up to the maximum one-year where conditions allow for this.

As a result, the number of collective agreements with a reference period of a year increased significantly. In 2002, there were 13 such agreements out of the 67 registered multi-employer agreements, and 160 out of the registered 1 278 company agreements. In 2003, they had increased to 20 agreements out of the 73 registered multi-employer agreements, and to 225 out of the registered 1 275 company agreements.

The collective agreement in the hotel and catering sector — which has been extended to the entire sector — includes this kind of provision. Other sectors where such a one-year reference period is widely used include agriculture and construction — both dominated by seasonal work — and the chemical industry — where continuous shifts prevail.

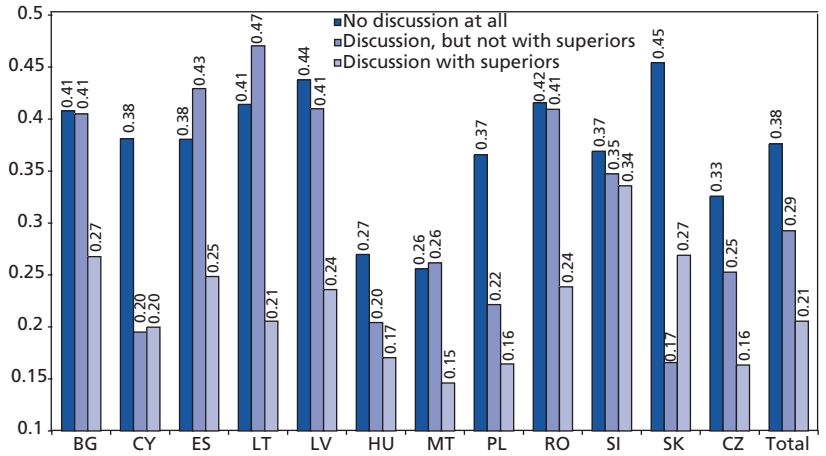
Social dialogue has thus led to the regulation of extra working hours and also contributed to fair remuneration of working time, notably by reducing unpaid overtime — more prevalent where there are no trade unions. According to the labour inspectorate, those companies that have no collective agreement — and thus have not lengthened the reference period beyond two months — are far more likely to breach the working-time provisions of the labour code (and thus to face penalties) than companies with collective agreements. Employees covered by a longer reference period are also better protected — in line with the joint requirements for flexibility and security — since they are automatically entitled to more and longer rest periods, unless otherwise agreed in the collective agreement, and the maximum work day can under no circumstances exceed 12 hours.

However, this correlation between social dialogue and working time has also led to some drawbacks. Firstly, because it means that those employers who do not have the opportunity to sign such collective agreements — for instance, either because they employ too few employees, or the relevant trade union is unwilling to address the question of reference periods in a collective agreement — end up being at a competitive disadvantage, as they have to operate with a 2, rather than a 12-month reference period. Such a difference may be critical in the case of seasonal activities, or those working alternating shifts. Secondly, the number of employees covered by the extension of the reference period is in reality low — fewer than half of all employees — because of the large number of employers with only a very small number of employees.

This suggests there is a need for more, rather than less social dialogue — especially better coverage of collective bargaining — and for stronger, not weaker social partners.

ments at sectoral and enterprise level, and by a strong tradition of workers' participation in decision-making — through works councils and participation on the board — at enterprise level. These examples suggest that social dialogue can indeed help to improve working conditions at enterprise level, especially in areas, such as reconciling work and family life, which have so far been neglected too often by the social partners in the new Member States.

Chart 6.27: The effects of workers' participation channels on satisfaction at work in the new Member States and candidate countries



Source: Dublin Foundation Survey 2000-01; derived from question 27 on participation and exchange of views and their direct effects.

5.3. Employee participation

Direct forms of workers' participation — such as participation in boards of directors or works councils, including EWCs — also have a direct impact on working conditions, especially where a role is foreseen for workers' representatives, such as for the implementation of all EC directives on health and safety, which require health and safety committees. However, as shown in Chapter 1, among EU-10 only Slovenia and Hungary, and more recently Slovakia, have introduced works councils with facilities and powers comparable to some of those found in EU-15. In the other new Member States, workers' participation still encounters certain obstacles. In Poland, the Czech Republic, and the Baltic States, works councils and other forms of workers' involvement in decision-making, considered to be 'vestiges' of socialism, were dismantled after 1989, together with other self-management forms, such as cooperatives, often with the cooperation of trade unions.

Both in EU-15 and EU-10, worker participation and forms of information and consultation and trade union representation and bargaining coverage, are more likely in larger companies. Small private enterprises generally do not have trade unions or works councils and other participatory mechanisms that could serve as a basis for social dialogue and partnership. In the new Member States, the problem is compounded by the large share of the small firms sector, the general weakness of trade unions and employers' organisations, the low coverage of bargaining, and the informal economy. The result is that social dialogue does not extend to a relatively large part of the economy and the workforce. This situation may change, at least for larger companies, with the implementation of EU Directive 2002/14/EC establishing a general framework for informing and consulting employees in enterprises. Employees working in enterprises that belong to multinational groups have benefited from the presence of EWCs that have helped in some cases to address transnational issues. Chapter 5 explained that of the 547 companies or groups having a subsidiary in one of the new Member States falling within the scope of the directive, 323 had already set up an EWC, 30 % of which included members or observers from the new Member States. All acceding countries have transposed Directive 94/45/EC into national legislation (see Chapter 4).

The Dublin Foundation survey used throughout this chapter, indicates a direct relationship between employees' opportunities to discuss their working conditions with management and job satisfaction (see Chart 6.27). However, in spite of this positive effect on employee satisfaction, such channels of communication remain rare. Moreover, even when legal requirements exist, these are not always implemented. In Estonia, for instance, 23 % of enterprises were found not to apply the obligatory appointment of a working environment council. Considering the excessive flexibility of employment contracting emerging in some of the new Member States, the involvement of workers' representatives in employment decisions — for instance, in collective layoffs and restructuring — may turn out to be rather marginal.

The development of employees' financial participation, especially through employee ownership, is a particular feature of EU-10, where such participatory forms have been promoted more actively than in EU-15. Financial participation was developed on a massive scale during the first stage of privatisation in Slovenia and was also much used in Hungary, Lithuania and Latvia. Although this represents a possible avenue for economic democracy at work, with potentially positive effects not only for workers' motivation but also for economic performance and employment, financial participation has declined as economic hardship has often resulted in workers and their families deciding to sell their shares.

6. Conclusion

This chapter has sought to assess trends in employment and working conditions in the new Member States. The analysis has shown a mixed picture, with both achievements and remaining problems. On the positive side, employers and employees in the new Member States have shown a very strong capacity for adaptation, with above-average growth and many institutional innovations and legal changes. Cyprus and Malta have made enormous progress to be ready for accession and the eight new members from central and eastern Europe have successfully transformed their collectively planned systems into market based democracies. They have removed the central role of the State to allow individual private operators to emerge and develop, have redirected their trade flows from the former Comecon system towards the EU and other industrialised countries, have restructured their economies by reducing the prevalent manufacturing activities and the agricultural sector in favour of service activities, and, finally, they have introduced new legal and institutional frameworks making it possible to operate in a free market economy and fulfil the social and economic requirements of EU membership.

However, in this adaptation process, some problematic developments have been identified, notably the increase of unemployment. Problems also remain with regard to working conditions, for example, health and safety, working hours, unpaid overtime on a large scale, the under-reporting of wages, stress at work and difficulties in reconciling work and family life.

An important challenge for the new Member States will be the need – in line with the Lisbon objectives – to promote more sustainable and socially cohesive societies at the same time as continuing their adaptation process. Important progress has been made and the new Member States have been involved for some time now in the open method of coordination on employment and social inclusion. Nevertheless, despite the progress observed, growing earnings and income differentials, poverty and the social and economic exclusion of some groups, continue to be a problem. No doubt these features will continue to be the most important challenges for their industrial relations systems in the coming years.

EU membership and implementation of the EU's legislative *acquis* in the social field should help to bring about improvements in working conditions. In addition, it will be important to continue promoting the role of social dialogue and partnership in these countries as a way of achieving a more balanced approach between the need of employers for flexibility and the desire of employees for security (see also Chapter 3). Social dialogue can also help to include those with disadvantages in the labour market, and thereby contribute to social cohesion.

A cohesive society is better able to address new challenges. The capacity of the new Member States for change and innovation, combined with the enthusiasm shown in the accession process and the strong desire to converge with EU standards, give reason for optimism with regard to the future.