

THE TRANSFORMATION OF EMPLOYMENT RELATIONS SYSTEMS IN CENTRAL AND EASTERN EUROPE

RUTH V. AGUILERA* AND ADINA DABU**

During the 1990s employment relations systems in Central and Eastern Europe experienced a complex, multilevel process of transformation. In this paper, we discuss the transformation of employment relations systems under the impact of privatization, foreign direct investment, and pressures for the accession to the European Union enlargement at the enterprise, industry, and national levels. We argue that the pattern of embeddedness of employment relations in the former planned economic system, the developmental role of the state during the period of transition and the timing of the changes at a moment of intensified international competition resulted in unique configurations of employment relations in the different Central and Eastern European countries, not necessarily converging towards the incremental adjustments of Western European employment relations.

INTRODUCTION

Employment relations (ER) are widely recognised as key components of the national business systems and the distinctive, structural characteristics they imprinted to various industrialised market economies have been extensively analysed (Bamber & Lansbury 1998; Whitley 1999; Aguilera & Jackson 2003). By contrast, the comparative analysis of ER in CEE (Central and Eastern Europe) has received little systematic attention. This is due in part to the lack of adequate theoretical frameworks to address their organisational evolution from planned to market economies and in part to the scarcity of reliable comparative data across a region undergoing swift transformation. Understanding their specific origins and dynamics will shed light on an important element of the emerging CEE business systems.

We view the existing research literature on the transformation of ER in CEE divided into micro-level and macro-level approaches. Micro-level approaches analyse the transformation of ER as part and parcel of the changes in the structure and practices of the enterprise. These studies focus on the restructuring of the human resources (HR) managerial practices in different countries (e.g. Koubek & Brewster 1995; Kovach 1995; Soulsby & Clark 1998). The macro-level approaches conceptualise the transformation of ER as part of the macro-institutional changes

*Department of Business Administration, College of Business & Institute of Labor and Industrial Relations, University of Illinois at Urbana-Champaign, 1206 S. Sixth St., Champaign, IL 61820, USA. Email: ruth-agu@uiuc.edu **Institute of Labor and Industrial Relations, University of Illinois at Urbana-Champaign, 504 E. Armory Avenue, Champaign, IL 61820, USA. Email: dabu@uiuc.edu

that characterise the 'transition' decade. These studies analyse the organisation of labour and employers' interests in unions and employers' organisations, and the repositioning of the State on labour governance issues (e.g. Martin 1999; Mayer & Whittington 1999). Both approaches emphasise that, with some variation from country to country, a weak institutional demarcation between labour and management represented the starting point in the formation of new systems of ER in CEE. However, we argue that in the absence of a well-identified labour-management divide and of the corresponding Western institutions of labour governance, existing Western ER theories and models provide only limited insights into the processes of ER transformation in CEE.

At the enterprise level, privatisation brought the issue of labour governance at the forefront, but its speed and inevitability did not close the institutional gap between the Western and Eastern structures of ER. Above the enterprise level, corporatist views in the European continental tradition, placing unions and their hierarchical, cross-industry organisation at the core of the ER systems faced the legacy of unions as 'transmission belt mechanisms'—state-controlled institutions 'with integrative structures and functions' (Poole 1986: 117). Nevertheless, what we observe is that in spite of diffuse and largely informal webs of labour-management relationships inherited from the period of the planned economy, a process of formal institutional differentiation of management and labour become clear post 1989.

There exists a rich literature on the employment relations (ER) systems of the different CEE countries. However, most studies tend to focus on one country at a time and examine a particular stage or factor of transformation. In this paper, we propose an analytic framework to systematically study the transformation of ER systems in CEE. Our goal is to identify and outline the existing trends in the evolution of ER systems, at a time when most of the CEE countries are concluding a difficult period of transition to market economies and are either preparing for integration or being integrated into the European Union (EU). In this context, our analysis focuses on both the structural and policy consequences of these processes for the transformation of ER.

With restricted autonomy and distorted functions during the period of the planned economy, ER in CEE experienced a complex, multilevel process of transformation during the 1990s. In order to understand the breadth of this transformation, we conduct our analysis at distinct analytic levels and, in line with the comparative literature in industrial relations, we decompose the process of change in its level-specific mechanisms and results (Locke & Thelen 1995; Regini 2000). Specifically, we examine how the planned economy organisation (roughly set at pre-1989) of CEE countries influenced market-economy ER and analyse how three country-specific factors might also influence market-economy ER characteristics. These three country-specific factors are the impact of privatisation, foreign direct investment, and European integration at the enterprise, industry, and national levels. We show that the pattern of embeddedness of ER in the former planned economic system, the developmental role of the state during the period of transition, and the timing of the changes at a moment of intensified international competition gave ER in CEE some unique characteristics, not

necessarily converging towards the Western European models. In particular, the ER system in CEE is polarised between the national and enterprise levels, with only weak sector-level institutions of collective bargaining.

Our data and empirical evidence are mainly drawn from existing literature analysing the following six countries: Bulgaria, Czech Republic, Hungary, Poland, Romania, and Slovakia. Notwithstanding variation across countries, we believe that their ER systems display sufficient similarity pre-1989 to allow for a meaningful comparative analysis post-1989.¹ Despite important socio-economic, cultural and historical differences, these six CEE countries had closely integrated economic systems during the period of the planned economy and displayed certain simultaneity in the adoption of their general economic policies. After 1989, these countries were exposed to significantly different pressures for economic restructuring and political transformation aimed at establishing efficient market economies.

This paper is organised as follows. First, we present the analytical structure that frames the entire paper. Second, we discuss systematically the common factors defining ER under a planned economy and how they might have influenced future ER post-1989. Third, we analyse the critical changes in the systems of ER in CEE triggered by privatisation, foreign direct investment and accession to the European Union. We conclude by suggesting some potential trends in the transformation of ER in CEE.

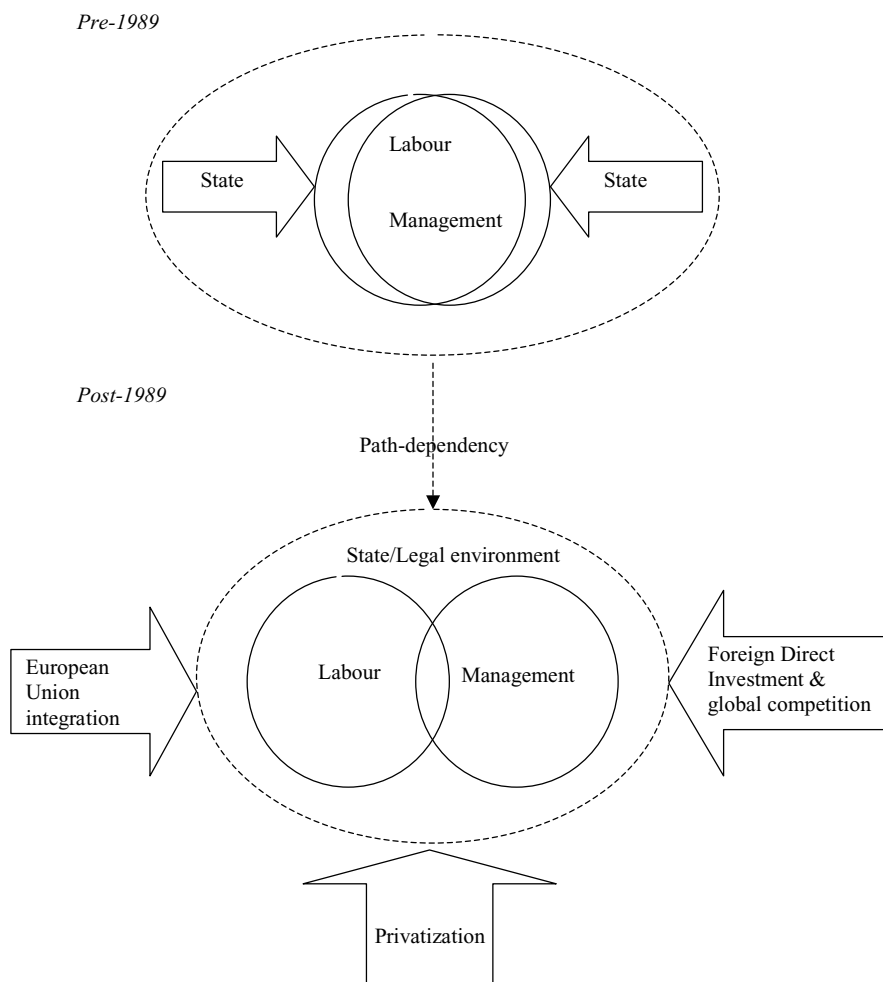
A PROPOSED ANALYTIC FRAMEWORK FOR THE EMPLOYMENT RELATIONS SYSTEMS IN CENTRAL AND EASTERN EUROPE

To examine the transformation of ER systems in CEE we propose an analytic framework that emphasises two key dimensions: (1) the dynamics of the process in time and (2) the structuring of a multi-level system of ER after 1989. The starting point of the transformation is the state of the system of ER as developed during the period of the planned economy (roughly pre-1989). With the transition to market economies, a multitude of factors, both domestic and international, influenced the multi-level structuration of the new systems of ER across the region.

We conceptualise the system of ER of the planned economy period as a largely domestic phenomenon strongly controlled by State action. State intervention is shown to have pressed for weak differentiation between labour and management at the enterprise level and for labour governance institutions that suppressed the expression of conflict against both management and the State. This is exemplified in the top part of Figure 1.

We argue that several key factors transformed the systems of ER in the post-1989 period as shown in the bottom part of Figure 1. We suggest that the weak management-labour divide of the planned economy lost ground after 1989 and that labour and management constituted institutionally distinct domains. We suggest three major factors of change: (1) the processes of privatisation, (2) foreign direct investment (FDI) and globalisation, and, more recently, (3) the processes of adhesion to the EU and internalisation of the EU requirements in the realm of ER.

Figure 1 Factors shaping employment relations in Central and Eastern Europe pre- and post-1989.



These three forces impacted the various levels of the systems of ER with often contradictory dynamics, depending on the sensitivity to path-dependency across the levels of the ER systems. For instance, the efforts toward European integration manifested mainly at the national level and resulted in the birth of macro-level institutions (such as tripartite bodies) resembling the corporatist institutions of the West, while the effects of FDI in the realm of ER were, especially in the case of MNCs, mainly an enterprise phenomenon (the reshaping of the HR managerial practices), with much less impact on national-level institution building.

Despite the fact that we follow a broad definition of employment relations as the 'regulation or governance of the employment relationship' (Marginson & Sisson

2002: 671), we believe that the specification of the level of analysis in the study of ER systems is important for a number of reasons. First, there is a tendency in the existing literature on ER in CEE to indistinctly use the concepts of labour and management to refer to classes or overarching social categories (with class identity often assumed), as well as to actors or stakeholders in the enterprise taken as a unit of analysis. For instance, some authors examine labour governance problems and the clarification of labour's position inside the enterprise (Martin 1999), while others focus on societal corporatism, processes of democratisation and the clarification of the labour class' position in the society at large (Ost 2000; Ost & Crowley 2001). This might lead to a substantive problem, common in system approaches to the process of change: the lack or presence of change assessed at one level is assumed to characterise the entire system (Mayer & Whittington 1999). Our conceptual clarification of the level of analysis in the study of the ER systems transformation in CEE allows for a better understanding of their overall restructuring and helps in the identification of the specific influence of the various factors of change.

Second, although we make a path-dependency argument, meaning that we believe there is inertia in the process of change and that long-established and long-enforced social mechanisms have the tendency to reproduce themselves under changed circumstances, we point out that each level of the ER system has a different path-dependent sensitivity. For instance, although we argue that the change in the structure of property rights did not disturb the former managerial HR practices and routines in radical ways, we also show that privatisation through foreign direct investment disrupted to a larger extent the existent HR practices than the insiders-dominated privatisation methods did. Briefly stated, path-dependency takes place selectively and with different intensity across the levels of the ER systems.

Third, our theoretical framework for comparative ER research in CEE stresses the need for identifying the 'locus of conflict', or the so-called 'sticking points' (i.e. critical, foundational issues defining actors' identities) that characterise national systems of ER (Locke & Thelen 1995; Regini 2000). The 'sticking points' approach argues that by identifying the locus of conflict in each particular ER system, the entire logic of national ER systems formation can be traced back and the understanding of the overall comparative picture can be refined. Hence, we argue that there are at least two main 'sticking points' relevant for the evolution of ER in CEE. The first one is that the selection of *the enterprise* as the pivotal locus for the reformation of the CEE planned economies during the last two decades of the communist period imprinted a tendency for decentralisation within the socialist system of ER: a trend that was only continued by the privatisation processes that were initiated after 1989. As such, the fact that the main selection mechanism of ER institutions post-1989 was the enterprise that emanated directly from the reform policies characterizing the planned economy period. The second sticking point is due to the processes of EU integration that the six CEE countries underwent and explains much of the counter-tendency towards the establishment of corporatist institutions above the enterprise level.

PATH-DEPENDENCY AND PRE-1989 EMPLOYMENT RELATIONS

A premise of our argument is that current systems of ER in CEE are strongly embedded in the rationality of the pre-1989 institutional arrangements of labour governance. In particular, the present devolution of the governance of ER at the enterprise level is a resilient continuation of the ER characterizing the planned economy and of the successive attempts at enterprise reform. Specifically, we identify the common ER institutions, practices and routines shaping change, that is, the sources of path-dependency.

Starting in the mid-1960s—when the Stalinist model of the socialist economy began to erode—CEE enterprises were subject to numerous reforms that mirrored the varieties of socialism emergent in the region. The main challenge faced by the planners was that economic information was stocked at the enterprise level while the price mechanism was blocked. As the economic information could not be released through the price mechanism and its substantial flexibilisation was denied (Nove 1977), planners turned their attention to the working of the enterprise. Consequently, flexibilisation in the operation of the enterprises was at the core of the reforms (Hare, Radice & Swain 1981). It was believed that better *managerial* coordination inside state-owned enterprises (SOEs) would generate the much-needed overall economic coordination that the plan failed to provide. In terms of ER, a solution consisted in the design of complicated reward systems at the enterprise level that moved away from the prevalent piecework pay system towards systems where the enterprise profit would represent the basis for base wage enhancement (Maresse 1981; Petkov & Thirkell 1991). This ‘incentive component’ of the wage was expected to increase collective productivity at the enterprise level. However, the policy of full employment and centrally established restrictions on wage determination remained in place even in the most reform-oriented countries (Hungary, in particular). This explains why, for instance, hiring, retention or termination HR practices were only an administrative formality.

The 1970s and the 1980s witnessed the gradual transformation of socialist enterprises into autonomous economic entities. Albeit still within the overall context of a planned economy and the absence of free market mechanisms, the existing Communist parties accepted and adopted at various degrees the principle of self-management and enterprise autonomy in their decision making (Brus 1990). This transformation reconfigured the relationship between labour and management inside the company as well as the relationship between state/party officials and the management of the SOEs. In effect, in the countries that attempted to give substantive enterprise autonomy (such as Hungary, Poland, and to a certain extent Bulgaria) the incipient differentiation of labour, management and the state as distinct actors of the ER systems preceded the fall of communism.

The fact that some HR practices were virtually non-existent in the East or that given the general economic framework in which they were supposed to operate there was no need to develop them at all, led the Eastern work context to increasingly diverge from the sophistication in HR practices achieved by developed industrialised countries. For instance, managerial conceptions in the East were

characterised as both 'pre-Tayloristic,' in the sense that they gave much informal autonomy to the worker, and as fascinated with Taylorism in that they rejected real employee participation or empowerment (Thompson & Smith 1992: 4–8).

The typical uncertainty with which enterprises had to cope under the planned economy explains much of the informal character of ER in CEE. Reciprocal concessions between labour and management counterbalanced the uncertainty related to the alternation of periods of high and low production. Hence, a pattern of informal bargaining between labour and management developed as a mechanism of uncertainty reduction. At the same time, the enterprise-State relationships as mediated by the plan subdued the development of unions as institutions of workers interests' representation. Unions played the role of the mechanisms associated to the plan instrument. The literature describes them as 'transmission belt' mechanisms for the high-level decisions taken by the communist parties that needed to be implemented at the enterprise level (Schienstock & Traxler 1997). A major consequence, especially relevant for the post-1989 period, was the lack of industry-level negotiations. Some countries introduced workers councils (for instance, Hungary and Poland) or adopted more participatory work systems such as the brigade system (particularly relevant in Bulgaria) but these measures stopped halfway and were often formalistic. Consequently, not only ER originated differently at the enterprise level in the CEE countries *versus* the West, but they were also differently organised across the levels of the ER systems.

In the next sections, we analyse the working of the three main factors triggering ER change in CEE in the period from planned to market economies and the role played by path-dependent labour institutions in the framing of new ER systems in CEE.

PRIVATISATION AND THE TRANSFORMATION OF ER SYSTEMS

Privatisation of SOEs across CEE countries is a key factor of enterprise transformation, and so is the restructuring and commercialisation of the SOEs prior to privatisation. The empirical literature is ambiguous with respect to the causal relationship between privatisation and ER change. Although the privatisation of the SOEs and the parallel establishment of grass roots private enterprises changed the social, economic and legal context in which ER operated during the planned economy period, they are weak predictors of the direction and breadth of transformation in the systems of ER.

Privatisation mainly impacted the system of ER at *the enterprise level*, mostly regarding the introduction of HR practices. It also triggered some transformations at the *national, macro-level* by repositioning the main actors of the ER systems above the level of the enterprise *per se*. The nature of the changes at these two distinct levels was quite different. The former were managerial in character and were contained in the *private* sphere of the enterprise; the latter related to the *public* domain and implied the legislative redefinition of political actors as the state, the unions, and employers' organisations. Below we discuss them in detail.

Transformations in the structure of ER at the enterprise level as a result of privatisation: The HR function

In addition to being a society-wide process of legal redefinition of the property rights in the former SOEs, privatisation represents a realignment of the relationships between the previously less-differentiated parties making up the enterprise personnel. Depending on the privatisation method, management and labour became either shareholders or stakeholders in the company and the labour-management relationships were consequently redefined.

Our analysis in this section is based on a thorough examination of the existing literature linking privatisation to the process of ER transformation. A few but nevertheless, consistent studies offer a snapshot view to the privatisation processes and their mechanisms. There are two main directions to follow when analysing the transformation of ER at the enterprise level as a result of privatisation. First, under the impact of privatisation the internal organisational structure of the enterprises was modified and in the process the role of the personnel department as inherited from the period of the planned economy was altered. Second, privatisation induced changes in the HR practices themselves.

A main assumption in the literature for the early transition years was the direct positive relationship between property rights change and the transformation of ER. This simplified view of the transformation of ER ignored that organisational structures and routines under the planned economy needed to first be discontinued. From this perspective, one key process was the *de-politisation* of the personnel departments and their transformation into politically neutral divisions, with HR functions typical of companies operating under market rules (Soulsby & Clark 1998). Surprisingly, the *de-politisation* of the personnel departments was not accompanied by major changes in the managerial practices. It was generally a repositioning of the personnel department at lower levels of the enterprises' organisational structures—a rebuke for its past collaboration with the communist parties structures (Koubek & Brewster 1995). Not until the mid-1990s were personnel departments able to resurface as autonomous divisions inside the enterprise, although their role was always seen as mere personnel administration (Soulsby & Clark 1998). For instance, studies done in the Czech Republic, Poland and Romania show that the HR departments were not involved in the firm's strategic decision making, and line managers overtook many of their functions (Koubek & Brewster 1995; Tung & Havlovic 1996; Trif 2003). Hence,

Proposition 1. A direct consequence of the planned economy period which privatisation could not automatically overcome is the marginal position assigned to HR departments in the privatised SOEs and the failure to integrate the HR function in enterprises' overall business strategy.

In addition to path-dependent mechanisms, the effects of privatisation on ER are mediated by the quality of corporate governance arrangements put in place through privatisation and the particular characteristics of the economic environments under which firms operate. As Thirkell *et al.* (1998) note, given the diversity of corporate governance structures and managerial strategies in the realm of ER, it is not surprising to simultaneously observe continuity in ER from state to private

firms, and discontinuity and diversification of ER at the enterprise level. Over time, a general sense of differentiation emerged in terms of the effects of the privatisation methods on the degree of 'genuine change' *versus* 'path-dependency' in the transformation of ER at enterprise level. Winiecki (2000) argues that the most radical changes in ER occurred in the grass roots private sector, or what he labels the part of the economy 'privatised from below'. This sector is largely non-unionised and has minimum barriers to change. By contrast, privatised SOEs displayed more inertia in the transformation of ER. Q1

We suggest that differences in privatisation methods introduced diversity in ER mainly because of their divergent capacity to trigger overall enterprise restructuring. The corporate governance literature proposed that some privatisation methods are structurally more likely to induce enterprise restructuring, while others are intrinsically more static. Table 1 summarises the main and secondary methods of privatisation pursued in the six CEE countries that we study. Management buy-outs (MBO), and management-and-employee -buy-outs (MEBO) are insiders-dominated privatisation methods found to exacerbate the risk of disinvestment and lack of long-term market strategy (Frydman *et al.* 1996). For instance, employee shareholders are more likely to oppose restructuring plans that involve labour redundancies, may prefer less investment to higher wages, or opt for investments that minimise short-term risks (e.g. excessive product diversification) while exacerbating the possibility for longer-term risks (Earle & Telegdy 1998). On the management side, insiders-dominated privatisation methods tend to increase the risk of opportunistic behaviours such as preference for job preservation, excessive wages for managers at the cost of under-investment and opaque information about firm performance (Wright *et al.* 1997). While the employees might not have the required skills to exercise an effective supervisory role, old managers might have the 'wrong' skills, such as ability to bargain with politicians but inability to deal with competitive market conditions (Ramamurti 2000).

Privatisation methods that favour outsiders' control and monitoring are generally more prone to restructuring. Nonetheless, given the structure of dispersed ownership that resulted from privatisation, effective control depends on the development of related market institutions, in particular private banking systems and the emergence of transparent financial markets. Countries differed markedly in their ability to set up these institutions. In addition, despite the fact that the available packages of privatisation methods were similar across firms, their composition and accessibility differed considerably from country to country. For instance, the role of FDI in enterprise restructuring was central in the case of Hungary, while much less important in the case of Romania or Bulgaria attracting much lower levels of FDI (see Table 1).

In sum, the corporate governance literature would suggest that the main post-privatisation pattern is the settlement of the ER governance institutions at the enterprise level with management in the driving seat (King 2001) and the weakening of the intermediary and national levels of ER systems. For instance, Cuervo and Villalonga's (2000) model of privatisation and organisational transformation placed management at the core of the endogenous changes of the post-socialist firms and defined privatisation as a process filtered through and enacted by

Table 1 *Privatization in six central and Eastern European countries by 2002*

	Bulgaria	Czech Republic	Hungary	Poland	Romania	Slovakia
Privatization stage (1)	In process; private sector size: 71.7% of gross value added 73.4% of employment	Advanced; Private sector size: 75% of GDP	Almost complete; private sector size: 80% of GDP	Advanced; private sector size: over 70% of GDP 70% of employment	In process; private sector size: 67.1% of GDP 67% of employment	Advanced; Private sector size: 85% of GDP
Main/Secondary privatization method (2)	Voucher/direct sales	Voucher/direct sales	FDI/MBO	MEBO/Direct sales	MEBO/voucher	Direct sales/voucher
Role of FDI in enterprise restructuring (1)	Restricted	Important	Main tool of enterprise restructuring	Important after 1995	Restricted	Relatively important
Size of small and medium enterprises Sector (1)	45% of GDP* 65% of labour force	42% of GDP 60% of labour force	45% of GDP 70% of labour force	50% of GDP 67% of labour force	47% of labour force	58% of GDP* 60% of labour force

Q2 *Source:* (1) Based on the 2002 Regular Reports on the candidate countries progress towards accession; (2) Hunya (2000).

Q3 *Note:* * Data come from the 2000 Regular Reports on the candidate countries progress towards accession.

management. Still, the central role assigned to management in the process of privatisation was chiefly a reinforcement of the power it gained during the pre-1989 enterprise reforms (Shleifer & Vasiliev 1996).

The ER literature in CEE points in the same direction and stresses the subordination of ER transformations to management-triggered restructuring of the enterprise (Martin 1998; Martin & Cristesco-Martin 1999; Neumann 1997). This occurred via the commercialisation of the enterprises during the early transition period (Egorov 1996), insider-dominated ownership forms (Vickerstaff & Thirkell 2000), voucher privatisation (Martin 1997; Standing 1997), FDI, and the emergence of a large section of small and medium enterprises across the CEE economies encompassing mainly a non-unionised labour force (Casale 1999; Pollert 2000). Even in Hungary, the country that most vigorously adopted works councils, management remained the main actor shaping ER at the enterprise level (Neumann 1997; Toth 1997). Yet, the shift of the control in decision making towards management as a result of dispersed privatisation or what some scholars call 'the managerialisation' of the CEE economies (King 2001) was not automatically coupled with a radical change towards Western HR practices.

A large number of authors highlight the continuity of 'communist' HR practices from state to private enterprises, and the slow pace at which new, Western HR practices are introduced (Kovach 1995; Martin 1999). Many of the privatised firms continued to be relatively centralised and rigid, to have high levels of social closeness, extensive informality, ambiguous authority relationships, and little differentiation between skill levels. In comparison to their Western counterparts, they had underdeveloped recruitment, promotion, performance appraisal, and termination practices (Koubek & Brewster 1995; Tung & Havlovic 1996; Clark & Soulsby 1999).²

The fact that former ER structures are so resilient to change even under privatisation arrangements favouring overall enterprise restructuring is partly explained by path-dependent mechanisms. Managerial and work-related behaviours are based on routines and practices that coagulate into taken-for-granted ideational frameworks difficult to change (Campbell & Pedersen 1996). In addition, the link between HR management and firm financial performance was not well understood. Consequently, HR departments and their practices remained low priority at least in the first part of the transition period.

Only under certain circumstances did ER change. Empirical studies show that even the most 'sticky' routines may change under strong competitive environmental pressures. For example, in their study on ER in the Hungarian industry, Whitley and Czaban (1998) conclude that the transfer of property from state to private hands as such was not a good predictor of the degree of change in ER at the enterprise level, but that exogenous, macro-environmental changes such as increased market competition pressured for the change of the ER inside the firm. A surprising finding was that supervisor-employee relations, usually regarded as strongly inertial, changed more radically in crisis SOEs and foreign-owned firms than in stable SOEs, or in private firms (i.e. owned by Hungarian citizens). SOEs on the verge of losing their domestic market share, and foreign-owned firms exposed to competitive market pressures were more likely to introduce participative

work practices, decentralise decision making and give supervisors autonomy in decision making. In the same vein, Slomp *et al.* (1996) singled out privatisation as 'the only factor having an impact on industrial relations' (p. 343). But they point out that this is due not only to changes in ownership status as such but also to the macro-environmental changes resulting from privatisation. Given that ERs at the firm level are more likely to be inertial and dependent on logics of actions inherited from the planned economy period, we expect that pressures exercised by the enterprises' market environment will play an important role in their restructuring. Hence,

Proposition 2. Across privatisation methods, privatisation shifts the authority in the governance of ER towards management but does not lead to major transformations in firms' HR practices, unless strong exogenous, macro-environmental pressures are present.

*Transformations at the industry and national levels of ER as a result of privatisation:
Tripartism in CEE*

There exists a vast amount of literature describing the establishment of tripartite systems in CEE and their *raison d'être* in the turbulent context of the transition to market-based economies (Cox and Mason 2000; Martin 1997; Pollert 2000; Standing 1997). Hethy defines tripartism as a variety of 'neo-corporatism', a mechanism of 'high-level negotiations between the state and the representatives of employers and labour' (1994: 312). In the CEE context, tripartism provided a national-level framework to negotiate the privatisation process and its large redistribution of assets. Yet, several authors attribute the establishment of tripartite structures to the pressure of international organisations, such as the International Monetary Fund, the World Bank, and the International Labour Organization, active in these countries during the transition period (Hethy 1994; Flanagan 1998; Thirkell *et al.* 1998). Still other authors suggest that tripartism was adopted to conform to the European Union labour standards, as a precondition for accession and point out that post-1989 governments in CEE were often reluctant in their implementation (Standing 1997; Myant *et al.* 2000). In part, this was due to the decreasing popularity of such institutions in Western countries (Flanagan 1998).

It is important to note that beyond the conceptual resemblance, there are intrinsic features of tripartism in CEE differentiating it sharply from its Western counterpart (Toth 1997). First, tripartite structures were implemented from the top and parallel to firm restructuring. Second, the 'high-level' character of the negotiations between the three social actors was flawed by the estrangement of the national-level tripartite negotiations from the labour strategies pursued by the companies. Third, effective tripartism required a clear redefinition of the role of the state, unions and employers' organisation within the ER systems, and a break from the practices of the communist period. However, as several authors noted, this break either did not occur or adopted unexpected forms (Flanagan 1998; Martin 1997). In sum, each party in the tripartite model introduced specific types of strains.

A common feature and a benchmark of tripartism across CEE during the 1990s was the fact that the state, labour unions, and employers' organisations were not 'actors' in the real sense of the term, but in fact, bundles of dynamic processes. Their functioning structure was still far from being stabilised, or from presenting operational routines even towards the end of the 'transition' decade. Table 2 presents the level of union and employers organisations' fragmentation across the six CEE countries by 1998 showing this diversity. Below we discuss the specific tensions introduced within the tripartite structures by each of its actors.

The state as a tripartite actor

The tensions originating from the position of the state within the tripartite structures are probably the most powerful. When tripartite structures were first introduced in CEE, the expectation was that the state will play only a limited role and that most of the negotiations would take place between the representatives of labour and management (Slomp *et al.* 1996; Cox & Mason 2000). However, given the state's critical role in the process of privatisation and in the coordination of the macro-stabilisation reforms, the state remained central to the tripartite structures. In fact, as the Czech and Slovak experiences clearly exemplify, the extent to which tripartism gained a higher profile at various points in time, depended strongly on the government's general attitude towards corporatist economic coordination (Myant *et al.* 2000).³ This seems to be a trend typical not only in the CEE transition economies but, more broadly, a characteristic of developing economies that rely on state-led policies of economic growth (Zapata 1996)

Q5

Other authors point to the fact that the centrality of the state within tripartite negotiations was enhanced by attitudinal patterns inherited from the past. Partly because the role of the state used to be central in solving their problems, and partly because unions (Neumann 2002) and employers' organisations were perceived as weak and ineffective structures (Slomp *et al.* 1996), employees continued to direct their demands to the state.

In effect, the concept of 'union strength' is still elusive in the CEE context. It remains an open question whether the most relevant indicators of labour strength are unionisation levels, the number of economic strikes (Stanojevic 2001), the participation of national union leaders in the political life (Trif 2003) or, simply the minimum level of wages (Standing 1997) and the wage disparity between the unionised and non-unionised labour force (Neumann 2002). Despite the fact that unions' strength may be said to vary across countries depending on such criteria, it is significant to note that the enforcement of collective agreements and tripartite bodies did not yet become an invariant characteristic of the emerging CEE economies. What was observed in practice was that tripartite arrangements had a sinuous existence that remained *contingent on* the political orientation of the parties alternating in power. In this sense, even if we can observe temporary divergence in the operation of tripartite institutions in CEE, it is useful to note that collective bargaining above the enterprise level did not establish itself as an invariant characteristic of the CEE emergent economies.

Q6

Table 2 *Structure of trade unions organizations and employers' organizations in six CEE countries*

	Bulgaria	Czech Republic	Hungary	Poland	Romania	Slovakia
Estimated unionisation level by 1999–2001 (% of employed labour force) (1)	37 (1995)*	30	20	15	50 (1997)*	40
Number of unions (U), union federations (UF) & union confederations (UC) (2)	2 UC 4 UF	– One large UC with 30 member trade unions – 11 smaller UC	6 UC	2 UF**	Over 20 UC of which: 2 largest UC have each 5880 and 2140 U	– One UC with 41 U – 3 smaller UCs – 8 independent trade union branches
Number of employers' organizations (2)	4 main EOs in one association	2 large EC of ECs with 7, and respectively 21 member federations	10 EC	1 main EC, & several other confederations & organizations of varying size	5 national EOs	1 EC with 39 EOs
EO: employer organization EC: employer confederation						

Source: (1) Lado (2002); (2) Casale ed (1999).

Note: * Data for Bulgaria and Romania come from Standing (1997): 140–50; ** Data for Poland come from Cox and Mason (2000): 334–35.

Old 'transmission belt' unions and new unions as members of the tripartite structures

Another major source of conflict within the CEE tripartite structures comes from the unions' position in the tripartite negotiations. Studies done in the CEE region describe the general tendency towards fragmentation in the union movement (Standing 1997; Cox & Mason 2000), conflict between old and new unions (Martin 1997; Pollert 1999), and direct involvement of unions in political life (Cox & Mason 2000; Pollert 2000; Trif 2003). The result is a trend towards decreasing popularity of unions in CEE (Martin 1999). Blanchflower and Freeman's (1997) analysis of attitudes towards unions revealed much lower levels of satisfaction with unions among Eastern employees than their Western counterparts, and point out the paradox that although much more dissatisfied with unions, employees in the East shared the overwhelming opinion that unions have too little power. They attribute these contradictory findings to the communist legacy of labour relations and to the peculiar role played by unions in the planned economy system—'transmission belts' mechanisms for the high-level decisions taken by the communist parties that needed to be implemented at the enterprise level. That is, the passivity of former trade unions and their lack of legitimacy as representatives of employees' interests continued after 1989. Another explanation of unions' ineffectiveness inside tripartite structures is advanced by the studies of Slomp *et al.* (1996); Pollert (2000) who discuss the issue of divergence of eastern tripartism from its Western counterparts. Their answer to the question of why states remain strong in the tripartite structures of the East is that the intermediary level of tripartite systems (industry-level negotiations) is the missing element of tripartism in the ex-communist countries of Europe. Q7

Employers' organisations as members of tripartite structures

The most uniform phenomenon accompanying the emergence of tripartism in CEE was the slow formation of employers' organisations and their lack of substantive involvement in the tripartite structures (MacShane 1994; Cox & Mason 2000). Generally speaking, employers remained focused on company-level agreements and saw little need for industry- or national-level negotiations (Egorov 1996; Martin 1999). The privatisation processes seemed to further accelerate this trend. Managers of privately owned companies, and especially those newly formed were reluctant to accept unions in their companies and to get involved in employers' organisations at the industry level. Country-specific studies (Hill *et al.* 1997; Pollert 1999) show that often the role of employers' organisation has been appropriated by the Chambers of Commerce (Slomp *et al.* 1996) and mostly as a government effort to comply with the tripartite structures requested by international organisations, the ILO in particular (Standing 1997). This trend further weakened the intermediary level of the tripartite systems and accentuated the polarisation of the ER systems between the national and enterprise levels.

As observed in the case of developed economies, employer strategies in the realm of ER follow logics of action that respond to global competitive pressures faced at firm level. In CEE, privatisation opened the economies abruptly to global competition, *before* the erection of any institutions of corporatist

coordination was consolidated. As a consequence, employer strategies in CEE are closer to what Thelen (2001) described for advanced industrialised countries like Britain and the United States as *segmentalist* ER strategies. As opposed to 'collectivist' strategies, segmentalist strategies characterise market economies that have traditionally weak labour market coordinating institutions above the enterprise level. In such countries the employers are compelled to stabilise the firms' labour market environment through atomised, firm-based negotiations. Short of labour market coordinating institutions above the enterprise level, and faced with strong open-market competition, employer strategies in CEE subscribed to segmentalism from the very beginning of the transition period. In light of this discussion, we propose:

Proposition 3. The pivotal role of the State in the process of privatisation and economic restructuring reinforces its historically strong position in the ER systems in the CEE and its weight in the outcomes of tripartite collective bargaining.

Proposition 4. Path-dependent barriers to the establishment of unions and employers' organisations undermine the formation of corporatist structures of ER models in CEE and relegate collective bargaining negotiations to the national level while short-circuiting the intermediary level of decision making.

FOREIGN DIRECT INVESTMENT AND THE TRANSFORMATION IN ER SYSTEMS

In this section, we discuss foreign direct investment (FDI) as an autonomous factor influencing the transformation of ER in CEE. Three main reasons make FDI critical. First, FDI brings into the picture the role of multinational companies (MNCs) as the main agents of change and globalisation. This aspect is particularly relevant in the CEE context, where for over four decades foreign-owned companies were almost completely absent from the economic environment of the planned economies. For instance, in 1987 the total FDI in the six CEE countries and former East Germany was estimated in the range of \$US200 to 500 million (UN 1989: 20–21), while the average FDI inflows for the period 1997–2001 range between 708 million ECU in Bulgaria and 6664 million ECU in Poland (European Commission 2002). Second, in contrast to insiders-dominated privatisation methods, FDI was regarded as the primary ground for the *transfer* of foreign managerial skills and tacit knowledge difficult to be acquired otherwise (Kogut 1996; Estrin *et al.* 1997). Third, positive spill-over effects to the broader economy were expected to follow as a result of the diffusion of managerial and organisational knowledge from foreign-owned companies to the local companies.

Due to its influence on managerial practices, FDI transformed the ER systems mainly at the enterprise level. Nevertheless, given the usually anti-union stance adopted by the majority of MNCs, it also impacted unionism and levels of unionisation across the CEE region. In other words, similar to other privatisation methods, FDI strengthened the enterprise-based character of ER in CEE and weakened the influence of corporatist tendencies imprinted by concurrent processes or international institutions. However, despite the importance assigned

to MNCs in the CEE economies, there are surprisingly few empirical studies that analyse their influence on ER systems.

The transfer of HR practices in the CEE work context as a result of FDI

It is largely accepted that MNCs revived or introduced new HR practices that were non-existent during the planned economy. For example, MNCs were quick to launch recruiting, evaluation, training, compensation, and benefits practices that in the past received little attention. Whereas some studies suggest that foreign affiliates are more likely to follow local HR practices than to adopt the HR practices of the parent company (Rosenzweig & Nohria 1994), in CEE subsidiaries of MNCs tend to be perceived as islands of Westernised HR management practices and therefore differ from local firms.

A few studies have analysed the internal mechanisms of transfer of HR practices, and pointed to the characteristics of the parent companies that favoured such transfers. Cyr and Schneider (1996) analysed the process of organisational learning and actual transfer of HR practices in CEE joint venture companies. Drawing their conclusions on the systematic research of HR practices in three joint ventures established in Hungary, Poland and the Czech Republic with Swedish, French, and German capital respectively, they highlight the importance of shared responsibility, training, and well-designed reward systems for the process of organisational learning and behavioural change at the enterprise level. Important findings were that unlearning of an old organisational culture occurs through sustained training and teamwork. The long-lasting behavioural pattern of risk and responsibility avoidance inherited from the period of the planned economy was found to be decreasing with training and improved communication inside the company.

Another internal mechanism with a seemingly important impact on the transfer of HR managerial practices in CEE is the use of expatriates. Previous research shows that the presence of expatriates facilitates the transfer of HR managerial practices within MNCs and boosts their departure from local practices (Rosenzweig & Nohria 1994). In CEE, the expatriates played a major role in the socialisation of the locals in the organisational culture and practices of the parent companies. Peiperl and Estrin (1998) estimated that managerial markets across the CEE were tight, and that consequently there was high reliance on expatriates in the case of foreign-owned and joint venture firms. Nonetheless, the use of expatriates tends to decrease over time and that seems to be already the case in most of the CEE subsidiaries. Peterson (2003) found that the use of expatriates in CEE is declining, given that functional expertise and organisational culture have been already transferred to local managers, but that the transfer of HR practices remains mainly circumvented to the subsidiaries. The broader spill-over effects to local companies are limited because the managerial markets are highly segmented with managerial mobility from the MNC's subsidiaries to the local companies.

One of the few studies that paid attention to the characteristics of the MNCs in connection with the transfer of HR managerial practices is Bluhm's (2001) analysis of the conjugate home country/host country effects in the case of 27 German manufacturing firms established in Poland and the Czech Republic. Bluhm finds

that the intensity of managerial transfer was best predicted by firm size. Large MNCs were more likely to transfer, or creatively adapt HR practices pursued at home, whereas small firms followed more the existent local practices. Despite the limited representativity of Bluhm's sample, the study suggests that the characteristics of the MNCs present in the region introduce diversity in the HR practices followed by the subsidiaries.

We argue that the adoption of the parent company's HR practices depends, however, on a much wider range of factors, the influence of which has not yet been assessed in the case of MNCs operating in the CEE countries. Such factors refer to the entry mode, the type of market in which the parent company operates (global versus isolated domestic markets), the extent to which HR management is regarded as a strategic component in the parent company, the cultural distance between the home and host country, the level of enterprise de-politisation and the overall legal and political environment of the host country. Moreover, the clear boundary delineation of the interplay between internal (company-specific) and external (structural, country-specific) factors would refine the understanding of the diversity in the ER transformations triggered by MNCs across the region (Bray & Lansbury 2000).

The effect of FDI on unionism in CEE

Several empirical studies confirm that FDI weakened trade unionism and contributed to the enforcement of management authority at the firm level. In Hungary, Toth (1997) and Neumann (1997) show that more often than not management in foreign-owned companies adopted a hostile attitude toward unions, and that in multinational companies the labour force is largely non-unionised. Referring to Bulgaria where management discretion at the firm level was somewhat more contrived by law than in other CEE countries, Hill *et al.* (1997) state that the unions' position is more at question in firms with foreign participation and that embryonic 'managerialism' is more likely to appear in multinational companies. Martin (1997) finds that in the Czech Republic, elements of new HR practices (such as individual-pay determination) are more likely to exist in multinational companies and that foreign participation above 30 per cent takes firms out of the incidence of the Wage Act (i.e. wage levels are no longer established through collective bargaining). Finally, Pollert (1997) also documents the weak bargaining position of unions in MNCs in the Czech Republic, although she signals differences depending on the MNC's country of origin.

Although all these studies point in the same direction, it is not clear whether the fact that MNCs in CEE are largely non-unionised is the result of an organised effort to block the establishment of unions within their subsidiaries. A major setback for the establishment of unions was that wages in the subsidiaries were by far superior to those negotiated through collective bargaining at the industry level, or to the national minimum wages established by tripartite negotiations. Shop-floor negotiations in MNCs were targeted towards flexibility, and in particular, towards attracting a superior work force. In light of this literature, we propose:

Proposition 5. FDI introduces between- and within-country variation in the CEE ER systems at the firm level. Countries that attracted higher levels of FDI will have more heterogeneous HR practices at the firm level.

Proposition 6. The presence of MNCs reinforces the enterprise-based character of ER at the level of the enterprise and weakens the incipient corporatist arrangements at the industry and national levels.

THE 'EUROPEANISATION' OF THE ER SYSTEMS IN CEE: EUROPEAN UNION ENLARGEMENT AND THE SOCIAL ACQUIS

An increasingly critical factor for the structuring of new systems of ER in CEE is the process of European Union enlargement and the adoption by the CEE countries of the *acquis communautaire*—the body of EU legislation—as a precondition for accession.⁴ At the policy level, Atkinson (2002) points out that the reactivation of EU's social agenda at the Lisbon European Council in March 2000 was at least partially due to the perspective of enlargement and that the move was more pre-emptive than accommodating. The EU enlargement process requires the establishment of isomorphic institutions at the national level of the ER systems and pressures towards more corporatist arrangements at the sub-national levels. Consequently, it is the most challenging factor to the path-dependence hypothesis of ER transformation in CEE.

Notably, unlike other transition or developing economies, the CEE countries face the unique task of adapting to the institutionalised structure of ER of developed EU economies. We argue that the extent to which ER in CEE will continue to operate under a specific type of tripartite relationships, and to devolve the governance of the employment relations at the enterprise level will depend to a large extent on two factors: (a) the evolution of ER and integration paths of current EU members, this is, the enlargement context, and (b) the conditions for enlargement required in the realm of the so-called third, i.e. social pillar.

The rest of this section discusses the implications of enlargement for the institutions of labour governance in CEE. The analysis will first outline the EU enlargement context in the realm of ER, and second it will chart the main policy tools employed, and the potential consequences of the enlargement process for the ER systems in CEE.

The enlargement context

The idea of a pan-European 'system' of industrial relations has only recently gained more contours in the debates about the future of labour governance in an economically and politically integrated Europe. The 1990s represented a period in which the EU's social dimension, only vaguely affirmed in the Treaty of Rome, received legal grounding and strong institutional support. A number of developments such as the 1989 Social Charter, the atypical work and parental leave directives of the early 1990s (Jensen, Madsen & Due 1999), the 1995 European Works Council directive (Addison & Siebert 1999; Teague 1999), and the implementation of National Actions Plans for Employment (NAPs) starting in 1997–1998 (Biagi 1998; Leonard 2001) are repeatedly pointed out as key steps

towards the creation of a European system of industrial relations and harmonisation in the social dimension. A pick moment was the inclusion of a proper 'employment chapter' in the 1997 Treaty of Amsterdam. As a consequence the narrow legal basis for action in social matters afforded by the Treaty of Rome was extended to expressly include the social dimension.

Although recent developments indicate increasing coordination on labour-related issues at the European level (Jensen *et al.* 1999; Teague 2001), there are no clear convergence trends towards a common institutional design of labour governance among the present EU members (Marginson & Sisson 2002). Some authors argue that little should be expected any time soon (Streeck 1998; Roche 2000). This makes the task of identifying the specific ways in which the EU enlargement will affect the functioning of the CEE systems of ER the more difficult. Whereas the economic convergence criteria are clearly defined, and their economic rationality accepted, the impact of the EU models of labour governance and of the social *acquis* is difficult to assess. Moreover, even if such evaluations could arguably be made, the top-down implementation of the *acquis* and of ER models anchored in corporatist arrangements leaves the enforceability issue still wide open.⁵ Nevertheless, one issue is clear: unlike in the case of the current EU members, the accession countries cannot opt out from the *acquis*. Therefore, the pressure to conform with the present *acquis* is, in a sense, stronger for CEE countries than for former EU member-states (Grabbe 2003).

The influence of enlargement on the CEE systems of ER

The adoption of the social *acquis* was seen as a linear process to be gradually implemented by all the candidate countries before accession. Its legalistic approach ruled out the possibility of more differentiated routes to enlargement based on public versus market failure analyses to social policy adoption (Addison & Siebert 1999). Below we discuss the main policy tools for the adoption of the EU social *acquis*.

The main tools for the coordination of the candidate countries' employment policies are the 'Joint Assessment Papers' (JAPs) signed by the candidate countries with the European Commission in the period 2000–2002. The JAPs are country-specific documents aimed at identifying and evaluating the measures to be undertaken by each candidate country in order to fully implement the Employment Title of the Amsterdam Treaty. The JAPs were structured along two distinct dimensions: an evaluation of the local market characteristics and, a set of policy recommendations to be adopted in order to align the employment policies of the candidate countries with the European Employment Strategy. Policy recommendations cover broad areas such as wage settlement, the reform of the tax and benefits systems, human resources development and training, the gender gap and minority issues.

The similitude of policy recommendations across countries is striking. It reveals the Commission's uniform view regarding the necessary labour market institutions to be put in place in each of the candidate countries. A large number of recommendations address the development of national-level labour institutions such as the PES (Public Employment Services), the representative national

institutions to deal with the ESF (European Structural Funds), the main agencies to design and monitor the implementation of ALMPs (Active Labour Market Policies) and, the monitoring institution for the implementation of the *acquis* in the area of health and safety at work (usually labour inspectorates). At this early stage, it is difficult to assess the effectiveness of these institutions. The question still remains whether what is now part of the law will effectively shape the structuring of ER at enterprise or sector level. In a sense the JAPs mirror a similar exercise initiated by the Commission for the current member states in 1997–1998 in the form of National Action Plans for Employment (NAPs). Hence, taking a closer look at the literature analysing the NAPs may partially reveal some of the assumptions and potential consequences of the JAPs in the Eastern context.

The NAPs represent a concrete instrument by which the European Commission shapes the national-level employment policies. The guidelines of the NAPs are established by the Commission and the member-states have to report back annually the progress made towards meeting a number of targets. Several assumptions implicit in the way in which the European Commission has set up the process of NAPs design have been already questioned and analysed in the literature. The concerns raised in the context of the present member states are potentially relevant for the CEE countries as well. For instance, Leonard (1999: 32–33) points Q9 to the fact that NAPs are essentially a government project as opposed to union or employer motivated, and that they operate under an *implicit* assumption of the existence of corporatist national systems of industrial relations.

The assumption of a corporatist labour environment in CEE would come in sharp contrast with reality. Thus, it seems reasonable to ask what present features of ER in CEE would be enforced or weakened by developments similar to those presently taking place in the EU. In particular, would the existing cleavages between the East and the West in the realm of ER be pushed even further? Paradoxically, the efforts towards integration on the social dimension among the present member states could reinforce the divergent trajectory of ER systems in the accession countries. One major implication of the parallel evolutions in the EU is that a prolongation of the strong role of the state in national tripartite bargaining may be expected as a result of JAPs' introduction. As the CEE governments struggle to align their institutions and legislative structures to the EU standards and the *acquis*, the role of the state in regulating the labour markets and institutions will increase rather than diminish. Q10

The 2002 Regular Reports towards Accession as well as a number of other documents issued by the Commission are almost unanimous in noting that the corporatist institutions of social partnership are weak in the CEE countries. However, because the 'catching up' approach⁶ is seen as adequate not only in economic matters but also in the realm of ER institutions, the current recommendation is to strengthen the tripartite and especially bipartite dialogue at the sector and enterprise levels, as well as to extend the reach of collective agreements in the private sector, including small and medium-sized enterprises.⁷ It is not clear how this institutional convergence will be achieved in practice, but it is transparent that the expectation is that trends will be largely reversed and that unionisation levels and participation in employers' organisations will increase. As Meardi (2002) in one

of the rare papers analysing the consequences of the EU eastward enlargement puts it:

[...] since 1999 an effort has been made to include social dialogue, as a constitutive part of the *acquis communautaire*, in the enlargement process [...]. Yet this effort remains rather abstract, at most a sort of 'apolitical' institutional engineering with little link to actual industrial relations conflicts. [...] Here, it is possible to identify the same problem which has undermined 'tripartism' in the CEE: the creation of *façade* institutions before effective social partners exist (pp. 81–82).

The uniform approach taken by the EU Commission for the adoption of the social *acquis* by the candidate countries may explain its almost complete translation in the candidate countries' legislation, most often without any requirements for transitional arrangements. The extent to which the social *acquis* will influence the sector, and the company-bargaining levels depends on the development of effective corporatist institutions and instruments of collective negotiations that are, however, not a natural outgrowth of the ER traditions in CEE. Hence,

Proposition 7. ER systems in the CEE accession countries will continue to be strongly affected by the evolution of the EU acquis in the social and employment domain, especially at the national level.

Proposition 8. The process of European integration may further reinforce the role of the State in the structuring of ER in CEE without contributing to the strengthening of the other social actors of the ER systems.

CONCLUSIONS

In this paper we proposed a three-level framework for the analysis of the transformation of ER systems in CEE, and argued that this conceptualisation leads to a better understanding of the level-specific processes and mechanisms of change. We discussed the effects of three main triggers of ER transformation: privatisation, FDI, and EU enlargement. By an in-depth analysis of the existing literature, we show that privatisation and FDI have a stronger impact on the transformation of ER at the enterprise level, while the prospect of the EU enlargement fosters the structuring of new industry and national institutions of ER.

Path-dependent transformation is a key characteristic of ER systems in CEE with the consequence that the present systems of ER diverge from Western long-established corporatist patterns. Unlike in Western Europe where a similar process of ER deregulation and wage-bargaining decentralisation began in the mid 1980s (Thelen 2001), post-1989 privatisation and globalisation processes in CEE only strengthened a two-decade-old trend for enterprise-centred systems of ER. The result is so far a hybrid form of these ER systems. Whereas employers subscribed to segmentalist ER based at the firm level, the national level, under the pressure to integrate in the EU, upheld corporatist ER strategies. But, the characteristics of liberal or corporatist Western models of ER were not closely reproduced at any of the levels of the CEE systems of ER. On one side, employer segmentalist strategies were not supported by a strong tradition of HR practices for the governance of the employment relationship at the firm level. On the other

side, the corporatist regulation of the ER systems did not rely on a strong intermediate level of ER coordination. Nevertheless, as we have discussed, the ER systems in CEE are rapidly evolving under the influence of a host of internal and international pressures. From this perspective, the way in which domestic actors will balance the 'Europeanisation' and globalisation' pressures remains an open question. Q11

ACKNOWLEDGEMENTS

We thank the European Union Center at the University of Illinois at Urbana-Champaign for their financial support. Comments that we received from participants in presentations at the American Sociological Association, the Academy of Management and the Institute of Labour and Industrial Relations, UIUC research seminar are greatly appreciated. The usual caveats apply.

NOTES

1. We pursued the method of most similar comparisons (Ragin 1987) by including in our analysis only countries that did not belong to the former Yugoslav Federation or the Soviet Union before 1989. Given its reunification with West Germany, the case of East Germany was also excluded from the analysis.
2. This evidence goes against the thesis sometimes advanced in the literature that CEE is experiencing the 'Americanisation' of ER (Marginson and Sisson 2002; Meardi 2002). Such opinions point to the extreme decentralization of collective bargaining and to the enterprise basis of unions as the sole indicator of 'Americanisation'. However, these characteristics are not accompanied by sophisticated HR practices largely characterizing the U.S. ER environment. Nor have unions in CEE been able to replicate the classic 'economic' or 'business unionism' in Gompers' tradition. See Ost (2002) for a discussion on the relevance of business unionism in post-communist CEE.
3. Up to the end of 1992 the Czech and Slovak Republics constituted a single political entity: the Czechoslovak Federation and tripartism had been introduced under very similar auspices in both parts of the country at the beginning of 1990 mainly as a 'transition pact'. However, unions in both regions hoped for a more permanent and substantial role and reunited in a unique confederation. Employer organizations were almost non-existent in both republics but started to emerge soon after the political changes. With the break-up of Czechoslovakia on January 1, 1993, the tripartite structures in the two republics and the role played by them largely diverged. The Czech neo-liberal government in place until 1998 almost denied any role to the Czech tripartite bodies. By contrast, in Slovakia the nationalist-socialist government led by Meciar was not ideologically hostile to tripartism and incorporated the already existing tripartite structures in the process of decision making on labor-related issues. Nevertheless, it is significant that while in the Czech Republic threats of general strikes were not regarded as credible by the Klaus government until the economic crisis erupted in the late 1990s, they represented a constant threat to the Meciar government in Slovakia. This is, maybe, explained by the fact that at the time of the split-up, the Slovak government faced a much worse economic situation with the unemployment rate three times higher than in the Czech Republic. In the same vein, Trif (2003) points out that in the case of Romania the strength of tripartite institutions was also contingent on political factors. Trif shows that the right-wing government in power between 1996 and 2000 promoted the tripartite dialogue more than the previous left-wing government.
4. With the exception of Bulgaria and Romania, full EU membership was granted to the rest of the our CEE countries in May 2004. Romania and Bulgaria have the objective to join in 2007.
5. Not surprisingly, there is already manifest reluctance among the most advanced accession countries with regard to the uncritical adoption of EU regulation in the realm of employment relations. As the Hungarian member of the High-Level Group on Industrial Relations Change in the European Union commented on the group's report: 'The new member states will also bring a vast array of new cultures and traditions to the EU. [...] these differences, however, will require adaptation and understanding and not just models to be imported and implemented. [...] old and new states [should] cooperate as equals and not through a student-teacher relationship' (Ladò reported in Lapoint & Rymkevitch 2002: 334).
6. The Report of the High-Level Group on Industrial Relations and Change in the European Union states: 'Economic convergence in itself is not enough. It should be accompanied by progressive convergence in the social field. [...] This highly ambitious project cannot be realized without the full involvement and commitment of the social partners' (2002: 11). See also the section on 'Catching-up process for candidate countries' (p. 21-22) in the same report.

7. See Chapter 13: *Social policy and employment* in each of the Commission's Regular Reports on the Progress toward Accession of the candidate countries.

REFERENCES

- Aguilera RV, Jackson G (2003) The cross-national diversity of corporate governance: Dimensions and determinants. *Academy of Management Review* 28, 447–65.
- Addison JT, Siebert WS (1999) *Regulating European Labour Markets: More Costs than Benefits?* London: IEA.
- Atkinson T (2002) Social inclusion and the European Union. *Journal of Common Market Studies* 40(4), 625–43.
- Bamber GJ, Lansbury RD, eds (1998) *International and Comparative Employment Relations: A Study of Industrialised Market Economies*. London: Sage
- Biagi M (1998) The implementation of the Amsterdam Treaty with regard to employment: Co-ordination or convergence? *The International Journal of Comparative Labour Law and Industrial Relations* 14(4), 325–36.
- Blanchflower DG, Freeman RB (1997) The institutional legacy of communist labour relations. *Industrial and Labour Relations Review* 50(3), 438–59.
- Bluhm K (2001) Exporting or abandoning the 'German model? Labour policies of German manufacturing firms in Central Europe. *European Journal of Industrial Relations* 7(2), 153–73.
- Bray M, Lansbury R (2000) The conditions for convergence: Multinationals, product markets, production systems and employment relations. *Journal of Industrial Relations* 42(2), 295–313.
- Brus W (1990) Market socialism. In: Eatwell J, Milgate M, Newman P, eds, *Problems of the Planned Economy*, pp. 164–77. New York: W. WW. Norton.
- Campbell JL, Pedersen KO (1996) Theories of institutional change in the postcommunist context. In: Campbell JL, Pedersen KO, eds, *Legacies of Change. Transformations of Postcommunist European Economies*, pp. 3–28. New York: Aldine De Gruyter.
- Casale G, ed (1999) *Labour Relations in Small and Medium Enterprises in Selected Central and Eastern European Countries*. Geneva: ILO.
- Clark E, Soulsby A (1999) *Organizational Change in Post-communist Europe—Management and Transformation in the Czech Republic*. New York: Routledge.
- Cox TM, Mason B (2000) Interest groups and the development of tripartism in East Central Europe. *European Journal of Industrial Relations* 6(3), 325–47.
- Cuervo A, Villalonga B (2000) Explaining the variance in the performance effects of privatization. *Academy of Management Review* 25(3), 581–90.
- Cyr DJ, Schneider S (1996) Implications for learning: Human resource management in east-west joint ventures. *Organization Studies* 17(2), 207–26.
- Earle SJ, Telegdy A (1998) The results of "mass privatization" in Romania: A first empirical study. *Economics of Transition* 6(2), 313–32.
- Egorov V (1996) Privatization and labour relations in the countries of Central and Eastern Europe. *Industrial Relations Journal* 27(1), 89–100.
- Estrin S, Hughes K, Todd S (1997) *Foreign Direct Investment in Central and Eastern Europe. Multinationals in Transition*. London: The Royal Institute of International Affairs.
- European Commission (2002) *Regular Report on Bulgaria's Progress Towards Accession*. Brussels: European Commission.
- European Commission (2002) *Regular Report on Czech Republic's Progress Towards Accession*. Brussels: European Commission.
- European Commission (2002) *Regular Report on Hungary's Progress Towards Accession*. Brussels: European Commission. **Q12**
- European Commission (2002) *Regular Report on Poland's Progress Towards Accession*. Brussels: European Commission. **Q13**
- European Commission (2002) *Regular Report on Romania's Progress Towards Accession*. Brussels: European Commission. **Q14**
- European Commission (2002) *Regular Report on Slovakia's Progress Towards Accession*. Brussels: European Commission. **Q15**
- European Commission (2002) *Regular Report on Slovakia's Progress Towards Accession*. Brussels: European Commission. **Q16**

- European Commission (January 2002) *Report of the High Level Group on Industrial Relations And Change in the European Union*. Brussels: High Level Group on Industrial Relations.
- Federowicz M (forthcoming) Poland: Worker driven transformation to capitalism? In: Federowicz M, Aguilera R, eds, *Corporate Governance in a Changing Economic and Political Environment*. Hampshire: Palgrave MacMillan.
- Flanagan RJ (1998) Institutional reformation in Eastern Europe. *Industrial Relations* 37(3), 337–57.
- Frydman R, Pistor K, Rapaczynski A (1996) Investing in insider-dominated firms: A study of Russian voucher privatization funds. In: Frydman R, Gray WA, Rapaczynski A, eds, *Corporate Governance in Central and Eastern Europe*, pp. 187–241. Budapest: Central University Press.
- Grabbe H (2003) European integration and corporate governance in Central Europe: Trajectories of institutional change. In: Federowicz M, Aguilera R, eds, *Corporate Governance in a Changing Economic and Political Environment*. Hampshire: Palgrave Macmillan.
- Hare H, Radice HK, Swain N (1981) Introduction. In: Hare P, Radice HK, Swain N, eds, *Hungary: A Decade of Economic Reform*, pp. 3–22. London: George Allen & Unwin.
- Hethy L (1994) Tripartism in Eastern Europe. In: Hyman R, Ferner A, eds, *New Frontiers in European Industrial Relations*, pp. 312–36. Oxford: Blackwell.
- Hill S, Martin R, Vidinova A (1997) Institutional theory and economic transformation: Enterprise employment relations in Bulgaria. *European Journal of Industrial Relations* 3(2), 229–51.
- Jensen CS, Madsen JS, Due J (1999) Phases and dynamics in the development of EU industrial relations regulation. *Industrial Relations Journal* 30(2), 118–33.
- King LP (2001) *The Basic Features of Post-communist Capitalism in Eastern Europe. Firms in Hungary, the Czech Republic, and Slovakia*. Westport: Praeger.
- Kogut B (1996) Direct investment, experimentation, and corporate governance in transition economies. In: Frydman R, Gray WC, Rapaczynski A, eds, *Corporate Governance in Central and Eastern Europe, Vol. 1*, pp. 293–332. Budapest: CEU Press.
- Koubek J, Brewster C (1995) Human resource management in turbulent times: HRM in the Czech Republic. *International Journal of Human Resource Management* 6(2), 223–47.
- Kovach RC Jr. (1995) Matching assumptions to environment in the transfer of management practices: Performance appraisal in Hungary. *International Studies of Management and Organization* 24(4), 83–99.
- Lado M (2002) Industrial relations in the candidate countries. *European Industrial Relations Observatory*, www.eiro.eurofound.ie/2002/07/feature/tn0207102f.html.
- Lapoint M, Rymkevitch O (2002) Industrial relations change in the European Union. *The International Journal of Comparative Labour Law and Industrial Relations* 14(4), 325–36.
- Leonard E (2001) Industrial relations and the regulation of employment in Europe. *European Journal of Industrial Relations* 7(1), 27–47.
- Locke RM, Thelen K (1995) Apples and oranges revisited: Contextualized comparisons and the study of comparative labour politics. *Politics & Society* 23(3), 337–67.
- MacShane D (1994) The changing contours of trade unionism in Eastern Europe and the CIS. In: Hyman R, Ferner A, eds, *New Frontiers in European Industrial Relations*, pp. 337–69. Oxford: Blackwell Publishers.
- Maresse M (1981) The evolution of wage regulation in Hungary. In: Hare P, Radice H, Swain N, eds, *Hungary: A Decade of Economic Reform*, pp. 54–82. London: George Allen & Unwin.
- Marginson P, Sisson K (2002) European integration and industrial relations: A case of convergence and divergence? *Journal of Common Market Studies* 40(4), 671–92.
- Martin R (1997) Industrial relations in Central and Eastern Europe in the late 1990s. *Industrial Relations Journal, European Annual Review*, 173–90.
- Martin R (1999) *Transforming Management in Central and Eastern Europe*. New York: Oxford University Press.
- Martin R, Cristesco-Martin A (1999) Industrial relations in transformation: Central and Eastern Europe in 1998. *Industrial Relations Journal* 30(4), 387–404.
- Mayer MCJ, Whittington R (1999) Strategy, structure and ‘systemness’: national institutions and corporate change in France, Germany and the U.K., 1950–1993. *Organization Studies* 20(6), 933–59.
- Meardi G (2002) The Trojan horse for the Americanization of Europe? Polish industrial relations towards the EU. *European Journal of Industrial Relations* 8(1), 77–99.

Q17

Q18

- Myant M, Slolock B, Smith S (2000) Tripartism in the Czech and Slovak Republics. *Europe-Asia Studies* 52(4), 723–39.
- Neumann L (1997) Circumventing trade unions in Hungary: Old and new channels of wage bargaining. *European Journal of Industrial Relations* 3(2), 183–202.
- Neumann L (2002) Does decentralized collective bargaining have an impact on the labour market in Hungary. *European Journal of Industrial Relations* 8(1), 11–31.
- Nove A (1977) *The Soviet Economic System*. London: Allen & Unwin.
- Ost D (2000) Illusory corporatism in Eastern Europe: Neoliberal tripartism and postcommunist class identity. *Politics & Society* 28(4), 503–30.
- Ost D (2002) The weakness of strong social movements: Models of unionism in the East European context. *European Journal of Industrial Relations* 8(1), 33–51.
- Ost D, Crowley S (2001) Making sense of labour weakness in postcommunism. In: Ost D, Crowley S, eds, *Workers after Workers States. Labour and Politics in Postcommunist Eastern Europe*, pp. 219–34. Lanham: Rowman & Littlefield.
- Peiperl M, Estrin S (1998) Managerial markets in transition in Central and Eastern Europe: A field study and implications. *International Journal of Human Resource Management* 9(1), 58–78.
- Peterson RB (2003) The use of expatriates and inpatriates in Central and Eastern Europe since the wall came down. *Journal of World Business* 38, 55–69.
- Petkov K, Thirkell JEM (1991) *Labour Relations in Eastern Europe*. London: Routledge.
- Pollert A (1997) The transformation of trade unionism in the capitalist and democratic restructuring of the Czech Republic. *European Journal of Industrial Relations* 3(2), 203–28.
- Pollert A (1999) Trade unionism in transition in Central and Eastern Europe. *European Journal of Industrial Relations* 5(2), 209–34.
- Pollert A (2000) Ten years of post-communist Central Eastern Europe: Labour's tenuous foothold in the regulation of the employment relationship. *Economic and Industrial Democracy* 21(2), 183–210.
- Poole M (1986) *Industrial Relations: Origins and Patterns of National Diversity*. London: Routledge & Kegan Paul.
- Ragin C (1987) *The Comparative Method: Moving Beyond Qualitative and Quantitative Strategies*. Berkeley, CA: University of California Press.
- Ramamurti R (2000) 'A multilevel model of privatization in emerging economies. *Academy of Management Review* 25(3), 525–50.
- Regini M (2000) Between deregulation and social pacts: The responses of European economies to globalization. *Politics & Society* 28(1), 5–33.
- Roche WK (2000) The end of new industrial relations? *European Journal of Industrial Relations* 6(3), 261–82.
- Rosenzweig P, Nohria N (1994) Influences on human resource management practices in multinational corporations. *Journal of International Business Studies* 25(2), 229–51.
- Schienstock G, Traxler F (1997) A comparative approach to socialist and postsocialist industrial relations. In: Schienstock G, Thompson P, Traxler F, eds, *Industrial Relations Between Command and Market*, pp. 1–25. New York: Nova Science Publishers.
- Slomp H, van Hoof J, Moerel H (1996) The transformation of industrial relations in some Central and Eastern European countries. In: Van Ruysseveldt J, Visser J, eds, *Industrial Relations in Europe, Traditions and Transitions*, pp. 337–57. London: Sage.
- Soulsby A, Clark E (1998) Controlling personnel: management and motive in the transformation of the Czech enterprise. *The International Journal of Human Resource Management* 9, 79–98.
- Shleifer A, Vasiliev D (1996) Management ownership and Russian privatization. In: Frydman R, Gray W, Rapaczynski A, eds, *Corporate Governance in Central and Eastern Europe*, pp. 187–241. Budapest: Central University Press.
- Standing G (1997) Labour market governance in Eastern Europe. *European Journal of Industrial Relations* 3(2), 133–59.
- Streeck W (1998) The internationalization of industrial relations in Europe: prospects and problems. *Politics & Society* 26(4), 429–59.
- Teague P (1999) *Economic Citizenship in the European Union: Employment Relations in the New Europe*. London: Routledge.
- Teague P (2001) Deliberative governance and EU social policy. *European Journal of Industrial Relations* 7(1), 7–26.

- Thelen K (2001) Varieties of labour politics in the developed democracies. In: Hall PA, Soskice D, eds, *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*, pp. 71–103. Oxford: Oxford University Press.
- Thirkell JEM, Petkov K, Vickerstaff SA (1998) *The Transformation of Labour Relations*. Oxford: Oxford University Press.
- Thompson P, Smith C (1992) Socialism and the labour process in theory and practice. In: Smith C, Thompson P, eds, *Labour in Transition. The Labour Process in Eastern Europe and China*, pp. 3–36. London: Routledge.
- Toth A (1997) The invention of work councils in Hungary. *European Journal of Industrial Relations* 3(2), 161–81.
- Trif A (2003) Overview of industrial relations in Romania. *PhD dissertation, South Bank University, London*.
- Tung RL, Havlovic JS (1996) Human resource management in transitional economies: The case of Poland and the Czech Republic. *The International Journal of Human Resource Management* 7(1), 1–20.
- United Nations (1989) *Foreign Direct Investment and Transnational Corporations in Services*. New York: United Nations Center on Transnational Corporations.
- Vickerstaff SA, Thirkell JEM (2000) Instrumental rationality and European integration: transfer or avoidance of industrial relations institutions in Central and Eastern Europe? *European Journal of Industrial Relations* 6(2), 237–51.
- Winięcki J (2000) Crucial relationship between privatized sector and the generic private sector in post-communist privatization: Determinants of economic performance. *Communist and Post-Communist Studies* 33, 505–15.
- Whitley R (1999) *Divergent Capitalism. The Social Structuring of Business Systems*. Oxford: Oxford University Press.
- Whitley R, Czaban L (1998) Ownership, control and authority in emergent capitalism: Changing supervisory relations in Hungarian industry. *International Journal of Human Resource Management* 9(1), 99–115.
- Wright M, Filatotchev I, Buck T (1997) Corporate governance in Central and Eastern Europe. In: Keasey, Thompson, Wright, eds, *Corporate Governance: Economic, Management and Financial Issues*, pp. 212–32. Oxford: Oxford University Press.
- Zapata F (1996) Labour relations, economic development and democracy in the 21st Century. *Industrial Relations Journal* 27(1), 65–73.

Queries

- Q1** Author: The spelling of author's name has been changed to confirm with that in the list. Please check.
- Q2** Author: This is an unlinked reference. Please check.
- Q3** Author: Can the Regular Reports on candidates countries be cited here as they are uncited in the text.
- Q4** Author: This is an unlinked reference. Please check.
- Q5** Author: Please check that the change retains the intended sense.
- Q6** Author: This is an unlinked reference. Please check.
- Q7** Author: Please check that the change retains the intended sense.
- Q8** Author: The year in this reference has been changed. Please check.
- Q9** Author: This is an unlinked reference. Please check.
- Q10** Author: Please check that the change retains the intended sense.
- Q11** PE: There does not appear to be a section on acknowledgements in the sample that has been provided. Please confirm whether it should be retained.
- Q12** Author: This is an uncited reference. Please check.
- Q13** Author: This is an uncited reference. Please check.
- Q14** Author: This is an uncited reference. Please check.
- Q15** Author: This is an uncited reference. Please check.
- Q16** Author: This is an uncited reference. Please check.
- Q17** Author: This is an uncited reference. Please check.
- Q18** Author: Please provide date of publication.
- Q19** Author: Please provide initials for the editors' names.