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# State–labour relations in East Central Europe: explaining variations in union effectiveness<sup>1</sup>

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The article offers an explanation for variations in the effectiveness of trade unions to obtain legislative and policy concessions in peak-level tripartite negotiations in post-communist East Central Europe. It shows that standard interpretations for such variations—focused on structural legacies, modes of transition, political cycles and institutional differences—cannot account for the problem at hand. Instead, I argue that the sources of these variations are to be attributed to distinct paths of state–labour relations, which are the product of continuous strategic interactions that crucially depend on power dynamics between the main actors. To present a mechanism through which these paths evolve, the article sketches a model of government–union interactions that combines institutional and behavioural variables. I propose a set of hypotheses regarding the conditions that determine initial choice of strategies and factors that influence continuation or modification of these strategies later on. By analysing the cases of the Czech Republic, Hungary and Poland, the article further illustrates how these interactions shape tripartite institutions in such a way that they start reflecting accentuated power disparities between the contending actors, thereby limiting future choice sets for weaker actors.

**Keywords:** trade unions, tripartite institutions, state-labour relations, power dynamics, strategic interactions, institutional development and change

**JEL classification:** J5, J51, B52, J38

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## 1. Introduction

Soon after the first democratic elections, virtually all governments in post-communist East Central Europe (ECE) placed the task of building capitalism at the top of their agendas. International financial institutions and economic advisers widely advocated neoliberal economic blueprints as the most efficient way to the desired economic system. Consequently, economic packages adopted to facilitate a quick transition to capitalism were all based on three essential pillars of reform: stabilization, liberalization and privatization. Such a neoliberal strategy for economic transformation has posed common challenges to organized labour across the region. The combined effects of stabilization and liberalization quickly led to a sharp drop in real wages, while industrial restructuring and privatization have endangered job security and led to unemployment. At the same time, restrictive monetary policies left little room for bargaining over wages, while fiscal policy constraints eroded the social dimension of reforms by dismantling the universal systems of social security benefits that were characteristic of the socialist system. Thus, soon after the implementation of the reforms, labour in all ECE countries was faced with falling standards of living and rising job insecurity.

In order to prevent a possible backlash against reforms and preserve social peace in the face of adverse effects of economic transformation, governments across the region initiated the establishment of national tripartite institutions. By comprising representatives of government, trade unions and employers' associations, the institutions of tripartite deliberations were expected to build a broad consensus for reforms. The formal functions assigned to these bodies at the time of their establishment were broadly similar across the region: they were to facilitate consultations and negotiations over broad economic and social policies, and more specific labour issues such as wages, employment and working conditions.

It is in this context—where economic constraints inevitably demand sacrifices on the part of labour, but tripartite institutions provide potentially promising foundations for a distinct form of governance based on the inclusion of trade unions in the policy process—that one would expect similar outcomes for labour across the region. Yet a closer look at individual country cases reveals important variations. Despite very similar formal requirements, both the practical importance and achievements of the institutionalized tripartite negotiations have been rather different in different national contexts. Governments neither relied on these institutions to the same extent, nor were they equally responsive to union demands. Whereas some unions managed to strike deals in these negotiations, their counterparts in other countries were mainly informed by already-decided government policy choices. While some unions were able to obtain certain material and legislative concessions for their members, others had to face extreme marginalization in national policy-making arenas. In essence, this article seeks to offer an explanation

for variations in the effectiveness of unions to obtain concessions in national-level tripartite negotiations and represent their members' interests.

I examine the usefulness of some standard interpretations put forward to account for similar variations, namely arguments that refer to structural legacies; modes of transition; political cycles; and institutional differences. I claim that none of these interpretations alone can offer a fully satisfactory explanation for the problem at hand. Their basic shortcoming is that they provide largely static accounts, which either entirely neglect the importance of strategies followed by the key actors or assume that these are predetermined.

This article, in turn, attempts to offer a more dynamic analysis that takes into account the interplay between political strategies and institutional structures since the beginning of transition. I argue that cross-national variations in labour effectiveness are to be attributed to distinct paths of state–labour relations which are shaped through the continuous strategic interactions. These interactions, in turn, are heavily influenced by power dynamics between the main actors. To present a mechanism through which distinct paths evolve, the article sketches a model of government–union interactions. This model suggests a set of institutional and behavioural variables that influence the power dynamics and thus the choice of strategies.

The article is organized as follows. The next section offers a brief account of the general impact of transformation on organized labour in ECE countries. The discussion of these similar outcomes is then followed by an outline of the main variations in terms of effectiveness of unions in national tripartite negotiations in three ECE countries: the Czech Republic, Hungary and Poland. Section 3 tests four alternative interpretations for these variations. Section 4 presents the argument and proposes a model of government–union interactions. The article concludes by discussing potential contributions of the argument to the question of institutional evolution and change.

## **2. The impact of post-communist transformation on organized labour**

### *2.1 Similar pressures*

Economic transformation not only resulted in drastic falls of real wages and high unemployment across the region, but it has also confronted trade unions with a number of other negative developments. An increasing body of sources on the changing labour relations in the region clearly points to the general weakening of trade unions, reflected in plummeting membership figures, declining coverage by collective agreements; and low influence of unions on national public policy making (Crowley, 2001; Kubicek, 1999; Ost, 2000). Due to large structural economic changes, as well as widespread perceptions of unions as the 'remnants of the old

system, union density rates fell dramatically in all post-communist countries. Within the first decade of transformation, membership levels dropped from around 90% to between 20 and 35% (Cox and Mason, 2000). These developments were accompanied by the declining coverage rates of collective agreements and the decentralization of collective bargaining. The coverage rates sank from about 100% to about 25–30%, placing most of the ECE countries at the bottom of the coverage scale for the EU member states (EIRO, 2002; Kohl and Platzer, 2003).

A glimpse of hope in this gloomy picture for trade unions in ECE was the establishment of tripartite institutions in the early 1990s. Encouraged by international institutions, new governments initiated the establishment of tripartite bodies in order to obtain broad support for the necessary reforms and preserve social stability. In addition, the adoption of macro-level corporatist bargaining institutions was perceived as an important step in institutional transformation that would help these new democracies to ‘join Europe’ (Pollert, 1999).

Soon after its initiation, tripartism became one of the central topics in studies that deal with post-communist labour relations. The question that dominated these studies in the 1990s was whether the establishment of tripartite institutions was a sign of the potential emergence of corporatism in the region. One group of authors argued that while tripartism might not have produced truly corporatist outcomes, these institutions have nonetheless facilitated interest intermediation and helped bring about a broad consensus regarding market reforms while preserving social peace (Ekiert and Kubik, 1998; Iankova, 1998). Taking into consideration the depth of economic crisis in the region, tripartite social partnerships were successful in that they managed to foster communication between social partners and initiate processes that one of these authors described as ‘transformative corporatism’ (Iankova, 1998).

Another, and more widespread view, however, was that tripartite institutions are far from being vehicles for corporatist policy making, and that they have been used by governments mostly to legitimize their already-decided policy choices rooted in neoliberal economic principles. If we are to assign any adjectives to the term corporatism, these authors argued, it should be ‘illusory’ or ‘paternalistic’, rather than ‘transformative’ (Tatur, 1995; Ost, 2000). Post-communist tripartite institutions did not protect or promote welfare state elements as they did in Western Europe, but have merely served as a corporatist façade. Most commonly, governments used them instrumentally, as a way of appeasing labour, rather than a forum for proper negotiations over policy proposals (Kohl and Platzer, 2003). Moreover, tripartite institutions often failed to facilitate consensus, and when they did, the implementation of various agreements was problematic (Orenstein and Hale, 2001). Furthermore, it was most often the governments who failed to stick to certain provisions.

Thus, most current research indicates that transformation has undermined the strength of trade unions in the region. However, most of the literature on the

subject consists of either descriptive single-case studies (Kubínková, 1999; Gardawski, 2001; Héthy, 2001; Tóth, 2001) or of more general pieces that treat the region as the unit of analysis (Kubicek, 1999; Cox and Mason, 2000; Crowley, 2001). Only a handful of more comparative studies point to certain cross-national differences in terms of either the importance assigned to tripartite negotiations, or to organizational and political capacity of unions (Thirkell *et al.*, 1998; Pollert, 1999; Orenstein and Hale, 2001), but even they do not engage into a rigorous comparative analysis that would enable them to either systematically define these differences or more clearly conceptualize their causes. Quite unlike the literature on industrial relations in Western Europe—where one of the central questions has been whether (and why) similar systemic challenges result in different policy outcomes—studies that focus on the post-communist ECE have not properly addressed cross-national differences in the emerging industrial relations systems. This article seeks to fill this gap by addressing the question of cross-country variation in the effectiveness of unions to obtain concessions in national-level tripartite negotiations. The next section briefly reviews these differences between the Czech Republic, Hungary and Poland to provide a basis for testing competing explanations for the observed variation.

## 2.2 *Varied outcomes*

The establishment of very similar formal tripartite institutions did not, however, mean that all governments involved trade unions in the reform process to the same extent. While in some countries unions have been included in policy making from the beginning of transition and have negotiated on a broad range of economic and social policies defining transformation strategies, in others they were consulted but allowed to negotiate only on a narrow range of issues that directly affect employees, or they were kept outside the policy-making process altogether until the main set of transformation policies was already well under way. In addition, even though the predominant position of government in tripartite institutions has been characteristic of all ECE countries, they have not used these institutions in the same way, or assigned equal importance to them.

For instance, formal functions assigned to tripartite institutions in the Czech Republic, Hungary and Poland were fairly similar at the time of their establishment. In all three countries, they enabled social partners to engage in annual indicative wage bargains, participate in the drafting of labour legislation, and consult and advise government representatives on policies that affect them. However, whereas in Poland this consultation in practice has been focused on industrial relations and some social policy issues while general economic policies were mostly left out, in the Czech Republic and to some extent in Hungary the tripartite consultation involved a broad range of not only labour and social affairs, but also general economic policies.

In addition, the three countries also display significant differences regarding their achievements in terms of the number and scope of major agreements between social partners. While the functioning of tripartism has not been smooth in any of the countries under consideration, its effectiveness and the benefits that it has produced for organized labour seem to be highest in the Czech Republic. One of the most important outcomes of tripartite negotiations at the outset of the 1990s was the so-called low-wage and low-unemployment compromise, which became the underlying principle of the Czech transformation. The government argued that the recipe for successful economic reform had to include wage control and undervalued currency. Low real wages were to keep unemployment down, while the undervalued currency was expected to help exports and consequently maintain employment. In exchange for direct material sacrifices, the unions obtained social policy concessions to cushion the drop in real wages, as well as implicit guarantees that there would be no mass lay-offs. In addition, the negotiations resulted in new, largely union-friendly legislation. In particular, the Law on Collective Bargaining (1991) was one of the most important achievements for organized labour as it extended the unions' collective bargaining powers (Birle, 1999). Together with the other labour legislation written in accordance with the ILO Conventions, as well as relatively strong protection against job dismissals, the legal framework of industrial relations in the Czech Republic compared to other ECE countries has been rather favourable to unions (Stark and Bruszt, 1998). Furthermore, the 1991 General Agreement gave the tripartite Council an additional important role, namely negotiations and supervision of active labour market policies (ALMPs), as well as setting up employment offices that were responsible for administering the implementation of various retraining and job programmes. The scope of the ALMPs, as well as their assignment to the tripartite institution, was a unique characteristic of the Czech system of labour relations. The implementation of the measures stipulated by the 1991 Agreement—especially with regard to wages and unemployment—was monitored and evaluated annually during the negotiation of subsequent General Agreements.

In contrast to Poland, where annual agreements have usually been only indicative wage bargains, or to Hungary, where the initially broader scope has been reduced with time to merely the determination of the minimum wage and recommendations on wage increases, the Czech General Agreements are of a much broader scope. Their purpose is to set the guidelines for all economic sectors and to agree on a number of important issues involving economic and social policy, wage policy, and ALMPs (Kubínková, 1999). While by 1995, General Agreements had been signed for each year, the hostile attitude of the Klaus government, combined with privatization scandals and economic downturn, interrupted this practice. Nonetheless, since 1998 the situation has improved as the new Social Democratic government showed more willingness to negotiate annual General Agreements, but

also to open lengthy discussions for the conclusion of a long-term social pact. In addition, the government proved to be responsive to the union's demands especially with regard to the tripartite negotiations over pension reform; the long-awaited amendments of the Labour Code; and the legislation that would ensure the protection of workers in case of insolvency (Rueschemeyer and Wolchik, 1999).

In contrast, tripartite negotiations were less important to the overall transformation strategy in either Hungary or Poland at the outset of transition. Nonetheless, the Hungarian unions managed to use the institution of tripartite deliberations in a much more effective way than their counterparts in Poland. In 1990 and 1991 two important labour disputes, which potentially threatened overall social stability, were settled within this institution with an outcome largely favourable to the unions (Héthy, 2001). Both episodes demonstrated the importance of the relatively new tripartite institution in bringing social partners to the negotiating table and preserving social peace. During the 1991–94 period, tripartite negotiations regularly resulted in annual agreements. However, in contrast to the Czech Republic, annual agreements in Hungary are in essence income policy packages largely focused on determining the national minimum wage and proposing recommendations regarding the average, maximum and minimum growth of gross earnings. When in 1994 the Socialist-led coalition came to power, tripartite deliberations were expected to play a more important role. Indeed, in the face of a serious economic crisis, the government proposed the negotiations of a broader social pact, but after more than six months of intense discussions, the social partners failed to reach an agreement (Tóth, 2001). Instead of a grand corporatist compromise, the government in the end decided to completely bypass the tripartite institution and rely on its absolute majority in Parliament to unilaterally impose a neoliberal austerity package which entailed a number of measures that adversely affected employees (Ost, 2000). This instance considerably weakened the commitment to social dialogue so that in the following two years no general annual agreements were signed. An additional blow to tripartism came with the 1998 general elections that brought to power another conservative government, which completely transformed the tripartite institutional framework. In essence, the role of the unions was limited to discussions of strictly labour-related issues, while pre-legislative consultations on the budget and general economic policy measures—which had served as a platform for signing income policy package agreements during the previous two governments—were no longer subject to tripartite negotiations. By transforming the institutional framework for social dialogue, dismantling the Ministry of Labour, and introducing certain union-unfavourable amendments to the Labour Code, the government clearly showed its intention to diminish the importance of tripartite negotiations in the policy-making process. Consequently, no important tripartite agreement was signed in the 1998–2002 period. The Socialist government that came to power in 2002 is showing more commitment to social dialogue. It has re-established the

tripartite Council and assigned it its original functions. Some agreements with public sector unions have also been reached, but negotiations over long-term policies for the public sector proved to be a more complicated issue.

Finally, the record of the Polish tripartite negotiations is clearly the poorest among the three cases. Not only was the overall transformation strategy decided upon without structured tripartite negotiations, but it was not until 1994 that the national tripartite institution was even established, and ever since its functioning has been rather problematic. Neither the centre-right conservative nor the social-democratic governments showed a true commitment to treating institutionalized social dialogue as an essential pillar of the policy-making process. Nonetheless, the latter's stance towards tripartite negotiations has been relatively more positive (Pollert, 1999). Indeed, it was during the first social-democratic government that four annual indicative wage agreements had been reached. In contrast, during the centre-right government's term in office (1997–2001) this institution was mostly inactive. Regardless of these differences, however, all Polish governments tended to bypass the tripartite institution and go directly to parliamentary debates when they saw indications that the unions might not support their legislative and policy proposals. Thus, in contrast to the two other countries, the national tripartite institution in Poland has never played such an important role in formulating principles of either socio-economic policy or collective labour relations (Orenstein and Hale, 2001).

This brief overview of the functioning and results of tripartite practices indicates that, despite common pressures associated with transformation, the three cases clearly display variations in terms of union effectiveness in using the tripartite structures to secure a real input in policy making and obtain concessions for their members. How can we account for these variations? The next section briefly discusses four possible interpretations, and argues that none of them alone offers an adequate explanation for the problem at hand. However, whereas some of them can be readily dismissed, institutionalist (in particular neo-corporatist) arguments—while not fully accounting for the variations—can still offer important building blocks for a more comprehensive explanation that would take into account both institutional structures and strategies followed by the key actors.

### **3. Accounting for variations: alternative approaches**

#### *3.1 Structural interpretations: economic and corporatist legacies of socialism*

One set of explanations for cross-national differences in policy choices emphasizes the importance of socialist legacies. Here I briefly discuss two types of legacy-based explanations that are most relevant for the central puzzle of this article.

The first group can be labelled economic-structural explanations. These interpretations come in various forms, but they always perceive economic-structural



attributes of specific national contexts as the main determinants of the choice of socio-economic policies. For instance, macroeconomic conditions at the outset of transition are often referred to as an important determinant of a specific design and speed of economic reforms. According to this interpretation, the more difficult initial conditions, the smaller the number of policy options that governments can pursue (Blanchard *et al.*, 1991; Haggard and Kaufman, 1997). A similar argument can be applied in the case of social dialogue and union effectiveness in using institutions of tripartite deliberations. In this line of reasoning, governments that inherit extremely unhealthy economies have their hands tied, and are expected to opt for neoliberal economic policies without prior institutionalized exchange with organized interests.

Although this could be a reasonable explanation, it nonetheless fails to fully account for the observed variations in terms of both government readiness to rely on social dialogue and union effectiveness in tripartite negotiations. While it is true that the first democratic government in Poland inherited a much higher inflation rate than the other two countries, other indicators are not so clear cut. Even though the level of foreign indebtedness in Poland was much higher than in the Czech Republic, Hungary was in the most unfavourable position, and yet the first Hungarian government regularly used the tripartite negotiations and, on a number of occasions, even ceded to certain union demands. In addition, the Czech Republic was faced with the highest domestic indebtedness and government deficit, and it had a particularly weak banking system. Nevertheless, this obviously did not prevent the establishment of a solid institutionalized tripartite exchange and signing of general agreements of a wider scope.<sup>2</sup> More generally, the problem with this argument is that it is overly deterministic in two ways. First, it neglects the possibility that actors' strategies might not be influenced only by economic conditions, but also by the context-specific institutional, political and social arrangements. In addition, its overemphasis of initial conditions contributes little to understanding outcomes of tripartite negotiations and policy processes over more than a decade of transformation.

Another interpretation emphasizes longer-term legacies, such as the organization of industrial relations and patterns of economic reforms during socialism (e.g. Elster *et al.*, 1998; Pollert, 1999). The link between these factors and tripartism is most explicitly analysed by Iankova (2002). She argues that different national legacies of state socialist corporatism, particularly with regard to the organization

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<sup>2</sup> In 1990 the inflation rates in Czechoslovakia and Hungary were, respectively, 10.8% and 28.9%, while the Polish rate equalled 585.8% (World Economic Outlook, 1993, p. 94). Total external debt in 1991 equalled 29.5% of GNP in Czechoslovakia, 68.5% in Poland and 77% in Hungary (World Development Report, 1993, p. 285). Government deficit in 1990 was 2.4% of GNP in Poland, 7.1% in Czechoslovakia, while Hungary had a slight positive balance of 0.8% (World Development Report, 1992).

of workers' interests and the way in which their demands for industrial democracy were settled, are one of the crucial factors for the diversity of experience with democratic tripartism.<sup>3</sup> Iankova maintains that the decades-long struggle of Polish workers against communism not only led to various decentralization reforms, but has produced over time a monolithic, unified civil society represented by the Solidarity movement. After its spectacular victory over communism, there was no need for a formal tripartite institution for interest reconciliation. Ex-communists were completely discredited, while the government and the main organizations of labour and capital all originated in Solidarity. This is why Polish tripartism was established relatively late, and why it assumed largely informal functions. In contrast, Bulgarian workers never properly challenged either the Soviet rule or the pillars of the command economy. The transition was initiated through élite splits within the Communist party, and it was this co-existence of different political interests that called for the early establishment of formal tripartism as a means to preempt potential social conflicts.

This interpretation broadens our understanding of reasons behind the establishment of tripartism. Indeed, its broad logic could be applied (at least partly) also to the other two countries analysed in this article. Unlike in Bulgaria, both Hungarian and Czechoslovak workers expressed their dissatisfaction with centralized control by forming works councils and organizing protests in 1956 and 1968 respectively. While both events triggered Soviet military intervention, the subsequent economic response of the respective governments differed considerably. Hungary gradually embarked upon the most comprehensive decentralization and liberalization reforms, while Czechoslovakia reinforced strict centralized control. However, the reforms in Hungary did not produce a unified civil society as in Poland, but rather a large variety of interests, which subsequently called for the early establishment of tripartism as a means of interest reconciliation. Czechoslovakia, on the other hand, also opted for the early institutionalization of tripartism but for quite different reasons. The lack of reforms indicated the weakness of interest organizations, while the complete collapse of the regime rather than a negotiated transition meant that ex-communists were discredited. However, the new government needed a formal institutionalized channel for communicating with a large, reformed trade union confederation which was left out of parliamentary politics.

By emphasizing the impact of socialist legacies on early decision making, this interpretation challenges the *tabula rasa* approaches to transformation. While this is an important contribution, the interpretation nonetheless suffers from two

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<sup>3</sup> In addition to legacies, Iankova (2002) also emphasizes social partners' strategic, long-term commitments to concerted action.

major drawbacks. First, due to its broad logic, it is difficult to see a precise causal mechanism and derive clear hypotheses as to how exactly these legacies matter.<sup>4</sup> Second, while these legacies might be suited for pointing to cross-national variations in the ‘timing, goals, and focus’ of tripartism (Iankova, 2002, p. 19), their explanatory power diminishes as we move from the examination of formal procedures towards the analysis of actual outcomes of tripartite deliberation over time.<sup>5</sup>

### 3.2 *The role of trade unions in regime change*

A second interpretation is focused on the role of labour movements in undermining authoritarian systems and creating foundations for democracy. For instance, the role of trade unions in undermining authoritarian regimes through either strikes or riots, or political actions originating in their ties to opposition parties, can be seen as the main determinants of the position of organized labour once the democratic system comes into existence (Foweraker, 1987; Valenzuela, 1989). A related view emphasizes the inclusion of union representatives in the official negotiations on regime change. If transitions are mainly élite-driven processes, it is unlikely that interests of labour would be taken into account. However, if labour movements manage to secure a place in negotiations—either through their historical ties to political parties or independently—outcomes for labour are expected to be more favourable since unions have a chance to affect the very nature of transition paths (Collier and Mahoney, 1997).

While this interpretation both sounds logical and has been proven on a number of cases of earlier democratization waves, it completely fails to account for variations among our cases. Paradoxically, it is in Poland—where the Solidarity union was both a crucial force in undermining the Communist Party rule and the core of the opposition movement that directly negotiated the transition to democracy—that the corporatist exchange is the weakest and the unions seem to be the most impotent. Indeed, in no post-communist country did an independent union movement participate so actively in the transition to democracy. Moreover, due to the concessions that Solidarity secured in the 1989 Roundtable talks—such as indexation of wages, certain self-management provisions and a wider scope of industrial democracy—analysts widely expected the emergence of real corporatist arrangements (Kamiński, 1991).

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<sup>4</sup> Hence, an attempt to apply it to a larger number of cases reveals a somewhat confusing picture in which countries with a tradition of liberalizing reforms and those without, with strong communist opposition and discredited communists, and with different degrees of interest pluralism all opt for the early institutionalization of tripartism.

<sup>5</sup> This is why Elster *et al.* (1998) argue that in order to account for the outcomes, rather than procedures, of various transformation policies one needs to shift the focus of the analysis from legacies to the role of agency and the evolving institutional framework.

In view of this, it is rather puzzling how quickly these issues, for which Solidarity fought so hard, were dismissed once Solidarity formed its own, first democratic government. Contrary to expectations, the new government showed no intention to build real corporatist arrangements. Instead, it opted for the harshest version of a neoliberal shock therapy that resulted in extreme drops of wages and living standards, as well as a dramatic increase in unemployment.

In contrast, trade unions were not the leading force in the Czechoslovak democratization since workers did not play such an important role in the dissident movement, Charter 77 (Orenstein, 2001). While the unions contributed to the fall of the communist regime by organizing the general strike of 27 November 1989, this was nonetheless only the last one in the series of protests that started with a student march ten days earlier (Stark and Bruszt, 1998). Moreover, and again in contrast to Poland, the Czech unions did not play a role in the following roundtable negotiations on the regime change. Thus, according to the hypothesis outlined above, their position should have been rather weak as they could not directly influence the nature of reforms. Yet it was precisely this ex-communist, reformed union that managed to secure comparatively most concessions in tripartite negotiations over various aspects of economic reform.

Hence the argument that the role of unions in regime change determines their subsequent fate is incapable of explaining variations among our cases. In addition, from a more conceptual viewpoint, this interpretation—like the socialist legacy arguments—seems to be overly deterministic. More precisely, it fails to properly spell out how these ‘initial choices’ are transmitted to future socio-political trajectories.

### 3.3 *Cyclical factors: political orientation of the government*

This interpretation originates in a long and extensive scientific debate that has focused on the relationship between the political orientation of the government and the choice of macroeconomic policies (Hicks and Swank, 1992; Boix, 2000). The initial model proposed that, depending on their political orientation, governments are likely to pursue a very different combination of fiscal and monetary policies. Left-wing governments are expected to opt for a Keynesian set of policies, while right-wing governments for policies that would ensure a balanced budget and low inflation (Hibbs, 1977). The literature on social-democratic corporatism built on this proposition, suggesting that, due to their broad base in organized labour, left and centre-left governments are more likely to pursue welfare policies, but also to strengthen the role of the unions in public policy making (Korpi, 1983; Cameron, 1984). In the same line of reasoning, we would expect more conservative, centre and right-wing governments to pursue less labour-friendly policies and neglect regular negotiations with trade unions.

This argument could, for instance, account for a more pro-corporatist attitude of the social-democratic government in the post-1998 Czech Republic, and a dismissive attitude of the centre-right FIDESZ government in Hungary (1998–2002) and the AWS government in Poland (1997–2001). However, this proposition cannot be generalized to all cases and to all governments. For instance, tripartite institutions were introduced in both the Czech Republic and Hungary not by social-democratic, but by conservative governments. Moreover, for the good part of their terms in office, these governments actively used these institutions. As mentioned earlier, it was at the beginning of the 1990s, when conservative governments were in power in both countries, that the unions managed to bargain more actively and, especially in the case of the Czech Republic, achieve important concessions. While the social-democratic government formally established the Polish tripartite institution in 1994, the initial proposal for its creation came within the Pact on State Enterprises that was negotiated during the first Solidarity government. Even though the social-democratic governments in Poland were not so adverse to the idea of the institutionalized tripartite exchange as the respective Solidarity-led governments, they nonetheless either did little to promote regular negotiations when they ran into trouble, or they relied on their majority in Parliament to pass policies and laws that were not approved in tripartite negotiations. Finally, the most striking example that clashes with the outlined proposition is the already-mentioned case of Hungary, where the first Socialist government (1994–98) opted for a unilateral introduction of a comprehensive neoliberal austerity package.

Thus the proposition that links policy outcomes with political orientation of parties in power seems too simplistic to account for the observed variations. Even if in some cases the political orientation of the government happens to correspond to the degree of its commitment to formal tripartite procedures, that still does not mean that outcomes of these negotiations do. On a more general level, by assuming predetermined strategies of political actors, this interpretation fails to recognize that the practical impact of these cyclical changes is conditioned by contextual factors (such as economic and political constraints) and/or specific institutional configurations.

### *3.4 Institutional differences*

The final set of interpretations emphasizes different institutional characteristics, especially the organizational structure of trade unions and the existence of institutionalized, formal links between organized labour and political parties. The first argument, in particular, has been at the very core of neocorporatist theorizing (Schmitter and Lehmbruch, 1979; Goldthorpe, 1984). According to this argument, it is the number of union centres that determines the bargaining power of organized labour. A more encompassing, centralized and concerted union structure is expected

to benefit organized labour since it minimizes coordination problems and facilitates formulation of a common bargaining strategy. In the same line of reasoning, a fragmented union structure weakens the bargaining power of organized labour as various unions might have different demands or prefer different methods for achieving their goals. Hence, according to this argument, the negative effect of transformation on union power in the ECE countries should be higher in cases where national labour movements are more fragmented.

This interpretation fits the case of the Czech Republic, which managed to retain the most unified and centralized trade union structure. The whole trade union scene is dominated by the ČMKOS, the reformed confederation having its origins in the former communist trade union of Czechoslovakia. The so-called new unions were neither abundant nor influential as in Poland or Hungary. However, the same argument is incapable of explaining variations between Hungary and Poland, both of which have fragmented labour movements. In particular, the Hungarian trade union scene is extremely fragmented. Six union confederations represent employees in the national tripartite institution. Four of them have their roots in the old communist union (MSZOSZ, SZEF, ESZT and ASZSZ), while the two others (LIGA and MOSZ) were established as anti-communist, alternative unions. The trade union scene in Poland has been dominated by the two largest, strikingly opposing organizations—NSZZ Solidarity, and the successor union, the OPZZ. Thus, in both cases, national labour movements are fragmented, but the Hungarian unions managed to use the tripartite institution in a more effective way than their Polish counterparts. Moreover, the fact that organized labour in Hungary, which is characterized by a pluralistic model of unionism, fares better than in Poland, where the structure of organized labour is largely bi-polar, does not neatly fit the hypothesis that links the degree of union fragmentation with union effectiveness in national-level bargaining.

Hence the degree of union fragmentation alone cannot account for the observed variation. While this variable is undoubtedly important, the sole focus on the structural characteristics of organized labour indicates only an approximate, potential union bargaining power. In order to understand variation in union ability to obtain concessions in tripartite negotiations, these structural attributes need to be complemented with behavioural characteristics, such as the mode of interaction between the unions.

The second argument in this group originates in the work of scholars who maintain that a high degree of union centralization might be an important but not sufficient condition for achieving concessions for organized labour. What unions need, these authors argue, is institutionalized, formal ties to political parties (in particular social-democratic parties) who would advance their interests (Stephens, 1979; Esping-Andersen and Korpi, 1984; Higgins, 1985). In its simplest form, the argument is that connections between trade unions and political parties enhance the political power of labour and strengthen its influence in policy making. In this way, unions are

able to secure favourable policies and legislative reforms and further enhance their position in society. Indeed, the experience of some advanced countries shows that historically such links have benefited organized labour by promoting a generous welfare state (Huber and Stephens, 2001). Hence the basic proposition here is: the stronger the union–party ties, the higher the potential benefits for organized labour.

However, the experience of post-communist trade unions seems to suggest exactly the opposite. The evidence of the three cases examined here indicates that organized labour achieved more not in the countries where unions were drawn into the political sphere through formal links with political parties, but rather where they managed to preserve their independence. Indeed, in Poland, where organized labour has been most ineffective in influencing socio-economic policies and reforms, unions have cherished the strongest formal links with the leading political parties. OPZZ has been a part of the social-democratic SLD, while the Solidarity union—as the core of the former opposition movement—has been an essential component of anti-communist, conservative parties, in particular the AWS. These ties enabled unions to have a significant number of representatives in parliament. In addition, the fact that a trade union leader served as a president during a crucial period of transformation (1990–95), and that a number of trade union officials obtained high political posts in both conservative and social-democratic governments, indicates the extent of politicization of the Polish unions. In contrast, the central Czech union confederation, which has managed to obtain more concessions, has always explicitly insisted on its formal political non-alignment despite its general social-democratic orientation. Finally, the union–party links in Hungary are much more complicated than in the other two cases. Out of the six main confederations, the biggest one, MSZOSZ, has developed close links with the socialist party, MSZP. The two new unions, LIGA and MOSZ, have been more ambiguous in terms of political ties—initially they were connected with the liberal and conservative parties, but later on distanced themselves from them. The three remaining successor confederations have not been politically aligned. It is interesting to note, however, that the most radical neoliberal set of economic policies was accepted during the socialist government when a number of MSZOSZ representatives served as MPs on the list of the Socialist Party.

Thus there seem to be significant differences in the way these partnerships have worked in the two parts of Europe. In Western Europe, throughout the decades of close cooperation, these relationships have generally assumed the form of interdependence. Unions regularly offered their electoral and even financial support to social-democratic parties, while these parties in turn promoted specific programmes and policies that protected the interests of their allies (Beyme, 1985). While de-industrialization and globalization brought increasing pressure on these partnerships, they have nonetheless survived, albeit in a somewhat modified form (Esping-Andersen, 1999).

In contrast, union–party ties in ECE can best be described as a form of *inverse dependency relationship*, in which political parties have always been the strongest partner. Rather than relying on the exclusive support of trade unions, social-democratic parties have followed more opportunistic strategies by creating institutional as well as informal links not only to organized labour, as the main loser of transformation, but also to other groups in society. Due to negative connotations assigned to the unions, these parties had to play very cautiously so as not to be perceived as the sole representatives of the ‘remnants of the old system’. Accordingly, they designed their programmes in a way that could appeal to a much broader electorate. Organized as a ‘political Noah’s Ark’, these parties thus bear little resemblance to their Western counterparts (Orenstein, 1998). In addition, serious economic problems and the much-needed support of international financial institutions led to the endorsement of neoliberal economic principles. In general, the neoliberal approach was perceived as the quickest, and often the only, way to break with the past and ‘catch up with Europe’. Consequently, the distinction between social-democratic and centre-right parties in terms of economic policies became increasingly blurred. Indeed, broad neoliberal ideas and policies were adopted almost unanimously in ECE regardless of the political orientation of the governments.<sup>6</sup>

In contrast to West European countries, formal ties with unions and the inclusion of their leaders in parliamentary politics in ECE have largely been a token gesture by political parties and governments who intended to preserve this ‘electoral asset’, but also to control organized labour and minimize its influence over policy making so that they could conform to the widespread political climate and secure a position in the realm of democratic politics. It is in the light of these developments that one should examine the real gains that organized labour derived from links to political parties, rather than assume that they benefit labour.

#### **4. The sources of variations: a model of government–union interactions**

I argued above that none of the proposed interpretations alone can offer a fully satisfactory explanation for the cross-country variations in union effectiveness in

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<sup>6</sup> There is still no general agreement in the literature with regard to the factors that influenced the endorsement of neoliberal programmes by ECE governments. Accordingly, various authors maintain that the governments’ approach was shaped by international financial institutions; specific domestic groups; globalization; rational calculation of costs and benefits of different options; or transnational networks of neoliberal economists (see e.g. Bockman and Eyal, 2002). While this is a fascinating debate, what is important for the purposes of this article is not so much their disagreement, but rather the general consensus about the predominance of neoliberalism, because this also indicates the overall orientation of governments toward unions. This does not mean that all ECE governments have been anti-union by conviction, but rather that their decision to support neoliberal reforms precludes the commitment to support neocorporatist modes of policy making to the same extent.



tripartite bargaining in ECE. While each of these interpretations has specific weaknesses in explaining the problem at hand, their common drawback is related to their inability to offer a more dynamic analysis that would take into account the interplay between institutions and political processes over time. In the discussion above, I have repeatedly called for putting a stronger stress on actors' strategies in order to understand why very similar tripartite institutions have produced rather different outcomes for organized labour across ECE. Thus, in addition to the traditional inquiry of how institutions shape actors' strategies and influence policy outcomes, we have to examine how changes in political strategies affect and modify the central institutions that govern labour relations. In other words, we need to explore how these institutions are used; what ends they serve and for which actors; and finally, how these institutions evolve and change over time. In order to transcend limitations of the above proposed interpretations, in this section I try to modify and combine some of their elements. Based on this, I sketch a model of government–union interactions that can shed more light on the sources of variations in union effectiveness.

Before embarking on this task, however, a point of clarification is needed. The primary focus on government–union interactions in the analysis of tripartite negotiations might at first seem puzzling. Indeed, it is employers' organizations that often play a more prominent role than governments in tripartite institutions in Western Europe. In this article, however, I omit the explicit analysis of the role of employers' organizations for several reasons. First, it is widely recognized that these organizations have been the weakest actor in tripartite institutions across ECE. In the first half of the 1990s, they were dominated by large state-owned companies, so that they *de facto* represented state interests. Indeed, many of them were either formed or supported by the state. In such a situation, these organizations had problems in clearly defining their roles, so that many of them continued to act like the former chambers of commerce rather than proper interest representation organizations (Cox and Mason, 2000; Orenstein and Hale, 2001; Iankova, 2002). Second, this situation obviously changed over time with the increasing share of the private sector, which led to the creation of various employers' organizations. However, this did not contribute to a clearer identification of interests of employers as a group. On the contrary, the proliferation of new organizations with very different interests—depending on ownership forms, sector and size of enterprises—inhibited their cooperation and in many cases led to divisions and conflicts.<sup>7</sup> Third, the membership of these organizations is rather low and most new employers, especially in the SMEs, are not interested in joining any of these organizations or

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<sup>7</sup> For a detailed discussion of employers' organizations in the Czech Republic, Hungary and Poland, see Cox and Mason (2000).

entering into collective bargaining above company level (Padgett, 2000; Kohl and Platzer, 2003). All these developments indicate that employers' organizations have not been such a prominent force in tripartism in ECE. This is not to say that 'business' or 'capital' did not have any influence on government policies. Indeed, many individual enterprises or business groups prefer direct lobbying (Kohl and Platzer, 2003). However, since this article focuses on formal tripartite negotiations, it does not consider such practices.

#### 4.1 *Determinants of strategies: a static picture*

The starting point for understanding the results of tripartite negotiations is to identify factors that can account for cross-national variations in strategies at the very beginning of transition. The focus here is particularly on government strategies *vis-à-vis* organized labour, since this actor had an upper hand in the creation of the fundamentals of the new market economy. Nonetheless, tactics that unions employ in their dealings with the government, as well as the nature of interactions among themselves, are extremely important for they influence government perceptions of union power. Accordingly, the choice of the initial strategies depends on the balance of power between the government and the unions. In turn, this balance of power is affected by two institutional variables—most notably the organizational structure of unions and the existence of formal union-party links—and a more agency-based variable, in particular the mode of inter-union dynamics.

Following neocorporatist approaches, the degree of union fragmentation remains an important indicator of union ability to coordinate various demands and have a clear bargaining strategy. A single, encompassing union is not only more likely to uphold agreements, but, potentially, it also has higher capacity to disrupt the normal functioning of the economy should the government fail to take union interests into account. Thus the existence of such a union structure is expected to increase the government's incentive to follow a pragmatic, responsive strategy to unions and facilitate their meaningful inclusion in policy making. Conversely, in cases of bi-polar or multi-polar models of unionism, the government might be less responsive to union demands. However, the union structure tells only one part of the story. As I argued above, the choice of strategies is not predetermined by institutional structures, but more crucially by the nature of inter-union dynamics. More precisely, rivalry and hostility between unions not only increases coordination problems, but also strengthens the government's position *vis-à-vis* organized labour, thus weakening its incentives to cede to labour demands. In other words, a high degree of inter-union conflicts can be used by the government as an excuse to minimize the role of organized labour in policy making. Depending on the specific socio-economic and political context, the government in such cases might either opt for an all-out attack on unions by, say, dismantling and weakening national

corporatist structures, or it might attempt to use specific organizational or political issues to play off the unions against each other, thus deepening their division and further reducing their role in policy making.

In addition to the structural and behavioural characteristics of unions, the existence of formal union–party ties has to be taken into account for understanding the choice of strategies. As I argued above, in the context of post-communist ECE these ties are more likely to induce labour sacrifices rather than gains. In cases where unions have strong links (in particular) with the governing parties, the government has an incentive to try to use these connections to convince union leaders of the necessity of reforms and policies that might have harmful effects on labour. The inclusion of union leaders in the political structures of the state can thus be beneficial for the government. Not only does such a situation empower the government with the argument that interests of labour are strongly represented, but it also secures the control over unions by minimizing the possible backlash against reforms. By responding to partisan allies, union leaders in effect subordinate the interests of their rank and file. This is why partisan loyalty in post-communist ECE promotes the marginalization of labour rather than the strengthening of union power. Conversely, political non-alignment of unions strips the government of the possibility of relying on party paternalism as the main strategy towards unions, and consequently increases the government’s incentive to utilize more actively tripartite mechanisms of policy making. In cases where union structure is fragmented and labour is divided by political and ideological differences that are replicated in different party affiliations, inter-party rivalry is expected to be transmitted to the unions, thus weakening their capacity to bargain collectively and obtain concessions.

Specific combinations of these three variables led the first democratic governments to implement rather different strategies *vis-à-vis* organized labour. In the Czech Republic, the existence of a unified, encompassing union confederation, combined with its insistence on political non-alignment, induced the government to approach the unions in a more *cautious, pragmatic* way. Contrary to its political predisposition, the centre-right government opted for the inclusion of unions in the formulation of broader reform principles by means of peak-level tripartite negotiations through which unions secured important concessions.

In Hungary, the existence of a fragmented, pluralistic union structure and union divisions that ran across old–new lines, combined with partial links with political parties created a more complex situation that can explain initial ambivalence and *ad hoc* tripartite solutions to labour disputes that resulted in partial concessions to the unions. However, growing conflicts between the unions with regard to the redistribution of huge assets of the communist union federation—and even a plea of some unions that the government should solve the conflicts—empowered the government with the information that organized labour is a deeply divided and weak actor. Consequently, the government used this opportunity to side with the

new unions by initiating controversial laws regarding the redistribution of the old union assets that were clearly intended to weaken the successor unions (Héthy, 2001). However, this decision had little to do with the government's genuine wish to help the new unions, but rather with an opportunity to benefit from a *divide-and-rule* strategy (see Bruszt, 1995). By preoccupying the unions with organizational issues, the government practically reduced their role and effectiveness in the tripartite negotiations of economic and social policies. More importantly, such a strategy propelled union conflicts, which further eroded the possibility of a solid union coordination and outlining of a common strategy *vis-à-vis* the government.

Finally, in Poland, the fragmented, bi-polar union structure combined with the extreme ideological animosity between the unions, replicated in their strong formal links with two parties at the opposite sides of the political party spectrum, enabled the first Solidarity government to buy union consent to neoliberal reforms practically without any concessions. Solidarity union leaders formed the core of the government, thus blurring the difference between labour and government interests. By implementing *party paternalism* as the main strategy, the government managed to get union leaders to sell out the interests of their rank and file to partisan allies, thus effectively subordinating and suffocating what used to be perceived as the strongest union in post-communist countries. Hence, the submissiveness of the Solidarity union leadership, and even its resolve to act as an advocate of neoliberal reforms, reduced the government's incentive to support tripartite negotiations with organized labour. Moreover, any attempt of the successor unions to criticize the reform strategy was dismissed on ideological grounds. This, in turn, started a dangerous spiral of inter-union conflicts rooted in different political affiliations.

The interplay of these three variables explains the choice of strategies at the beginning of transition, and thus the origins of the subsequent state–labour relations. However, in order to understand how distinct paths of state–labour relations have evolved over time, and how they relate to union effectiveness in tripartite bargaining, the time frame of the analysis has to be extended from the initial period of transition to the whole period of transformation.

#### 4.2 *Shaping the paths: a dynamic picture*

Strategies that governments and unions settle on at the beginning of transition do not necessarily have to remain the same. As I argued above, the choice of strategies is heavily influenced by interactions among the main actors.<sup>8</sup> Since the very term 'interaction' presupposes a certain dynamism of the examined relationship, it is expected that initial strategies might be occasionally re-evaluated and even altered.

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<sup>8</sup> For a related argument about the importance of interactive games for the choice of strategies, see Regini's (2000) analysis of divergent responses of European economies to globalization pressures.

These instances are generally associated with context-specific socio-economic and political shifts, such as government changes, a significant deterioration of macro-economic conditions, or wider union protests against specific policies. Depending on the nature of these shifts, as well as the balance of power *vis-à-vis* the unions, the government in general can either show more responsiveness to organized labour, or opt for strategies aimed at the reduction of union power. In relation to the initial strategy, the choice then becomes either 'staying on course' or 'strategy alteration'.

The choice between these two options, however, is not only affected by the nature of macroeconomic and political shifts, but also by the form and outcomes of previous interactions. This is so because actors tend to reflect on their prior experience and draw lessons from previous episodes of interaction. To put it in a more schematic form, the choice of government strategy at  $t_x$  is affected not only by the specific contextual conditions surrounding that moment, but also by the experience drawn from interactions at  $t_{x-1}$ . If, say, government measures that are intended to reduce union power at  $t_{x-1}$  pass without significant opposition from the union side, at  $t_x$  the government is likely to either 'stay on course' or attempt to marginalize organized labour even further. Conversely, if the union response at  $t_{x-1}$  is perceived by the government as strong enough to potentially erode the support for government policies or threaten the overall political stability, the government is likely to alter its strategy and show more responsiveness to union demands at  $t_x$ .

For example, after coming to power, the Czech Prime Minister Klaus was not able to undertake an all-out attack on unions despite his extremely strong neoliberal ideological predisposition, mainly because the previously negotiated wage-unemployment compromise had given the unions strong legitimacy and secured broader public support for tripartism. Instead, Klaus opted for a *carrot-and-stick* strategy with the aim of weakening labour in a gradual way by increasingly dismissing the importance of tripartite agreements and limiting the responsibilities of the tripartite institution (Pollert, 1999). However, the worsening of economic conditions, combined with an increasing dismissal of union demands, strengthened union assertiveness and resulted in a number of protest actions that generated considerable public support. These developments, combined with the erosion of the electoral support in 1996, once again changed the balance of power and induced Klaus to back down, abandon the carrot-and-stick strategy and show more responsiveness to union demands. In an attempt to reach a consensus for a new economic package, Klaus offered to revive the original functions of the tripartite institution, include the unions in the formulation of general economic policies, and strengthen instruments for the extension of collective agreements. The experience of the Klaus government was also an important lesson for the new social-democratic government. By realizing the importance of meaningful tripartite negotiations for the continuation of reforms and preserving social peace, the new government's pragmatic responsiveness resulted in a number of important concessions to unions.

In Hungary, the serious macroeconomic imbalance induced the Socialist–Liberal government to search for new measures immediately after its inauguration in 1994. Despite the attempts to negotiate a social pact, the government in the end introduced a harsh neoliberal package by neglecting the tripartite institution and directly relying on its majority in Parliament. While this move was obviously influenced by the depth of economic crisis, the government undoubtedly benefited from the formal links with the largest union, as well as the previous government’s divide-and-rule strategy that had deepened inter-union division, which ultimately eroded the mobilizational capacity of organized labour. The fact that the unions did not mount much opposition to the new economic policies, but focused instead on the new inter-organizational conflicts in 1997, signalled to the subsequent, conservative Orbán government that organized labour was weak and unable to act in a unified way. Armed with this ‘knowledge’, as well as the improvement of economic conditions, the government opted for an *all-out attack* on unions by means of dismantling and reorganizing the central institution for tripartite deliberations and drastically minimizing the role of unions in policy making.

Finally, in Poland, it was the rise of protests against the effects of reforms that induced the government to search for a more labour-responsive strategy in 1993.<sup>9</sup> In order to restore social peace, the government proposed to negotiate a broader pact and institutionalize a tripartite framework of labour relations. However, due to the fall of the government, the revised version of the pact was implemented only by the subsequent social-democratic government. This government learned a lesson from its predecessor and initially opted for a more responsive strategy towards the unions by offering small pay concessions, abolishing tax on wage increases, and offering tripartite consultations. However, when political inter-union hostility endangered the functioning of this institution, the government did nothing to improve it. Instead—in the face of economic recovery and a reduced likelihood of protests—the government decided to utilize its strong formal links with the OPZZ and settled on party paternalism as a means to control labour in policy making. Extreme animosity between the unions and the resulting lack of any form of unified action for the strengthening of tripartite negotiations also enabled the subsequent conservative government to rely even more heavily on party paternalism as the main strategy towards the unions.

Government–union interactions therefore evolve through an ongoing assessment of the mutual strengths and weaknesses, which then, in combination with context-specific conditions, affect the choice of strategies. The outcomes of negotiations at each specific moment—whether they refer to policies, labour

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<sup>9</sup> Protests were initiated from below, as well as OPZZ, and only later supported by the Solidarity union leadership.

legislation, or particular labour disputes—not only reflect this distribution of power, but also affect the nature of subsequent government–union interactions, since the government’s responsiveness to union demands partly depends on previous interactions. In this way, tripartite institutions that facilitate these negotiations start reflecting a particular power distribution, which feeds back to subsequent choices by reducing the likelihood that weaker actors would be able to achieve substantial gains. In other words, if the government repeatedly uses the institution of tripartite deliberations only instrumentally, the chances that unions would be able to initiate alternative policies or modify the existing ones are lower with time. Thus these ongoing strategic interactions within the tripartite institutions shape specific paths of state–labour relations, which over time become more resistant to change. These paths, in turn, determine the very effectiveness and power of organized labour. Hence it is not the formal rules of tripartite institutions that determine labour outcomes, but rather the way in which these institutions are used and the goals they are supposed to serve. The ongoing strategic interactions between governments and unions in a way facilitate gradual modification of tripartite institutions. Consequently, these institutions can become either a fundamental element of the policy-making framework or only a token gesture on the part of governments that effectively facilitate marginalization of organized labour.

By carefully tracing strategic interactions in the three ECE countries, one can clearly see the evolution of three distinct paths of state–labour relations, which influenced the power and effectiveness of organized labour in different ways. In Hungary, complex union dynamics combined with frequently changing government strategies—from divide-and-rule, over partial political inclusion and unilateralism, to an all-out attack on unions—have accentuated power disparities between the contending actors in the tripartite institution, and weakened the capacity of organized labour. Although this institution facilitated negotiations over some important labour issues at the outset of transition, the ongoing strategic interactions have over time shaped the path of *unstable bargaining* with a rather low level of concessions for organized labour. In Poland, the widely accepted party incorporation of unions combined with the highest degree of inter-union conflicts has enabled respective governments to marginalize the role of the tripartite institution and follow largely similar party-paternalism strategy towards the unions, which served the purpose of the direct control of labour demands. Such interaction has shaped the path of labour *cooptation* with minimal concessions to the unions, which over time became increasingly resistant to change. Finally, in the Czech Republic—despite Klaus’s attempt to marginalize the role of the tripartite institution and weaken organized labour through a carrot-and-stick strategy—the earlier constructive incorporation of unions in policy making combined with the ability of the Czech organized labour to show a unified opposition to Klaus’s measures helped preserve and further the path of *pragmatic institutionalized bargaining*.

As everywhere across post-communist ECE, the transformation process has adversely affected the Czech unions. Nonetheless, staying on the path of pragmatic bargaining has preserved the tripartite institution as a vital part of the policy-making machinery through which the unions managed to achieve the relatively highest degree of concessions.<sup>10</sup>

Any analysis that attempts to trace interactions between actors over time inevitably incorporates variables of a more contingent nature. Hence one might ask whether such frameworks are capable of generating parsimonious explanations. Because of its focus on the ongoing government–union interactions and ‘path-shaping’ processes, the framework presented in this article can be charged with a similar criticism. However, without a careful tracing of these interactions, it would be hard to discern particular intricacies of each case and enhance the dynamic component of the analysis. As Hall (2003, p. 387) put it, when ‘political outcomes depend not on a few socioeconomic conditions but on complex chains of strategic interaction, they cannot be explained except by reference to that chain’.

Relying on such a method, however, usually means employing small-N comparisons. A standard objection raised against such analyses is that they are unable to offer propositions that can be generalized. Yet this does not mean that they do not produce theoretical gains. As Rueschemeyer (2003) convincingly argues, problem-driven small-N comparisons are capable of not only disputing standard theories, but also of generating new hypotheses, offering useful conceptualizations and producing ‘testable explanatory propositions’. The framework developed in this article suggests three explanatory variables that influence the choice of initial strategies: the degree of union fragmentation, the existence of formal union–party ties, and the mode of inter-union dynamics. In this way, it enables a relatively simple testing of the proposed hypotheses on other ECE cases. While the examination of the evolution of specific paths of state–labour relations would obviously require a more elaborate tracing of actors’ interactions within context-specific conditions and over time, the suggested framework could nonetheless serve as a guideline for such an exercise.

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<sup>10</sup> The question that emerges at this point concerns the firmness and durability of such distinct national paths of state–labour relations. In accordance with the proposed model, the likelihood for a significant change of the paths—in the absence of major external shocks—would largely depend on the reflexive nature of human agency, especially its capacity for learning. We can envisage two distinct ‘learning scenarios’ that may have a significant impact on these paths: (1) unions may decide to weaken or break their ties to political parties, and (2) fragmented, non-cooperative unions might try to reduce divisions and foster inter-union cooperation. Both scenarios would potentially change the distribution of power and minimize the likelihood of less labour-friendly strategies (such as party paternalism or divide-and-rule). As a consequence, the specific paths of state–labour relations could get redirected or changed. The recent decision of the Polish unions to minimize their direct involvement in politics, and certain plans of Hungarian unions to try to promote inter-union cooperation, could be the first indications of such processes. However, it is still too early to draw any definite conclusions from these examples.



## 5. Conclusions

This article has demonstrated that arguments focused on structural legacies, modes of regime change and political cycles cannot take us far in explaining the cross-national variations in union effectiveness in tripartite bargaining in ECE. In addition, some standard institutionalist interpretations seem either incomplete or fully contradict the empirical reality. On a more general level, I have criticized these approaches for being too structural and deterministic in their predictions, and for paying inadequate attention to the ongoing interactions between the actors.

The central argument developed in this article is that the variations in union effectiveness in the Czech Republic, Hungary and Poland stem from distinct paths of state–labour relations, i.e. *pragmatic bargaining*, *unstable bargaining* and *cooptation*. These paths are shaped through the continuous strategic interactions that crucially depend on *power dynamics* between governments and unions. I have argued that two sets of variables influence the power dynamics, and thus the choice of strategies. Institutional variables, such as the organizational structure of the unions and the existence of formal union–party ties, indicate the approximate power of unions and thus condition the governments’ approaches towards them. However, the institutional variables alone explain neither the observed cross-national variations nor the change of the strategies within the individual countries over time. To arrive at a more complete explanation for the central empirical puzzle, we need to include behavioural variables, namely the mode of inter-union dynamics and the actors’ experience from previous episodes of interactions. These variables influence the ongoing mutual assessment of strengths and weaknesses, and explain why—even within the same institutional context—actors change or modify their strategies over time.

In order to analyse more systematically the evolution of these paths, I sketch an interactionist model that combines institutional and behavioural variables, and suggests a set of hypotheses regarding the choice of actors’ strategies. This model has dynamic properties because it reveals that strategies are not determined by institutional structures, but rather reconsidered and revised as the interaction proceeds. In each episode of interaction, actors not only consider contextual conditions, but also reflect on their previous experience of interaction in order to choose a suitable strategy for the new conditions. Such ongoing strategic interactions gradually shape and modify the institutional environment within which they occur.

Due to such an emphasis on the dynamic components of the analysis, the article has broader theoretical implications. It resonates with the more recent sociological attempts to counterbalance the overly structural focus of institutionalist approaches by proposing interactionist models that aim at a better conceptualization of the role of actors in creation, reproduction and transformation of institutional arrangements (Fligstein, 2001; Emirbayer and Mische, 1998). In particular, the

argument developed here relates to the important question of how ‘intentionally rational actors’ decide on their strategies under conditions of uncertainty (Fligstein, 2001; Beckert, 2002). Interactions between governments and unions in the fluid context of post-communist transformations provide an excellent empirical ground for analysing this question. My analysis of these interactions shows that actors choose their strategies mainly based on power relations.

The article also contributes to the wider debate on institutional evolution and change in political science (Alexander, 2001; Thelen, 2003; Pierson, 2004; Streeck and Thelen 2004). In particular, the model of government–union interactions indicates a mechanism through which endogenous forces—and not only major external shocks—might gradually alter institutional arrangements. Throughout the article I have tried to show how actors react to broader socio-economic and political shifts by re-evaluating and adjusting their strategies while taking into account the distribution of power at particular moments. These responses, in turn, have modified the tripartite institutions in such a way that they either became an essential part of the policy-making process or an institution of marginal importance. In other words, the article shows that that the political manoeuvring within the tripartite institutions has over time subtly altered particular institutional parameters (e.g. their form and functions), thus affecting subsequent policy outcomes.<sup>11</sup> In this way, originally very similar tripartite institutions have served different functions and over time produced rather diverse outcomes across respective national contexts. By demonstrating how government–union interactions drive such incremental modification of tripartite institutions, the article suggests one possible way to analyse a complicated logic of institutional evolution and change.

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<sup>11</sup> This type of institutional modification broadly corresponds to the mechanism of institutional conversion, elaborated by Thelen (2003, p. 228).

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