

The Industrial Relations Trap
Labour Weakness in European Peripheries: Spain and Poland
Compared

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Abstract

Studies of post-socialist labour have been dominated by path-dependency models, identifying communist heritage as the prime cause of labour weakness. This paper explores the limits of explanatory power of these models, by comparing developments in industrial relations systems of Spain and Poland after transition to democracy. Despite their different backgrounds, organised labour in Spain and Poland has broadly followed the same path to decline and transformation. I argue that such remarkable similarities should be traced to a set of similar exogenous pressures: changing logic of the late 20th century capitalist production, economic transnationalisation and declining strength of national economic institutions. To the extent that Spanish and Polish trade unions have succeeded in converting their initial strength and political capital into institutionalised mechanisms of labour inclusion, these institutions remain precarious, and are characterised by flexibility and fragmentation.

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List of Abbreviations

AI	Acuerdo Interconfederal – Interconfederal Agreement
AES	Acuerdo Económico y Social - Social and Economic Agreement
AMI	Acuerdo Marco Interconfederal - Framework Interconfederal Agreement
ANE	Acuerdo Nacional de Empleo - National Employment Agreement
AWS	Akcja Wyborcza Solidarność / Solidarity Electoral Action
CC.OO	Comisiones Obreras / Workers' Commissions
CDU	Centro Democrático Unido / United Democratic Centre
CEOE	Confederación Española de Organizaciones Empresariales / Confederation of Employers and Industries of Spain
EMU	Economic and Monetary Union
ESM	European Social Model
ETUC	European Trade Union Confederation
EU	European Union
EWCs	European Works Councils
HOAC	Hermanidad Obrera de Accion Catolica / Catholic Action Workers' Brotherhood
KOR	Komitet Obrony Robotników / Workers' Self-Defence Committee
ETA	Euskadi Ta Askatasuna / Basque Homeland and Freedom organisation
OPZZ	Opólnopolskie Porozumienie Związków Zawodowych - All-Poland Alliance of Trade Unions
OSE	Organización Sindical Española / Spanish Syndical Organisation, a.k.a “Sindicato Vertical”

PCE	Partido Comunista de España / Communist Party of Spain
PP	Partido Popular / Spanish People's Party
PSOE	Partido Socialista Obrero Español / Spanish Socialist Workers' Party
PZPR	Polska Zjednoczona Partia Robotnicza / Polish United Workers' Party
SLD	Sojusz Lewicy Demokratycznej / Democratic Left Alliance
SMEs	Small and Medium Enterprises
SOEs	State Owned Enterprises
TNCs	Transnational Corporations
Tripartite Commission	Tripartite Commission for Social and Economic Affairs / Trójjstronna Komisja do Spraw Społeczno-Gospodarczych
UGT	Unión General de Trabajadores / Workers' General Union
UNICE	Union of Industrial and Employers' Confederations of Europe

1.1 Introduction: Labour weakness in Eastern Europe

For both political and academic reasons, the post-1989 transformation in Eastern Europe attracted massive attention of scholars since the very beginning. Ever since, labour has occasionally come into focus, initially as a major potential threat to the reforms (see especially Przeworski, 1991), and later on as a cause for concern, as the enduring social gap between the East and the West, together with a notable absence of protest against falling living standards and rising inequalities appeared to drift East European capitalism away from the “continental” type of coordinated market economies.

Lately, the debate resurfaced again, now in the context of European Social Model, the potential for it to be extended to the new Central and East European EU members or conversely, undermined by them in the process (see Vaughan-Whitehead:2003, Marginson and Sisson:2004, Meardi:2002). Usually defined as a system of neo-corporatist governance, characterised by *political and social inclusion of labour* and coordination of industrial relations between trade unions, businesses and the state through cooperative negotiation mechanisms (Sisson and Marginson: 2004), ESM is in effect a distilled image of a particular *type* of capitalism, a product of a “historical compromise” (Gourevitch:1986) between labour and capital in post-war Europe, which for thirty years managed to sustain a virtuous circle of labour strength, general growth and productivity and welfare state. In this context, the weakness of East European labour, its political and economic marginalisation, threaten in turn to set Eastern Europe on a more liberal market route, failing to produce a “more inclusive type of capitalism” (Ost and Crowley:2001:4).

There is a growing number of studies attempting to explain the position of organised labour in Eastern Europe. Most agree that organised labour is weak, a weakness reflected in simultaneous plummeting of trade union density, inability of labour to extract labour-friendly policies from the governments too busy with economic reforms and maintaining macroeconomic stability, and in a near absence of industrial struggle (Ost and Crowley:2001, Crowley:2004, Kubicek:2004). Multiple reasons which have been put forward to explain this phenomenon can be roughly grouped under two categories: *legacies of communism* and *transition choices* which together created a path dependent trajectory locking organised labour into a state of permanent weakness.

Two landmark works on the topic, *Workers after Workers' State*, by Ost and Crowley (2001) and the later Ost's (2005) analysis of Solidarity's decline from the once most powerful trade union in the world to a marginal player in Polish politics, vulnerable to populism and illiberalism, emphasise precisely the interplay of these two factors, identifying various "missed opportunities" and ideological missteps that brought organised labour to the ruin. While most valuable in their attention to detail and complex interaction between ideational, economic and political elements, much of the literature on legacies and path dependencies seems to have a blind spot for the broader picture, i.e. the changing nature of capitalism and the pattern of East European integration into the world economy. *Workers after Workers' State* is remarkably revealing in that respect: although it combines accounts of labour decline from 10 different East European countries (including different levels of union density, patterns of response to the changes, different ideological attitudes etc.), the book invariably concludes that the key problem of East European labour lies in its unanimous acceptance of capitalism as the only alternative and

its subsequent inability (and unwillingness) to oppose it on class bases, seeking instead refuge in other, mostly illiberal and usually nationalist, ideologies.

The problem with path dependent explanations lies in their temporal validity: when does the effect of legacies fade to the extent that other factors become more relevant, and how great is subsequently the relative weight of these explanations? This paper proposes to test an alternative interpretation, bringing into the picture structural peculiarities of the late 20th century capitalism and the specific position that the “latecomers” acquire vis-à-vis the world and European markets, by comparing Spain and Poland: two countries with rather different legacies but with relatively similar economic histories and structures, and a comparable position on the European continent. The second proposition to be examined through this comparison is the availability of strategies and opportunities for trade unions to overcome these structural problems and protect their constituencies through new, innovative strategies, bringing the labour standards in European peripheries a little closer to those of the core.

1.2. Background puzzles: the end of the transition paradigm

Almost two decades after the change of regime, the paradigm of transition, or *transformation* of East European political economies is becoming increasingly exhausted, as both economic and political systems appear to have stabilised. First attempts have already been made to map the specificities of East European capitalism: from “managerial capitalism” (Szelényi et. al.: 1998) to “recombinant property” (Stark:1998) and other. Unfortunately, such efforts to outline the differences and idiosyncrasies of post-socialist developments easily leave unexplored similarities, or general trends that

have shaken up the image and perhaps the substance of capitalism for the last 20-30 years. Gradual weakening of the Fordist model of production, based upon intensive capital accumulation with an industrial base in manufacturing (Boyer:1990) and expansion of the service sector, growing mobility and international reach of capital and changing relations between labour, capital and the state, as well as changing composition of the labour force (the trio of “tertiarisation”, “feminisation” and “precarisation”, see Martin and Ross, 1999) undermine class solidarity and the long established “compromises” in the West and make it increasingly unlikely for similar deals to be struck elsewhere. Harvey (1990) described the new logic of capitalism as “flexible accumulation”, characterised by high mobility of capital, high turnover of labour and consumption patterns, and increasing fragmentation of production processes.

“The revival of interest in the role of small business (a highly developed sector since 1970), the rediscovery of sweatshops and of informal activities of all kinds, and the recognition that these are playing an important role in contemporary economic development even of the most advanced industrialised countries...seem to support this vision of a major transformation in the way late twentieth-century capitalism is working”, writes Harvey (1990:190). Not surprisingly, since the late 1980s scholarly research in Western Europe has focused on the changing nature of corporatist arrangements entailing fragmentation and decentralisation (Crouch and Baglioni:1990, Schmitter:1997, Rhodes:1996). It is this new economic and intellectual climate that East European labour encountered while rushing head-on into the brave new world of capitalism, with the consequence that such tendencies have only struck all the more clearly where both institutional and ideational fundamentals were lacking to create an environment more

conducive to labour inclusion. Through comparative analysis of Spanish and Polish labour from the change of regime to EU accession I will try to examine how different legacies interacted with this changing global environment to produce a pattern of labour inclusion that is neither entirely liberal nor coordinated, and is best characterised as fragmented and unstable.

1.3. Case Selection

Although the early transition paradigm has been modelled after “transitology” developed in the context of Latin American and South European democratisations (Bunce:2000), few explicit comparisons were subsequently made famous, as the discipline retreated into “area studies” category, as befitted the specific nature of the preceding regimes as well as other historic/economic-developmental peculiarities of the region¹. In terms of relative strengths and weaknesses of labour, however, and its potential to improve its bargaining position within European setting, I believe it instructive to consider the previous cases of democratisation-cum-Europeanisation path, taking into account the relevant differences. Similar to Poland, Spain suffers the lowest rates of trade union membership in Europe (14% of the labour force, respectively) (Visser:2005, see Table 2), and widespread precarious forms of employment – one third of its labour force consists of temporary workers (27% in Poland) and in both countries a large portion of the workforce is categorised as self employed (15% in Spain, 25% in Poland, see Table 5).

¹ For a debate on cross-regional comparisons see Bunce, V. Schmitter, P. and Karl, T. in *Slavic Review*, 1994 and 1995. Some similarities were nevertheless noted, between Spain and Poland in particular (see Ekiert and Kubik, 1999) and Ost (1990) even documents a conscious attempt on the part of the Polish opposition to fashion the transfer of power after the “Spanish model”.

From 1978 throughout the 1980s trade unions in Spain lost two thirds of their members, the membership plummeting to 14%, where it remains until the present day. Polish trade unions experienced a similar loss, reaching the same European low of under 15%. Although not as encompassing in Spain as in the post-communist countries, economic restructuring and privatisation resulted in high unemployment, 20% in Spain throughout the period of transition, and in Poland a similar high of 18-20% in the early 2000s. Both countries' industries are similarly dominated by foreign, export-oriented transnational corporations, which adds additional strain on the labour ability to bargain (Biggard, Guillen:1999). Although Spain started off with an economy structurally more similar to the "modern" forms of capitalism, specific characteristics of its authoritarian regime (protectionism, clientelism, authoritarian forms of corporatism etc.), and state-administered protection for larger industries supplied an equivalent of "soft budgetary constraints" (Kornai:1980) plaguing state-owned socialist enterprises: industrialists could afford to pay higher wages to labour in order to preserve social peace knowing that they will be able to supplement their losses by rising prices and receiving state benefits (Foweraker:1987). East European "transformation recession" found an equivalent in the shock that the Spanish economy received from the oil price hikes in mid-70s: spiraling inflation and subsequent austerity policies, as well as an attempt to quickly restructure and modernize the economy resulted in de-industrialisation of some regions and disproportionate investments in other, soaring unemployment and a flood of small and medium enterprises and microbusinesses (Gorzalak:2000, Fishman:1990)

At the same time, the "ideological" make up of the Spanish labour was quite different from enthusiasm for capitalism that Ost (2000, 2005) ascribes to Solidarity or

the “schizophrenic attitude” towards capitalism that Pollert finds among the Czech workers (Pollert:2001). Evidently, the legacies of the two authoritarian systems were different: communism based its legitimacy upon self-proclaimed dictatorship of the working classes, which left the anti-communist labour movement in an awkward position with regard to capitalism, and its intellectual and political elites eager to find legitimacy elsewhere (e.g. in the neoliberal doctrine that dominated the economic discourse of the early nineties). Spanish labour, on the other hand, had its ideological grounding in the early anarcho-syndicalist tradition, and its ally among the elites of the Spanish social-democratic party (PSOE) which should have given it more than a sound negotiating base. However, the broad pathways for Spanish and Polish trade unions have remained remarkably similar. After an initial period of reliance on political parties, UGT in Spain broke away from PSOE, a partnership lasting since 1888, seeking new sources of strength in “bottom-up” alliances, primarily through cooperation with the rival trade union, CCOO. The relationship between Solidarity trade union and the multiple Solidarity-based parties and coalitions, dominating Polish political scene since the beginning of transition, similarly progressed from initial support through a period of confrontation and distancing to the most recent attempts of the Solidarity trade union to abandon the political scene and focus instead on the workplace issues (Ost:2002).

New strategies to establish class-based or cross-classed based alliances in order to secure their bargaining position led Spanish unions to experiment with setting up women’s associations, separate associations for high-profile service workers, as well as with alternative mobilisation and recruitment strategies (Estivill:1990). Their position has nevertheless remained precarious, and the membership numbers did not change for the

last two decades. In Poland, the first attempts at “microcorporatism”, and innovative recruitment are being developed (see Stenning:2002, Hardy:2006) but their effectiveness is still dubious. In the final count, the outcome of the social-democratic path of Spanish trade unions only marginally diverges from the “neoliberal” Solidarity road. Spanish trade unions maintain their symbolic status as “social partners”, but the national-level agreements that have been signed sporadically since the change of the regime suffer implementation problems (Fishman:1990, Pérez-Díaz:1987), and their attempts to preserve some of the privileges led to increasingly costly compromises regarding flexibility of the labour markets. Yet their symbolic power still remains a solid weapon in times of crises, and Spanish trade unions have repeatedly proved their ability to mobilise workers on a large scale. In the meantime, Poland experienced growing marginalisation of trade unions and national corporatist structures (i.e. the Tripartite Commission) on the political scene and a near-disappearance of concerted strikes on the ground².

Chapters 3, 4 and 5 examine these developments in detail, trying to disentangle the relative impact of different choices, legacies, structural pressures and patterns of insertion into the international economy in order to determine the scope for manoeuvre available to organised labour in European peripheries and to assess their capacity to push for establishment of an industrial environment more conducive to West-European style of labour inclusion. Chapter 6 (the conclusion) evaluates the findings, and points at the possible lessons from the experience of Spanish trade unions for organised labour in Eastern Europe.

² According to the 2005 report of the European Industrial Relations Observatory, number of strikes in 2005 in Poland was *seven* (a significant increase compared to 2004, when the number was two!)

2.1 Theoretical considerations: path dependency in the context of globalisation

As already noted, studies of East European transitions have been dominated by an essentially *endogenous* paradigm, employing a dynamic path-dependency model (the so-called “punctuated equilibrium analysis”, see Avdagic:2006). In the early period of transition, particular legacies (distribution of political and economic power, institutional structures) interact with decisions made by dominant actors (nomenklatura elites, intellectuals, trade unions, managers etc.) to produce a new set of institutions and alliances, which in their turn stabilise interactions and constrain and control agency in the later periods of transition.

In relation to labour weakness, path-dependency models commonly emphasise *dissolution of state-organised industrial relations systems* (legacy of subdued civil society, resource mobilisation problems, obligatory membership), the *prior role of trade unions as party transition-belts* (rendering them “suspicious” and redundant after the fall of the regime) and finally, *problems of ideas and identity that led workers to embrace capitalism as a solution* to the problems of communism (see Ost and Crowley:2001, Crowley 2004). Two problems are, however, immediately evident in this explanation.

The first regards applicability of all the above objections to the entire range of trade union organisations across Eastern Europe (an understanding quite contrary to the logic of path dependency itself). With a rather different history of an independent, politically powerful trade union movement Poland stands out as an obvious outlier, whereby the legacy theorem becomes reduced almost entirely to “ideological” explanations (see especially Ost:2005). The second concern is with the temporal limits to explanatory power of path dependency. As Kubicek notes, path-dependency theories

necessarily imply a *transitory* nature of identified constraints, allowing for a gradual revival of trade unionism in a democratic, capitalist setting (Kubicek:2004). In Ost's own words, the attitudes and strategies of trade unions are necessarily altered with the "changing nature of the relevant past" (Ost:2002). Two decades later, however, and with little revival sight, it may be wise to supplement path-dependent accounts with another set of explanations, focusing this time on exogenous factors.

Path dependency paradigm was developed as a reaction to the early teleological models of transition, which posited a simplistic "transplantation" model inherited from modernisation theories, conceiving of Eastern Europe after the change of regime as a peculiar "institutional vacuum" which could be imbued by West European institutional and market patterns to produce structures essentially similar to those of the West (see Lipton and Sachs:1990, Balcerowicz:1995). By focusing on specific combinations of forces and their outcomes, path dependency did much to explain divergences among East European countries and to provide a more sophisticated understanding of the region. Nevertheless, it effectively fell short of taking into account broader developments, setting Eastern Europe, in scholarly terms, outside of the major debates of the 1990s – debates on globalisation.

This is no place to review all the implications of the much used and abused globalisation discourse. For the purposes of this paper, however, I would like to sketch some of the most prominent arguments bearing on the question of industrial relations. Two lines of inquiry are of particular importance here: changing nature of capital accumulation and transnationalisation of production and exchange.

The first argument refers to several developments which towards the end of the 20th century came to be referred to as the “end of Fordism” (see especially Boyer:1990, Lipietz:1997, Castel:2003). The particular logic of production relying on intensive accumulation, mass consumption of standardised products and booming domestic markets was slowly being replaced by a different, “extensive” model, based on broader product diversification and shortened product cycles, and a focus on “personalisation” of products and services. Consequences for the labour market have been multi-fold. Changing demand structure, with continuously falling prices of primary products and a swift decline in heavy industries (Kaplinsky:2005, Castells:1997), pushed states to transform their production profiles in order to meet the requirements of international competition, entailing large-scale restructuring of the labour markets. Expanding service sector and decline in manufacturing and agriculture employment (Table 5) were coupled with rapid segmentation of the labour market in terms of skills and position within the national and international economy. This trend was further reinforced by changing composition of the new production base, evidenced in the shrinking size of production units and booming small and medium enterprise sector (Harvey:1990, Castells:1997).

If “reconstruction” of production and employment patterns meant one great challenge for the national-level industrial relations, another clearly arose in the guise of economic “internationalisation”. For both Spain and Poland, the change of regime and democratisation meant a simultaneous reinsertion into the global economy, which makes attention to the exogenous pressures all the more imperative. Both countries saw their chance for development in opening to the world markets, and harnessing international capital to foster their relatively outdated production structures. In the process, both

became particularly vulnerable to the exigencies of economic internationalisation, predicated upon an increase in world-wide capital mobility and transnationalisation of economic governance (Cox:1987, also van Appeldoorn:2000; for Eastern Europe see Bohle:2000, Bohle and Greskovits:2007).

Liberalisation of trade and capital markets has indeed been at the core of globalisation debate. In terms of its impact on organised labour, capital mobility is said to have several consequences: its impact may be direct, undermining bargaining power of workers in a single enterprise by threats of relocation and unemployment (Coller:1996), and indirect, by weakening economic sovereignty of the nation state, which is thereby ever less able to offer greater compensation to the workers and is at the same time pressured into making concessions to capital (Tilly:1995, Castells:1997).

Overall, the sum of above issues has given rise to a particular stream of globalisation arguments, dubbed “race to the bottom” or “low road convergence” thesis. Subject to those pressures, countries can only respond with ever greater liberalisation, shifting the power balance in favour of capital and undermining labour standards and labour strength globally.

“Race to the bottom” is somewhat simplistic, of course, in assuming that globalisation pressures are universal and that, moreover, responses will be universal too. A host of opposite, “divergence” theorems have been consequently developed, most of them in the tradition of historical institutionalism (“varieties of capitalism” by Hall and Soskice:2001, or earlier “societal effect approach”, Maurice et al.:1986, Mueller:1994), emphasising the role of prior institutions, corporate cultures and overall economic arrangements in defining different responses to the same pressures and maintaining, and

even reinforcing different outcomes. By construing the notion of “comparative institutional advantage”, the varieties of capitalism literature in particular argues that there may be more to capital mobility than pure cost-lowering strategies and that differences in the strength of local coalitions, training systems, opportunities for research and development etc. may well constrain and limit the mobility of capital and reinforce differences in economic organisation.

While salutary in their warnings against a simplistic understanding of global developments, such theories have contributed to a dangerously superficial polarisation of the globalisation discourse into “convergence” and “divergence” arguments. Path dependency models of east-European capitalism have almost unintentionally fallen into the second camp, emphasising the strength of entrenched modes of economic functioning. Taking the example of industrial relations developments in Spain and Poland, propose to re-evaluate these explanations, in order to show that while different paradigms have their own merits, a degree of synthesis may be required to understand the present changes. The relative impact of globalisation and institutional-political heritage differ from one country to another, contingent on the degree of restructuring, degree of economic transnationalisation, as well as on the timing of integration into the world economy. While institutional advantages and developed corporatist systems may function to preserve an inclusive model of industrial relations in some West European countries, it is a lot less obvious that the latecomers are free to “choose their own capitalism” and *create* such systems in the midst of a changing economic environment. Most likely, on their way to European integration, South and East European countries will develop some “hybrid” forms of industrial relations (Boyer:1998), characterised by high levels of

fragmentation along regional and industry lines. In order to understand their distinct evolutionary patterns, some focus on path-dependent developments is necessary. However, given the structural peculiarities of these economies ensuing from their position in the European and world markets, greater attention to the global processes is in order, in particular those concerning industrial restructuring, “Europeanisation” and the impact of international capital.

2.2 Key Concepts and Research Outline

In order to weigh the relative explanatory power of “endogenous” path-dependency models and exogenous factors ensuing from global economic pressures, I examine several aspects of industrial relations development in Spain and Poland through different stages of transformation since the change of regimes. For the sake of clarity, I separate these explanatory bundles into four broader categories: **legacies**, **strategies**, **restructuring** and **transnationalisation**. As the relative impact of different factors changes over time, I divide my analytical framework into three periods: *change of regime* (1975-1982 for Spain, 1989-1994 for Poland), *transition and Europeanisation* (Spain 1982-1993, Poland 1994-2004), and the period *inside the EU*, with a short overview of major developments to date. The outcomes of various developments will be gauged through the changes in organisational strength of trade unions and their ability to “voice” their demands collectively; level, content and coverage of existing corporatist arrangements (legal provisions, collective agreements) and finally, changes in the standards and patterns of employment, including the extent of welfare provisions.

Chapter 3 offers an analysis of trade union involvement before, during, and in the first years after the change of regime. This is presumably the period where legacies and early choices of strategies and alliances would have the greatest impact on the future development of industrial relations. The effect of specific legacies is assessed on 3 levels: *institutional* (inherited power relations between trade unions and parties, trade unions and the state and trade unions and capital), *organisational* (the extent to which specific ways of organising under the authoritarian regime result in subsequent dissolution/fragmentation of the labour movements), and *ideological* (consolidation of class identity within the labour movement, with a recourse to particularly prominent discourses marking the debates on labour inclusion in the respective countries).

The legacy argument is linked to the choice of alliances, as it predicts which social or interest groups the trade unions will focus on in order to maximise their bargaining power. Following Wright (2000), Silver (2005) conceptualises the choice of strategies in terms of “associational power” of trade unions, distinguished from their “structural power”. Structural power refers to the strength that labour derives from its position in the production process, organisational strength of trade unions and tightness of the labour markets - i.e., structural power requires that the labour be relatively indispensable for capital in structural terms. Associational power, on the other hand, denotes to the ability of labour to mobilise support within or without own industrial constituencies and depends on its skill in forging alliances both among workers and with other social groups. In line with this conceptualisation, this paper will attempt to trace three different “roads” or choices of alliances for labour and their changing importance throughout the transition process.

The literature broadly distinguishes between the “political road”, or close alliance with parties (typically Social or Christian Democrats (Korpi:1983)), the “class road”, i.e. co-opting structurally similar but potentially hostile groups such as unemployed, temporary workers, small entrepreneurs and self employed (Silver:2005), and the “social road”, based on cross-class alliances with social movements pursuing thematically different issues (gender, environment, immigration), and brought together under an umbrella of “social justice” (Bronfenbrenner, Juravich:1999). Traditionally the most relevant for labour inclusion and establishment of corporatist structures, the “political road” has been the dominant choice of trade unions in both Spain and Poland in the early stages of transition, becoming increasingly unreliable in the later periods. Chapter 4 describes the breakdown of political alliances and the search for other sources of trade union strength. In Chapter 5, I return to this question by outlining the incipient “alternative strategies” in both countries.

Chapter 4 is devoted to the analysis of the growing importance of external factors and internal transformation of Spanish and Polish economies. Chapter 3 begins this analysis by mapping out the production profiles of Spain and Poland in the early period after the change of regime and rapid restructuring that radically transformed their industrial bases in less than a decade. In the following chapters, I will describe the related processes (privatisation, changing nature of the labour markets and employment policies) in order to investigate the impact they have on the organisational capacity and bargaining power of trade unions. In this context, particular focus will be on the fragmentation of labour markets and productions structures, which in the final account appear to be the

most prominent traits of industrial relations systems in both countries, with dire consequences for the survival of organised labour.

Finally, the last section of the Chapter 4 and most of the Chapter 5 analyse the effects of “transnationalisation”, appearing in the guise of two parallel processes: integration into the world markets via incorporation into the transnational production chains, and the impact of European-level developments on economic governance in the new entrants. Although both processes may present opportunities as well as challenges to the trade union efforts, their primary effect has been to exacerbate fragmentation and sharpen the dependence of Polish and Spanish industrial relations systems on the international developments. To the extent that both processes withdraw some of the key economic competencies from the hands of the state (externalising the control over macroeconomic processes in the case of EMU, or undermining the possibility of state-led industrial policy with respect to choice and location of economic undertakings in the case of TNCs) they may indeed represent the prime threat to coordinated national-level industrial relations.

The demise of strong labour movements in both Spain and Poland and the subsequent devolution and precarisation of labour relations in these two countries bear too many similarities to be explained simply by a misfortunate coincidence in outcomes of two very different “transition games”. In this research, I second Collier’s warning that in order to understand labour weakness in European semi-peripheries, one must also “turn to larger political-economic factors: the shift of preferences, resources, constraints and opportunities that resulted from ongoing economic crisis, from the reordering of world economy, and from the crisis of socialist and statist alternatives” (Collier:1999).

3.1 Labour in the Change of Regime

In examining the role of labour in the respective transitions in Spain and Poland, this chapter has a dual task: on the one hand, it seeks to identify the position of labour at the very beginning of the process, in terms of market (structural) resources, organisational resources and political resources (Martin and Ross, 1999) available to the trade unions, that may well predict their paths and strategies further in the process. The second goal of this chapter is to challenge the oft put forward argument that the inability of trade unions in Eastern Europe to strengthen their position vis-à-vis the capital and the state in the transition period stems from their *initial weakness* (see Crowley:2004) in both institutional and ideological terms. In other words, the experience of alternating repression and cooptation under communism is said to have undermined the labour strength by making it dependent of the state, depriving trade unions of experience in contestation and preventing creation of a true working-class identity.

After the initial euphoria over the “triumph of the civil society” in Eastern Europe, much research has shifted the focus to the old and new elites, seeking “capitalists” and “entrepreneurs” (see Szelényi et al., 1998, Stark and Bruszt, 1998, Higley and Lengyel:2001), a point to which I will return later. The change of regime in Eastern Europe has thus come to be seen as a transition through elite negotiation, where worker unrests have served only to add leverage to opposition’s arguments. Even David Ost, in his recent account on the demise of Solidarity argues that the workers’ “anger” has simply been channelled and used by the elites to their own power-seeking purposes (Ost:2005).

Interestingly enough, this “elite turn” is not peculiar to the literature on East European transitions. Collier (1999) draws attention to a similar debate with respect to the “second wave” of democratisation in the 1970s and 1980s, (see especially O’Donnell and Schmitter:1986) which extols the role of elite negotiations, treating mass mobilisation as an “exogenous bargaining factor” (Collier:1999). The shift may indeed not be incidental: while the early 20th century rounds of democratisation coincided with mass class mobilisation and came to be identified with the enfranchisement of the workers, these late transitions occurred in the context of weakening and fragmentation of organised labour even in the more consolidated democracies. East European transitions, on the other hand, were “bourgeois revolutions” par excellence insofar that they erupted as a reaction to a self-proclaimed “workers’ state”. This is no place to elaborate on all the possible theories explaining the fall of communism, nevertheless, it would be curious to completely deny the role of organised labour, at least in the case of Poland, home to the “most famous trade union in the world” (Meardi:2002). Following Collier’s analysis of Spain, I will attempt to show that both countries belong to the “Destabilisation/Extrication pattern” of regime change, where labour served to a) delegitimise and destabilise the authoritarian regime, and b) perform the role of the opposition during the transition period (Collier:1999:111), therefore establishing itself as a relevant player early on in the process.

3.2 The Overthrow

When in November 1975 the news broke out that Francisco Franco died, the country was already in the midst of a prolonged labour unrest. The wave began after the oil shock had

hit the country, and only in 1973 there were 1500 strikes. The upheaval was compounded by the rise of regional nationalisms, culminating in the assassination of the Prime Minister, Carrero Blanco, by ETA in 1973. Towards the end of that year the new head of the state, Arias Navarro, promised certain measures of liberalisation to the public, with the sole result that the promise only exacerbated the conflict. From 1976 to 1978 between 12 and 16 million working days were lost annually, and Spain became the country with the highest rate of strikes per capita in Europe (Pérez-Díaz:1987:173). Franco's death marked the end of the attempts to preserve the remnants of the regime and in 1976 Adolfo Suárez, a member of the "moderate" faction of the Falangue, convinced the government to hold a national referendum on the law on political reform. In December that year, Spain was definitely on train to political liberalisation. Suárez Suárez was appointed Prime Minister to forge a deal on the future of reforms. The outcome were the so-called Moncloa Pacts of the 1977 and Statutes for Regional Autonomies in 1977-79. Moncloa Pacts are usually referred to as Spain's first "national concertation" agreement, although they were essentially a deal struck among the major political forces. Although the pacts dealt extensively with wages, inflation, as well as legalisation of strikes, independent trade unions and the Communist Party, trade unions were not among the signatories, and they only gave a tacit approval of the pacts through their party representatives. The first "free" elections were held in 1978, and UCD, a moderate centre-right party, partially a descendent of the Falangue, took power. This gave the labour-based opposition parties as well as trade unions time to exercise their strength and consolidate their relationship in a democratic setting, without immediately having to

assume the responsibility of governing the country, a task which arguably created a major strain on the union-party relationship within Solidarity in Poland.

Similarly, however, it was the workers' movement that gradually extracted steps towards liberalisation in Poland, causing sporadic conflicts and forcing the government on the defensive since already the early 1970s. Although the government reacted violently to the Solidarity uprising in August 1980, by introducing the martial law and outlawing the organisation, the Party nevertheless made sure to offer extended concessions in return, by soon relaxing the law and providing economic benefits to the workers in the face of a mounting economic crisis (Ekiert and Kubik:1999). By the late 1980s, however, workers' revolt was impossible to contain, and with rapidly changing geopolitical situation on the continent, the Communists could do little but retreat. On April 4, the Round Table agreements were signed, which mainly dealt with political liberalisation and curbing the power of the government, but also included limited economic concerns, mostly with regard to wage indexation. The elite negotiations were, however, accompanied by massive popular uprisings which further destabilised the position of the old elites: in February 1989, 214 strikes were registered, and in the following month 233 (Ekiert and Kubik:1999).

Similar to the Moncloa Pacts, the Round Table Agreements were high-profile political treaties and their reference to the "bread and butter" issues of concern to workers were at best marginal, prompting Ost later to sound a betrayal of the rank and file by the Solidarity leaders (Ost:2005). Despite of the already apparent cracks in the unity of the movement, however, the events of 1989 still revolved heavily along the lines of antagonism developed under communism: between "them" (the state) and "us" (the

society). A few years later, in 1993, Modzelewski wrote on the surprising political turn of Solidarity: “[back then] there was virtually no debate among the various ideological groups within Solidarity...at the time, those differences did not have any *practical meaning*”. Soon enough, however, in August 1989, this fragmented, ideologically incoherent and loosely organised movement was to arrive at the helm of the Polish state, winning 99% of the seats in Senate and 35% of all seats in the Sejm. In December 1990, Lech Wałęsa, the famous Solidarity leader, was elected the President.

Ironically enough, in neither of the two cases have these political victories translated into sustained organisational strength of the workers’ movement. From an enormous membership base of 10 million people in the 1980, Solidarity declined to 1.7 million already by the 1989, (falling even below the official federation OPZZ, which also fell from 4 to below 2 million after 1989) a figure that was to decrease ever since, so that combined union membership in Poland today stands at less than 15%, concentrated mainly in heavy industry and public services. In Spain, at the height of the social conflict, the combined membership of UGT and CCOO stood at nearly 70%, a figure that might have been somewhat inflated, although a 1978 survey by Pérez-Díaz indicates a similar high of 56.3%. In only a few years, however, this number fell to 33.8% in 1980, to decrease even further to only above 10% in the late 80s, and never again to rise further than 14% (Estivill and de la Hoz:1990, EIRO:2004a). The following sections examine various aspects of this downturn, focusing in turn on the legacies of authoritarianism, union choices and strategies in the early years of transition, and finally the economic environment in which these respective transformations took place.

3.3 Legacy of authoritarianism

Despite of their ideological differences, the organic-fascist Francoist regime shared significant similarities with communism in its approach to the working class. As a consequence of the Spanish Civil War (1936-39), socialist, communist and syndico-anarchist workers' movements of the Second Republic were the group most evidently singled out for repression. However, given their demonstrable strength in this period, the regime chose to invest heavily in cooptation of the workers, in order to prevent any rise of independent labour organisations. Tight integration of workers into the state structures was accomplished through the establishment of the OSE (aka *Sindicato Vertical*), a state-run organisation with compulsory membership and exclusive competencies to negotiate pay and working conditions with the management. Combining reliance on national unity and Church support with repression, according to Pérez-Díaz (1993), Franco “pretended to a sort of quasi-mystical identification between the nation and the state...[resulting in] a society made up of an appreciable number of followers, but an even larger number of demobilised and disorganised people reduced to passivity and fear” (Pérez-Díaz:10). This image of a demobilised, obedient crowds is frequently found in the accounts of post-communist societies, especially where the state, from late 70s onwards, offered significant concessions in terms of private consumption and limited liberties in exchange for political docility (see Szelényi et al. 1998). The outcome of this aggressive cooptation was an extension of labour “rights” and worker protection (including full employment provision under communism and a bureaucratic procedure making dismissal almost impossible under Franco, as well as a number of union-administered services - see Martinez-Lucio:1995, also Fishman: 1990 for Spain, Ekiert and Kubik:1999 for Poland),

but also a tradition of “relying on the state to solve industrial problems” (Martinez Lucio:1995:346)

However, this “institutional legacy” that is frequently construed as a disadvantage, may in fact have presented the unions with a unique opportunity to develop a support base within a regime hostile to any kind of autonomous labour representation. Histories of Solidarity in Poland and Comisiones Obreras (CCOO) in Spain present striking parallels in this respect. CCOO grew as an initiative of the then illegal Communist Party of Spain (PCE) to infiltrate the official SOE and appoint its own representatives to workers’ councils (a.k.a. *jurados de empresa*, established in the late 50s). The official structure offered, however limited, opportunity for unions to become active even in those enterprises where they never managed to achieve strong representation. In 1967, CCOO won such a sweeping victory in the workers’ councils that it felt strong enough to fight for a status of an independent organisation. The state reacted by banning the CCOO completely the same autumn, arresting more than 500 representatives and firing 25.000 workers, and introducing three successive States of Emergency from 1967 to 1973 (Maravall:1986). Organisation proceeded to develop underground, as a loose network of cells and local associations. This organisational flexibility, however, came to be identified as the second disadvantage of these movements at the breakdown of the regime, as a legacy of clandestine development. Although dominated by the Communists at the top, CCOO was in fact a collection of communists, syndico-anarchists, regional national groups and political Catholics (the so called “red priests” who opposed the official Church support to Franco and organised their own union (HOAC) which operated legally and served as a springboard to many

future activist). After the change of regime, CCOO, which was stronger than its Communist party ally but debilitated by internal struggles and divisions, found it more difficult to adjust to the requirements of democratic contestation (see Fishman:1990:89).

In a rather similar fashion, Solidarity developed as a reaction to the violent repression of what in many workers' eyes was a series of legitimate workers' strikes of Gdańsk, Gdynia and Szczecin in the early 70s. The "brain" of the movement was the Workers' Defence Committee (KOR), founded in September 1976 by a group of intellectuals of various profiles, who managed to develop a distinct symbolism of the movement grounded in a more or less coherent ideology of the "civil society" (Michnik:1998) described by Ekiert and Kubik as a "distinct collective identity developed by opposition, combined with social and ethical doctrine of the church, appropriated segments of national/patriotic values and traditions" (Ekiert and Kubik:1999:41). This foundation, however, only served as long as the enemy was clearly identifiable in the guise of the communist party-state, and concealed deep internal rifts within the movement. Nevertheless, Solidarity managed to mount a substantial unified front against the state, and even in the years after the Martial Law, when due to organisational difficulties the movement lost much of its strength and momentum, provided a solid symbolic umbrella that was able to rally mass support of workers in the late 80s. The authoritarian strategy of labour cooptation, therefore, had an ambiguous effect, on the one hand of providing channels "instrumental in the growth of opposition strength and the development of the capacity to mobilise workers and wage effective strikes" (Maravall:1978), but at the price of developing a fragmented organisational

structure, a tendency that was further reinforced by the very liberal labour laws that followed the regime change³.

The final legacy argument, most strongly advanced by Ost and Crowley, concerns the “ideological” foundations of the labour movements, the extent to which they identified themselves as “workers”, and subsequently their attitude to capitalism. Unlike the Spaniards, who cherished a strong tradition of labour movements informed by decisively left-wing socialist and Euro-communist ideologies, East European labour was to a large extent *created* by communism, and in its rebellion against a “workers’ state” was eager to embrace capitalism as its opposite. It is dubious, however, to what extent their subsequent actions were a result of the “false consciousness”: the emblem of the “civil society” was an invention of East European intellectuals denoting a politically liberal yet egalitarian, classless society (Szelényi et al:1998), and it easily combined elements of communitarian Catholicism, liberalism as well as an egalitarian ideology of Civic Committees that sought to “reclaim the legacy of the Polish left from PZPR” (Kubik and Ekiert: 1999:160)⁴. It was therefore the manner in which the transition unfolded that led Solidarity to opt for some elements over others in its broad ideological foundations, and the strategies developed in this period that resulted in the “anti-union union behaviour” (Ost:2001), rather than a clear-cut ideological burden of the past.

³ Polish labour law of 1991 allowed for a minimum of 10 workers to form a union, resulting in multiplication of the number of unions in a single enterprise (Kubik and Ekiert:1999)

⁴ This symbolic battle depicted by Ekiert and Kubik refers to the revival of the pre-war socialist paper “Robotnik” by KOR in 1977 (originally published from 1894 to 1936).

3.4 Party Alliances and Union Strategies

According to Valenzuela (1991), differences between “modes of insertion” of trade unions into the political space depend on several dimensions, among which: the historical process through which the unions achieve their organisational consolidation, the unity or fractionalisation of the labour movement, as well as the nature of the links between unions and parties (Valenzuela: 1991). As we have seen above, both in Spain and in Poland the historical moment of the regime change presented the trade unions with a double task: institutional organisation on the one hand, and democratisation on the other. The extent to which these two tasks compromised each other, and the way in which the labour movement responded to the challenge, by supporting or confronting the government, will be analysed in the following section. Union strategies, however, naturally depend on the expected response by the affiliated parties and especially the government. In the context of transitional uncertainty, governments cannot easily predict the behaviour of the labour, and thus have to rely on the cues provided by the perceived strength (united/fragmented movement, degree of militancy), proximity of union-party ties and the nature of interaction among different fractions of organised labour (Avdagic:2006).

Based on this framework, Avdagic predicts that a) if the labour movement is fragmented with b) parts of the movement strongly affiliated with different parties and c) engaged in mutual confrontation, the government will have greater chances of pursuing its policies unilaterally, by playing off one faction of the labour against the other. While it seems that this is precisely what happened in Poland in the early years of transition, in Spain the labour movement went through an initial period of moderation and

concertation, only to end up in a similar confrontational trap with the changes in political and economic situation.

Years 1977 to 1986 in Spain were a period of neocorporatist experimentation (Fraile:1999). Although the centre-right won the 1977 elections, it was well aware of the sizeable opposition lead by trade unions and the increasingly popular PSOE. The PSOE-affiliated UGT, one of the oldest trade unions in Spain, emerged from the years of Fraquist oppression much weaker than the CCOO, but slowly gained in popularity alongside the socialist party. Largely inactive during the years of dictatorship, it had a reputation of a more “moderate” social democratic union vis-à-vis the militant CCOO which in those years suffered large membership loss and fragmentation into smaller regional unions. Following the Moncloa pacts of 1977, the government embarked on a project of democratic consolidation, postponing for the time being the difficult adjustment policies necessary to curb the rampant inflation, and social spending actually increased from below 10% GDP in 1975 to 21.4% in 1987 (Pérez-Díaz:1987).

The need to minimise the threat of a military putch and to contain rising violence in the Basque territories forced the government to seek union support and obliged unions to moderate their demands in order to preserve democracy. The first nation-wide framework agreement (AMI) was signed between UGT and the newly founded employers’ association, CEOE, aiming to keep the increases in real wages below the inflation rates, as well as to minimise growing employment and regulate early retirement provisions. It was followed by the National Employment Agreement (ANE) in 1982 and , the Social and Economic Agreement (AES) in 1983, both aiming to limit the wages and improve employment conditions.

The agreements were, however, unevenly implemented, and although they managed to control the wages they did little to contain unemployment which in the wake of the two oil shocks rose from below 7% in 1975 to 21% in 1981. Widespread unemployment and job insecurity resulted in the modification of the national-level agreements on the enterprise level with substantially lower targets (Estivill and de la Hoz:1990). In this period, CCOO initiated several strikes to protest the increasingly precarious work situation, but was promptly marginalised as both the more moderate workers fearing economic crisis and the government seeking to rely on unions switched to UGT for support. The union law introducing the quota of votes in work councils to elect “representative” and “most representative” labour union which received both access to national agreements and government funds lead to fierce inter-union competition that forced both unions to moderate their stance and effectively destroyed some of the smaller, more militant unions (Fraile:1999). The climate of moderation was evident also in the changing programme of the PSOE, which abandoned much of its socialist goals in order to broaden the electoral base in expectation of the 1982 parliamentary elections. On the eve of the polls, the leader of PSOE and the future Prime Minister of Spain Felipe González famously declared: “I will be satisfied if we now implement a bourgeois reform, through which democracy can be stabilised, making it possible for my children to realise a genuine socialist programme in the future”(c.f. Fishman:1990). Paradoxically, neither the communist-led CCOO nor the moderate UGT seemed to be able to transform their political victories into local improvements for their constituencies. In the face of falling membership rates and growing economic crisis, in a survey from 1982, a large

percentage of local union leaders declared that they would prefer there to be *no relations* between unions and parties (Fishman:1990).

While in Spain the favourable government policies and institutional inclusion of the labour unions on the highest level of negotiation paradoxically lead to a complete deterioration of the membership base, in Poland the abrupt political changes that catapulted Solidarity from opposition to the government in a matter of months gave little chance to the trade union to distinguish itself clearly from the party. As Ost remarked already in 1990: “nobody knew what Solidarity was any more: it was a trade union, and the government, and a group of some 260 MPs and the *purpose* of the trade union was to support the government” (Ost:1990:220). Because Solidarity *was* the trade union, (representatives of the post-communist OPZZ participated in the Round Table talks but the union was in disarray and kept a low profile in the early years of the regime change) it did not seem necessary to establish a separate institutional mechanism for the protection of workers, whereby Poland became one of the last countries in Central Europe to institute a Tripartite Commission, as late as 1994. At the same time, however, the “war at the top” between Prime Minister Mazowiecki and the future president Wałęsa caused a deep rift within the alliance, splitting Solidarity into “revolutionaries” and “reformists”, which will in time become the “second major cleavage of post-communist Polish politics” (Ekiert and Kubik:1999:51). The race sped up the process of reform implementation, and for a while the trade unions found themselves in an ambiguous position of supporting the reform while at the same time trying to protect the workers.

The government began implementing the “Balcerowicz plan”, which came to be regarded as the most radical reform in Eastern Europe, under the name of “shock

therapy”. The initial components of the plan, curbing the inflation and trade liberalisation were implemented almost overnight, while the privatisation process turned out to require a much longer period – in 1999, almost a third of enterprises initially scheduled for privatisation were still state owned (Kubicek:2004). While Solidarity participated in the implementation of these plans, it fought hard to control the process of industrial restructuring (mainly to prevent the communist elites taking over the property and transforming themselves from political into economic elite), secured greater participation of workers in the privatisation process and engaged in the administration of redundancies, with mixed results: although the unemployment soared, the Polish state in fact attempted to provide social support to the unemployed, through increase in unemployment funds and a widespread usage of early retirement and disability pensions, which pushed the share of pensions expenditure up to almost 17% of GDP in 1994 (Orenstein, Haas:2004).

Interestingly enough, Solidarity’s “cooperative strategy” was appreciated neither by the workers, who deserted the union in great numbers, nor by the reformers in the government. In an interview in 1995, Leszek Balcerowicz stated that he felt a radical strategy in Poland was needed precisely because of the “dangers to macroeconomic stability from strong and militant trade unions”(Blejer, Coricelli:1995:71). “Cooperation” came to a halt in 1991, when a series of strikes erupted at first spontaneously or led by OPZZ. Caught in a “loyalty dilemma” (Burgess:1999) between the government and the rank-and-file, Solidarity had little choice but to put itself at the head of these uprisings and to turn against its own government.

The revolt was triggered as much by the rising economic crisis as by the perceived inequalities in the restructuring of the Polish society. The process of East

European transformations was naturally cognitively shaped as a reversal of the communist project: as *embourgeoisment* (Szelényi et. al 1998), or, in negative terms, as *unmaking of the working class* (Kideckel:2001). If the communist state formally and constitutionally linked the status of a citizen (a deserving member) to the status of a worker, *citoyen* of a post-socialist state came to be increasingly defined as an entrepreneur. In an effort to create an own capitalist, bourgeois class, the government created special incentives for the establishment of business and private capital, both domestic and foreign. Modzelewski (1993) summarises this strategy as privileging business against labour in real terms: introducing popiwek (a tax on excessive wage increases) while at the same time offering tax cuts and subsidies to private enterprises. In February 1990, OPZZ led a demonstration against “popiwek” which drew some 20 000 people to the streets: in the following months, Solidarity-led strikes erupted around the country, with 300.000 miners protesting in December of the same year (Ekiert and Kubik:1999). Unrests lasted into the 1993, when the Solidarity-led government finally fell to a vote of no confidence by its own MPs, and was replaced by the ex-communist SLD.

The patterns of labour-party and labour-government relations thus reveal a puzzling coincidence in Polish-Spanish comparison. Although the Spanish government offered concertation to the trade unions on the highest level and stubbornly pursued inflationary policies to delay the necessary reforms, neither militant strategies nor moderate cooperation were sufficient to prevent large losses of membership and deterioration in working conditions and employment. In Poland, the unilateral reform pursued by the government managed to maintain support from the unions for a while with

limited concessions, until extreme deterioration of living standards and growing inequalities pushed the union to act against its own leaders. In both cases, however, it appeared increasingly obvious that the double task of organisational and political consolidation came into conflict, alienating unions from their affiliated parties. Regardless of the political and the ideological profile of the parties in question, the changing nature of political contestation and deep economic crisis that occurred in both countries at the time of transition seems to have closed the doors to labour inclusion via political-party alliance, a road that became the trademark of earlier instances of labour incorporation.

3.5 Structural legacies and international effects: changing regimes in times of crises

Inconsistencies of the above findings with the “legacies” literature are already apparent: unlike Poland, Spain appears to have had the right ideological baggage, trade unions were granted a period of grace by a government that sought to accommodate labour in order to consolidate democracy, and finding themselves in the opposition they were free to consolidate their ranks and develop contestational strategies appropriate for the liberal-democratic setting. Nevertheless, at the end of this period trade union membership continued to decline dramatically, unemployment was soaring and no amount of more or less compensatory social policies could prevent the decline in labour standards. At the same time, the level of industrial conflict steadily diminished, and except for an outburst of protest in 1992-1993 Poland the workers proved ever more difficult to mobilise. Before concluding this chapter, therefore, it is necessary to examine a different type of

legacies: changing economic structures during the period of authoritarianism and the way they squared with rapid changes of the international economy that began in the mid-70s.

Authoritarian regimes in both Spain and Poland pursued a particular path of development which, although essentially inward-oriented, showed certain signs of liberalisation in the later periods, approximating Fordist-type developments in the post-war Western Europe. From an autarchic policy of independent growth, Spain turned to more internationally oriented policies in the beginning of the 1960s. Towards the end of that decade, the country experienced an enormous economic boom. Real wages soared at an annual rate of 6.38%, while productivity increased at a rate of 5.46%. From 1954 to 1975 the GDP increased 17 times, and per capita income grew 11-fold (Maravall:1982:118). Intensive industrial development was accompanied with substantial changes in the composition of the labour force: primary sector declined from 48% of the share of labour force in 1954 to 23% in 1975. At the same time, employment in industry grew from 26% to 37% and in services from 25% to 40% of the labour force. The growth was mainly premised on the development of domestic market through demand stimulation policies, with reliance on heavy industrial investment and massive imports of foreign capital and technology (Holman:1996:18). Share of industrial output reached almost 40% of GDP by 1975, concentrated on the heavy industrial sectors (shipbuilding, steel) as well as food, chemicals, and textiles (Holman:1996).

Polish path of development, although distinctly socialist in its reliance on heavy industries and centrally planned economy was in many ways more liberal (e.g. preserving private ownership in agricultural sector) and flexible from the mid-70s onwards. Assuming the post of the Party Secretary in 1970, Edward Gierek introduced a strategy of

import-led growth, which served both to boost consumption and improve living standards, as well as to modernise parts of the economy, reorienting production towards more complex sectors (e.g. consumer durables), and doubling the number of Western licences and foreign machinery imports (Poznanski:1996:12). Until 1975, real wages grew at a rate of almost 6.8%, while the country continued to borrow, with Western creditors willing to make concessions in exchange for an entry into the Eastern markets on the back of the petro-dollar recycling boom (Poznanski: 1996:10, see also Frieden:1991). Following a production crisis and a severe inflation from 1979 to 1982, the government attempted to revive the economy through a mild attempt at “market socialism”, with 1986 state enterprise law granting individual enterprises greater autonomy in decision making (Shields:2004).

Substantial “modernisation” in both Spain and Poland, came, however, at the time when the face of capitalism started to abruptly change, starting with the oil prices shock of 1973, collapse of the Bretton Woods currency system and changes in the composition of supply and demand on the global markets primarily due to rapid internationalisation. Development of industry in Spain led to growing import dependence on raw materials and investment goods, and therefore resulted in substantial susceptibility to the international crisis, as Spanish production profile was heavily grounded in shipbuilding, steel, textiles and food, and other similar products facing global overcapacity and fierce competition. While across OECD the production between 1975 and 1978 declined by half a point, in Spain it dipped more than 4 points (Maravall:1982). With the government consciously staving off radical adjustment policies in order to avoid conflicts with the labour, the process of industrial restructuring and “rationalisation” began almost

spontaneously, with industries collapsing, destroying some half a million jobs in manufacturing (almost one quarter of workers employed in steel industry were dismissed) and about 1.3 million in agriculture between 1975 and 1990. Industrial employment decreased almost 10% by 1985, and despite of a substantial increase in the service sector, the overall unemployment grew to dizzying 21.5% by mid-1980s, with GDP falling from 78% of the European average to 70% in the same period (Guillen:2001). Although relatively generous, unemployment benefits covered only a fraction of the labour force (regulations made around 52% eligible for benefits, but the actual coverage reached merely 31.4% in 1986, c.f. Pérez-Díaz:1987), and a growing numbers of the unemployed turned to the informal economy. Deindustrialisation of certain regions (Asturias, Galicia) whose local industries all but collapsed in the 1970s fractured labour into homeworkers and high-profile service employees (Asturias recorded a substantial growth in financial services and advertising, Holman:1996), neither of which groups is easily attracted by traditional unionism.

Polish case is similarly well known: the protracted crisis of productivity throughout the 1980s was exacerbated by the collapse of the regional markets (CMEA), which was all but supported by the policy of “disengagement” with the dissolving eastern block⁵. Policies introduced to stabilise the economy and bring down rampant inflation (calculated at 584.7% in 1990) – tight fiscal controls and price liberalisation had a sharp impact on the standards of living, and rapid trade liberalisation introduced to counter these effects by bringing in competitive foreign products (Balcerowicz:1995), brought Polish industries into a direct competition with the already booming Asian producers.

⁵ This had particularly severe repercussions for heavy industries (i.e. armaments) with military exports to the Soviet Union completely brought to a halt (see Poznanski:1996:183)

Textile industry in particular recorded a 34% decline, entailing huge job losses in this sector (in concentrated industrial regions, such as Lodz, unemployment climbed to 25% of the workforce)⁶. Thus, ironically enough, while the authoritarian regimes themselves bred the foundations conducive to strong labour movements, democratisation which coincided with deep structural changes in the form of production undermined sustainability of organised labour.

The most detrimental changes, however, occurred in the structure of the new private sector, which rapidly devolved from complex industrial conglomerates to small-scale decentralised production and rise in microbusinesses. According to Poznanski, from 1989 to 1991, the number of private businesses in Poland reached 1.5 million, of which at least half were individual enterprises, small-scale undertakings brought together by limited private savings and pooled family capital. Among the non-individual businesses too, however, only 2.100 employed more than 50 workers. (Poznanski:1996:241). Many small enterprises went underground, and harsh economic circumstances led many people to continue the practice of second economy, falling back on family businesses and subsistence agriculture to supplement their diminishing incomes⁷, resulting in as much as 27% of Polish GDP being produced in the informal sector, with share of labour at approximately 20% (Schneider:2002). According to government statistic agency, some 2.034.000 people worked without legal contracts in Poland in 1995, and for at least 880.000 employees this informal work was the only source of income (Kowalik:2001).

⁶ The real extent of recession in post-communist Eastern Europe is a hotly contested issue to this date, due to the problematic accounting under communism which systematically overreported production levels (see especially Winiecki:2001). The figures here are from Poznanski, 1996.

⁷ According to the data from agricultural survey in 1995, 45.9% of all farms in Poland were classified as “subsistence” (the threshold of “commercialisation” being extremely low, at production levels of 2.500 zloty) (Wilkin:2001).

Similar developments can be noted in Spain, where following the crisis large numbers of enterprises underwent “wild” restructuring, whereby different branches were transformed into mini-enterprises, often developing into a “submerged” networks, involving homeworkers and informalised units of production, with the head company converting into an “agency” for subcontracted work. These and similar strategies of survival resulted in a rapid expansion of small firms, whose share reached 97.6% of all firms in the Spanish economy by 1978 employing 48.5% of the workforce (Fraile:1999). The share of the informal sector in GDP was approximated at 20% in this period, with certain industries (garment and shoes, toys) having as much as 43% of production underground (Benton:1989).

3.6 Legacies reconsidered

The above analysis of the labour position in the change of regime period in Spain and Poland shows remarkable similarities in the two countries in the pattern of economic structures, as well as in the development and role of the labour force during the transition. Similarities are particularly notable in the ways these political economies developed before and after the transition, producing rapid fragmentation of industrial bases, falling employment in the formerly prosperous industrial sector and an explosion of small businesses accompanied with rapid informalisation of the economy. Inasmuch as these developments were both a legacy of the previous regime and of the way in which economic and political liberalisation interacted with global changes (especially with respect to intensity and structure of international competition), they are not peculiar to the post-authoritarian countries: similar developments have been noted for the last two

decades throughout the Western Europe, with similarly detrimental effect on the strength and organisation of organised labour (Crouch et al:1990). The difference, however, lies in the abruptness with which these changes took place in the previously protected economies, and in the particular political moment which required the labour to cope both with tasks of supporting the new democratic establishment and protecting its own organisational base. Whether the labour embarked on this task with a clear “worker” ideological background and in alliance with a sympathetic political force, as in Spain, or in a condition of disorganisation and internal contestation, as in Poland, seems to have made little difference on the ability of the trade unions to maintain support and to extract significant concessions from the government. Even where the governments made a strategic choice to involve the labour in the high-profile negotiations (as opposed to assuming legitimacy to simply speak in the name of “society” at large, as in Poland), economic pressures proved to be such to circumscribe these negotiations to a purely normative, political level, without real impact on the ground.

Economic hardship even proved to create an impulse for moderation of the labour demands from the bottom-up: a survey by Pérez-Díaz in 1980 showed a growth of “strike fatigue” among the Spanish workers, whose main preoccupation became job security, substantially outcompeting their concern over wages in the face of massive layoffs and bankruptcies. Therefore, even where the national agreements allowed for a more expansive workplace policy, the workers customarily agreed to keep their demands well below the level established by the accords (Pérez-Díaz:1980:256-7). At the same time, high unemployment, growth of small, non-unionised private businesses and the rise of the informal economy simply wiped out much of the support base for organised labour. The

following chapters will examine the ways in which further economic internationalisation exacerbated these processes of labour fragmentation, and the ways in which the labour unions responded to the challenges with creating innovative strategies of mobilisation and changing their relationships with the affiliated parties.

4.1 The breakdown of political alliances

The previous chapter left labour unions in Spain and Poland in a rather ambiguous position. With much political capital but with decreasing market and organisational resources, they increasingly focused their strategies on the political level, aiming to protect their constituencies “from above”, through close alliances with political parties. However, whereas the period of the change of regimes was marked by the importance of internal pressures and reconfigurations of actors on the domestic level, the period of consolidation took place in the context of intensive internationalisation of Spanish and Polish economies, not least under the umbrella of their respective “returns to Europe”. This section aims to outline the development of party-union relations in this period, highlighting three processes: europeanisation, transnationalisation and restructuring, in order to show how they contributed to profound changes of these two political economies that forced labour to abandon the political road and seek alternative ways of gaining voice.

In 1982, PSOE won parliamentary elections in Spain with an overwhelming majority, and almost immediately embarked on a series of reforms to control the rising inflation and “modernise” the economy. The first national agreement signed in this period, AI (1983) made incomes policy its primary objective, aiming to contain the rise in wages in order to curb the inflation. At the same time, the new government pursued a policy of fiscal austerity to control the deficit it inherited from the previous years. In the wake of what Holman dubs “internationalisation of austerity climate”, and taking the warning from dismal late Keynesian experiments of French and Greek socialist governments (Maravall:1986), PSOE significantly refashioned its stance towards

economic issues. The “neoliberal camp” within the party, led by super-minister Carlos Solchaga (Finance and Economy) pressed for a number of reforms between 1982 and 1986, among which those concerning liberalisation of the labour market and social services. This sudden turn took the trade unions unprepared, and for the first two years they continued supporting the new orientation. With the expectation of accession to the European Communities ahead, UGT clung to its century-old partnership with the party, hoping to preserve its influence, regardless of the fact that already in 1984 the negotiations over a new social pact collapsed and the government refused to pursue further bargaining, introducing instead unilaterally a reform of the labour code. The new “flexibility code” allowed for “employment promotion contracts”, entailing broader application of temporary work contracts (14 new types of fixed-term contracts were introduced, with a maximum of 3 renewal periods) (Lucio, Blyton:1995, Fraile:1999).

In Poland, the last Solidarity-led government of the Prime Minister Suchocka fell in 1993, to be replaced by the reformed communist Democratic Left Alliance (SLD). Although the previous government suffered widespread labour unrests that finally brought its fall, its policies were not directly labour- unfriendly. With Jacek Kurón, one of the oldest Solidarity activists acting as Minister of Labour, it introduced relatively generous unemployment benefits and prepared a package of laws on restructuring of SOEs, which contained regulatory provisions on privatization, rules of profit sharing, unemployment benefits, employers’ obligations and safety at work (see Ekiert and Kubik:1999). These measures, together establishment of Tripartite Commission to regulate relations between employers, workers and the government, were introduced by the new government in 1994. However, the new government also continued to pursue

restrictive fiscal and monetary policies, despite of the fact that the inflation was continuously decreasing and the economy started to pick up again already in the course of 1993. SLD, which refashioned itself as a social-democratic party, was closely aligned with the former official trade union, OPZZ, which also recovered its voice in the early 1990s, and with ¼ of SLD deputies belonging to the union, hoped to exert greater influence on its policies. Quite on the contrary, Solidarity reacted violently to the “return of communists”, boycotted the Tripartite Commission, and it began to arm itself for the new elections, by forging an own party this time, the so-called Solidarity Electoral Action (AWS) (Kozek:2002).

In both countries, focus on the political level seemed to yield ever less success for the trade unions, especially in the climate of intense inter-union competition. As the Spanish economy started to show signs of recovery, the unions expected the government to ease its deflationary pressures (Fishman:1990). However, the new agreement reached for 1985 and 1986 (AES) continued the trend of keeping the wages below the rate of inflation. When the government announced its new pensions reform, which substantially lowered the benefits and increased the number of contributory years, CCOO called a strike and refused to sign the agreement. At the same time, although UGT continued to support the government, the relationship between the party and the union steadily worsened, especially as UGT began to feel that it was losing the ground among the workers. Spanish legislation mandates direct extension of all collective agreements to the workers concerned, which accounts for high levels of coverage (see Table 2). However, as the content of the national agreements became increasingly shallow, focusing heavily on incomes policy and containing only general provisions on “efforts” to curtail

skyrocketing unemployment, collective bargaining suffered “informal decentralization” (Fraile:1999) throughout the 1980s, resulting in fragmentation of the system, and multiplication in informal company-level accords and individual deals. UGT particularly felt it was losing control within its constituency when a union of teachers in 1987 refused to accept an agreement the UGT had negotiated for them. No social pacts were signed in 1987, as the government stopped fearing wage escalation and instead focused on curtailing the budget deficit, and the employers continued to insist on further labour market deregulation (Fraile:1999). In the same year, the UGT delegates in the parliament finally resigned their posts in protest against the PSOE budget proposal which in their view was far more restrictive than the recovering economy allowed.

Union demands for government to pay more attention to the social situation (demanding the so-called *giro social*—“social turn”) culminated in a general strike of 14 December 1988, when more than 8 million workers answered the calls of CCOO and UGT, now bound by a new strategy of the “unity of action”. The immediate cause of the protest was the new plan for youth employment, aiming to create some 800.000 new temporary jobs. The strike was an unexpected success, and it forced the government to withdraw the plan. However, PSOE refused to make any further concessions to the unions, and in 1988 Nicolas Redondo, the UGT leader, publicly announced that he would not back up the party in the new elections. As a response, PSOE withdrew the formal requirement of UGT affiliation for its delegates, symbolically cutting all the ties with the union.

A similar path of union-party divorce occurred in Poland, although it took another electoral cycle for the unions to reconcile their differences and opt for inter-union

partnership over direct support for their “own” party. Electoral victory of AWS in 1997 brought Solidarity back to power but immediately it became obvious that few benefits would accrue for the workers from this feat. In 1999, the government implemented a health and pension reform introducing mandatory private funds, without consultation with the social partners, completely marginalising the already defunct Tripartite Commission. OPZZ resorted to a formal complaint to ILO about the legal breaches of the government, although with little effect (Martin:2000). In 2001, following another slowdown of the economy and a jump in unemployment numbers (up to 19%), the AWS failed to win any substantial number of votes and completely dissolved. At the same time, however, the relations between SLD and OPZZ became strained, with the party once again changing its image substantially to approximate the “third way” liberal approach of the British Labour. Following the 2001 elections, trade unions made a decision not to have representatives in the parliament (some 19 OPZZ members remained on SLD tickets, without, however, forming an autonomous group)(Mailand, Due:2004). Nevertheless, both the attempts at cooperation and greater distancing from any party on the part of trade unions appeared a slow, tortuous process, resembling rather gradual marginalisation of the union by the parties than a definite break.

The impact of the changing strategies is, however, uncertain, and will be examined in more detail in the next chapter. With unions severing their ties from their political allies, they did not necessarily manage to develop alliances with other constituencies. At the same time, external influences, in particular the requirements of EU and later EMU membership, led to several policy decisions that pushed the unions to

consolidate their action in order to preserve some influence and reinvent their role in the political scene.

4.2 Early effects of “Europeanisation”

The effect of EU is difficult to gauge, and this paper will not deal with it extensively. Its influence in the realm of industrial relations is generally divided in the literature into legal effects, which are limited to the few EC directives mandatory for implementation in the member states, but restricted to regulations on equal opportunities and safety at work (see Marginsson and Sisson:2004, Vaughan-Whitehead:2003). In Spain, these have had little consequence, as the Spanish legislation already generally confirmed such tendencies (Guillen:2001). In Poland, however, international organisations seemed to have influenced a number of legislative developments, supplementing the outdated communist labour code. According to Avdagic (2006), even the establishment of Tripartite Commission was to an extent prompted by recommendations by EU and ILO. Consequences of certain other developments (“soft” coordination mechanisms, recommendations, EU-level industrial relations, as well as the impact of EMU) are even more ambiguous and will be somewhat more extensively reviewed in the following chapter. For the time being, I would like illustrate a number of contradictory developments which appeared in response to so called “cognitive Europeanisation”, manifesting in appropriation of the “Return to Europe” paradigm by different forces in order to justify their frequently diverging interests and demands.

Spain joined EC in 1986, but the real adjustment process, unlike in Eastern Europe, took place *after* the accession, with Spain being granted a seven-year transition

period for majority of its industrial and agricultural products, to be completed in 1993, with the final act of consolidation of the single market and initiation of the plans for the future monetary union (Holman:1996). The new PSOE government immediately embarked on a campaign that defined “Europeanisation” through a prism of modernisation of the Spanish economy, bringing it in line with the Community standards. In 1992, the government announced its Convergence Plan for the following period, continuing the restrictive policies of the previous two terms, and consisting of tight fiscal and monetary policy to further reduce inflation and deficit, introducing flexibility into the capital and labour markets, and intensive privatisation of the remaining public companies. According to Guillen (2001), such decisions were also directly prompted by the Brussels administration, which threatened to reduce funds allocated to Spain if it fails to improve its record (Guillen:2001).

From 1992 to 1994, a series of reforms ensued, including curtailment of unemployment benefits in 1992 (reducing both the amount and length and restricting eligibility), and a new “employment plan” in 1994, legalising temporary employment agencies, extending the scope of fixed-term contracts and introducing the so called “apprenticeship contract” which entailed minimum training provisions, below-minimum wage and no social benefits (Fraile:1999). The unions reacted to the government decrees by staging two more general strikes, with almost no success, and the PSOE arguably managed to counter their efforts by an aggressive media campaign justifying the reforms by Spanish aspirations to join EMU (Molina Romo:2005) and denouncing unions for their backward orientation and short-sightedness in insisting on over-protection of certain groups of workers at the expense of others. Unfortunately, with levels of unemployment

and precarious employment persistently high, such accusations found an echo on the ground as well as among the intelligentsia: describing the emergence of “dual industrial relations” in this period, Pérez-Díaz decries: “peaceful coexistence of an illegal microcorporatism at the local level, which condones the underground economy and the legal macrocorporatism of the national “social pacts”, which pushes up the level of taxes, social security compensations, and wages” (Pérez-Díaz:1993:47).

A similar appeal to moderation to and among unions in the name of European integrations can be consistently found in Poland: former Solidarity-affiliated intellectuals, in particular those concentrated around Michnik’s “Gazeta Wyborcza”, distanced themselves from the unions and expressed their sympathies for the “neo-liberal” line of Union of Freedom (Ekiert and Kubik:1999:15). Famously perhaps, at a symposium on ten years after the “great transformation”, Michnik himself extolled the benefits of the new market economy, regretting that “the market rationality sometimes has a painful effect on the working people”. “For decades, he wrote, they have manufactured the busts of V. I. Lenin, and now that there is no demand for them, the workers will have to learn new skills in order to profit from the new order” (Michnik:1999). Thus, symbolically, workers became a part of the outdated, backward system pitting them against the “progressive”, liberal and “European” private entrepreneurship. At the same time, however, Polish trade unions, much like their Spanish counterparts, maintained support for European integrations, although focusing on different aspects of it: their goal was the attainment of EU-level wages and working standards, not trade indexes. However, the clash of these two paradigms, was increasingly taking place in an environment where the EU itself changed its focus towards a more economically oriented integration policy (see

O'Hagan:2002, Rosamond:2002), and the restructuring processes within both countries significantly altered opportunities for labour contestation and organisation.

4.3 Industrial restructuring and labour fragmentation

Late 20th century capitalism showed notable signs of divergence from the previous models, both within international borders and on the global level. “Les trente glorieuses” from the early 50s to mid-70s were marked by a remarkable growth of national economies, “tying production and macroeconomic policy into a single national system” (Martin and Ross:1999). Fordist style of capitalist accumulation, relying on mass consumption, led to a rise in growth and productivity in developed economies grounded in a solid industrial base, with external constraints limited by “the coincidence of growth in different countries, by the limited importance of the growth of international trade relative to the growth of domestic markets and by the hegemony of the United States economy” (Lipietz:1997) This, in turn, gave workers greater power in negotiating their wages and working conditions, and allowed the state to meet the demands of both capital and labour through expansive welfare policies. The crisis of the late 1970s, however, changed the logic of capital accumulation leading to increasing transnationalisation of capital production, lowering of barriers on the international markets and intensified competition, and created a climate of “international austerity” emphasising stability over growth, (Holman:1996) introducing pressures towards decreasing levels of state intervention in the economy and greater dominance of the market forces. The rise of Asian NICs in approximately the same period caused a marked fall in prices of certain commodities in the same period, requiring the less developed states of the European rim

to rapidly restructure their economies in order to meet the requirements of international competition.

Both Spain and Poland, as we saw in the previous chapter, entered this era with an industrial structure biased towards labour-intensive production, with little domestic capital and R & D to engage in autonomous restructuring, and facing an international crisis which brought rampant recession in both countries. Spanish GDP dropped from 78% of European average in 1975 to 70% in mid-80s, to only gradually recover to 76% in 1996 (Fraile:1999). Although the estimates for East European countries are less reliable, ECE Economic Bulletin (1992) indicates a loss of 11.6% of GDP for Poland in the first year of transition and an output loss of about 24% (ECE Economic Bulletin, 1992, see Table 1). However, this precipitous decline proved to be short-lived, and Poland was the first country to resume economic growth already in 1993, recovering its 1989 GDP levels by 1996 (Svejnar:2002). Both the recession and the recovery went at the cost of certain industrial sectors (especially mining, steel and shipbuilding), substantially changing the production profile of the two countries. Between 1990 and 1995, the share of industrial sector in Polish GDP fell from 41.8% to 32.8%, partially compensated by a rising service sector.

Strictly speaking, such developments need not be directly detrimental to industrial relations, and are by no means an exclusive trait of the late-reforming economies. However, high unemployment and recession which accompanied these processes resulted in three distinct trends which undermined the bargaining power of labour and organisational abilities of trade unions: precarisation of work conditions (through extensive usage of temporary work contracts and self-employment strategies), shrinking

size of enterprises, making it more difficult for labour to organise, and subsequent segmentation of the labour market into more or less protected groups rendering individual bargaining more profitable than concerted action.

In the mid-80s, Spain began the second phase of industrial restructuring. The INI (Instituto Nacional de Industria), a state-run agency which controlled a large share of industrial production was subdivided into two parts: TENEO, a holding company bringing together all the profitable industries, and INISE (INI state company) regrouping loss-making companies (mostly mining, steel, shipbuilding and defence). The largest entities in the latter group were subjected to extensive restructuring and layoffs (about 70.000 redundancies between 1982 and 1985), while the rest was to be gradually liquidated. The state also completely abandoned the previous policy of “socialising” the losses by incorporating companies in crisis into the public sector and substantially liberalised bankruptcy law (Holman:1996). The government, in other words, decided to substitute the former industrial policy with relying exclusively on market forces and foreign capital to restructure the economy, and developing a few “national champions” (Holman:1996:143. For an overview of FDI in Spanish and Polish economies, see Table 7). During the crisis period, the service sector was the only one that continued to grow, accounting for a rapid increase in the number of small firms (under 50 workers), which by 1989 made up for 98.1% of all firms, employing 52.2% of all labour force. By the early 1990s, the share of services in the economy reached 59% (Molero:2001)

The process of privatisation and restructuring in Poland was the major task of every new government, and property transfer proved to be the greatest bone of contention, as it brought to the fore the diverging ideological camps within Solidarity.

The first Solidarity government under Tadeus Mazowiecki promised to do away with the communist system as soon as possible reintroducing private property and market economy within 2-3 years (Poznanski:1996:216). Initially, privatisation was to proceed after the British-style public offering sales, although a number of Solidarity delegates protested, opting for privatisation for employee share ownership. The privatisation bill subsequently remained under discussion in the parliament for 10 months, and was adopted on the insistence of the World Bank, which made its structural adjustment loans conditional upon its enactment (see Shields:2004, Poznanski:1996). The final outcome was a mixed-style privatisation, which combined voucher privatisation (later also endorsed by Wałęsa as president) with public sales. In 1992, liquidation was also introduced and once the banks were given greater powers to transform bad debts into equity, bankruptcies became more widespread. The bank-driven privatisation through transformation of SOEs into joint-stock companies was, importantly, the first privatisation strategy that completely bypassed the voice of employees. In all other cases, at least formally, the existing work councils were allotted powers to monitor the process and, if necessary, veto privatisation⁸.

As already noted, Solidarity in particular took it upon itself to mediate the process, and although it made substantial efforts to protect the workers from inevitable labour-shedding, its primary focus was on controlling the structure of future ownership and avoiding “nomenklatura privatisation”. Thus the preference was often given to foreign capital, especially in the most productive sector, with the consequence that in

⁸ As a consequence of the early efforts at worker buy-out privatisation, Poland remains the country with the highest share of employee share ownership enterprises in Central and Eastern Europe. By late 1990s, however, their number seemed to diminish, accounting for some 1200 enterprises, employing 2% of the workforce and owning 2-5% of fixed assets (Kowalik:2001).

1999, the distribution of earnings saw 48.8% still in the SOEs, 30.8% by foreign firms, and 19.8% in the domestic private sector (*Rzeczpospolita*, 8 May 2001, cf. Shields:2004). To enhance efficiency of the privatisation process, large combines were broken down into smaller enterprises, separating the “productive” assets from the less productive ones (in particular, removing social facilities from the large industrial combines, closing them down or privatising them as separate entities). Although the privatization proceeded rather slowly, by 2003 73.4% of all employment was in the private sector, and over 80% of new jobs were created in enterprises with less than 50 workers.

The process of industrial restructuring was accompanied by rising unemployment levels, and a swift diversification in the forms of employment that led to increasing precarisation of work (Table 1). By mid-90s, unemployment in Poland fell again to about 10%, a figure which however fails to account for the growing numbers of “non-working” population, as the government extensively employed early retirement and disability policies. There is, however, substantial variation across the regions: following the pattern of restructuring and FDI (often determined by the positioning of older industrial complexes), unemployment record varied from 35% in north-western regions to only 6 to 8% in larger cities (Stenning:2005). Long-term unemployment also grew, and in 2003 it was estimated that 52.2% of all unemployed stayed out of work for more than 12 months. At the same time, Poland saw a record growth in the numbers of self employed (27%) and temporary workers (around 15.5%), as well as large outflows of worker migrants to western Europe (EIRO:2005)⁹.

⁹ According to 2005 European Observatory of Industrial Relations Report for Poland, some 750.000 Polish workers were officially registered seeking residence in five most popular West European destinations (Germany, UK, Ireland, Italy and Sweden) – the figure does not include illegal migrants and seasonal workers (EIRO:2005).

In Spain, the number of temporary workers exploded in the mid-80s, reaching 32% of the working population by 1992, or 38% of all employed in the private sector, almost five times the EC average (EIRO:1998, see Table 5). Since the early 80s, despite of all efforts by the government to simplify dismissal procedures and provide special incentives for the creation of open-ended contracts (lowering social security contribution, subsidising wages etc.), 90% of the employment created in the next two decades was exclusively on the basis of temporary contracts (Macias:2003). The difference in costs in terms of wage and dismissals, as well as the sheer convenience of flexibly deployed labour force created an incentive for high turnover, with almost half of all temporary contracts lasting less than 6 months. At the same time, the number of self-employed persons in Spain climbed to 3.5 million by the end of 1990s, most of them in small trade and construction services. The practice of flexible deployment of temporary workers and self-employed through multiple sub-contracting schemes led to escalation of workplace accidents, currently the highest in Europe¹⁰.

Restructuring and precarisation had a combined effect of undermining the trade union constituencies. With shrinking large industries and a growth of small and medium enterprises, the task of organising workforce proved increasingly difficult. Precarisation of work, on the other hand, resulted in segmentation of the labour market, pitting the more “secure” portion of the labour force against the temporary workers and the unemployed, and making it harder for the trade unions to construct a bargaining position that would represent common interests of the workers. Increasingly, such divisions

¹⁰ The number of fatal accidents decreased from 14.26 per 100,000 workers in 1997 to 9.8 in 2004, but remains high especially in the construction sector. In 1999, it was estimated that over a million industrial accidents occur each year, of which around 660,000 involve time off work, over 10,000 are serious and about 1,000 are fatal (EIRO:1999).

appeared to be structured along generational and skill lines, illustrated in both countries by rising age averages among the trade union membership. Segmentation of the workforce also meant that more and more accords were struck on the individual and company level, often undermining the provisions of the formally made national-level agreements.

For trade unions, fracturation of the labour force along industry, ownership, firm size and sectoral lines increasingly meant that they found themselves confined to older, less prosperous plants or to the state service sector, with aging membership and inability to expand their negotiating power to other parts of the economy, especially once their efforts on the political scene ceased to yield any benefits. Sectoral-level agreements or multi-employer agreements are particularly rare, which means that with non-existent or limited national-level accords and sporadic and informal company-level agreements, there is almost no coordination. In Poland, there is a near-absence of unions in greenfield plants, and most above-company level agreements between 1994 and 2002 are to be found in the state dominant sector (Kubicek:2004:91). As a rule, the presence of trade unions in a company usually means some kind of collective agreement, which means that some two fifths of Polish workers are covered by collective bargaining (EIRO:2002b). Already low, this proportion appears to be overstated, as some 50% of the employers reportedly fail to adhere to the agreement provisions (Kozek:2002)

In Spain, the only example of coordinated branch agreement throughout the 80s existed in chemical industry, together with several regional agreements, mostly in Catalonia and the Basque country (Fraile:1999). In 1994, the government withdraw “labour ordinances”, which governed the basic working conditions since the mid-70s and

expanded the scope of collective agreements. This caused a precipitous devolution of bargaining, on the one hand forcing the unions to become more active on the sectoral level, but on the other hand leading to numerous company-level pacts “opting out” of the higher level agreements, for organisational, economic or technical reasons. Consequently, the structure of collective bargaining in Spain became strongly decentralised and fragmented, with the protection of workers depending more on the economic situation in a particular company and/or the strength of regional alliances than on the efforts of the national trade unions.

4.4 Organised labour in the context of economic transnationalisation

Economic globalisation, except for transforming the logic of development by internationalising competition and changing price incentives, whereby individual states are forced to reform their economic structures in order to answer the challenges of global trends, also brings the national economies in direct contact with international, or transnational economic actors. Transnational corporations (TNCs) command the bulk of global output and are arguably among the most powerful factors influencing economic policies of individual states. Their effect on the national-level industrial relations is, however, heavily contested. Disappearing barriers to capital mobility allow TNCs to relocate in order to lower their production costs or to access different markets, and thereby bring governments into direct competition with one another in an effort to attract and retain capital. On the other hand, TNCs may bring substantial technological innovation and new production practices, and may create a “spillover” into the rest of the economy, resulting in substantial industrial upgrading. The very logic in which most of

the TNCs organise production (i.e. “just in time” systems and extended spread of production stages across the globe) may make them vulnerable to interruption of the chain in any moment, increasing the leverage of workers in single plants (see Silver:2003). The positive or negative effects of capital internationalisation therefore depend on a number of factors, some of which will be examined with regard to the impact of TNCs on industrial relations in Spain and Poland.

The first argument regards the reasons for which a transnational corporation moves into a country, which may be driven by market access or production costs. Theoretically, those that seek to capture the internal markets would be more conducive to labour-friendly policies than the export-oriented ones¹¹. However, even if the TNCs are more interested in the lower production costs, sectoral differences play a large role in determining the way they conduct labour relations. Industries requiring high labour intensity and low capital intensity have fewer sunk costs, making them hypermobile, and as the labour represents a high share of the total costs, their propensity to create a labour-friendly environment will be much lower. If the labour required is unskilled (as in textiles, garment and toys), such companies will be more likely to relocate faster and offer substandard working conditions. Conversely, more capital-intensive industries have higher sunk costs and are therefore less prone to relocation. Complex industries of this type (vehicles, machinery, consumer durables) employ more skilled workforce and are therefore more likely to take a more cooperative stance towards labour (see Greskovits:2006, Greskovits and Bohle:2006). This said, it does not necessarily mean that they will create positive spillovers on the regional level. In other words, depending

¹¹ The difference holds for the so-called “producer driven chains” (PDCs). Consumer driven capital (i.e. retail services, restaurants etc.) are notorious for their labour-adverse policies. (see Gereffi:1997)

on the part of the production process (complete production chain or only certain parts of it), the TNC in question may rely on the local supplier networks, or may simply create “cathedrals in the desert”, creating oases of industrial development, without an effect on, or even to the detriment on the rest of the economy (Grabher:1997, Hardy:1998).

Both Spain and Poland are relatively large countries (around 40 million inhabitants), indeed the largest among the countries joining the EU in their respective accession waves. Initially at least, a number of foreign companies settling in Poland hoped to capture the domestic market (mostly in the agro-alimentary sector, but also in the automotive industry, see Dunn:1998, Bluhm:2001). However, soon the low purchasing power and the early transition recession shrank the already low capacities of the domestic market, and the bulk of TNCs reoriented towards exports, remaining in Poland on account of lower labour costs and availability of relatively well-educated labour force (Bluhm:2001, Hardy:1998, see Table 6). The Polish state, for its part, produced a number of incentives to attract and “embed” FDI, as, due to lack of domestic capital and collapse of eastward bound trade, the success of restructuring was made conditional upon foreign capital and integration of Polish firms into the Western markets (see Greskovits:2006). TNCs were also expected to bring modern management practices and “soft” skills (i.e. marketing) which were almost non-existent under the previous regime. As the countries in the region started competing for foreign investments, TNCs acquired a greater bargaining power. In Poland, automobile industry is 100% foreign owned, and dominated by Fiat and General Motors, who used their advantage as early entrants to demand exemptions from import tariffs on their own products, while bargaining for higher levels of protection against other producers (Shields:2004).

Foreign investors were offered tax privileges for investment of minimum 2 million euros, or in case of high export rates (above 50%) or if they located in high employment regions. By 2004, the government offered a variety of incentives: tax holidays, employment and training subsidies for the newly created jobs and infrastructure grants administered by local governments. The estimates for the same year show that while SOEs on average paid 40% of taxes, the percentage for foreign-owned companies was as low as 20% (Shields:2004)

As noted in Chapter 3, Poland and Spain started the period of economic liberalization with a relatively similar production profile, grounded in heavy industries but slowly moving towards more complex sectors (consumer commodities, vehicles). Automobile industry was relatively early “conquered” by foreign companies, as Fiat gained access to Poland already in 1972 (for an overview of major TNCs in Spain and Poland, see Table 9). In Spain, in the course of the early 80s, major Spanish motor companies SEAT and ENASA were sold to Volkswagen and Fiat, respectively, who had already moved into the Spanish market in the course of the 70s. Although most of these companies moved to Spain for market-seeking reasons early on, by the late 80s saturation of the Spanish market and economic crisis led them to seek markets elsewhere, gradually turning their Spanish facilities into export production platforms (Holman:1996). In addition to this, a bulk of non-European companies (mostly US and Japan) moved to Spain to exploit its proximity with the more affluent West European markets (for the composition of export profiles of Spain and Poland see Table 4).

In both Spain and Poland, therefore, a bulk of TNCs operates in sectors which are generally conducive to non-adversarial relations with labour (Table 9). This is generally

confirmed by TNCs acceptance of and cooperation with trade unions, where they exist (i.e. older firms acquired through privatisation to foreign investment). Trade unions themselves evaluate their relations with foreign owners positively, especially when compared with crisis-ridden SOEs and small firms of domestic private owners (EIRO:2002a). Paradoxically enough, however, the relatively cooperative attitude of foreign management had an adverse effect on the establishment of trade unions in new plants. As such TNCs typically offer wages that are up to 50% higher than the local average (see Hardy:2006, Ost:2002), workers themselves see trade unions as unnecessary, and the management is happy to offer better bargaining conditions to the individual shopfloor workers or work councils, in order to keep trade unions outside of the plant.

Transnationalisation, therefore does not necessarily have a direct detrimental impact on labour as such, but may undermine *organised labour* to the extent that it contributes to the above noted tendency to fragmentation of the labour market. Trade unions seem to have little to offer to the well-off, skilled workforce in the prosperous segments of the economy, while in the less successful sectors precariousness of work conditions and sometimes adversarial attitudes of management to the trade unions significantly limit their access to potential members. Even more strikingly, perhaps, the uneven spread of investments caused substantial disparities in regional terms.

With most of the investments concentrated in Warsaw and in the south-western rim of the country, other regions experienced a disproportional share of unemployment and precarisation. Unable to alleviate such affects through direct redistribution, the government created special incentives to attract foreign investment to such regions,

establishing “special economic zones” in 1995 (with 10 years of tax holidays and another 10 of 50% tax relief). However, as they did little to redistribute the investments, and occasionally had an ironic effect of TNCs negotiating the establishment of such zones, sometimes even around their already existing plants (Fiat in Bielsko-Biala and Philips in Kwidzyn), bringing together in a temporary alliance TNCs, local governments, and trade unions (Domanski:2004). SEZ were abolished under EU pressure, but all benefits granted until 2000 were preserved (Domanski:2004).

Finally, in Poland at least, the question of “embedded” TNCs or “cathedrals in the desert” is yet too early to be decided. Hardy (1998) warns that most transnational companies fail to create substantial backward linkages in the region, as even the first-tier suppliers, especially in automobile industry, are often themselves TNCs. Consequently, domestic firms find themselves lower along the production chain where competition is high and so is motivation to keep the labour costs as low as possible. However, substantially lower production costs and more accommodating governments than elsewhere in Europe have persuaded most of these companies to stay, and in time more complete production chains have moved to the region, showing signs of technological upgrading and more opportunities for domestic economic actors. What the future brings is of course unknown, but the Spanish experience may provide a few hints.

The restructuring process of Spanish economy progressively boiled down to liquidation of non-performing plants and reliance on foreign capital to revive the more promising sectors. In the late 80s, Spain became known as the Europe’s “New California”. The government actively promoted foreign investments through a variety of incentive schemes (i.e. “Zones of Industrial Decline” and “Zones of Economic

Promotion”, where potential grants could be as high as 75% of capital investments, and usually ranged from 25-50%). In the period 1985-89, the bulk of foreign investment concentrated on high demand growth sectors, accounting for 88% of all investments in electronics, pharmaceuticals and somewhat less in motor industry (Holman:1996:159. For sectoral distribution of FDI, see Table 8)). By the end of 80s, most competitive sectors had a significant share of foreign penetration (in vehicles and motor industry almost 100% of production is foreign-owned), with FDI dominating 46% of all production and accounting for 35.6% of employment (Molero:2001). Such high levels of internationalisation made Spanish economy particularly vulnerable to external shocks and crises, and although two decades of foreign-driven economic development resulted in substantial technological upgrading, comparatively speaking, Spain remained relatively backward in terms of innovation and R&D. Lagging behind Western Europe in terms of innovation but higher in terms of labour costs than the new East European members (Table 6), Spain was one of the first old EU members that suffered the shock of capital relocation to the East. By 2004, several multinational manufacturers announced that they are moving part or all of their production to the East. Valeo and Autotex have already lost 20% of their workforce in 2002 and 2003 on account of Eastward relocations, and only from Catalonia 15 TNCs moved out, resulting in a loss of 5.000 jobs (EIRO:2004b). VW SEAT moved the production of its new “Ibiza” model to Slovakia in 2004, while Japanese Panasonic announced its plans to transfer new production plans to China. Those that are staying are increasingly voicing new demands for further concessions in terms of longer and more flexible working hours (Nissan) or wage reduction and freezes (Fisipe)(EIRO:2004b).

The findings of this chapter suggest that although neither transnationalisation nor restructuring per se need spell deteriorating conditions for the labour force, they undermine the strength of a unitary organised labour by fragmenting the labour force along regional and occupational lines, and increase the relative bargaining power of capital vis-à-vis labour on the political scene. Obligated to provide concessions to the capital in terms of special incentives and also on the level of macroeconomic stability, the government is ever less able to pursue an expansionary policy on behalf of labour. With failing “political road” strategies and rising difficulties in organising the workforce on the ground level, trade unions in both Spain and Poland were cornered into a position where they had to seek new, innovative strategies of responding to the new challenges. To date, Spanish trade unions appear to have been more successful at this task, but their victories were bound to be more modest than the “glorious days” that labour enjoyed in post-war Western Europe.

5.1 New challenges, new responses

Chapters 3 and 4 outlined the process of transformation of Spanish and Polish political economies through experiences of political change, economic liberalisation and the subsequent restructuring and internationalisation of the economy. A number of differences in the pattern of political contestation and inclusion notwithstanding, the respective paths of labour relations reveal considerable similarities, especially in the form of challenges confronting trade unions. With waning support of governments and affiliated parties, several developments forced trade unions to turn away from their “political road” strategies, seeking new ways to mobilise and protect the workers. Two such developments deserve closer attention: “informal” or uncoordinated decentralisation of industrial relations taking place in the national setting and a series of challenges and opportunities arising on the EU level.

“Devolution” of social concertation took place in Spain already under the aegis of national-level accords of the mid-80s, as economic crisis forced companies to seek greater internal flexibility and workers to accept lower bargaining positions in the fear of bankruptcies and rising unemployment. The already discussed precarisation of work conditions and escalation of “atypical” forms of work formed the first breach between “insiders” and “outsiders” in terms of work security, which was compounded by age, gender, and regional divisions. Among the insiders, conflict arose through internationalisation of production, dividing the industries along the lines of “sheltered” and “exposed” sectors and revealing a clear conflict of interests among them (Martin and Ross:1999). To the extent that sectoral agglomerations created a division between “progressive” and “backward regions” (in Spain easily augmented by the prevailing

regional nationalisms), the task of articulating a common negotiating stance proved to be almost impossible for the already weakened trade unions.

In Spain, the former agricultural and textile-production centres of Andalusia and Extremadura, which accounted for 25% of the population, possessed only 11% of the national income in the late 80s. Catalonia, on the other hand, took advantage of its relatively advanced economy and political autonomy to create a secluded system of industrial bargaining, establishing a regional Labour Council where local governments proceeded to coordinate labour relations on a tripartite basis focusing on training, conflict resolution and labour market mediation (Maravall:1986).

In Poland, communist-inherited structures coupled with the pattern of FDI inflows created substantial differences in the level of development between south-western regions that became a part of the “ECE Boomerang” (Gorzalak:2000) and the more eastern regions which became subject to rapid de-industrialisation. A large-scale administrative reform of 1999 and the creation of “regional social dialogue committees” in 2001 formally augmented such differences, by transferring welfare competencies to the local communities and allowing the regional committees to negotiate industrial relations issues for non-unionised firms. According to the 2002 EIRO report, these “negotiations” often amounted to allowing the firms to opt out from the labour code provisions on account of economic difficulties (EIRO:2002c). In both countries, decentralisation of national-level bargaining caught the unions unprepared, with little influence on the shopfloor-level and poorly developed sectoral bargaining. Although a 2001 amendment of the labour code allowed for formal extension of collective agreements, in the same year Poland had only 10 sectoral accords, of which five in the multi-national companies and three in the public

sector. Workplace collective bargaining is strongly correlated with trade union presence on the shopfloor, and its coverage in Poland is estimated at 20–35 percent of the workforce (Vaughan-Whitehead:2003).

Legislative developments in both countries that spelled decentralisation of bargaining forced the trade unions to turn to the lower levels of organisation and abandon their attempts at political-level concertation. In Spain, the 1994 government-administered repeal of labour ordinances transferred a bulk of work-related issues from the realm of governmental legislation and subjected them to mediation through collective bargaining. In an attempt to counter marginalisation, trade unions begin to intensify their recruitment efforts. The first was to reach out to “atypical” constituencies through organising special agencies for women, part-time and temporary workers and the unemployed. While in the course of 1980s trade unions typically refused to work with worker cooperatives, viewing them as undue competition, in the mid 1990s UGT itself established several service cooperatives, providing workers with housing and insurance (Holmstrom:1993, Fraile:1999:302). So far, however, none of these strategies turned out to be an overwhelming success, and a number of alliances proved short lived¹². Interestingly enough, it was often the initiative of self-organised groups of unemployed or laid-off workers that brought cooperation, and not the union effort as such. In 2001, bankruptcy of a telephone installation company, SINTEL in Madrid resulted in redundancies of almost 2000 workers, whom the company owed 11 months of unpaid wages. The laid-off workers organised a self-help commune providing services to the former workers in the

¹² In 2000, riots of the local population against the North African immigrants in El Ejido, Andalusia, earned condemnation of unions who joined immigrants’ protest rallies and demanded extended rights for immigrant workers. The protests led to parliamentary action which approved legalisation of the status of 800.000 illegal immigrant workers, but the unions showed little interest in continuing cooperation (EIRO:2000)

city centre, and with union involvement the conflict was subsequently resolved by government bailing out the company and relocating about half of the workforce to other telecommunications companies (EIRO:2001).

Although their new recruitment efforts brought little visible success in terms of growing membership, trade unions remained relatively popular and repeatedly showed their ability to mobilise the workers. In 1996, PSOE lost the elections after 14 years, and the right-centre Partido Popular formed the government on a very slim majority, which prompted it to seek negotiations with the trade unions. After a decade of failed confrontational strategy with the government, trade unions returned to the negotiating table, albeit from a very different position and with ambiguous results.

In Poland, trade unions seem to have only recently discovered the need for alternative recruitment strategies. OPZZ established a separate union within its federation organising self-employed workers, an act that was made easier by the new Labour Law of 2002 which introduced the notion of individual Labour Code, protecting self-employed, subcontractors and managerial personnel. While until now self employed were treated as “entrepreneurs” and were therefore not subject to legal protection as workers, under the new code their status is recognised and protected by several provisions regarding minimum wage and unpaid leave, as well as opportunities to enforce their rights before labour courts (EIRO:2006). Recruitment efforts have been particularly prominent in the retail sector hypermarkets (see Hardy:2006, Ost:2002). Interestingly, they have also followed a number of incidents where workers themselves protested against the management and reached out to trade unions for help. The most famous incident was that of an employee of Biedronka, a Portuguese-owned retail chain winning a court case

against the employer on account of violations of the labour law. Soon after the incident, a section of Solidarity was established in the hypermarket. Although some of the new strategies appear promising, so far they have not managed to stem the long-term tendency towards membership decline (EIRO:2005).

5.2 EU and the revival of social pacts

The impact of EU on industrial relations in the member states, is notoriously difficult to evaluate, not least because the EU itself presents a conglomerate of agencies and impulses with diverging interests. Single market and the European Monetary Union are decidedly market-driven, but various attempts have been made to compensate for their adverse effects through “social” mechanisms. Cohesion funds and “European Social Model” in its various stages are usually cited as potentially beneficial factors (Sisson and Marginsson:2004), although some voices point at the “return of concertation” in some member states precisely as a result of EMU requirements (Regini:2000, Rhodes:2001, Rhodes and Hancke:2005). Taking these ambivalences into consideration, this section will attempt to outline the effects that EMS and EMU had on the organisation of industrial relations in Spain, and the effect that they might yet have on Poland.

Development of a European social policy arguably lagged behind the project of economic unification. Liberalisation of trade and competition dominated the first few decades of the creation of European Communities, leaving it to the individual member states and their welfare systems to cushion the potential adverse effects of economic integration. Historically, according to O’Hagan, development of the European social model can be divided in two stages: the “old ESM”, essentially a neoliberal project

which sought to counter the arising problems of uneven development with limited legislation and redistribution, and the “new ESM”, appearing approximately since 1989, seeking to devise an institutional solution to combined problems of competitiveness and social cohesion (O’Hagan:2002:6). The old model sufficed as long as the countries in question stood at comparable levels of development. The southern enlargement was therefore the first time that the EU encountered a problem of having one of its parts in harsh economic distress, which heralded first steps towards devising an unofficial “development policy”.

Difficulties in the new approach were almost immediately evident. Towards the end of 1980s, attempts at passing “hard” social legislation on the Community level all but disappeared, limiting all-European achievements in this field to the realm of equal gender opportunities, health and safety at work and free movement of people (Marginson and Sisson:2004). The directives went little further from harmonising at the European level parts of legislation already existing in most member states, and therefore caused little opposition (Guillen:2004, O’Hagan:2002). The European “Social Charter” from 1989, however, fared much worse: although its relevance was symbolic, the document containing solemn promises and no binding obligations, UK decided to opt out, and maintained its position of an outsider to “social developments” until 1997s. The first attempt at European-level concertation came in 1994, with the Treaty of Maastricht formally endorsing competences of EU-level social partners (ETUC and UNICE) in the formation of future policies. However, the development of EU industrial relations legislation remained confined to the issues of modest scope: equal opportunities, health and safety, and an attempt at coordinating concertation within the “European companies”

with a directive mandating the establishment of EWCs in every company with 1000 employees within the EU and at least 150 employees in each of at least two Member States (ECE:1994). In the meantime, developments parallel to this flood of “soft governance” mechanisms created a paradox of conflicting competencies erecting further obstacles for the trade unions to bargain either on the national or supranational level.

Aside of the modest attempts to establish a European-level social policy, the major step towards further integration was the introduction of European Economic and Monetary Union, in an arguably more decisive manner. The immediate effect was to transfer responsibility over monetary policy to the EU level, imposing tight fiscal targets for convergence (inflation within 1.5% of the average of three countries with lowest inflation, deficit below 3% and public debt less than 60% of GDP). In other words, EMU effectively divorced macroeconomic decisions from social and industrial relations policies (which formally remained a sovereign domain of the member states). With a complete absence of political accountability on the EMU level entrenched by an independent European central bank, trade unions found it more promising to continue bargaining with their national governments over the procedures of adjustment than to engage in EU-level actions (Martin and Ross:1999, see also Martin:1999).

It was precisely in this context, according to Rhodes and Hancke, that the renewal of national-level concertation took place even in the cases where corporatist micro-foundations were lacking. As a matter of fact, it was precisely those countries (Spain, Ireland, Portugal) which did not have a developed system of collective bargaining that resorted to the new-generation “social pacts” in order to meet strict inflation targets (Rhodes and Hancke:2005). With no power over their trade policies, fiscal policies, and

exchange rates, industrial relations systems remained one of the few areas of macroeconomic governance where member states were still able to make the necessary adjustments (O'Hagan:2002, Martin:1999)

In Spain in particular, however, it was a coincidence of EU pressures and internal developments that forced Partido Popular to seek concertation where the previous PSOE government implemented unilateral deflationary measures only a few years earlier. With a deficit of 6.6% and debt of 63.4% of GDP in 1993, union support proved necessary to moderate wages and pensions, which were indexed below inflation for the next few years (Hancke and Rhodes:2005), resulting in a slight drop of purchasing power of workers in the early 2000s (EIRO:2004c). In 1996, unions and the government signed the so-called "Toledo Pact" setting parameters for negotiation in the following years. In exchange, the unions fought for better coordination of collective bargaining and control over the expansion of fixed-term contracts. However, the employer's organisation (CEOE) refused to sign the pact, and further negotiations proceeded piecemeal among the unions and the employers, with the main goal of limiting the labour market flexibility. Unions tried to promote "internal flexibility", trading flexible working time, lower dismissal costs and increase in part-time work for a decrease in "external" flexibility: ensuring greater job security for some 3 million temporary workers. By late 1990s, most of these workers have signed on average three contracts a year, and 50% of these contracts lasted less than a month (EIRO:2003). Despite of the government effort to promote open-ended contracts through massive subsidies (40 to 60% payroll tax cut) and lower social and security contributions, the availability of flexibly deployed labour pool with little bargaining power proved to tempting for the employers, allowing firms to quickly

respond to demand fluctuations. The share of temporary workers in the total workforce still hovers around 34%, although the share of part time workers also increased to nearly 9% in mid-2000s (EIRO:2003)

The practice of bipartite negotiation nevertheless continued, and they even extended in scope as trade unions insisted on the inclusion of such issues as limits on subcontracting and guarantees on workplace security (following a series of work incidents by which Spain still ranks the highest in Europe). To an extent, it could almost be said that the unions were cornered into such negotiations. As José María Fidalgo, the CCOO leader explained in 2001: “we are coming from a very conflictive period in which we have achieved very few of our objectives despite successive general strikes. From CCOO’s perspective we are interested in social bargaining because imposed reforms erode the power and influence of the union. They also eliminate rights that later on are very difficult to recover.” (cf. Royo:2004). Indeed, when in 2001 the unions and the employers failed to agree on a national-level framework contract for that year, the government unilaterally passed a new labour-market reform involving extended opt-out closes for company-level agreements. The ensuing 2002 general strike did not succeed in repealing the new provisions (Molina Romo:2005).

To date, no such pacts have appeared in Poland although it seems that EMU convergence has anyhow not been among the government priorities. In 2006, however, Tripartite Commission passed a resolution announcing its intention to design a new pact, the so-called *Economy – Work – Family – Dialogue* agreement (endorsed by the government in October 2006), focusing on job creation and employment policies, social security, family policy, healthcare and social dialogue (EIRO:2006b). Interestingly

enough, the pact is an evidence of a different, “cognitive” impact of “Europeanisation”, as the Tripartite Commission explicitly maintained that this agreement “should be similar to the pacts made on the eve of major changes in other European countries such as Ireland or Spain” (EIRO:2006b).

Overall, it appears that the impact of EU and EMU in general depend much on the national circumstances and prior industrial relations patterns. Whether they foster or undermine national concertation in countries with developed corporatist institutions is a question for a separate research. In countries where such preconditions do not exist, however, under a fortuitous set of circumstances these pressures may elicit a return to national-level bargaining, but do not necessarily endow trade unions with greater bargaining power. As Rhodes (1998) observes, the nature of these new pacts is very different from those accompanying labour inclusion in post-war Europe: in an effort to balance competitiveness and social cohesion, they abandon the path seeking redistributive policies and extended welfare provisions, focusing instead on employment-related issues and reforms of the labour market. This “competitive corporatism” is also less stable and less institutionalised than the previous forms. According to Martinez Lucio, corporatism in Spain is “more a strategy than a system – strategy for coping with social conflict and generating consensus, initiated by government during particular conjunctures”. The new strategy being much in line with competitiveness-oriented efforts of the EU 2003 Lisbon agenda, which emphasises job creation over employment stability by focusing on supply-side labour policies (e.g. training and workplace flexibility), it is not likely that EU mechanisms will provide a substitute for the lack of organised labour strength on the national level.

6.1 Conclusion

This paper set out to examine the development of industrial relations systems in Spain and Poland after transition to democracy, in order to evaluate the limits of explanatory power of path dependency models prominent in the studies of post-socialist labour. The research followed evolution of unions' strategies and alliances in the context of major historical changes: transition and democratisation, economic opening and accession to EU, and shortly the period inside the European Union, highlighting critical events that transformed "opportunity structures" for labour inclusion. Although taking place a decade one decade apart, transitions in both Spain and Poland seem to have broadly followed the same path, resulting in strikingly similar developments in the realm of industrial relations: highly unstable and sporadic system of concertation, and relative organisational weakness due to fragmentation of trade union constituencies along occupational, territorial and sectoral lines.

Initially, trade union movements in both Spain and Poland commanded enviable strength, both in organisational terms and in the sense of political leverage. Although the prior structures of labour incorporation were swept away in the change of regime, their prominence as one of the key factors of democratisation provided a window of opportunity for labour movements to institutionalise this strength in the form of lasting inclusive arrangements. However, their role in the change of regime also burdened the trade unions with a dual task of both re-establishing democracy and finding a place for themselves in the new system. This double responsibility arguably biased labour organisations toward a more moderate stance and led them to prioritise support for the "democratic forces" over a narrow focus on labour protection. Paradoxically, this strategy

turned out to be all the more detrimental where trade unions had greater political power (i.e. in Poland), in other words, where they suddenly assumed the reins of the state.

As the transition progressed, trade unions found themselves cornered into a “loyalty dilemma” between their affiliated parties and their rapidly shrinking constituencies, who increasingly “voted with their feet”, abandoning trade unions whose “political road” strategies offered ever less in return for their continuing support and moderation. However, it took almost a decade for Spanish labour and perhaps more for Poland to break away from this path and turn to different strategies of labour protection: new recruitment policies, and alternative focus of contestation. Variations in patterns of evolution of these processes can perhaps be explained by differences in legacies, attitudes and particular political cleavages in these two countries, some of which were examined in the previous chapters. However, the overall striking similarity calls for different explanations of why the trade unions in both countries continued to consider their political alliances the most fruitful asset, and why such alliances failed to yield advantageous outcomes.

In this paper, I proposed to move the debate from the “transition games” analysis to embrace the larger processes of capitalist transformation in the late 20th century, focusing on restructuring and transnationalisation of economic and labour relations. Dramatic changes in the production profiles of both countries (Table 3), which occurred in the context of a protracted economic crisis, limited the choices available to both unions and governments in creating a labour-inclusive industrial relations system. In order to offset the rising unemployment which appeared as a consequence of industrial restructuring, governments had to trade employment for labour security, inducing and

legitimising the already existing high levels of precarisation. For their part, fearing organisational weakness ensuing from fragmentation of the production structure and labour precarisation, - in other words, faced with depletion of their organisational and market resources (see Martin and Ross:1999) - the unions saw little choice but to continue lobbying the governments for more protective policies, further alienating the workers in new constituencies. The governments, on the other hand, were increasingly bound in their decisions by external exigencies. As a consequence of the process of economic and political europeanisation and transnationalisation, they had less and less space in pursuing a distinct economic or industrial policy. In the words of Robinson, devolution of economic decision upwards, towards the supra-national, European environment, and downwards, towards regional units and individual companies, superseded the states as “axis of development” (Robinson:1998) and necessarily deprived the trade unions of their influence in this direction.

As already discussed, these developments by no means spelled a uniform downward trend in labour standards. Their combined impact, however, was to induce multiple fragmentations of the space for trade union action. On the one hand, labour force was rapidly segmented into different constituencies, some of which are difficult to reach (i.e. temporary workers, self employed, shadow-economy workers), and some of which simply feel they do not need organised representation (higher echelons of service workers, some sections of the self-employed). On the other hand, the “front” for action also became wider and more flexible: diffusion of competencies among the national and local governments, EU-level institutions and company management may have offered the

trade unions a broader scope for single victories, but in also undermined opportunities for the national-level coordination of industrial relations.

The comparison therefore elucidates certain shortcomings of the path dependency models in Eastern Europe, insofar as they rely on analyses of specifically post-communist patterns of ideological and interest alliances between labour, capital, and political parties. Subject to a similar set of constraints embodied in the processes of restructuring, labour precarisation and economic internationalisation, different institutions on the European Southern and Eastern rim tended to respond in remarkably similar ways. To the extent that certain mechanisms of negotiation and labour inclusion or compensation exist, they are a lot more flexible and fragmented than those found in West European coordinated economies. Bluntly put, the hope for a “high road” of industrial relations convergence between “old” democracies and the newcomers have been largely disappointed. Gourevitch’s “historical compromise” appears to have been just that: a fortuitous coincidence of favourable political alliances, economic growth and a specific pattern of capitalist development in which strong organised labour could play a role of a “social partner” in determining direction of national development.

This said, it would be unwise to entirely discard the relevance of path-dependency analysis. For one, the initial strength and prominence of trade unions in Spain and Poland in the early stadiums of transition predicates a model of industrial relations which is further away from “disorganised” liberal capitalism that took root in those countries where labour was immediately marginalised of where it never managed to constitute

itself as an autonomous actor (i.e. the Baltic states, FSU)¹³. Secondly, and more importantly perhaps, despite of numerous similarities, certain differences between Spain and Poland cannot be disregarded. Although trade unions in Spain have been significantly weakened and have resorted to ever less favourable compromises in the course of the last few decades, their early victories in political-level negotiations as well as the tradition of class-based industrial action repeatedly brought them back to the negotiating table and to the streets. As a result, they remain a visible, albeit junior partner in various policy areas, a fact that has not passed unnoticed by different governments, especially at particularly “critical” junctures in the transformation process (i.e. accession to EMU). In Poland, on the other hand, the tortuous process of trade unions distancing themselves from their affiliated parties and seeking a new “identity” and a new role is evidently not over yet. Both trade unions and the governments have a long way to go in bringing the standards of industrial relations in Poland a little closer – to the South.

6.2 The “new road” and its limits

Finally, I would like to return once more to the discussion from the beginning of this paper, concerning the impact of globalisation on labour relations and the extent of “adjustment” required in order to counter new challenges of international capitalism. The first issue to be shortly examined is the generalisability of the findings in this paper, and the extent to which it may contribute to the debate. The second regards new opportunities brought by such changes and the possibility that EU newcomers may take a different road

¹³ Conversely, in those countries where the specific nature of the communist system allowed for a greater independence of workers’ organisations (i.e. Slovenia, Croatia), labour has had greater chances to win a better bargaining position in the transition period (see Stanojevic:2003).

to labour inclusion, other than the well established path of West European neo-corporatism.

Arguments against the “low road” convergence resulting from the pressures of globalisation emphasise the importance of prior institutional structures and established modes of economic interaction that, instead of yielding to the pressures in a uniform way, devise different coping strategies which reinforce the existing differences between capitalist economies. In a similar vein, Fernandez (2003) argues that “all open economies tend towards a similar aggregate level of flexibility, but this aggregate can be reached in many ways, depending on the institutional restrictions on reform and on the power structure in the labour market”. In other words, while crucial transformations in terms of labour market flexibility, for instance, may proceed in a more coordinated way in some countries, emphasising “internal” flexibility (i.e. life-long learning, flexible working time, work sharing through part-time work and reduced working hours), in others they tend to be enforced through “disorganised” mushrooming of precarious forms of work (i.e. temporary work and subcontracting). The difference will, arguably, depend on various factors: the strength of labour vis-à-vis the capital and the state, but also on the strength of state vis-à-vis capital. As suggested by the Spanish experience, dependence on FDI and relatively peripheral position relative to the global markets render the state more vulnerable to external pressures, and in spite of a certain level of institutional coordination (both those inherited from the Franquist period or achieved in the early years of transition), it may gradually find itself on the “low road” to labour deregulation. This finding is all the more true for those countries like Spain and Poland where their starting position in the global race required less adjustment and more reinvention of

economic and labour relations. However, as the relative power between international capital and national institutions continues to change in favour of the former, it may soon be necessary to rethink the extent of resilience of more coordinated industrial relations systems to similar pressures.

If the “high road” of institutionalised national concertation appears to be closed to the late entrants into the world of free market capitalism, is there perhaps another path they may take in order to attain those levels of workers’ inclusion and protection that may well have been one of the greatest achievements of the 20th century democracies? The answer to this question is, as already seen, less conclusive. New challenges also present the unions with new opportunities: albeit slow and sporadic, developments of the EU-level could open up a new arena for negotiations. “Europeanisation” of companies may itself provide opportunities for cross-border coordination of labour relations (see Meardi:2004 for a more elaborate analysis of such developments).

“Historically, write Martin and Ross, as markets expanded unions had to enlarge their strategic domain to keep workers from being played off against each other, undermining wage and labour standards” (Martin and Ross:1999). Growing concerns with “social dumping” and concerted action against Bolkestein directive¹⁴ are witness to the fact that trade unions are well aware of the dangers of European-level competition. Whether these will result in a greater effort to jointly counter such challenges on the EU level or reinforced tendencies to confrontation and exclusion along the national lines is, however, yet to be seen. Modest signs of cooperation between trade unions in different

¹⁴ On 13 January 2004, the European Commission issued a [draft Directive on services in the internal market](#), aiming to establish a framework allowing free movement of services and service providers across EU. The proposal elicited vehement criticism from trade unions both on the EU level (ETUC) and by national unions. See EIRO, 21 July 2004.

countries have appeared, with German trade union federations showing most interest in extending their contacts with the Eastern neighbours (Meardi:2004, Marginsson and SissonL2004). With the balance of power between capital and labour even more tilted to the side of capital on the EU level, however, and in the absence of strong political coordination with sizeable redistributive powers, the EU remains a distant promise for organised labour (van Apeldoorn:2000).

Opposite to the high-level concertation stands the task of regaining strength on the ground, among an ever-more fragmented and stratified workforce. Unionisation of the unemployed, temporary workers and service workers and campaigning on behalf of outsiders (i.e. pensioners, immigrants), has been one of the main focuses of trade union “revitalisation” in Spain (Hamann and Lucio:2003). The direction in which such strategies should develop, however, has been a subject of extended scholarly debate, pitting various forms of “community unionism” against “economic” or business unionism.

The dilemma also plays out as a conflict of resources between “professionalisation” (i.e. providing legal services, training, housing and travel arrangements, and the like) and broader engagement with a variety of social problems. In the East European context, Ost (2002) in particular argues for a return to workplace action, warning that a broader political activity may lead the unions away from concrete workers’ concerns make them pray to various illiberal forces, from nationalism to populism and clericalism (Ost:2002). Given the state of labour force fragmentation in Spain, and Poland, however, widespread class-based bottom up-mobilisation may remain little more than a wishful thinking. For better or for worse, strong communitarian

traditions, ethnicity, religion and “local patriotisms” have historically provided support to workers’ communities, especially in the regions where industrialisation has always remained incomplete, or those that suffered deindustrialisation and return to different modes of production. Church in Poland has been the key provider of welfare for the marginalised groups (Stennign:2005), and the strongest labour movements in Spain are traditionally found in the Basque country and Catalonia (Hajimichalis:1994), underpinned by strong regionalist tendencies. As Silver (2003) notes “precisely because the ongoing unmaking and remaking of working classes creates dislocations and competitive pressures on workers, there is also an endemic tendency for workers to draw nonclass borders and boundaries as a basis for claims for protection from the maelstrom” (Silver:2003:22).

In the light of the above analysis on the impact of fragmentation, it is of some concern that such debates remain in the realm of “survival strategies”. It is to be expected that in dire circumstances each local organisation will draw on whatever available resources it finds. In the context of a “European” social model, however, what is at stake is a much broader issue. To paraphrase Crouch (1990), between “Betriebsegoismus” of narrow corporate interests and communitarian “parochialisation” of labour relations, the greatest challenge for the future will be not so much the survival of single trade unions, but the viability of organised labour.

Appendix

Table 1. Selected economic indicators

	1981	1985	1990	1995	1997	1999	2001	2002	2003	2004
Spain										
GDP growth	-0.2	2.1		2.9	3.9	4.7	3.6	2.7	3	3.2
Inflation		8.5	6.7		1.9	2.2	2.8	3.6	3.1	3.1
Real wages increase	1.4	-2	1.7	-4.2	-0.3	-0.7	-1	-1.2	-1.2	-1.4
Real unit labour cost growth	-1.8	-0.6	2.4	-1.8			0.7	-0.4	1.1	-0.1
Unemployment		21.4	16.3	22.7	20.7	15.5	10.3	11.2	11.3	11.1
Social expenditure as %GDP	17	18.2	19.9	21.4	20.9	19.3	19	19.2	19.4	19.5
<i>Pensions</i>	9.5	10.3	9.2	11.9	10.1	11.3	11.2	9.3		9.2
<i>Unemployment benefits</i>	2.4	2.8	3.4	3.4	2.6	2.3	2.5			
Poland										
Real GDP growth			-11.6	7	6.8	4.8	1.1	1.4	3.8	5.3
Inflation			585	21.6	13.2	8.6	5.5	1.9	0.8	3.5
Real wages increase				-1.5	-3.8	2.5	3	-4.4	-3.6	-6
Real unit labour cost growth				4.8	4.5		-4.9	-3.6	-2.8	-3.1
Unemployment			6.5	14.9	10.3	10.4	17.4	20	20	19
Social expenditure as %GDP			15.5	23.8	23.3	22	23	21.2	20.9	20
<i>Pensions</i>			8.9	15.9	16.1	15.6	16.2	13.8	13.6	13.3
<i>Unemployment benefits</i>			0.0	1.7	1.1	0.6	1.0	0.8	0.7	

Sources: Eurostat, various OECD and EBRD Transition Reports

Table 2. Industrial Relations Overview, 2004

	Spain	Poland	EU25
Trade union density (%)	16	15	25
Employers' organisations density (%)	72	20	58
Workplace representation (%)^o	41	22	53
Collective bargaining coverage (%)	81	35	66
Degree of collective bargaining centralisation	38	20	34
Dominant level of collective^p bargaining			
Company	2	3	
Branch or regional	3	1	
Intersectoral ^q		1	
Legal extension of agreements	Frequent	Possible since 2000	
Government intervention in wage bargaining^r	1.6	2.5	
Strike activity index^s	35	0	9
Average no. of days lost per 1000 workers 2002-2004	233	2	

^o Spain has dual representation system, meaning that both workers committees and unions have the right to conclude collective agreements in the workplace. From 2002 on, Poland uses a "Czech model" system of single representation, where workers committees have a right to negotiate where no union is present.

^p 1-existing level, 2-important but not dominant level, 3-dominant level

^q Tripartite or bilateral agreements

^r Scale 1 (no government role) to 5 (government imposes private sector wage settlements or suspends bargaining). Average 2002-2004

^s Calculated combining indicators of the number of strikes, the number of workers involved, and the number of working days lost due

Source: EIRO, Visser:2005

Table 3. Production profiles

Composition of GDP per industry (%)	1980	1985	1989	1994	1999	2003
Poland	-					
Agriculture	-	14.5	12.9	5.5	3.3	2.6
Industry	-	51.0	52.4	31.2	29.6	26.6
Manufacturing	-	31.2	32.0	18.1	17.4	15.9
Services	-	33.7	33.6	49.4	53.8	57.8
Spain						
Agriculture	8.5	7.0	6.3	5.4	4.2	3.3
Industry	35.7	32.5	32.1	27.3	26.3	26.3
Manufacturing	24.3	23.0	21.2	17.7	17.0	15.3
Services	52.2	55.9	56.3	60.7	60.0	60.7

Source: UNCTAD database, <http://stats.unctad.org/handbook/ReportFolders/ReportFolders.aspx>

Table 4. Export Profiles

	1980	1985	1989	1994	1999	2003
Poland						
Exports as percentage of GDP	-	18.9	19.8	22.1	24.6	34.4
Sectoral breakdown of exports (%) ^t						
Heavy-basic	-	44.9	43.8	45.6	34.4	32.1
Light-basic	-	9.7	10.5	26.0	25.0	19.5
Heavy-complex	-	22.1	23.2	18.4	23.0	30.1
Light-complex	-	21.3	15.7	8.6	13.1	14.3
Spain						
Exports as percentage of GDP	14.3	20.8	16.6	20.3	26.5	26.3
Sectoral breakdown of exports (%)						
Heavy-basic	49.2	47.6	40.5	35.1	32.0	32.8
Light-basic	16.3	15.5	13.3	12.3	13.1	12.2
Heavy-complex	25.4	27.4	34.5	38.8	39.8	40.0
Light-complex	8.9	9.0	10.6	12.6	13.6	13.4

^t Calculations here are based on Greskovits:2006, analysis of the role of “leading sectors” in integrating an economy in the world market. Sectors differ according to the required intensity and complexity of physical and human capital and exhibit varied degrees of conduciveness to labour cooperation. Heavy-basic sectors are both capital and labour intensive, and require less skilled workforce (i.e. mining, steel etc.). Light-basic rely both on unskilled labour and low capital intensity (apparel, footwear, textiles) and are most prone to relocations and adverse labour relations. Heavy-complex (vehicles, machinery) and light complex (pharmaceuticals, electronics) both require skilled workforce but differ in the amount of fixed assets. Calculations are based on UNCTAD on-line statistical database, containing 3-digit SITC classification of products by industry. Available at <http://stats.unctad.org/handbook/ReportFolders/ReportFolders.aspx> (For details on leading-sector calculations see Greskovits:2006)

Table 5. Employment profiles

	1975	1987	1990	1995	2000	2006
Poland						
Rate of employment 15-64					55.0	54.5
Percentage of temporary workers					5.8	27.3
Percentage of part-time workers					10.6	9.8
Percentage of self-employed				29.7	27.4	25.7
<i>Employment per sector</i>						
Agriculture		28.5	-	-	19.2	-
Industry		35.3	-	-	26.9	-
Services		36.2	-	-	53.9	-
Spain						
Rate of employment 15-64				46.9	56.3	64.8
Percentage of temporary workers		15.6	29.8	35	32.3	34
Percentage of part-time workers		5.8	4.9	7.4	8.1	12
Percentage of self-employed				18.8	15.8	14.5
<i>Employment per sector</i>						
Agriculture	23			7.9	6.3	5
Industry	37			28.2	29.9	29.5
Services	40			63.9	63.8	65.4

Source: Eurostat

Table 6. Labour and Social Inclusion, 2004

	Spain	Poland
GDP per capita in PPS (EU25=100)		
1996 ^u	76	38
2004	97.6	48.80%
Minimum wage (ave.2002-2004)	628pps	398 pps
Minimum wage as percentage of average wage	40	36
Monthly labour cost (EU25=2.888 euro)	2.082 euro	699 euro
At-risk-of-poverty rate	20	21

Source: EIRO, Eurostat

a EU 15

Table 7. Overview of inward FDI

	Spain	Poland
FDI flows (millions of dollars)		
1990-2000 (annual average)	14 351	3 699
2005	22 987	7 724
FDI flows as a percentage of GFCF		
1990-2000 (annual average)	10.6	11.8
2005	11.8	11.8
FDI stock (millions of dollars)		
1980	5 141	-
1990	65 916	109
2005	367 656	93 329
FDI stock as percentage of GDP		
1990	12.5	0.2
2005	32.6	31.1

Table 8. FDI inflows, by industry (millions of dollars)

	1992	1996	2000	2003
Spain				
Total	8 216	5193	40 728	22 705
Primary	148	50	-26	37
Secondary	4 375	2 445	2522	704
Tertiary	3 692	2698	14 667	20 927
Poland				
Total		4 498	9 342	
Primary		12.3	36.5	
Secondary		1 559	1770	
Tertiary		1 572	7 220	

Table 9. 5 Larges non-financial TNCs in 2000

	Company	Home Economy	Industry	Sales	Employees
				<i>millions Pts</i>	
Spain	1. Carrefour	France	Trade	1 146 233	16 755
	2. Seat (WV)	Germany	Motor vehicles	968 862	14 465
	3. Renault	France	Motor vehicles	899 319	12 403
	4. Opel	United States	Motor vehicles	774 520	8 700
	5. Citroen	France	Motor vehicles	742 266	9 532
				<i>millions zloty</i>	
Poland	1. Fiat	Italy	Motor vehicles	7 321	.*
	2. Makro Cash and Carry	Germany	Distributive trade	6 133	-
	3. Centrum Daewoo	Republic of Korea	Motor vehicles	3 639	-
	4. Volkswagen	Germany	Motor vehicles	2 626	-
	5. Reemtsma	Germany	Tobacco	2 365	-

*The exact breakdown of employment per TNCs in Poland was not available. However, it is estimated that in 2003 employment in affiliates under foreign control constituted as much as 28% of all employment in manufacturing, and 17% in services. The figures for Spain are 15% and 10%, respectively.

Source: UNCTAD, WID Country Profiles, <http://www.unctad.org/wir>

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EBRD Transition Reports

EUROSTAT

OECD Reports

UNCTAD on-line databases

UNCTAD World Investment Report