Industrial Relations Journal 36:6, 592–612
ISSN 0019-8692

From European Union to European Monetary Union: the new member states and accession countries of Central and Eastern Europe in 2004

Simon Clarke

ABSTRACT

The 10 new member states and candidate countries from Central and Eastern Europe have made the institutional reforms embodied in the *acquis communautaire*, including developing institutions of social dialogue which are supposed to ease the path to entry into the European Monetary Union (EMU). This review assesses the challenges facing the Central and Eastern European countries in achieving the targets set for EMU entry and questions whether the existing institutions of social dialogue will be able to bear the strain of achieving those targets.

INTRODUCTION

In May 2004 eight former communist Central and East European (CEE) states (Estonia, Latvia, Lithuania, Poland, the Czech and Slovak Republics, Hungary and Slovenia) joined the European Union (EU), with a further two (Bulgaria and Romania) continuing their preparations for accession in January 2007. This review focuses on industrial relations developments in the CEE new member states and the two candidate countries in the context of their prospective entry into the European Monetary Union (EMU).

Accession to the EU is a two-stage process, each of which is conditional on achieving certain targets laid down by the European Commission. In the first stage, accession to the EU is conditional on implementing reforms embodied in the *acquis communautaire* which meet predominantly institutional conditions for joining an open, democratic and 'social' Europe, including an extensive set of institutions of 'social dialogue'. In the second stage, accession to the EMU is conditional on meeting the Maastricht criteria, a set of economic and financial targets which are much stricter than those prescribed for entry to the EU.

The new member and candidate states have all established institutions of social dialogue, at least at the national level, through which government decisions regarding

❒ Simon Clarke is Director, Russian Research Programme, University of Warwick. Correspondence should be addressed to Simon Clarke, Department of Sociology, University of Warwick, Coventry CV4 7AL, UK; email: simon.clarke@warwick.ac.uk

economic and social policy are constrained by the need to discuss such policy with the social partners. They have all established an institutional framework for the regulation of industrial relations within which employers and employees are more or less free to negotiate the terms and conditions of employment at enterprise and, to a much lesser extent, at sectoral levels. These institutions of social dialogue played an important part in smoothing the path to EU entry, ensuring some reconciliation of the need to pursue restrictive economic policies to ensure economic stabilisation with the need to pursue social, wage and employment policies to preserve political legitimacy and social stability. However, once the new member states have joined the EU, the framework within which social dialogue is pursued is radically transformed to the extent that governments are constrained to meet the restrictive economic and financial targets imposed as conditions for entry to EMU, while there is no longer any comparable pressure from the European Commission to continue the progress towards a 'social Europe'.

The experience of the new member states and candidate countries in the near future will have a significant impact on the struggle over the political direction of Europe between those who seek to defend a model of a 'social Europe' and those whose priority is to strengthen Europe economically in global capitalist competition. The conditions for entry to EMU weigh the conflict strongly in favour of the latter, but these are ultimately political conditions which are already being contested in the established member states. Whether the new member states help to consolidate the Continental traditions of social dialogue and collectivist social welfare or turn out to be a Trojan Horse for Anglophone competitive individualism will depend in the first instance on political developments at the national level but in the longer term will depend on the outcome of the debate on a European scale. The struggle for the soul of Europe is by no means over, but it is entering a new stage.

ECONOMIC DEVELOPMENTS

The recent economic performance of Central and Eastern Europe (CEE) has been stimulated by the prospect of entry into the EU and the consequent inflow of foreign direct investment (FDI) and growth of exports to the EU. The Baltic States have also benefited from the revival of the Russian economy since the 1998 crisis. CEE saw strong economic growth through 2004, building on the recovery of the previous year and broadening its base, fuelled by inflows of foreign direct investment and more rapid export growth associated with the modest recovery of growth in the EU, but also stimulated by increasing domestic consumption and investment. Average (unweighted) gross domestic product (GDP) growth at constant prices across the 10 countries under review increased from 4.9 per cent in 2003 to 5.7 per cent in 2004 (unless otherwise stated, statistical data were taken from the Eurostat database, http://epp.eurostat.cec.eu.int), with the increase spread across the whole region, but the most rapid growth was in the Baltic States and Romania, with Poland and Slovakia leading the other larger economies. Alongside the increase in the rate of GDP growth in CEE over the past decade, there has been a steady fall in the dispersion of growth rates.

The good news on the growth front was to some extent qualified by the increased rates of inflation, driven above all by increasing fuel and, to a lesser extent, food prices and the inflationary impact of tax harmonisation in anticipation of EU entry. Only the highest inflation countries, Romania, Slovakia and Slovenia, managed to reduce inflation in 2004 over that experienced in 2003. There was little evidence of a serious inflationary threat emerging in the region, but some fear that continued rapid GDP growth would increase inflationary wage pressures, despite continuing high rates of unemployment, while attempts to tackle the budget deficits through the region could lead to inflationary increases in administered prices.

Despite a rate of GDP growth substantially above that of the eurozone since 2000, real convergence has a long way to go and living standards and wage rates in the new member and candidate states remain far below the eurozone average. GDP per head in the new member states at purchasing power parity (PPP) is on average still only about half that of the eurozone, with Slovenia, the richest, being the only new member state with a PPP GDP per head higher than that of the previous poorest EU member, Portugal, reaching about three-quarters of the eurozone average in 2004. GDP per head at PPP in the candidate countries, Bulgaria and Romania, is less than a third of that in the eurozone. The disparity in hourly euro labour costs continues to be even more marked, with unit labour costs in the Baltic states only 10–18 per cent of the EU-25 average, those in the other East European new member states being in the range of 18–23 per cent of the EU-25 average and even in Slovenia hourly labour costs are less than half the EU-25 average and around one-third of the labour costs in Germany or Denmark.

Rapid GDP growth had very little impact on the unemployment problem. The only countries which saw a significant increase in employment in 2004 were Slovenia and Bulgaria. The unemployment rate only fell in these countries and the Baltic States and marginally in Poland, while it increased in the Czech Republic and Romania. Moreover, entry into the EU is expected to lead to the loss of up to one million more jobs in CEE over the next few years in the face of intensified competition from EU imports on domestic markets (cited in Berlin Group, 2004: 16; Kiander *et al.*, 2002), with the food and light industries expected to be the hardest hit (Kemmerling, 2003: 6).

Overall, economic growth in CEE continues to be very uneven, dominated by the growth of the foreign-invested sector and exports to the EU. Domestic sources of dynamism have been much more limited. Trade and finance and the bulk of manufacturing industry and energy supply have been privatised, but where there has been no participation of foreign capital there has been only limited capital investment and restructuring has consisted primarily of employment reduction. The rapidly expanding domestic service sector tends to be dominated by self-employment and small and medium private enterprises providing low-paid insecure jobs with limited skill requirements. There has been very limited transformation of agriculture, which still employs a relatively large proportion of the labour force working for low rewards, and the state sector, which continues to account for a large proportion of GDP. These sectors constitute a very large reserve of low-paid employment, alongside the high rates of unemployment, but the skill and demographic characteristics of their labour force are not well adapted to the demands of the dynamic foreign-invested sector so that labour shedding is more likely to feed into the pool of unemployment than to provide an increased supply of labour for the growing sectors of the economy. Nevertheless, national governments will continue to come under economic and political pressure to take more active steps to reform these sectors to reduce the fiscal burden and increase the international competitiveness of their economies.

The greatest pressure to which national governments have been subjected over the past decade has been for the reform of the fiscal sector, which, outside the Baltic States, still accounts for about half the economy. This pressure focuses on the need to reform public finances, public services and social policy by shifting the burden of taxation from companies to individuals; reforming health and education to reduce fiscal costs and increase quality; reducing the cost of welfare benefits by reforming the pension system (increasing the pension age and supplementing dwindling state pensions with private insurance-based pensions) and targeting unemployment, sickness and other social transfers to reduce costs and increase labour market flexibility. The main barriers to these reforms have been political, because, whatever long-term benefits they may promise, they immediately threaten the security and living standards of large sections of the population. To the extent that these reforms are not introduced, the governments of the region are likely to face renewed inflationary pressures which undermine their competitiveness and the stability of their currencies, reversing the hard-won gains of the last 10 years and increasing pressure to combat inflation by the imposition of restrictive fiscal and monetary policies and wage restraint. But the political environment is not conducive to a renewal of the policies which brought some economic stabilisation from the middle of the 1990s.

The last Eurobarometer survey before EU entry, in spring 2004, showed that rapid economic growth was not reflected in the perceptions of the population. The poll showed that only a quarter of respondents in the new member states felt that their situation had improved in the last five years, while 44 per cent felt that it had got worse (Eurobarometer, 2004: C6). The most pessimistic assessments were in Poland, Slovakia, Hungary, Bulgaria and Romania. The population was much more pessimistic about their own, and especially their country's economic prospects, in the next one and five years than was the population of the EU-15 (Eurobarometer, 2004: 4–6). Economic growth has brought undoubted benefit for some sections of the population, but a substantial proportion saw little improvement in their living conditions or experienced change for the worse. The benefits of EU entry still lie in the future, while entry in the short term will intensify the pressures on national governments and their citizens, particularly as governments seek to deepen their integration into the European economy by joining the EMU. The conditions set for entry to the EMU reinforce the pressure on national governments, whatever their political complexion, to pursue restrictive policies in order to meet the 'Maastricht criteria'. This will put considerable pressure on the institutions of social dialogue constructed since the collapse of the communist system.

ADMISSION TO THE EMU: MEETING THE MAASTRICHT CRITERIA

EU membership implies that national governments will be constrained in the macroeconomic policies that they can pursue and so the extent to which they can use expansionary policies to ameliorate social tension. This constraint is expressed in the first instance through the independence of the central bank and freedom of capital movement established in the preparatory phase for membership of the EMU, which had to be completed before EU accession, but these constraints become more severe in the transitional phase, following accession, to the extent that the new member states prepare for integration into the EMU and adoption of the euro as the national currency.

The accession and candidate countries have no choice to opt-out of EMU, because membership is a condition of their entry into the EU. Although entry to EMU can

Table 1: New member and candidate CEE countries' performance against convergence criteria

	Inflation (HICP)			Deficit net borrowing/lending of consolidated general government sector as a percentage of GDP			% variation of exchange rate around the mean
	2002	2003	2004	2002	2003	2004	1999–2004
Reference value EU-25	*2.3*	*1.7*	*2.0*	*–3.0*	*–3.0*	*–3.0*	*±15.0*
Czech Republic	1.4	–0.1	2.6	–6.8	–11.7	–3.0	14.9
Estonia	3.6	1.4	3.0	1.4	3.1	1.8	0.0
Hungary	5.2	4.7	6.8	–8.5	–6.2	–4.5	7.9
Latvia	2.0	2.9	6.2	–2.7	–1.5	–0.8	13.2
Lithuania	0.4	–1.1	1.1	–1.5	–1.9	–2.5	17.7
Poland	1.9	0.7	3.6	–3.6	–4.5	–4.8	20.0
Slovakia	3.5	8.5	7.4	–5.7	–3.7	–3.3	11.7
Slovenia	7.5	5.7	3.6	–2.4	–2.0	–1.9	12.4
Bulgaria	5.8	2.3	6.1	–0.8	–0.1		0.3
Romania	22.5	15.3	11.9	–2.0	–2.0		46.2

CEE, Central and Eastern Europe; GDP, gross domestic product; EU, European Union.
Sources: Inflation and budget deficits are from Eurostat. Exchange rate variation is calculated from European Central Bank (ECB) data. Reference values are my calculations from Eurostat data on an annual basis. The ECB's 2004 Convergence Report gives a reference figure for inflation for the year to August 2004 of 2.5 per cent, because Lithuania's low inflation was excluded from the computation as exceptional. The Czech Republic and Estonia met the criterion for this time period (ECB, 2004b: 16). Shaded boxes are those where the criteria were met.

in principle be postponed indefinitely, if the criteria for entry are not met, the accession countries have all indicated that they would like to join the EMU as soon as possible and there is a strong sense that those who meet the Maastricht criteria and join EMU earlier will have the upper hand in competition for inward investment, so there is an awareness that there is a price to pay for deferring accession for too long.

The formal Maastricht convergence criteria set quite strict limits to the rate of inflation, the budget deficit, exchange rate fluctuations, the long-term interest rate and various other factors, including the current balance of payments and unit labour costs, and the accession countries have to show that these criteria rest on stable foundations so that they have achieved a 'high degree of sustainable economic convergence' (ECB, 2004c). The current situation in relation to the key targets is shown in Table 1, but the fact that a country currently meets the Maastricht criteria is by no means sufficient to secure its position, because it must continue to meet those criteria until it is admitted into the EMU, at which time it will lose control of its monetary policy and its fiscal policy will be constrained by the Stability and Growth Pact.

The exchange rate criterion requires the accession countries to belong to the exchange rate mechanism (ERM) for a period of two years, during which they maintain the exchange rate of the national currency with the euro within 'the normal fluctuation margins of the ERM'. The requirement to meet the exchange rate criterion is potentially the most demanding of the Maastricht criteria. On the one hand, the extent of 'the normal fluctuation margins of the ERM' are ambiguous. Although Estonia, Lithuania and Slovenia, which joined ERM2 on 27 June 2004, all negotiated a band of ±15 per cent, the EU Commissioner for Monetary Affairs made it clear in 2003 that the new member states will have to meet a much stricter test than this to qualify for admission to EMU. On the other hand, the ability of a new member state to meet this criterion is largely conditional on, and may be to some extent inconsistent with, its ability to meet the others. Some have argued that ERM2 is a potentially dangerous mechanism which can encourage destabilising speculation and prevent the new member states from achieving the Maastricht criteria because attempts to defend the currency may be inflationary and/or require high interest rates (Lavrač, 2003: 9–11). Uncertainty about ERM2 means that the new member states will probably not want to enter ERM2 until they are confident that they can meet the other targets and will want to remain in it only for the minimum two years.

The new EU entrants had a range of different types of exchange rate regime prior to entry into the EU, depending in part on the priority given by the national government to exchange rate stabilisation and consequent commitment to pursuing restrictive anti-inflationary policies. Estonia, Lithuania and Bulgaria had currency boards which tied the exchange rate rigidly to the euro (Lithuania repegged from the dollar to the euro in February 2002). Romania, Slovenia, Slovakia and the Czech Republic had managed floats. Latvia had a fixed peg to the SDR and Hungary a crawling peg to the euro, while the Polish currency floated freely, with monetary policy targeting inflation rather than the exchange rate. For entry to ERM2 no particular exchange rate regime is required (Lithuania and Estonia retained their currency boards when they entered ERM2), but whatever is chosen will have to centre on a fixed parity with the euro.

The consensus is that economic growth in the CEE countries will benefit from an overvalued and appreciating currency, which will contain inflation and shift some of the costs of adjustment on to the EU-15. Over the three years before mid-2004 the currencies of Hungary, Poland, Romania and Slovenia had depreciated, while those of the Czech and Slovak Republics had appreciated slightly against the euro, but since entry all the currencies have either remained stable or have appreciated, apart from that of Latvia, which only stabilised at the very end of 2004. In terms of the variability of their exchange rates, only Romania, Poland and Lithuania have varied by more than the permissible 15 per cent around the mean over the past five years. In the case of Lithuania this primarily reflects its appreciation while it was pegged to the dollar before 2002, while Poland saw an appreciation until mid-2001 followed by a depreciation until mid-2004 and Romania's variation reflects its steady depreciation in the face of sustained domestic inflation.

The ability of the new member states to meet the exchange rate criterion after entry into ERM2 will depend partly on the exchange rate agreed with the EU, and this may be the subject of some tough negotiation. It will also depend very much on the ability of the national governments to meet the fiscal deficit and inflation criteria, particularly if they manage to negotiate an overvalued exchange rate, and meeting these criteria is much more problematic. Only Lithuania has consistently met both these criteria over the past three years.

The public debt criterion sets a maximum current deficit of 3 per cent of GDP and a maximum debt/GDP ratio of 60 per cent. Public debt has been steadily increasing in the Czech Republic, Hungary, Poland and Slovakia as they continue to run budget deficits to fund welfare spending and pension reform, although only Hungary is approaching the maximum debt/GDP ratio. In March 2005 the EU's finance ministers introduced a new method of calculating the deficit which removes the heavy cost of pension reform from the calculation, so enabling those countries with excessive deficits in principle to achieve the target, which the World Bank expects them to be able to do by 2007. However, it is unlikely that the Hungarian or Czech governments will take any significant steps to reduce their deficits before elections due in 2006, while the Polish parliament has resisted fiscal reform measures.

The inflation criterion is particularly difficult to meet because it is a moving target, depending on the three lowest inflation rates in the EU-25. In 2003 only Latvia, Slovenia, Hungary and Slovakia of the new member states failed to meet the inflation criterion, but in 2004 an increase in the rate of inflation in all the countries with lower rates of inflation (i.e. all except Slovenia and Slovakia) meant that only Lithuania met the criterion. Bulgaria, and particularly Romania, continued to have inflation far above the reference rate. These inflationary pressures are expected to persist through 2005 so the European Central Bank (ECB), in its 2004 Convergence Report, stressed that 'Wage increases should be in line with labour productivity growth while also taking into account developments in competitor countries' (ECB, 2004b: 17). Despite its inflation record, Slovenia was permitted to join ERM2 on the basis of 'a firm commitment by the Slovenian authorities to continue to take the necessary measures to lower inflation' (ECB, 2004a), particularly by removing the indexation of wages and benefits and confining wage increases within the limits of productivity growth. Although Estonia, Lithuania and Slovenia entered ERM2 very soon after joining the EU, the other CEE countries have little prospect of joining ERM2 until they get their inflation rates and budget deficits firmly under control, and at the moment do not envisage entry before about 2008.

The interest rate criterion is relatively unproblematic for the new member states if they are able to meet their inflation and deficit targets. The situation is much more problematic for the candidate countries, Bulgaria and particularly Romania, although it is likely to become less so as they approach accession if they are able to reduce inflation.

The new member states face a dilemma in determining their policy priorities. Low rates of domestic savings and fiscal constraints on government investment mean that they are very dependent on the inflow of foreign investment to achieve real economic growth, and investment flows are rather sensitive to indicators of stability, in particular the convergence criteria. There is therefore a widespread view in CEE that those who get into EMU first will reap the largest rewards by attracting the lion's share of foreign investment. But restrictive monetary and fiscal measures to ensure convergence with the inflation and deficit criteria are likely to hold back growth in the real economy. Moreover, if they are fortunate enough to enjoy sustained growth fuelled by foreign investment, they are likely to face inflationary pressures not just from overheating, which can to some extent be controlled by the usual policy measures, but also from the so-called 'Balassa–Samuelson effect' which arises because wages forge ahead in the industrial sector as a result of high productivity growth and labour market pressures, while compensating wage increases in the non-traded sectors (public and private services) generate inflation. This impact on inflation in CEE has been estimated at between 1 and 4 per cent (De Grauwe and Schnabl, 2004). Allowing the currency to appreciate would spread the productivity gains and reduce inflation, but could violate the criterion of exchange rate stability. This would make it extremely difficult for the new member state to reconcile the inflation and exchange rate targets. As a result of these considerations many commentators have recommended that the new member states should concentrate on real convergence, although they would still be subject to EU fiscal and exchange rate policy rules, even if this means postponing EMU entry (Berlin Group, 2004: 3–4).

The most obvious way of overcoming these dilemmas is for the government to secure wage restraint, particularly in the public sector, which would have the effect of reducing both government spending and inflationary pressure so as to make it possible to reconcile nominal with real convergence. At first sight the trade-off looks attractive, restraint on wage growth and public expenditure now for substantial real gains in the future, and there are encouraging precedents in the role of 'social pacts' in constraining wage inflation to smooth the way in the first stage of monetary integration in the EU. The problems arise as soon as we recognise that there is already considerable pent-up frustration in CEE as a result of years of deferred expectation; that EU entry was supposed to mark a turning point for the better; and that there is widespread disillusion with the political process. These problems are compounded by the fact that those expected to bear the pain now tend to be those who are already most sceptical about EU entry (Berlin Group, 2004: 16) and are not those who can be confident of making the gains in the future. It is not surprising therefore that so much attention was paid to the development of stable institutions of social dialogue in the preparations for accession. The big question is whether these institutions of social dialogue, and the trade unions themselves, will be able to bear the strain.

INSTITUTIONS OF SOCIAL DIALOGUE IN THE NEW MEMBER STATES

Tripartite institutions of social dialogue were initially introduced in the post-socialist countries of CEE as a means for the traditional trade unions to establish their legitimacy in changed conditions and for governments to smooth the transition to a democratic regime. Since then, the effectiveness of the established institutions has ebbed and flowed, particularly depending on changes of political regime and on the degree of difficulty of reaching agreement. In general, left and social democratic governments have been more willing to engage in social dialogue than right and liberal governments, and the former have generally been more successful in extracting concessions from the trade unions. However, governments of all political complexions have been willing to walk away from social dialogue if they are not able to get the agreement of the social partners to their proposals. Tripartite consultation was suspended in Hungary in 1995 and Slovakia in 1997 when the government could not get the social partners to agree to restrictive macroeconomic policies. Since setting their sights on accession to the EU, national governments have had to take the question of the development of stable institutions of social dialogue more seriously.

All the countries under review have well-established national tripartite bodies which play a consultative, advisory and informational role. In Latvia, Lithuania, Poland, Hungary, Bulgaria and the Czech and Slovak Republics the national body also has some decision-making role. In some countries the national body has comprehensive terms of reference with a range of subcommittees or working groups, in other countries there are separate tripartite bodies dealing with specific policy areas.

Representation of the social partners tends to be fragmented, only in Latvia is each side represented by a single organisation, while in Slovakia each side is represented by a single umbrella organisation. In Hungary six worker organisations are represented, with five in Romania, four in Slovenia, three in Poland, Lithuania and Bulgaria and two in the other countries. Employer representation is even more fragmented than that of workers (Rychly and Pritzer, 2003 provides a comprehensive review of the formal characteristics of tripartite institutions in the accession countries). The fragmentation of employee representation limits the scope for trade unions to conclude agreements with politically sympathetic governments, because their competitors will seize the competitive advantage that is offered. On the whole, competing trade union federations have moved closer together over the past decade and only in Poland has the fragmentation of worker representation presented a serious barrier to concluding tripartite agreements.

The relatively high degree of development of national tripartite structures contrasts with the low degree of development of collective bargaining. This is a reflection of the fact that trade unions have concentrated on seeking to represent their members in the political sphere, while making little progress in developing the representation of their members as employees (Ost, 2002). This weakness of the trade unions is matched by the limited development of employer representation in industrial relations, with employers' associations concentrating on their role as trade associations and in lobbying government. Both trade unions and employers' associations see their principal counterpart not as each other but as the government.

With the exception of Slovenia, where collective bargaining at company and sectoral levels is more or less compulsory, the coverage of collective bargaining is low, reflecting low levels of trade union density (apart from Hungary and the Czech Republic, where there is provision for the extension of collective agreements). Sectoral-level bargaining is significant only in Slovenia and, to a lesser extent, Slovakia, Hungary and the Czech Republic, with broader social dialogue at sectoral level even less developed (Ladã, 2002). The role of enterprise bargaining is largely conditioned by the degree of trade union organisation and the scope provided by the development of national and sectoral agreements. In Slovenia enterprise bargaining is largely confined to the more successful enterprises, which can provide terms and conditions better than those set by national and sectoral agreements. In Slovakia too, enterprise bargaining has less significance because of the development of sectoral bargaining. In all the other countries the enterprise is the dominant bargaining level (Ladã, 2002).

The preparation for entry into the EMU will put the existing institutions of social dialogue under considerable strain as national governments attempt to secure the agreement of the trade unions to policies which will inevitably have a negative impact on major sections of their membership, while the need for fiscal restraint means that governments will have very little room to make compensating concessions. The EU has strongly promoted the idea of negotiating social pacts, as was done in many of the EU member states in the original preparation for EMU (Kauppinen and Welz, 2004: 1), but in a comprehensive review of the existing practice of social dialogue in 10 of the new member and candidate countries (excluding Lithuania and the Czech Republic), András Tóth and László Neumann charted the failure to secure social pacts prior to EU accession in Bulgaria, Romania, Slovakia, Poland and Hungary and concluded that 'the lack of political consensus over strategic issues and/or the political situation in general makes it unlikely that comprehensive national accords will be concluded between governments, employers' associations and trade unions on the issue of the inevitable adjustment' (Tóth and Neumann, 2004b: 29), at least outside those countries which have strong tripartite institutions and which have more or less achieved the Maastricht criteria already (Estonia, Latvia and Slovenia, which already has such a social pact).

The fundamental problem of achieving social pacts is the weakness of the principal social partners, the national governments and the trade unions. In the early years of transition the government side dominated tripartite structures, as the traditional trade unions struggled to overcome their inherited reputation and the new trade unions sought a seat at the table. However, in the intervening period, on the one hand, the standing of national governments has been eroded as they have presided over economic and social polarisation and have had to implement increasingly unpopular stabilisation policies, so that governments across CEE face a growing deficit of legitimacy in relation to the pursuit of policies dictated by EU entry, as was shown in the aftermath of the 2004 European elections, where governing parties did extremely badly and the prime ministers of Poland, Hungary and the Czech Republic all resigned in the course of the year. On the other hand, low levels of trade union membership and the weakness of the trade unions in the workplace reinforced their tendency to take populist stands in the hope of securing wider popular support, pressing for the protection of employment and social and welfare services alongside rising wages and living standards, policies which have provided the basis for a growing unity on the trade union side. The result is that governments, with a view to forthcoming elections, will be very reluctant to force through unpopular policies to meet the Maastricht criteria. In the last analysis, the ability of national governments to appeal over the heads of the trade unions to the population as a whole will depend on their ability to isolate the trade unions by identifying them as representatives of narrow sectional interests. The ability of the trade unions to defend the interests of their members correspondingly depends on their ability to pose as representatives of the wider interests of the mass of the population.

The priorities for national governments seeking to meet the Maastricht criteria focus on the reduction of budget deficits and the amelioration of inflationary pressures by reducing the net cost of public services and welfare payments. The principal means of reducing the net cost of public services are raising regulated prices, which contributes to inflation and hits the disadvantaged the hardest, or cutting budgets, withdrawing subsidies and privatising services, which imply employment reductions and wage restraint. The principal means of cutting the cost of welfare payments involve tightening the conditions for payment of unemployment, sickness and invalidity benefits and reducing the fiscal cost of pensions by raising the pension age, particularly for women, and reforming the pension system.

The principal means of containing inflation available to national governments seeking to avoid the imposition of restrictive macroeconomic policies is the imposition of 'wage restraint'. In all the countries under review, incomes policy is an object of discussion in general terms in national tripartite institutions and in some countries more specific wage policies are subject to tripartite agreement, including public sector wage setting, determination of the minimum wage and wage guidelines for the private sector. However, such agreements have a differential impact on different sectors of the labour market.

Anti-inflationary wages policies can be imposed directly on the public sector, where the government is directly or indirectly the employer and where wages tend to be set by law or government regulation. Collective bargaining plays a significant role in setting public sector wages only in Slovakia and Slovenia. In Poland, Bulgaria, Hungary and Estonia there is a degree of bargaining over public sector wage setting in tripartite bodies, while in the other countries there is only tripartite consultation. In all cases, governments have shown in the past that they are willing unilaterally to restrict the growth of public sector wages where bipartite or tripartite agreement cannot be secured. However, the public sector is the organisational base of the trade unions, with much higher union density and a much higher propensity to take industrial action than in the private sector.

All the countries under review have minimum wages and in many countries the minimum wage plays an important role in the wage system as a whole. In Estonia, Hungary and Slovenia tripartite consultation is part of the process of decision making regarding the minimum wage, while in the other countries tripartite discussions play only a consultative role. However, the government may act unilaterally if agreement cannot be secured, as has recently been the case in Hungary, Slovakia and Romania. The immediate impact of increases in the minimum wage may be felt primarily, to the extent that the minimum wage is enforced, by those working in low-paid jobs in small and medium private enterprises, who are the least organised workers in the most vulnerable labour market position and so those least likely to articulate demands for pay rises. However, in many countries the minimum wage is the anchor point for other pay scales, particularly in the public sector, or increases in the minimum wage are the basis for collective bargaining, so that an increase in the minimum wage can directly lead to across-the-board pay increases. Thus, unions have a direct interest in pressing for increases in the minimum wage, while governments are likely to attach considerable importance to limiting increases in the minimum wage and delinking other wages from the statutory minimum in order to combat the threat of wage inflation.

National tripartite bodies consider more general guidelines for wage increases in Bulgaria, Hungary, Poland, Romania and Slovenia, and did so in the past in Slovakia, although it has often proved impossible to reach agreement even in these countries. Only in Romania and Slovenia are these guidelines in principle binding, in the other countries they are only indicative recommendations. Moreover, guidelines agreed for wage increases in the private sector generally have a limited impact on private sector wage settlements, which depend primarily on labour market pressures and the ability of the employer to pay. This means that the principal focus of conflict around ‘wage restraint’ is in practice likely to be delayed in raising the minimum wage and restraint on the wages of public sector employees, particularly because public sector pay increases impact directly on both the budget deficit and inflationary pressure.

The main concessions traditionally made by CEE governments in tripartite bargaining over wage restraint in the past have related to tax reliefs and welfare benefits (Tóth and Neumann, 2004b: 18), but such concessions are not consistent with the attempt to reduce the budget deficit. The most likely trade-off to be offered by national governments for agreement to a social pact would be a commitment to tackle the problem of unemployment, which is regarded as the priority issue by the trade unions in most of the accession countries and new member states (only in Hungary do the unions put wages at the top of their agenda; Tóth and Neumann, 2004b: 36). However, pressure on the budget will mean that governments will not be able to use the kinds of fiscal stimuli to job creation and subsidies for employment protection which the unions tend to seek, while public sector restructuring is likely to result directly in an increase in unemployment. The policies which liberal economists propose to national governments as the means of tackling the problem of employment are reforms to increase 'labour market flexibility', which are hardly likely to prove attractive to the trade unions because they weaken trade union rights and undermine employment and social security in exchange for the nebulous and uncertain hope of better employment prospects in the future. Active labour market policies are expensive and their outcomes are equally uncertain. Governments therefore have very little scope to make concessions to the trade unions to secure their agreement to economic and social policies seeking to meet the Maastricht criteria.

The main victims of such policies are likely to be public sector employees. Public sector employees will bear the brunt of wage restraint and job losses, with an intensification of labour and delayed retirement on low pensions for those who remain. These are the most organised employees, who often make up the bulk of trade union membership and who have been the most active in taking industrial action. The challenge to the trade unions is to link their defence of public sector jobs and pay to the broader issues of unemployment, reductions in welfare benefits and the increased cost and declining quality of public services, which can give them the basis of a very broad and electorally powerful front. In general, as we will see below, recent protests and industrial action by public sector workers in CEE have attracted wide popular support and put governments under political pressure.

National governments in the CEE countries, whatever their political complexion, have to tread a difficult line in carrying through policies to meet the Maastricht criteria without undermining the possibility of their re-election. The range of possibilities extends from the pursuit of hard neoliberal policies driven through by a right-wing government against trade union opposition, the success of which depends on dividing and marginalising the trade unions and appealing to those employed in the private sector whose jobs and incomes depend directly on sustained economic growth, to populist social-democratic policies which respond to the demands of the trade unions presented through tripartite institutions, at the risk of undermining the conditions for sustained economic growth. Either of these extreme courses is politically very risky and the indications in the first year of EU membership were that most governments would steer a middle course, over-riding trade union opposition in tripartite bodies, if necessary, while pursuing a conciliatory line in the face of more active trade union resistance.

GOVERNMENT AND TRADE UNION RELATIONS IN 2004

The Bulgarian government, headed by the former king, Simeon Saxecoburggotski, lost its parliamentary majority through defections; was humiliated in the European elections in 2004; only survived a no-confidence vote in February 2005 at the cost of a cabinet reshuffle and was expected to be replaced by a social democratic coalition following the general election in 2005. Its attempt to pursue an increasingly restrictive incomes policy ran into growing union opposition through 2004. Public sector wages were increased by 8.5 per cent on 1 July 2004, against an achieved 2004 inflation rate of 6.1 per cent (Shtonova, 2004) but in August the government announced its plans for 2005–07, incorporated in a memorandum to the International Monetary Fund (IMF), which were opposed by the trade unions. The plans included liberalisation of some aspects of labour law to create a more 'flexible' labour market and a restrictive incomes policy, with public sector wage increases in 2005 limited to 5 per cent, and a 4 per cent maximum for state enterprises and as a guideline for the private sector, with rapid increases in utility prices anticipated for 2005 (Koleva, 2004). In response, the main trade union confederations, CITUB and Podkrepa, jointly organised a series of protest actions and strikes against the lack of consultation and the contents of the government's memorandum, following the failure of the government to respond to the unions' demand to enter into negotiations in May and a successful ballot of their members in July. These actions, combined with strikes over wage delays and privatisation proposals, followed similar but smaller actions the year before and mobilised a large number of workers across all sectors of the economy, including both union and non-union members, and were backed by the parliamentary opposition. Following a national demonstration in November, the government met with the unions and agreed to consult over proposed legislative changes (Mihaylova, 2005). The August memorandum had also included a proposal for a 25 per cent increase in the minimum wage, which the government unilaterally implemented in January 2005, despite strong objections from the employers who argued that such an increase was unachievable, and from the trade unions which regarded it as too little (Koleva, 2005).

In the Czech Republic, the new government formed in August 2004 after the humiliation of the ruling Social Democratic Party in the European elections reportedly 'asked the CMKOS trade union confederation to participate in drawing up its programme' and the president of CMKOS, declared that the programme adopted 'does not contain any plans that are unacceptable to the unions' (Hála, 2004). The programme committed the government to promoting tripartite consultation and collective bargaining and included promises of a more active labour market policy to combat unemployment and tax relief for those on low pay and embraced extensive social security reforms, although the Organisation for Economic Co-operation and Development (OECD) commented in its *Economic Survey of the Czech Republic* in November 2004 that 'to date, mainly revenue-raising measures have been implemented while the full impact of expenditure measures is yet to be realised. The attempt to secure broad political consensus on pension reform is commendable, but it must be underscored that whatever reform is finally implemented, it will have to bring considerable fiscal savings. Healthcare reform also has to deliver savings, but concrete proposals have yet to be made' (European Commission, 2004b). It is unlikely that CMKOS would find the OECD's plans quite as congenial as the programme offered by its own government, which has a tiny parliamentary majority and is facing an election within two years.

A more specific confrontation between the trade unions and the government developed through 2004 around the restructuring of the Czech railways, the largest employer in the Czech Republic, with the unions resisting management's restructuring plans, which involved extensive outsourcing and substantial redundancies, and the drivers demanding a substantial pay increase. No collective agreement was signed because of failure to agree on the wage issue, while the government, under trade union pressure backed by strike threats, leant on management to take a more conciliatory line on restructuring (Kadavá, 2005). Another confrontation between trade unions and employers, which was equally directed at the government, arose in the forestry and woodworking industry, where sectoral collective bargaining broke down and the very active sectoral trade union issued a 'strike alert' in December 2004 as the increasingly commercialised policy of the state-owned forestry corporation threatened around 5,000 redundancies in the industry (Hála and Kroupa, 2005).

In Estonia, the main contentious issue in 2004 was the level of the minimum wage, which the unions estimate is received by about 15 per cent of employees. The minimum wage is set on the basis of bipartite negotiation between employers and trade unions within the framework of a long-term agreement that was reached in 2001, under pressure of a general strike warning from the unions, covering the period to 2008. Under this agreement, the minimum wage should increase more rapidly than the average wage to reach 41 per cent of the average wage in 2008. The trade unions proposed a 12.9 per cent increase for 2005, while the employers sought to renounce the 2001 agreement and only offered a 4.8 per cent increase in order to restrict the increase within the forecast growth of productivity (Philips and Eamets, 2004). Agreement on an 8 per cent increase was only reached at the very end of 2004.

Public sector pay has been an increasing area of contention in Estonia, because pay is set in negotiation with the employers, who are constrained by government budget allocations. Following lengthy negotiations accompanied by strike threats, following a strike in December 2003 which was 'the first real strike since Estonia gained its independence' (Kallaste *et al.*, 2004), the unions and the government reached an agreement to increase the minimum wage for teachers by 11.4 per cent and the overall wage bill in education by 12 per cent (Lauringson *et al.*, 2005). On 15 April 2004 the Confederation of Estonian Trade Unions organised a protest demanding a 20 per cent pay increase for public employees and a lifting of the ban on public employees' striking, for which Estonia has been criticised by the European Commission (Leetmaa, 2004). In September it was reported that nurses were preparing for a strike, with support from other unions. Both the employers and the government recognised the need to increase pay in the health service, not least because of labour shortages which were expected to be exacerbated by emigration to better-paid jobs abroad, but no agreement could be reached on how to cover the cost of pay increases. Later in the month a framework agreement was concluded for 2005–06 which gave pay rises of between 25 per cent and 36 per cent, to be followed by increases of 14–15 per cent in 2006. In September the Locomotive Drivers' Union also went on strike for 7.5 days demanding a 15 per cent pay increase, winning increases ranging from 9.6 per cent to 15.2 per cent.

In Hungary the centre-left government which came to power in May 2002 had re-established the system of social dialogue, which had been dismantled by the previous government, but negotiations between the social partners to agree a social pact prior to EU admission had broken down in 2003, with the unions rejecting the government's attempts to restrict wage increases so as to reduce inflation and the budget deficit and the employers rejecting government plans to increase taxes, so the government had acted unilaterally, increasing value-added tax (VAT) and some public utility rates and planning job cuts in public administration, although the erosion of public support for the government forced it to step cautiously (Tóth and Neumann, 2004a). The public sector unions, having made rather half-hearted strike threats, had eventually agreed a 6 per cent wage settlement for 2004 which only compensated for inflation, following substantial public sector pay rises over the previous three years. In the event, a review in May 2004 showed that public sector pay increases had in fact fallen short of the agreed 6 per cent as local government budgets were squeezed by central government, while inflation was higher than had been forecast. Tension between the government and public sector unions was further increased as the government announced budget plans which implied significant cuts in public sector employment while still leaving little space for pay increases (Tóth and Neumann, 2004c). Following the disastrous showing of the Socialist Party in the European elections, which the left blamed on the government's restrictive fiscal policy, the prime minister, Peter Medgyessy, resigned in August 2004 and was replaced by Ferenc Gyurcsány, who promised greater fairness but no easing of budget constraints, at the end of September. Negotiations between the social partners over wage guidelines and the minimum wage for 2005 dragged on to the very end of 2004, with the unions backing their demands with strike threats but eventually agreeing a 6 per cent wage guideline for 2005, which would be accompanied by further job losses in the public sector, and the deferral of the year-end bonus until January 2005, to allow the government to meet its overall 2004 budget target (Tóth and Neumann, 2005).

Latvia is the poorest of the new member states. The main industrial relations issue in 2004 was the pay of public sector workers, particularly in health and education, whose relative pay had fallen sharply in the first half of the 1990s. Following a series of strikes the government had agreed in 1998 that the minimum pay of a teacher would be double the national minimum wage, with effect from January 2000, but although teachers' relative wages were increased slightly, the implementation of this guarantee was repeatedly deferred. Implementation was made even more difficult, in view of government budget constraints, by an agreement in 2003 to increase the minimum wage steadily to more than double its 2003 level by 2010. The centre-right coalition government proposed delinking pay in education from the minimum wage, but fell when parliament rejected the proposal in February 2004 (Raita Karnite, 2004a). The new government, which took office in March 2004, finally agreed to implement the 1998 agreement, raising the minimum wage in the sector at the cost of compressing differentials. The situation of the health service in Latvia is even worse than that of education. The government faced growing pressure from demands for higher pay and shorter working hours in the health sector through 2004, with health workers unilaterally reducing their working hours to press their demands, although the government insisted that there were no funds available to meet their demands (Karnite, 2004d). Because of the impact of higher teachers' wages, increased welfare benefits and an increase in the very low income tax threshold in the budget, the government announced in July that it would not implement the increase in the minimum wage for 2005 (Karnite, 2004b).

Despite, or perhaps partly because of, these pressures, the centre-left government which took office in March immediately entered into negotiations with the social partners to strengthen the tripartite consultation mechanisms, to which little importance had been attached under the previous centre-right coalition, reaching a formal agreement in October (Karnite, 2004c). It seems very likely that the National Tripartite Cooperation Council will be called on soon to help to reconcile the government's need to restrict the budget deficit with growing demands for tax reductions as well as for improvements in pay, working conditions and services in the public sector.

The minimum wage was also the most contentious issue in Lithuania in 2004. Inconclusive elections in October 2004 led to the formation of a centre-left coalition government, involving the previously governing Social Democrat–Social Liberal alliance, which had lost heavily in the elections, and the newly formed Labour Party. On the eve of the election, in September 2004, the Ministry of Social Security and Labour had proposed a 20 per cent increase in the minimum wage, the feasibility of which was endorsed by a research report submitted in November, but the government and employer representatives objected to such a large increase at the meeting of the Tripartite Council on 7 December. Finally, at a further meeting on 25 January 2005 agreement was reached on a 10 per cent increase, with one employer association abstaining and the new government setting a target of a similar increase in 2006 (Blažienė, 2005).

Although Poland had voted quite strongly in favour of EU accession in the referendum in 2003, turnout in the 2004 European election was only 21 per cent, with a very strong showing for anti-EU parties, and there was growing anxiety that Poland would reject the EU Constitution in the referendum due in 2005. In March 2004, 33 deputies broke away from the ruling SLD-UP to establish a new left party and the day after EU accession the prime minister, Leszek Miller, resigned in the wake of corruption allegations and his failure to defend the Nice voting weights. Despite the high level of unemployment, there has been an increase in the incidence of strikes in Poland, not only in the public but also in the private sector, particularly over the non-payment of wages, which continues to be a serious problem, and job losses. Continued economic difficulties, expressed in persistently high unemployment, renewed inflation and a rising budget deficit, alongside the austerity measures embodied in the 'Hausner Plan', had eroded the government's support so that it was not in a position to take any more radical steps to try to move nearer to meeting the Maastricht criteria.

Attempts to reach tripartite agreement in Poland generally founder on the political divisions between the two main trade union organisations, OPZZ and NSZZ Solidarność, which are reinforced by the political association of each organisation with the mainstream left and right political parties which have alternated in government. Under the centre-left government Solidarność has been the outsider, biding its time in anticipation of the return of a centre-right government in the elections due in the autumn of 2005. Tripartite talks over a comprehensive social agreement prior to EU entry broke down late in 2003, but in December 2003 OPZZ unilaterally negotiated a package of Labour Code amendments with the four employers' associations, which were largely adopted by the government in April 2004.

In Romania the principal policy objective of the government has been to bring down inflation, which had been reduced from over 150 per cent in 1997 to 12 per cent in 2004, against a forecast of 9 per cent. A social stability pact for 2004 was achieved in April, after six months of negotiations, but it was signed by only two of the five trade union federations, Frăţia and Meridian. The other federations refused to sign primarily because of the government's refusal in January 2004 to increase the minimum wage, which is estimated to be paid to 18 per cent of Romanian employees, despite earlier commitments to do so. The government did commit itself to increase the minimum wage in real terms over 2005–06, but the significance of this commitment was questioned because of the upcoming general election. Negotiations for the 2004 general collective agreement broke down over the same issue in May, when the Cartel Alfa union federation refused to sign. Meanwhile, the unions increased pressure for pay increases for public sector workers. In July, the Health Minister proposed a 40 per cent pay rise for health workers, but in September the Sanitas federation of healthcare workers, affiliated to Frăţia, with the support of the other union federations, organised protest meetings at the failure to conclude negotiations, threatening strike action. In August, with elections approaching, the government gave in to teachers' threats to block the start of the school year by awarding them a 30 per cent wage increase.

The ruling Social Democratic Party lost power in the parliamentary election in November 2004, to be replaced by a four-party coalition government dominated by the National Liberal Party and the Democratic Party. The last act of the outgoing government in December 2004 was to agree a collective agreement for 2005–06, which included an 18 per cent increase in the minimum wage over 2004, against an increase of 11 per cent that had previously been announced unilaterally by the government. Under pressure from the World Bank, the government further deregulated labour protection legislation, against strong opposition from all four trade union federations. Discussions about a possible merger between Frăţia and the National Trade Union bloc (BNS) came to nothing because of the different political affiliations of the unions in the face of the coming general election. Another major issue continuing to face the government is the pension system, with attempts, as in many other CEE countries, to compensate for the erosion of the real value of the pension by introducing a system of supplementary private pensions. Overall, while Romania continues to make progress towards meeting the conditions for EU accession in 2007, the measures that will be required to achieve the conditions for entry into ERM2, even by the end of the decade, are likely to put the institutions of social dialogue under considerable pressure. In its October 2004 report on Romania's progress towards accession, the European Commission noted that 'concerns remain regarding the method of consulting the social partners at tripartite level' (European Commission, 2004a: 92) and both trade unions and employers have regularly complained that their views go unheeded.

In Slovakia the centre-right government elected in 2002 continued to push forward its agenda of radical social and economic reforms to attract foreign investment and to meet the conditions of EU and EMU accession. In the presidential election in April pro-government candidates were eliminated in the first round and Ivan Gasparovic, an EU sceptic, defeated the former prime minister, Vladimir Meciar, of whom he had once been a political ally. In the EU election Slovakia had the lowest turnout in the EU-25, at 17 per cent, even though the country had voted over 90 per cent in favour of accession the year before and polls continued to show strong support for the EU Constitution. Slovakia saw an increase in the rate of growth of GDP to 5.3 per cent in 2004, fuelled by the continued growth of FDI, but social dialogue was almost at a standstill as the trade union federation, KOZ, consistently opposed the economic and social policy of the centre-right government. The Slovak government increased the minimum wage by 6.9 per cent from 1 October 2004, which represented a slight fall in real terms and in relation to the average wage, in line with its interpretation of the legally prescribed mechanism, but without the agreement of the trade unions, which called for a larger increase (Barošová, 2004).

KOZ worked in increasingly close cooperation with the new opposition SMER-Social-Democrats Party, formed at the end of 2003 by the integration of three small left parties into the SMER Party, which models itself on Tony Blair's New Labour. KOZ had held a one-hour warning strike in September 2003 and organised a petition at the end of the year calling for a referendum on early parliamentary elections, which failed in April 2004 due to a low turnout. Although Ivan Saktor, leader of KOZ, declared their intention to conclude a strategic partnership with SMER, the KOZ Congress unexpectedly voted in November 2004 against a formal political alliance with the party, which is nevertheless the favourite to win the parliamentary elections scheduled for 2006. In response to the increasing combativeness and politicisation of KOZ, the government announced in May 2004 its intention to revise the tripartite legislation, which obliges the government to consult with the trade unions and employers, to turn the Economic and Social Concertation Council into a purely advisory body.

At the end of March 2004 the Federation of Employers' Associations of the Slovak Republic (AZZZ SR), hitherto the only top-level employers' body, split, with about half its membership leaving to join the new National Union of Employers of the Slovak Republic (RUZ SR). The dissidents particularly cited their dissatisfaction with the mechanism for setting the minimum wage and, more broadly, with the functioning of the tripartite system on the grounds of its inflated agenda (Cziria, 2004).

The main challenge facing the Slovenian government, having joined ERM2, has been to reduce inflation and this has meant weakening wage indexation, which had been a central part of the centralised Slovenian system of compulsory collective bargaining. The unions had accepted de-indexation and the subordination of wage setting to anti-inflation policy in the tripartite social agreement signed in July 2003 and the social partners had endorsed early entry into EMU at the meeting of the Economic and Social Council in November 2003. The first test of this new approach was the negotiation of collective agreements in the private sector. In February 2004 seven industrial unions affiliated to the Union of Free Trade Unions of Slovenia (ZSSS), with the support of all the other union federations, called a one-hour general warning strike against what they claimed was the employers' refusal to negotiate sectoral collective agreements, the employers arguing that they could not afford pay rises and refusing to negotiate sectoral agreements until the general collective agreement for the private sector, which would cap rises in the private sector, was signed (Skledar, 2004a). In April ZSSS and two other union federations held separate protest demonstrations to press their demands. The general collective agreement for the private sector was signed in April 2004 by only the largest of the trade union federations, ZSSS, the other four federations represented on the Council refusing to sign. The agreement provided for an increase in average gross pay of 3.2 per cent in 2004 and 2.7 per cent in 2005, with a minimum cash increase for those on low incomes and a government promise to raise the threshold of the employers' payroll tax (Skledar, 2004b). During May and June the negotiation of sectoral agreements got under way, within the framework of the general private sector agreement, accompanied by further strike threats, and agreements were soon signed for the key sectors. The general election in October 2004 resulted in the replacement of a centre-left government by a neoliberal centre-right one, although the new government reaffirmed its support for social dialogue and social partnership at the first meeting of the Economic and Social Council after the election. It remains to be seen whether the unions will be as accommodating to the new government.

THE STRUGGLE CONTINUES

The principal areas of conflict between the trade unions and national governments seeking to achieve the Maastricht criteria in CEE during 2004 were around the setting of the minimum wage and public sector jobs and pay. Governments have shown themselves willing to marginalise or by-pass tripartite structures, but have in most cases given way in the face of active trade union opposition in the form of protests and strike threats, particularly when parliamentary elections have been imminent. Trade union actions have usually enjoyed broad public support, so that the trade unions have become significant political actors throughout the region. There has also been a fairly high degree of cooperation between competing trade union federations in organising and supporting protest activities, although the identification of trade unions with competing political parties undermines interunion solidarity. Although trade unions have had some success in defending the interests of their members, the imposition of the Maastricht criteria leaves very little space for the implementation of variants of the 'European social model' but rather tends to feed euro-scepticism and the growth of right-wing populism.

The principal limitation on attempts to realise the European social model lies in the fact that this battle is being fought out separately in each particular country in CEE, as is also largely the case in the western member states, while the 'Europe of capital' is embodied in the core institutions of the EU, expressed in the Maastricht criteria, the Stability and Growth Pact and the new Constitution. It is most likely that, unless the trade unions across Europe can advance the struggle for a 'social Europe' to the European level, national trade unions in CEE will be confined to a defensive struggle in which they will always be vulnerable to assault from populist neoliberal governments, so finding themselves picked off one by one as the 'new Europe' encircles the 'old'.

References

Barošová, M. (2004), 'Government Increases Minimum Wage', EIRO, 10 November, http://www.eiro.eurofound.eu.int/2004/11/inbrief/sk0411101n.html

Berlin Group (2004), *Economic, Political, Institutional as well as Social Risks and Opportunities of EMU Enlargement*, Ezoneplus Working Paper No. 22, June (Berlin, Jean Monnet Centre of Excellence Freie Universität Berlin), http://www.ezoneplus.org/archiv/ezp_wp_22.pdf

Blažienė, I. (2005), 'Agreement Finally Reached on Minimum Wage Increase', EIRO, 15 February, http://www.eiro.eurofound.ie/2005/02/inbrief/lt0502101n.html

Cziria, L. (2004), 'New Central Employers' Organisation Established', EIRO, 8 September, http://www.eiro.eurofound.eu.int/2004/08/feature/sk0408102f.html

De Grauwe, P. and G. Schnabl (2004), 'The Eastern Enlargement of the European Monetary Union', *Journal of European Affairs*, **2**, 3, 22–27.

ECB (2004a), 'European Central Bank Press and Information Division Press Release 27 June', http://www.ecb.int/press/pr/date/2004/html/pr040627.en.html

ECB (2004b), *Convergence Report* (Frankfurt, European Central Bank), http://www.ecb.int/pub/pdf/conrep/cr2004en.pdf

ECB (2004c), 'Frequently Asked Questions: EU Enlargement and Economic and Monetary Union (EMU)', http://www.ecb.int/ecb/enlargement/html/faqenlarge.en.html

Eurobarometer (2004), *Spring 2004: Public Opinion in the European Union*, July, Eurobarometer.

European Commission (2004a), *Regular Report on Romania's Progress Towards Accession* (Brussels, Commission of the European Communities), 6 October 2004, http://www.europa.eu.International/comm/enlargement/report_2004/pdf/rr_ro_2004_en.pdf

European Commission (2004b), *Enlargement Research Bulletin*, 35, December, http://europa.eu.int/comm/enlargement/docs/research/current_issue.htm

Hála, J. (2004), 'Trade Unions Consulted on New Government's Programme', EIRO, 7 October, http://www.eiro.eurofound.ie/2004/10/inbrief/cz0410102n.html

Hála, J. and A. Kroupa (2005), 'Forestry and Wood Workers' Union Issues Strike Warning', EIRO, 17 January, http://www.eiro.eurofound.ie/2005/01/inbrief/cz0501101n.html

Kadavá, C. (2005), 'Dispute over Transformation of Czech Railways', EIRO, 2 February, http://www.eiro.eurofound.ie/2005/01/feature/cz0501102f.html

Kallaste, E., K. Philips and R. Eamets (2004), '2003 Annual Review for Estonia', EIRO, 18 May, http://www.eiro.eurofound.ie/2004/01/feature/ee0401104f.html

Karnite, R. (2004a), 'Controversy over Teachers' Pay Continues', EIRO, 30 June, http://www.eiro.eurofound.ie/2004/06/feature/lv0406102f.html

Karnite, R. (2004b), 'Doubts Raised over Future Minimum Wage Increases', EIRO, 12 August, http://www.eiro.eurofound.ie/2004/08/inbrief/lv0408101n.html

Karnite, R. (2004c), 'Tripartite Dialogue Renewed', EIRO, 3 November, http://www.eiro.eurofound.ie/2004/10/feature/lv0410102f.html

Karnite, R. (2004d), 'Pay Demands by Medical Staff Spread', EIRO, 8 December, http://www.eiro.eurofound.ie/2004/12/inbrief/lv0412103n.html

Kauppinen, T. and C. Welz (2004), *Social Dialogue and EMU in the Acceding Countries: Overview* (Dublin, European Foundation for the Improvement of Living and Working Conditions), http://www.eurofound.eu.int/publications/files/EF0421EN.pdf

Kemmerling, A. (2003), *Report on the Social Dimension of Ezoneplus: Of Reshaping Policies, Social Conflicts and Political Consequences*, Ezoneplus Working Paper No. 13, August (Berlin, Jean Monnet Centre of Excellence Freie Universität Berlin), http://www.ezoneplus.org/archiv/ezoneplus_wp_thirteenC.pdf

Kiander, J., R. Vaittinen and T. Paas (2002), *The Eastward Enlargement of the Eurozone and Labour Market Adjustment* (Bologna: Bologna Workshop—Ezoneplus).

Koleva, N. (2004), 'Trade Unions Oppose Government Wage Restraint Plans', EIRO, 5 November, http://www.eiro.eurofound.ie/2004/10/inbrief/bg0410201n.html

Koleva, N. (2005), 'Minimum Wage Increased without Tripartite Consensus', EIRO, 15 February, http://www.eiro.eurofound.ie/2005/02/inbrief/bg0502201n.html

Ladã, M. (2002), 'Industrial Relations in the Candidate Countries', EIRO, 30 July, http://www.eiro.eurofound.ie/2002/07/feature/TN0207102F.html

Lauringson A., R. Eamets and K. Philips (2005), 'Two Major Minimum Wage Agreements Signed', EIRO, 17 January, http://www.eiro.eurofound.ie/2005/01/inbrief/ee0501103n.html

Lavrač, V. (2003), *Institutional Aspects of Dynamics of Inclusion of Accession Countries into the EMU*, Ezoneplus Working Paper No. 18, June, (Berlin, Jean Monnet Centre of Excellence Freie Universität Berlin), pp. 9–11, http://www.ezoneplus.org/archiv/ezp_wp_18.pdf

Leetmaa, R. (2004), 'Monthly Update—Estonia, European Employment Observatory', May, http://www.eu-employment-observatory.net/resources/monthlyupdates0405/estonia_update_may_04.doc.

Mihaylova, T. (2005), 'Trade Unions Organise National Protest Actions', EIRO, 11 January, http://www.eiro.eurofound.ie/2004/12/feature/bg0412203f.html

Ost, D. (2002), 'The Weakness of Strong Social Movements: Models of Unionism in the East European Context', *European Journal of Industrial Relations*, **8**, 1, 33–51.

Philips, K. and R. Eamets (2004), 'No Agreement Yet on Minimum Wage for 2005', EIRO, 29 November, http://www.eiro.eurofound.eu.int/2004/11/feature/ee0411102f.html

Rychly, L. and R. Pritzer (2003), *Social Dialogue at National Level in the EU Accession Countries* (Geneva, ILO InFocus Programme on Social Dialogue, Labour Law and Labour Administration), http://www.ilo.org/public/english/region/eurpro/geneva/conf/malta2003/soc_nat_dial.pdf

Shtonova, N. (2004), 'Pay Developments over 2003–4 Examined', EIRO, 28 June, http://www.eiro.eurofound.ie/2004/06/feature/bg0406103f.html

Skledar, S. (2004a), 'Seven Unions Hold General Warning Strike in Industry', EIRO, 29 March, http://www.eiro.eurofound.ie/2004/03/feature/si0403101f.html

Skledar, S. (2004b), 'Tripartite Private Sector Pay Policy Agreement Concluded for 2004–5', EIRO, 10 June, http://www.eiro.eurofound.ie/2004/05/feature/si0405103f.html

Tóth, A. and L. Neumann (2004a), '2003 Annual Review for Hungary', EIRO, 19 May, http://www.eiro.eurofound.ie/2004/01/feature/hu0401107f.html

Tóth, A. and L. Neumann (2004b), *National-level Tripartism and EMU in the New EU Member States and Candidate Countries* (Dublin, European Foundation for the Improvement of Living and Working Conditions), http://www.eurofound.eu.int/publications/files/EF04110EN.pdf

Tóth, A. and L. Neumann (2004c), 'Renewed Tensions between Public Sector Unions and Government', EIRO, 4 October, http://www.eiro.eurofound.ie/2004/09/feature/hu0409101f.html

Tóth, A. and L. Neumann (2005), 'Central Wage Deals Reached for 2005', EIRO, 24 January, http://www.eiro.eurofound.ie/2005/01/inbrief/hu0501102n.html