

# **International Journal of Comparative Labour Law & Industrial Relations**

**KLUWER LAW**

INTERNATIONAL

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The Netherlands

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Subscription enquiries and requests for sample copies should be directed to Turpin Distribution Services Ltd.

Subscription prices, including postage, for 2005 (Volume 21):  
EUR216.00 / USD255.00 / GBP 151.00.

This journal is also available online. Online and individual subscription price are available upon request. Please contact our sales department for more information at +31 (0)70 3081562 or at [sales@kluwerlaw.com](mailto:sales@kluwerlaw.com).

*International Journal of Comparative Labour Law and Industrial Relations* is published quarterly.

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ISSN: 0952 617x

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## Tripartite Bargaining and its Impact on Stabilisation Policy in Central and Eastern Europe

**Abstract:** In this paper we examine the impact of self-imposed governmental constraints (by tripartite arrangements) and the timing of reforms (window of opportunity) on the successful implementation of large-scale reforms (fiscal stabilisation policy) in seven Central and Eastern European Countries. By analysing different sources and conducting interviews with experts and members of the tripartite councils, we consider the impact of tripartite structures on the government decision-making process in Bulgaria, Estonia, the Czech and Slovak Republics, Hungary, Poland and Slovenia. Our findings indicate that the early and continuously stabilising countries secured their policy-making by factors other than tripartite bargaining. In those countries that took a second, later approach to fiscal stabilisation, with a more confrontational style and stronger trade unions, tripartite bargaining proved to be a successful instrument.

### 1. INTRODUCTION

The dilemma of simultaneity of economic and political reform<sup>1</sup> that has been seen as a threat to the transition processes in Central and Eastern

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† The article is a product of the research project 'Political Governance of Economic Reform', conducted from 2000-2004 at Humboldt-Universität zu Berlin, funded by the Deutsche Forschungsgemeinschaft (DFG). We thank Petra Stykow and Helmut Wiesenthal for helpful comments.

1 J. Elster, 'The Necessity and Impossibility of Simultaneous Economic and Political Reform', in P. Ploszajski (ed.), *Philosophy of Social Choice*, Warsaw, IFIS Publication, 1990, pp. 309-316. C. Offe, 'Capitalism by Democratic Design? Democratic Theory Facing the Triple Transition in East Central Europe', *Social Research*, Vol. 58, 1991, pp. 865-892.

Europe has not in fact proved to have a substantial impact. Nearly all countries have more or less managed the dual transition to political democracy and market economy and, except for the Balkan states, they have also regulated the national question peacefully. However, there are differences among the countries in terms of the degree to which reforms have been implemented and the economic outcome they have achieved. As a possible explanation for these variations, governance theory views the relation between executive constraints and time dependence as essential, though the relation between these variables is still debated. Some cases provide evidence to support the hypothesis that there is a period of extraordinary politics at the beginning of transition, that the government has to make use of,<sup>2</sup> while in other cases it seems that institutional learning and political changes can make belated reforms possible and equally effective.<sup>3</sup> Accordingly, in some cases an executive that was free of political, institutional and societal restrictions has proved to be more effective for the introduction of reforms,<sup>4</sup> whereas in others reforms deriving from negotiation and compromise have been easier to put through because of their greater acceptance.<sup>5</sup>

By analysing a relevant policy field we study the impact of the window of opportunity and the room for manoeuvre in effective policy-making for governments. Stabilisation policy is an important reform measure since inflation undermines the functioning of the price system and destroys confidence in the currency. It means that the government has to contain the budget deficit by restructuring the system of revenues and expenditures, using a mixture of fiscal policy instruments such as cutting subsidies and reforming the tax system, and introducing wage ceilings in order to bring down inflation (fiscal stabilisation). An independent central bank that is able to defend a credible monetary policy with tight interest rates, an effective exchange-rate policy and credit ceilings independent of the government is also needed (monetary stabilisation).

Here we concentrate on fiscal stabilisation policy since our focus is on the action of governments, whereas monetary stabilisation measures

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2 L. Balcerowicz, 'Understanding Postcommunist Transitions', *Journal of Democracy*, Vol. 5, 1994, pp. 75-89.

3 M. Bútorá and Z. Búterová, 'Slovakia's Democratic Awakening', *Journal of Democracy*, Vol. 10, 1999, pp. 80-95.

4 N. Mikhailov, 'Political Determinants of the Success of Economic Transition', in D.L. Weiner (ed.), *The Political Economy of Property Rights*, Cambridge, Cambridge University Press, 1997, pp. 50-79.

5 J. Hellman, 'Winners Take All – the Politics of Partial Reform in Postcommunist Transition', *World Politics*, Vol. 50, 1998, pp. 203-234. D. Stark and L. Bruszt, *Postsocialist Pathways*, Cambridge, Cambridge University Press, 1998.

are the competence of the central bank. Although most political actors accept the necessity of restrictive fiscal policy and a balanced state budget, such a programme generally causes cuts in social spending and subsidies, and in the short-run leads to higher unemployment and the erosion of real wages. In the sequence of macro-economic reform measures, some authors regard early fiscal stabilisation as the most important instrument for achieving economic recovery.<sup>6</sup>

In this policy field, governments have difficult choices to make. Pursuing fiscal stabilisation may increase social unrest and lead to a level of strikes or other public protests that forces the government out of office. Softening the programme may reduce political pressure momentarily but cause even more economic disturbances in the long run.<sup>7</sup> As stabilisation efforts have to be continued for a certain period of time, governments need to secure their legitimacy for such a long-term policy in relation to potential veto-players, especially trade unions. The introduction of tripartite dialogue in labour relations is seen as a possible mechanism to overcome the threat of deadlock or even reversal of reforms. The idea is that institutions (tripartite councils in our case) are able to regulate markets and the activities and interests of relevant actors in these markets. The incorporation of trade unions and employers' organisations, representing potentially conflicting functional interests, into the policy process as recognised, indispensable negotiators that are co-responsible for the implementation of certain political measures is known as 'concertation'. In corporatist theory<sup>8</sup> – which is used as an analytical concept applied to the system of interest intermediation, leaving aside the debate

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- 6 J. Hellman, *Competitive Advantage: Political Competition and Economic Reform in Postcommunist Transitions*, Paper presented at the Annual Meeting of the American Political Science Association, San Francisco, 29 August – 1 September 1996. J. Beyer, 'Beyond the Gradualism-Big Bang Dichotomy: The Sequencing of Reforms and Its Impact on GDP', in J. Beyer, J. Wielgoths and H. Wiesenthal (eds.), *Successful Transitions. Political Factors of Socio-Economic Progress in Postsocialist Countries*, Baden Baden, Nomos, 2001, pp. 23-39.
- 7 L. Bruszt, 'Transformative Politics: Social Costs and Social Peace in East Central Europe', *East European Politics and Society*, Vol. 6, 1992, pp. 55-72. F. Bönker, 'Initiating and Consolidating Economic Reform: A Comparative Analysis of Fiscal Reform in Hungary, Poland and the Czech Republic, 1989-1999', in J. Beyer, J. Wielgoths and H. Wiesenthal (eds.), *Successful Transitions. Political Factors of Socio-Economic Progress in Postsocialist Countries*, Baden Baden, Nomos, 2001, pp. 121-122.
- 8 As the most influential author see Ph.C. Schmitter, 'Reflections on Where the Theory of Neo-Corporatism Has Gone and Where the Praxis of Neo-Corporatism May Be Going', in G. Lehmbruch and Ph.C. Schmitter (eds.), *Patterns of Corporatist Policy Making*, London, Sage, 1982, p. 263. W. Reutter, 'Tripartism without Corporatism: Trade Unions in East Central Europe', in A. Ágh and G. Ilonszki (eds.), *Parliaments and Organised Interests. The Second Steps*, Budapest, Hungarian Center for Democracy Studies, 1996, pp. 59-63.

on the concept itself – this specific mode of decision-making implies certain compensations for interest groups in exchange for their acceptance of government policy proposals. Hence, two central functions can be ascribed to tripartite concertation: the mediation of societal interests in communication between associations and the state (hinge function) and the relief of the state from the need to care about the acceptance and obedience of political decisions by itself (buffer function).<sup>9</sup> The connection between an executive that is constrained by corporatist structures and stability in economic and political matters has been widely analysed, and research results point to a positive relationship.<sup>10</sup>

Tripartite councils have been set up by most governments in Central and Eastern Europe. The analyses undertaken so far have described the empirical state and functioning of tripartism<sup>11</sup> or have explored the type of democracy and market economy that has evolved from the way in which state actors have shaped their relation with interest groups.<sup>12</sup> Both kinds of research have shown that the type of tripartism that has emerged in the transition countries varies in terms of the preconditions for effective and ideal-type corporatism such as organisational capacities of interest groups, institutional and legal frameworks for operation and cultural values.<sup>13</sup> Hence, the functioning of tripartite bargaining according to cor-

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9 U. von Alemann, 'Interessenvermittlung in Westeuropa: Die Diskussion um Korporatismus in der vergleichenden Politik', in U. von Alemann and E. Forndran (eds.), *Interessenvermittlung und Politik. Interesse als Grundbegriff Sozialwissenschaftlicher Lehre und Analyse*, Opladen, Westdeutscher Verlag, 1993, p. 122.

10 C. Crouch, 'Conditions for Trade Union Wage Restraint', in L.N. Lindberg and C.S. Maier (eds.), *The Politics of Inflation and Economic Stagnation*, Washington, The Brookings Institutions, 1985, pp. 105-139. K. Armingeon, *Staat und Arbeitsbeziehungen*, Opladen, Westdeutscher Verlag, 1994.

11 G. Casale, 'Experiences of Tripartite Relations in Central and Eastern European Countries', *IJCLLR*, Vol. 16, 2000, pp. 129-142. L. Héthy, 'Social dialogue in Hungary: its rise and decline', *South East Europe Review*, Vol. 4, 2001, pp. 55-70. A. Pollert, 'The Transformation of Trade Unionism in the Capitalist and Democratic Restructuring of the Czech Republic', *EJIR*, Vol. 3, 1997, pp. 203-228. S. Vickerstaff and J.E.M. Thirkell, 'Instrumental Rationality and European Integration: Transfer or Avoidance of Industrial Relations Institutions in Central and Eastern Europe?', *European Journal of Industrial Relations*, Vol. 6, 2000, pp. 237-251.

12 M. Tatur, 'Towards Corporatism? The Transformation of Interest Policy and Interest Regulation in Eastern Europe', in E.J. Dittrich, G. Schmidt and R. Whitley (eds.), *Industrial Transformation in Europe. Process and Context*, London, Thousand Oaks, New Delhi, Sage, 1995, pp. 163-183. E.A. Iankova, 'The Transformative Corporatism of Eastern Europe', *East European Politics and Society*, Vol. 12, 1998, pp. 222-264.

13 T. Cox and B. Mason, 'Interest Groups and the Development of Tripartism in East Central Europe', *EJIR*, Vol. 6, 2000, pp. 325-347. W. Reutter *op. cit.*, pp. 59-78.

poratist theory is generally debated, while its symbolic meaning for defining the rules of the game and for settling intra-elite conflicts is widely accepted.<sup>14</sup>

We do not want to evaluate the structural conditions but the practical implications of tripartism: we aim to ascertain whether the introduction of tripartite bargaining has served as a self-imposed, 'enabling' executive constraint;<sup>15</sup> i.e. as an institutionalised mode of decision-making that has not restrained governmental policy-making but rather facilitated it by solving or even preventing conflict between labour and capital, a question that has so far been rather neglected.<sup>16</sup> According to corporatist theory, governments that use tripartite bargaining as a mode of decision-making should be better able to cope with veto players and to follow fiscal stabilisation policy more continuously. An analysis of protest activity in Poland, Hungary and Slovakia has shown that, among other factors, the early institutionalisation of neo-corporatist bargaining diminishes the incidence and magnitude of strike action.<sup>17</sup>

The sample of countries selected for the analysis consists of those that chose stabilisation as the first economic reform measure, prior to privatisation or liberalisation. Among them are countries such as Czechoslovakia (later the Czech Republic and Slovakia), Poland and Slovenia that followed this sequence of reforms also in practice, while Hungary and Bulgaria and to a certain extent Slovakia started their real stabilisation efforts several years later. Estonia is also included in the analysis because it has been highly successful in terms of containing inflation

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14 P. Stykow, *Organized Interests in the Transformation Processes of Eastern Europe and Russia: Towards Corporatism?*, Working Paper AG TRAP 11, Berlin: Max-Planck-Gesellschaft, Arbeitsgruppe Transformationsprozesse, 1996.

15 D. Stark and L. Bruszt, *Enabling Constraints: The Institutional Sources of Policy Coherence in Postsocialism*, Working Papers on Transitions from State Socialism 7, Cornell University, Ithaca, 1996.

16 The implications for wage policy have been described by M. Myant, B. Slocock and S. Smith, 'Tripartism in the Czech and Slovak Republic', *Europe Asia Studies*, Vol. 52, 2000, pp. 723-739. The general relevance of tripartism for keeping the social peace has been analysed e.g. by M. Orenstein, 'The Czech Tripartite Council and its Contribution to Social Peace', in A. Ágh and G. Ilonszki (eds.), *Parliaments and Organised Interests. The Second Steps*, Budapest, Hungarian Center for Democracy Studies, 1996, pp. 173-189.

17 G. Ekiert and J. Kubik, 'Contentious Politics in New Democracies. East Germany, Hungary, Poland, and Slovakia, 1989-93', *World Politics*, Vol. 50, 1998, pp. 547-581.

and in increasing Gross Domestic Product (GDP), though the government here decided to liberalise the economy first.<sup>18</sup>

## 2. INITIAL CONDITIONS AND INSTRUMENTS OF STABILISATION POLICY

At the beginning of transition, the countries in Central and Eastern Europe faced a range of different economic situations. Not only was there variance in the extent of fiscal imbalances, i.e. the volume of internal and external debt and the level of inflation, but there was also a difference in the extent to which the socialist governments had initiated economic reforms, i.e. the size of the private sector and the amount of trade with the Soviet Union.<sup>19</sup>

Hungary emerged better prepared than the other countries since it had started economic reforms in 1968 that had led to price and trade liberalisation and a growing small-scale private sector. In Poland, there was some activity in the private sector as well, but both countries suffered from huge foreign debts and achieved practically no growth in the 1980s. In addition, Poland faced a large internal deficit and monetary overhang. In Bulgaria the situation concerning external debts and monetary overhang was similar, while hidden inflation was about 10% in the late 1980s. Bulgaria achieved the most extensive industrial development during socialism but exports were mainly confined to the Soviet Union.<sup>20</sup> Czechoslovakia had returned to orthodox socialist economic measures in 1968 and was much less prepared for a change in a structural sense. However, it had only a small monetary overhang and an extremely low

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18 The other three countries that were or are applying for EU membership, Latvia, Lithuania and Romania, are not considered here, mainly because they opted for a different sequence of reform-steps: Latvia formally adopted liberalisation, whereas Lithuania and Romania first dealt with privatisation. In addition, the success of their macro-economic stabilisation came more slowly than in the other countries (with the exception of Bulgaria) which is shown by indicators like real output ratio 1999/1989, average inflation 1989-99, the EBRD average transition indicator and PPP GDP per capita, see International Monetary Fund, *World Economic Outlook 2000*, Washington D.C., 2000, p. 89. Tripartism has also been introduced quite recently: Latvia 1994, Lithuania 1998, Romania 1997, see G. Casale, *op. cit.*, pp. 129-142.

19 F. Bönker, *On the Road to a Capitalist Economy. Economic Stabilization and Transformation in Bulgaria, Czechoslovakia and Hungary*, ZERP-Discussion Paper No. 4, Bremen, 1993, p. 22.

20 M. Bruno, 'Stabilization and Transition in Eastern Europe', in O.J. Blanchard, K.A. Froot and J.D. Sachs (eds.), *The Transition in Eastern Europe 1*, Chicago, London, University of Chicago Press, 1994, pp. 23-24.

ratio of external debt to GNP. The budget and balance of payments were in balance since the government had pursued a tight fiscal policy.<sup>21</sup> Concerning public spending and external indebtedness, Slovenia and Estonia initially had similarly favourable conditions, but inflation in Slovenia was about 104.5% in 1989,<sup>22</sup> and Estonia faced hyperinflation in 1991/92. Slovenia's main task was to introduce a new currency in order to avoid the resurgence of hyperinflation that plagued the rest of the former Yugoslavia.

The use of stabilisation-related instruments shows that the countries analysed – regardless of their economic starting-points in 1989 and the plans of the first democratic governments – have followed fiscal stabilisation policy with different intensity (see Tables 3a-3b in the Annex). As the first country to introduce a stabilisation package, Poland stuck to these measures continuously, irrespective of the parties in government. In wage policy a punitive tax was introduced that was strictly maintained during the first years. Structural tax and expenditure reforms alleviated the fiscal situation. High rates of economic growth also took pressure off the budget, although the restrictive budget control was softened in the long run.<sup>23</sup> Estonia also pursued a decisive policy that proved to be more stable. Cuts in subsidies and adjustments to the tax system prepared the ground for reforms even before the official stabilisation programme was announced. The introduction of the currency board in 1992 and pegging the Eesti Kroon to the Deutsche Mark implied sound fiscal policy throughout the following years.<sup>24</sup> The Slovenian fiscal stabilisation policy was comparably successful. The fact that there were no budget and balance-of-payment deficits in the initial stage allowed for a gradual reform pace and a case-by-case reform method. Political changes did not affect economic and reform policy. However, Slovenia has been less successful in controlling wages: an effective incomes policy was only achieved in 1995 after a period of contradictory measures, though wage policy had no impact on the development of fiscal stabilisation.<sup>25</sup>

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21 F. Bönker, *op. cit.*, 1993, p. 23.

22 M. Andrejevich, 'Slovenian Government Faces Challenges', *Report on Eastern Europe*, Vol. 2, 1991, p. 32.

23 F. Bönker, *op. cit.*, 2001, p. 130.

24 T. Rajasalu, 'Macroeconomic Stabilization and Development', in O. Lugas and G.A. Hachey (eds.), *Transforming the Estonian Economy*, Tallinn, Estonian Academy of Sciences, 1995, pp. 16-51. J. Hoag and M. Kasoff, 'Estonia in Transition', *Journal of Economic Issues*, Vol. 33, 1995, pp. 919-931.

25 Real wage growth surpassed the growth of productivity and after 1993 it was growing faster than GDP. A. Sušjan, 'The Hardening of the Budget Constraint in Post-Socialist Economies: The Case of Slovenia', *Acta Oeconomica*, Vol. 48, 1996, pp. 393-415.

In Czechoslovakia fiscal stabilisation policy was also characterised by a continuous strategy, despite uneven progress by the national governments in terms of the pace of reforms. To control inflation, the federal government pursued a restrictive budgetary policy.<sup>26</sup> After the split of the federation, the Czech Republic continued on the chosen reform path. Restrictive fiscal policy was maintained until 1997, then budgetary difficulties and economic problems<sup>27</sup> arose that forced the government to announce two austerity packages.<sup>28</sup> Nevertheless, in 1998, these stabilisation measures were partly softened. In the Slovak Republic the course of fiscal stabilisation policy was unstable and contradictory. The Mečiar government first basically followed the reforms that had been introduced by the Czechoslovak Federation, but the pace of reforms slowed down, with a negative impact on the economy.<sup>29</sup> After Mečiar's re-election in 1994, the efforts of the interim Prime Minister Jozef Moravčík to maintain a restrictive fiscal policy were relaxed. In September 1997 such a policy was shortly pursued again by the introduction of wage control but it was abolished just one year later. Mikuláš Dzurinda, elected in September 1998, was forced to put fiscal stabilisation policy back on to a firm footing until the reform of several measures in 2000.

In Hungary, the Antall government elected in 1990 announced a fiscal stabilisation programme, but with its gradual approach to reforms, budget policy and the fundamental restructuring of subsidies and social expenditures were neglected. Hence, in 1995 the introduction of a real austerity package became necessary. The government managed to reduce the budget deficit as well as inflation, and reforms began to bear fruit after 1997.<sup>30</sup> Bulgaria also had to reintroduce strict budgetary and fiscal discipline after several years. In 1991, the government had formally chosen to follow the Polish path of shock therapy, but in practice the respective measures were either weakened or not implemented. After several half-hearted attempts by successive governments to return to prudent policy had failed and the eco-

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26 J. Pehe, 'Czechoslovakia. Economic and Constitutional Change', *Report on Eastern Europe*, Vol. 1, 1991, p. 12. K. Morvay, 'Overall Economic Development', in A. Marcincin and M. Beblavý (eds.), *Economic Policy in Slovakia 1990-1999*, Bratislava, INEKO, 2000, pp. 37-41.

27 The government used state-owned banks to support several non-viable enterprises in order to minimise unemployment.

28 European Bank for Reconstruction and Development, *Transition Report 2002. Agriculture and rural transition*, London, 2002, p. 138.

29 K. Morvay, *op. cit.*, pp. 41-44.

30 Organisation for Economic Co-operation and Development, *OECD Economic Surveys 1998-1999 Bulgaria*, Paris, 1999.

conomic situation had deteriorated, a currency board was set up in July 1997, including strict fiscal and budgetary policy measures.<sup>31</sup>

In essence, the continuity with which governments practised stabilisation policy differed enormously. A tentative comparative ranking of the countries is shown in Table 1.

*Table 1: Tentative Country Ranking in Terms of Stabilisation Efforts*

Ranking	Country	Evaluation of Fiscal Stabilisation Efforts 1990-2000
1	Estonia	steady stabilisation policy
2	Poland	budget control softened only at end of the 1990s
3	Slovenia	loose wage policy
4	Czech Republic	fiscal stabilisation weakened at end of the 1990s
5	Hungary	second approach in the second half of the 1990s
6	Slovak Republic	unsteady use of fiscal stabilisation measures, second approach in 1998
7	Bulgaria	second approach in 1997 after weak initial fiscal stabilisation

This mode of pursuing fiscal stabilisation policy is mirrored in the development of the respective economic data such as inflation and government expenditure (see Tables 4-6 in the Annex).<sup>32</sup> Hence, in order to assess the relation between the performance of fiscal stabilisation policy and the impact of tripartite bargaining, we have to study different points in time between 1990 and 2000, with a focus in some countries on longer periods of policy-making and in others only on particular events, according to their respective history in this policy field.

### 3. TRIPARTISM AND THE MEDIATION OF TRANSITION CONFLICTS

In this section we examine whether the existence of a tripartite structure played an important role in the countries that followed a continuous fiscal stabilisation policy. Did the governments effectively use tripartite bargaining as a mechanism to maintain social peace? And did those countries with an unsteady development suffer from public pressure that could not be mediated? Or were there other reasons for the mode of policy making? We

31 M. Wyzan, 'Stabilization and anti-inflationary policy', in I. Zloch-Christy (ed.), *Bulgaria in a Time of Change*, Adlershot, Avebury, 1997, pp. 7-105. Organisation for Economic Co-operation and Development, *OECD Economic Surveys 1998-1999 Hungary*, Paris, 1999.

32 Of course other political and economic factors also influence the performance of these data.

will examine whether social protests were articulated against fiscal stabilisation policy measures, how far they were discussed by the social partners in the tripartite councils, and whether this led to a collective agreement putting an end to the protests and supporting fiscal stabilisation policy.<sup>33</sup>

Before we start the case studies beginning with those countries that were more continuous in pursuing fiscal stabilisation policy, we provide an overview of the formal aspects of tripartism in the various countries (see Table 2).

With the exception of Poland, all the tripartite councils were founded at the beginning of the transition, in most cases at the initiative of the government, in order to prevent social conflict. Government influence on the bargaining process remains strong in nearly all the countries as members of the government or government officials serve as chairpersons. Only in Hungary and Slovenia is there a rotating chairperson. In four out of seven countries the chairperson also decides on the agenda of the meetings. Although in all the countries except Estonia and Slovenia the councils have decision-making competencies and not just a consultative function, the large number of participants, as in Poland, or the fragmentation of workers' and employers' organisations, as in Hungary, may prove to be a further obstacle for efficient problem-solving. With regard to the frequency of meetings, there is not much variance among the countries, only Estonia and the Czech Republic having less than five meetings per year.

The extent to which these rather weak bodies have an influence on the course of fiscal stabilisation policy will be analysed in the following country studies.

### *3.1. Estonia – Early Partial Fiscal Stabilisation before its Formal Introduction*

In Estonia fiscal stabilisation policy was initiated in a fairly conflict-free atmosphere. The frequent no-confidence votes or early resignations of governments were not motivated by stabilisation-related conflicts, and there were no major strikes or other forms of protest by trade unions or other pressure groups. Thus, social divisions arose and short-time solidarity and warning strikes took place, but they were not transformed into open and organised protest. One reason was that the public reaction to

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33 Because – compared to Poland, Hungary and the Czech Republic – the cases of Bulgaria, Estonia, Slovakia, and Slovenia are not well documented in the literature, we carried out extensive interviews and discussions with representatives of trade unions and employers' organisations, social scientists, and state officials in spring/summer 2001 in order to fill this gap.

Table 2: Formal Features of Tripartism in Comparison

	founded in	initiated by	chair-person	agenda set by	role of tripartite body	membership <sup>1</sup> (no. of organ.)	frequency of meetings per year
Bulgaria	1990	TU/Gov	Minister	chair	consultation advisory decision making	14: 2 Gov 4 (2) TU 8 (4) EO	> 5
Czech Republic	1990	Gov	Prime Minister	chair + vice	consultation advisory decision making	22: 8 Gov 7 (2) TU 7 (2) EO	< 5
Estonia	1991	TU/Gov	government official	whole body	consultation advisory	18: 2 Gov <sup>2</sup> 6 (2) TU 6 (1) EO, 3 Civil Society	2-4
Hungary	1988	Gov	rotating	whole body	consultation advisory decision making	18: 3 Gov 6 (6) TU 9 (9) EO	> 5
Poland	1994	Gov	Minister	by presidium (tripartite)	consultation advisory decision making	49: 7 Gov <sup>3</sup> 14 (2) TU 28 (4) EO	> 5
Slovakia	1990	Gov	Deputy Prime Minister	secretariat + whole body	consultation advisory decision making	21: 7 Gov 7 TU 7 EO	> 5
Slovenia	1990	TU/Gov	rotating	secretariat + chair propose	consultation advisory	15: 5 Gov <sup>4</sup> 5 (4) TU 5 (3) EO	> 5

Sources: based on F. Draus, *Der soziale Dialog in den EU-Bewerberländern. Zusammenfassender Bericht*, manuscript, 2000, <[www.konfederaciok.hu/mszeib/eng/taskforces/synthesis.html](http://www.konfederaciok.hu/mszeib/eng/taskforces/synthesis.html)>, 23.04.2003. L. Rychly and R. Pritzer, *Social Dialogue at National Level in the EU Accession Countries*, ILO Working Paper, Geneva, 2003

Gov: government, TU: trade union, EO: employers' organisation

<sup>1</sup> Regarding representativeness measures that determine which organisations may participate see Rychly/Pritzer, *ibid.*, p. 28/29.

<sup>2</sup> Plus the Central Bank

<sup>3</sup> Plus the Central Bank and the Central Statistical Office and others if required

<sup>4</sup> Plus the Prime Minister's Office and the Institute of Macroeconomic Analysis and Development

strikes was negative as ordinary people still associated them with communist actions. In addition, trade unions were and still are not only weak in terms of organisational density and their reputation in society, but also economically so they cannot provide real material and legal guarantees for strike participants.<sup>34</sup> Moreover, individual bargaining is preferred to collective agreements since it is regarded as more effective.<sup>35</sup>

However, the tripartite consultations that had been introduced as early as 1991 were still useful. At the request of the Confederation of Estonian Trade Unions (EAKL),<sup>36</sup> following the Finnish example, the government had agreed to establish the Social and Economic Council because it was convinced of the preventive idea behind it.<sup>37</sup> In the bargaining processes that followed, the government achieved its financial aims, i.e. securing lower wages and pensions. The trade unions in turn could draw attention to rising unemployment and basic social needs and were able to expand the topics discussed in the tripartite council on labour and social laws in general. In 1996 and 1997 they reached agreements concerning their participation in the social insurance system, the restructuring of the pension system, the introduction of a subsistence level and safety in the workplace.<sup>38</sup>

Hence, although the policy outcomes of tripartite bargaining mainly matched the interests of the government, employers and trade unions also gained from their participation and the institutional framework for social dialogue was expanded. In 1994, a mediation council was introduced which effectively resolved conflicts between the government and the teachers' organisation. In order to enhance the possibilities for discussing policy options, another Council on Economic and Social Affairs was introduced in 1999. All in all, trade unions perceived the system of tripartite negotiations as an important forum for developing participatory democracy, for extending the legal foundation of labour relations and for establishing themselves as important players at the national level.<sup>39</sup>

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34 T. Kaadu, 'Changing Industrial Relations in Estonia', in G. Casale (ed.), *Social Dialogue in Central and Eastern Europe*, Budapest, ILO, 1999, p. 168.

35 Interview in Estonian Ministry of Social Affairs, in Tallinn, 22 May 2001.

36 The EAKL is the most important trade union confederation in Estonia, a reformation of the former socialist trade union. The Estonian Employee's Unions' Association (TALO) split off of EAKL as a white-collar trade union in 1993 and the Trade Union for Foodstuffs and Agriculture (ETMAKL) in 1997.

37 The main topics that were discussed in the tripartite council concerned the levels of minimum wage, unemployment payments and tax-free income.

38 J. Järve, E. Kallaste and R. Eamets, *Arbeitsverhältnisse in Estland im Zusammenhang mit dem Beitritt an die Europäische Union*, manuscript, Tartu, 2001, pp. 29-30.

39 Interview with EAKL, 24 May 2001 and in Estonian Ministry of Social Affairs, Tallinn, 24 May 2001.

In this sense, tripartism contributed to the relatively conflict-free political climate, though it was not directly responsible for fiscal stabilisation. The main reasons are to be found elsewhere. First, the finance ministry always had a strong position in the government and there have never been any disputes between government and opposition about where to cut spending. Ninety percent of the budget is fixed by the government, and therefore Parliament has not much say in it. Besides, state intervention has been very low from the beginning of transition, so there was not much reason to argue about how to distribute public spending.<sup>40</sup> This was supported by certain legal regulations, such as the requirement to balance the budget. Second, there was a general consensus on economic and fiscal policy among both the political elite and the population which was strengthened by financial but also psychological factors: the introduction of a new and stable currency and the aim of defending the independence of the country which sustained the initial confidence in the government. Third, as mentioned above, the inability of opponents to mobilise effectively contributed further to policy stability.

### 3.2. Poland – Continuous Stabilisation after Early Implementation

In Poland with the introduction of the stabilisation package named after the first democratic minister of finance Leszek Balcerowicz, in January 1990, the new leaders successfully established a general reform spirit. They changed the slogan ‘us against them’, meaning the socialist authorities, into ‘us against it’, meaning the old economic system and the inflation it created.<sup>41</sup> Tensions with the trade unions surfaced in 1991, leading to a nation-wide one-hour strike and other protest actions. These protests were mainly directed against the so-called ‘*popiwek*’ tax, imposed on excessive wage increases, which had become the scapegoat for all economic hardships.<sup>42</sup> But the government of Jan Olszewski followed the tight budget policy of his predecessor.<sup>43</sup>

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40 Interview at the Ministry of Economic Affairs, Tallinn, 24 May 2001 and with Estonian MP, Tartu, 25 May 2001.

41 L. Vinton, ‘Solidarity Forces Pledge Support as Government Prepares Economic Change’, *Report on Eastern Europe*, Vol. 1, 1990, p. 23.

42 *Ibid.*, pp. 26-27. Also economists argued that the desired effects were only achieved by other negative developments like hidden unemployment or decreasing demand leading to less productivity and preserving inefficient structures.

43 During his election campaign Olszewski had in fact promised to loosen the anti-inflationary measures and to promote anti-recession government spending, but then he also followed the previous course of stabilisation policy.

During the summer of 1992 the next Prime Minister, Hanna Suchocka, was also confronted with a wave of nation-wide strikes against the negative outcomes of economic reforms. Coal and copper miners, formerly considered to be a relatively privileged group, and employees in the aviation industry demanded higher wages. For the first time, the government tried to provide a systematic solution to the problem. Jacek Kuroń, minister of labour and social policy, negotiated a social pact, and the government gave up its strategy of not being a direct party in social dialogue. This had previously been the case in collective bargaining.<sup>44</sup> After the mixed responses of union leaders at the beginning of the negotiations,<sup>45</sup> the pact on state-owned enterprises was concluded on 22 February 1993 with the Confederation of Polish Employers, the OPZZ and Solidarność trade unions, and seven smaller ones. It contained a greater role for trade unions in determining the fate of enterprises and a number of social guarantees, while the unions agreed not to oppose a strict wage policy and further privatisation. Moreover, the government was asked to establish a tripartite commission for further socio-economic consultations.<sup>46</sup>

The success of Suchocka's government in securing fiscal stabilisation by means of a social pact did not last long. First, the government only narrowly won the budget vote in 1993 after the parliamentary opposition had argued against linkage between pension and public-sector wage reform.<sup>47</sup> Then, in May 1993, the parliamentary group of Solidarność initiated a vote of no-confidence leading to the downfall of the Suchocka government. So it was the post-socialist government that took over in September 1993 that set up the Tripartite Commission for Socio-Economic Issues in February 1994.<sup>48</sup> Until the end of 1996 the commission effectively negotiated wage ceilings, but in 1997 the Solidarność trade union's wage demand was so high that it finally brought social dialogue to an end. After the OPZZ also left the tripartite institution towards

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44 J. Hausner, 'The State Enterprise Pact and the Potential for Tripartism in Poland', in R. Kyloh (ed.), *Tripartism on Trial: tripartite consultations and negotiations in Central and Eastern Europe*, Geneva, ILO, 1995, p. 111.

45 A. Sabbat-Swidlicka, 'Summer Strikes: First Test for New Polish Government', *RFE/RL Research Report*, Vol. 1, 1992, p. 11.

46 J. Hausner, *op. cit.*, 1995, p. 113.

47 L. Vinton, 'Political Brinkmanship: Polish Coalition Wins Budget Vote', *RFE/RL Research Report*, Vol. 2, 1993, pp. 7-15.

48 I. Pańków, 'The Main Actors on the Political Scene in Poland', in A. Ágh and G. Ilonszki (eds.), *Parliaments and Organised Interests. The Second Steps*, Budapest, Hungarian Center for Democracy Studies, 1996, pp. 142-143. The seven small unions that had signed the pact also received a seat but together just one vote. The main function of the tripartite commission consisted in determining the index for average pay increases. Proposals on socio-economic topics were mostly ignored by Parliament.

the end of 1998, the government made substantial efforts to revive tripartite bargaining. In May 2001 the government and social partners agreed on a new legal framework for permanent social dialogue, a broader composition of the tripartite commission and the economic issues to be dealt with over the next few years.<sup>49</sup>

During the Suchocka and the following post-socialist governments, tripartism contributed to the reconciliation of major stabilisation-related social conflicts and effectively restrained wage policy. But it was introduced only reactively after conflicts with trade unions had become critical, and until then other factors had been responsible for the continuity of fiscal stabilisation policy. First, it was the early policy choice of the first democratic government that was not easy to change later, and second, the consensus among the political elite (including the post-socialist party governing from 1993-1997) to follow a strict fiscal policy was decisive. As Polish trade unions have always been involved in political parties at both ends of the political spectrum, tripartism has never become the central political institution for mediating the political ideas of governments and social partners. Labour relations have also suffered from the antagonism between the two major trade unions and political camps with a post-socialist and former opposition background respectively.

### 3.3. Slovenia – Enduring Stabilisation without Wage Policy

Strikes initiated by the unions in Slovenia against stabilisation measures took place in 1992 because of a law on wage ceilings.<sup>50</sup> Despite this strong resistance from trade unions, the government did not consult them when preparing the measures as it saw no alternative due to objective economic problems. Then union pressure brought the government to change the law and led to the resignation of several members of the government. In May 1992 the whole government of Lojze Peterle had to step down because of a vote of no-confidence after an accumulation of several problems.<sup>51</sup> During this crisis, the government did not use the opportunity to channel social conflicts through the tripartite body, though corporatism was not a new phenomenon in Slovenia.

The Economic and Social Council was set up at the initiative of the trade unions and the Ministry of Labour in 1990. Its origins may be

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49 G. Casale, *Social Dialogue and Tripartism in Poland: Evolution and Trends*, ILO Working Paper, Geneva, 2001.

50 Interview with Union of Free Trade Unions, in Ljubljana, 15 May 2001.

51 M. Andrejevich, 'Slovenia: Politics and the Economy in the Year One', *RFE/RL Research Report*, Vol. 1, 1992, pp. 18-20.

traced back to the former system of self-management. Industrial relations have been regulated by collective bargaining since 1989.<sup>52</sup> In practice, the tripartite council was not able to function effectively because its decisions were not respected by the government. The government even tried to bypass the council, e.g. when it proposed an amendment to the law on worker's participation to Parliament without first discussing it in the council.<sup>53</sup> The low level interest of the government in institutionalising a tripartite body reflected its strong pro-market attitude.

The competencies of the Economic and Social Council were only extended in April 1994 following an agreement about wage policy after unemployment had increased significantly.<sup>54</sup> In 1996 and 1998, regardless of the divergent development of productivity and output, unions demanded higher wages with strike action. In both cases the government failed to engage in preventive social dialogue, leading to strikes that forced the government to back down. Negotiations between the social partners were held only after protests had taken place. Nevertheless, as in Slovenia higher wages had an impact on employment rather than on fiscal stabilisation, the government was able to concede to union pressure.

In general, the government did not deliberately use the tripartite council as an instrument to support its stabilisation policy. It did not recognise and did not need it as a conflict-solving institution in matters of wage policy. A further reason for the difficulties in institutionalising the Economic and Social Council was the existence of the State Council, the second parliamentary chamber that represented a corporatist arrangement in which negotiations of representatives of functional interests and

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52 The tripartite council is concerned with economic and social policy issues and with collective bargaining and has the right to express its opinion about the annual estimates for the state budget. The decisions are reached by a consensus between all partners. P. Koncar, 'Changes and Adaptations of Labour Law and Industrial Relations in Slovenia', in R. Blanpain (ed.), *Labour Law and Industrial Relations in Central and Eastern Europe from a Planned to a Market Economy*, The Hague, Kluwer Law International, 1996, p. 168. Z. Vodovnik, 'Tripartism and Industrial Relations in Slovenia', in G. Casale (ed.), *Social Dialogue in Central and Eastern Europe*, Budapest, ILO, 1999, pp. 310-311.

53 I. Lukšič, 'Social Partnership in Slovenia – How to go further?', in S. Kropivnik, I. Lukšič and D. Zajc (eds.), *Conflict and Consensus. Pluralism and Neocorporatism in the New and Old Democracies*, Ljubljana, Slovenian Political Science Association, 1996, pp. 197-198.

54 In this situation, the social partners used the experience they had gained during the past few years and were strong enough to push through an agreement which enforced the establishment of the tripartite body as the highest institution of social partnership. A. Sušjan, *op. cit.*, pp. 394-395, I. Lukšič, *op. cit.*, p. 195.

local communities took place.<sup>55</sup> Clearly, there was no demand for another tripartite institution. The continuity in fiscal stabilisation policy was due to other factors. The first factor was the support of society that derived from the collective aim of securing independence after 1990. Second, there were no budget and balance-of-payment deficits and the social costs of transition were relatively low. Although some strikes were held against the wage policy of the government, no serious social conflicts arose for the reasons mentioned above.<sup>56</sup> Third, the changes of government did not affect the course of the economic and reform policy. Although discrepancies and instabilities existed between the coalition partners, a consensus about the continuation of stabilisation policy was maintained.

### 3.4. Czechoslovakia – Strict and Continuous Stabilisation

Social protests against fiscal stabilisation policy did not occur between 1990 and 1992. The reason for this was that trade unions supported the free-market reforms while promoting workers' rights moderately. This contract for ensuring social peace and union acquiescence was based on a 'low unemployment – low wage – low inflation' compromise between the unions and the government.<sup>57</sup> Moreover, the government used the tripartite council for *ex ante* negotiations and was able to convince trade unions of the need for fiscal stabilisation measures and to accept a drop in real wages in 1991.

In October 1990, similar Councils for Economic and Social Agreement were established at the federal level and in the Czech and Slovak Republics. This followed on from union protest against the government's attempt to restrict the freedom of assembly, especially of strikes, and to confiscate union property. This pressure forced the government to change its plans<sup>58</sup> and as a result, not only a liberalisation of the respective legis-

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55 D. Fink-Hafner, 'Organized Interests as Policy Actors in Slovenia', in A. Ágh and G. Ilonszki (eds.), *Parliaments and Organised Interests. The Second Steps*, Budapest, Hungarian Center for Democracy Studies, 1996, p. 227. I. Lukšic, *op. cit.*, pp. 192-195.

56 Interview in the Office for Macroeconomic Analyses, in Ljubljana, 14 May 2001.

57 A. Pollert, *op. cit.*, 1997, p. 204. M. Orenstein, *op. cit.*, p. 177.

58 M. Belina, 'Labour Law and Industrial Relations in the Czech Republic', in R. Blanpain (ed.), *Labour Law and Industrial Relations in Central and Eastern Europe from a Planned to a Market Economy*, The Hague, Kluwer Law International, 1996, p. 61.

lation, but also the introduction of a tripartite body was agreed upon. A general agreement was signed every year.<sup>59</sup>

In 1992, the unions accepted the introduction of a short-term excess-wage tax system although they achieved a significant increase in their influence through collective bargaining. This agreement was reached in the tripartite councils.<sup>60</sup> Although the Czechoslovak government under Prime Minister Marian Čalfa had the most liberal reform approach in economic policy, it supported this new mechanism and signed the first corporatist agreement on macroeconomic questions in Central and Eastern Europe.<sup>61</sup> Tripartism made a significant contribution to keeping social peace. The fiscal stabilisation policy was continuous and stable because both sides complied with the agreements negotiated in the tripartite forum.

### 3.5. The Czech Republic – Initially Strong Stabiliser

The ‘low unemployment – low wage – low inflation’ compromise, that had been negotiated before the split of Czechoslovakia, at first remained valid for all partners. But then the trade unions began to publicly oppose wage ceilings, although they did not mobilise against excess-wage taxation. In 1993, the government reintroduced partial wage controls because of the fear of inflation due to wage increases.<sup>62</sup> In response, the president of the main trade union, ČMKOS, accused the government of not fulfilling the general agreement concerning wage regulation, minimum wages and insurance signed earlier in the year. Despite immediate and intensive negotiations in the tripartite council, the government continued with its fiscal stabilisation policy.<sup>63</sup>

The trade unions then began defending the workers’ interests in a more confrontational way. “The Klaus government has taken a carrot-and-stick approach towards the trade unions and the tripartite council. As

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59 The tasks of the tripartite council were to decide on procedural collective agreements, to determine minimum employment conditions and to discuss labour, employment, social and economic issues as well as to co-ordinate policies towards labour legislation and conflict regulation. M. Čambáliková, *Industrial relations and social dialogue: Actors, strategies and challenges in the Slovak Republic*, Paper presented at the International Conference on Labour Industrial Relations and Social Bargaining, Prague, 2000, pp. 83-84. T. Cox and B. Mason, *op. cit.*, pp. 339-340. J. Fiserá and J. Rusnok, ‘Tschechische Republik’ in W. Lecher and U. Optenhögel (eds.), *Wirtschaft, Gesellschaft und Gewerkschaften in Mittel- und Osteuropa*, Köln, Bund Verlag, 1995, pp. 52-53.

60 T. Cox and B. Mason, *op. cit.*, p. 341.

61 L. Bruszt, *op. cit.*, 1992, p. 70.

62 J. Fiserá and R. Rusnok, *op. cit.*, p. 52.

63 M. Orenstein, *op. cit.*, pp. 182-183.

long as the trade unions restrain their protest activity to the forum of the tripartite council, they receive a 'carrot' of corporatist labour relations. On the other hand, the government lashes out at the unions whenever they attempt to mobilise".<sup>64</sup> In contrast to Klaus, his coalition partners, the Christian Democrats and members of his own ODS party, recognised the benefits of tripartism's 'pre-emptive' role and its contribution to keeping the social peace and boosting the country's external reputation.<sup>65</sup>

In reaction to this behaviour of the government, the trade unions began to take action outside the tripartite council at the beginning of 1994. They organised strikes and demonstrations in support of their political and wage demands and this worsened relations with the government even more. In response, Klaus tried to subdue the unions with strong rhetoric and took the opportunity to break off discussions in the tripartite forum.<sup>66</sup> The tripartite council then almost broke up over a conflict about the announcement of austerity measures. In June 1995, the government downgraded the tripartite body by setting up an alternative Council for the Dialogue of Social Partners that had a more limited, consultative role. Economic policy issues were excluded from the agenda. Tripartism remained a forum only for discussing selected issues of common interest, but not major pieces of legislation. In addition, no general agreement was signed in 1995, 1996 and 1997 because of opposition by the government.<sup>67</sup> A stable majority in Parliament allowed the government to maintain its fiscal stabilisation policy without reaching a consensus with the trade unions.

Because of a severe economic downturn,<sup>68</sup> the government again planned to impose austerity packages in April and May 1997. In this period, trade unions organised protests outside the tripartite council. A combination of pressure from trade unions, coalition partners and external actors such as the International Monetary Fund (IMF) forced Klaus to re-establish the tripartite council in its previous form and to negotiate with the trade unions for a social consensus on the unpopular measures. The government made verbal concessions to raise the minimum wage and to extend the collective agreements to employers that had not signed these conditions. But as the trade unions had no real bargaining power the gov-

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64 *Ibid.*, p. 180.

65 M. Myant, B. Slocock and S. Smith, *op. cit.*, p. 731.

66 A. Pollert, *op. cit.*, 1997, pp. 203-04, 210-11. M. Myant, B. Slocock and S. Smith, p. 730. M. Orenstein, *op. cit.*, p. 183.

67 A. Pollert, 'Trade Unionism in Central and Eastern Europe', *EJIR*, Vol. 5, p. 213. M. Kubinková, 'Tripartism and Industrial Relations in the Czech Republic', in G. Casale (ed.), *Social Dialogue in Central and Eastern Europe*, Budapest, ILO, 1999, p. 132.

68 See P.J. Bryson and G.C. Cornia, 'Fiscal Decentralisation in Economic Transformation: The Czech and Slovak Case', *Europe Asia Studies*, Vol. 52, 2000, p. 510.

ernment nevertheless implemented the austerity package.<sup>69</sup> However, worsening economic performance, budgetary difficulties and the disclosure of corruption led to a vote of no-confidence against Klaus and his resignation in November 1997.

After the election of a social democrat minority government led by Milos Zeman in June 1998, a new social contract was initiated.<sup>70</sup> This government had a clear commitment to social dialogue and the importance of the tripartite council as a forum for consultation increased. Negotiations for a social pact on fiscal stabilisation policy and a general agreement for 1999 followed. Still, trade unions that had developed a rather rigid attitude towards the government after the lack of support in the years before held massive strikes for higher wages in the public sector in June 1998. After intense discussions in the tripartite council, the government gave in to trade union demands and agreed to a significant increase in basic wages from the beginning of 1999.<sup>71</sup>

Overall, the relevance of tripartism for fiscal stabilisation was variable. Until 1993 the strict stabilisation policy was possible because the government used the tripartite council as a mechanism to maintain social peace. Later on, rising inflation, an increase in unemployment and a decline in real wages led to the collapse of the 'social contract'.<sup>72</sup> Prime Minister Klaus made use of tripartism to keep the social peace, but its appearance was deceptive. Due to its strong position, the government was able to push through a range of radical economic reform measures without the support of the tripartite council. After the elections in June 1996, Klaus was forced to seek new allies such as the social partners as his support among the electorate had declined and his bargaining position in Parliament had weakened. Again, the government kept fiscal stabilisation policy on track despite the contrasting demands of the trade unions. But at the same time these efforts were undermined when the Klaus government used state-owned banks to support non-viable enterprises in order to minimise unemployment, leading to considerable financial instability. After 1998, the trade unions succeeded in forcing Prime Minister Zeman to soften fiscal stabilisation measures in tripartite negotiations, due to the weak parliamentary position of the minority government.

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69 M. Myant, B. Slocock and S. Smith, *op. cit.*, p. 732.

70 In between, there was a caretaker government, M. Myant, B. Slocock and S. Smith, *op. cit.*, p. 729.

71 M. Kubinkova, *op. cit.*, 1999, p. 133. T. Cox and B. Mason, *op. cit.*, p. 341. R. Martin and A. Cristesco-Martin, 'Industrial Relations in Transformation: Central and Eastern Europe in 1998', *IRJ*, Vol. 30, 1999, p. 396.

72 A. Pollert, *op. cit.*, 1999, p. 214.

### 3.6. Hungary – Delay of Stabilisation and Second Approach in 1994/95

During the first years of transition there were several small strikes and other forms of protest organised by trade unions, mostly in order to achieve higher wages.<sup>73</sup> They did not occur frequently for two main reasons: first, the trade union movement adopted a consensus approach and second, a lesson from the past was that collective protests were not effective, so workers preferred individual ways to improve their situation.<sup>74</sup> The only protest action of major political significance was the taxi drivers' blockade in October 1990, but it was not caused by fiscal stabilisation effects.<sup>75</sup> Another reason for the low level of protest was the gradual reform path that the government pursued in practice.

Accordingly, fiscal stabilisation topics were rarely on the agenda of the National Interest Reconciliation Council.<sup>76</sup> Only in 1992 did the council agree on an important income policy package. The trade unions accepted the government's proposal for a moderate adjustment of the minimum wage and a basket of government measures such as an increased contribution by the social partners to the Solidarity Fund. In turn the government approved the inter-union accord on the redistribution of their assets, which paved the way for the 1993 elections to the self-governing bodies of health and pension insurance and to the works councils.<sup>77</sup>

The neglect of fiscal stabilisation policy in the first four years after the formal implementation of this programme was not due to public protest by the trade unions that the government was unable to cope with. Rather, it was caused by the emphasis placed on political instead of eco-

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73 S. Borbély, 'Industrial Disputes in Hungary', *South East Europe Review*, Vol. 4, 2001, p. 64.

74 *Ibid.*, p. 58.

75 This blockade was a kind of substitute revolution for the transition from above. By successfully negotiating this dispute the tripartite commission gained immense public prestige, see K. Sell, 'Konsolidierung durch intermediäre Institutionen? Das Beispiel des ungarischen Rats für Interessenausgleich', in S. Pfahl, E. Schulz, C. Matthes and K. Sell (eds.), *Institutionelle Herausforderungen im Neuen Europa*, Opladen, Westdeutscher Verlag, *ibid.*, p. 118.

76 A tripartite forum, the National Interest Reconciliation Council, had been founded in 1988 by the last socialist government of Miklos Németh in order to decide upon the nation-wide minimum wage. Another task of the council was to secure that the introduction of collective instead of state ruled wage agreements would not lead to an intensive rise of wages, Sell 1998, p. 111. In 1990 the first democratic government revitalised it as the Interest Reconciliation Council with wider powers and a broader involvement of the social partners.

77 L. Héthy, 'Tripartism in Public Policy Formation in Hungary', in R. Kyloh (ed.), *Tripartism on Trial: tripartite consultations and negotiations in Central and Eastern Europe*, Geneva, ILO, 1995, p. 89.

conomic matters. The return to Europe in terms of foreign policy and the legal and moral issues of overcoming socialism, such as compensation for communist abuses, were of greater importance. Economic targets, i.e. financial stability, privatisation and the attraction of foreign capital, were pursued with a gradual approach.<sup>78</sup>

The resurgence of fiscal stabilisation policy came when the new coalition between Socialists and Free Democrats took office after the elections in 1994. A social pact lasting for the whole legislative term was intended to legitimise this policy, but the ideas and interests behind such an agreement differed on all sides.<sup>79</sup> Not only were the demands of the social partners difficult to mediate, but also the government was unable to present an economic plan that made clear the future gains that were to be expected by current restraints. The government finally declared the talks a failure and ended them on 2 February 1995.<sup>80</sup> Due to its overwhelming majority, it had enough power to put the reform package through Parliament on 14 February but at the price of considerable social tensions.<sup>81</sup>

After these experiences, the government successfully revitalised tripartism in order to regain social peace and to stick with the measures of the fiscal stabilisation package until the elections of 1998. An arbitration service founded in 1996 improved the culture of industrial relations and helped to solve disputes over wage policy.<sup>82</sup> The three-year agreement on public servants from 1996 reconciled workers with the reform of public services and under its terms wage bargaining in public services became more stable. Further budgetary discipline became possible by reaching agreements with trade unions on pension reform and on draft acts on the state budget and taxation in 1997. Routine annual wage agreements for the business sector were also negotiated.<sup>83</sup>

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78 L. Bruszt, 'Reforming Alliances: Labour, Management and State Bureaucracy in Hungary's Economic Transformation', in J. Hausner, B. Jessop and K. Nielsen (eds.), *Strategic Choice and Path-Dependency in Post-Socialism. Institutional Dynamics in the Transformation Process*, Aldershot, Edward Elgar, 1995, pp. 261-286.

79 The Socialists relied on the self-restraint of the trade unions, but not necessarily on real wage cuts as such. The Free Democrats instead argued that budgetary concessions were not possible. The trade unions demanded a broad agenda, including employment, social welfare policies and a reform of labour legislation, while employers wanted exactly the opposite, a reduction of trade union influence and more flexibility in wage policy, L. Héthy 1995, *op. cit.*, pp. 152-153.

80 L. Héthy, 'Negotiated Social Peace: An Attempt to Reach a Social and Economic Agreement in Hungary', A. Ágh and G. Ilonszki (eds.), *Parliaments and Organised Interests. The Second Steps*, Budapest, Hungarian Center for Democracy Studies, 1996, pp. 153-155.

81 S. Borbély, *op. cit.*, p. 59.

82 *Ibid.*, p. 56.

83 L. Héthy, *op. cit.*, 2001, p. 58.

Although Hungary was the first country to introduce a tripartite council, its potential as a political instrument to secure room for manoeuvre for the government was not always used. The Antall government neglected fiscal stabilisation and hence did not need tripartism. The Horn government wanted to exploit the preventive function of tripartism but at first did not manage to conclude a social pact. Its parliamentary majority of more than two-thirds allowed it to push through its economic programme. The subsequent protest from opposition and trade unions finally made the government revitalise tripartite bargaining and secured the undisturbed implementation of fiscal stabilisation policy.

### 3.7. *The Slovak Republic – a Changeable Stabiliser*

Until 1996, protest against fiscal stabilisation policy measures did not occur, due to agreements between the trade unions and the government. Commitments from the government concerning issues on labour law and work conditions, which were negotiated in general agreements in the tripartite council, and union acquiescence maintained social peace.<sup>84</sup> The protest culture in Slovakia differs notably from other countries. Disagreement about political actors or measures is mainly articulated in individual forms of protest.<sup>85</sup> Larger demonstrations took place only when the Parliament unilaterally adopted a government draft law on wage regulation in reaction to the increase of real wages that had occurred between 1996 and 1997.<sup>86</sup>

As a response to failing wage regulations, the unions left the tripartite council in 1997 and again organised several demonstrations. This marked an important turnaround in the defence of interests. The government in turn launched an alternative Economic and Social Council in November 1997, with new contact persons in the trade unions as well as in employers' associations. The weakness of the new tripartite body was demonstrated by the increasing tendency of the government to ignore the rules set out by general agreement. In several cases, the social partners were only informed about important laws by Parliament or by the press.<sup>87</sup> With

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84 M. Myant, B. Slocock and S. Smit, *op. cit.*, p. 733.

85 G. Ekiert and J. Kubik, *op. cit.*, p. 555.

86 Before, wage regulations existed only for short periods. D. Malová, 'Organized Interests', in G. Mesežnikov, M. Kollár and T. Nicholson (eds.), *Slovakia 2000. A Global Report on the State of Society*, Bratislava, Institute for Public Affairs, 2001, pp. 125-129. A. Marcinčin, *Restructuring Banks in the Slovak Republic. Restructuring Slovak Enterprises. Sectoral Studies*, Bratislava, INEKO, 1997, p. 13.

87 D. Malová, *op. cit.*, pp. 122-130. M. Svorenová, 'The development of trade unions in Slovakia during the last decade', *SEER*, Vol. 3, 2000, p. 139.

the exception of a petition against wage regulation and a law on public service, their demands were not successful. Trade unions then used their informal contacts with officials in ministries to comment on draft laws. The withdrawal from formal tripartite structures seemed to be a disadvantage. Between 1996 and 2000, it was not possible to solve any social or political conflict in the tripartite council and no agreement was signed.

Unexpectedly, during its last days in office, the Mečiar government accepted union demands and suggested increasing minimum wages. The strategy behind this action was to make the position of a new cabinet more precarious by inheriting an economically difficult situation. The government of Mikuláš Dzurinda, elected in September 1998, then looked for co-operation with the social partners. In 1999, the tripartite council was re-established in its previous form. However, social dialogue continued to focus on conflicts inherited from the Mečiar administration. In the first half of the year, the government offered a pact on economic and social stability in order to ensure social peace for the unpopular measures needed to reduce the budget deficit and to equalise the balance of payments. The trade unions refused this offer. In June 1999, they formulated a list of '20 demands' especially for tax cuts, real wage rises and other issues concerning the Labour Code. But the government was not able to take these suggestions on board. Instead, in July 1999 it adopted two austerity packages in order to address the grave economic situation. The trade unions turned to organising protests outside the formal tripartite structure. In September and December 1999, they organised protest rallies in Bratislava, which were supported by the political opposition that even launched a referendum on early elections.<sup>88</sup> Because of this pressure the government was forced to resume negotiations in the tripartite council. In the first quarter of 2000, the government and the social partners signed a general agreement for the year 2000 that partly replaced some of the austerity measures, but also bound unions to the principle that wage growth should not exceed inflation and hence secured room for manoeuvre for the government.<sup>89</sup>

With these measures the tripartite council finally gained practical political importance after achieving greater prominence following the split of the federation. Until 1996, the government appears to have used tripartite negotiations only to keep the social peace and the council had no relevance for fiscal stabilisation policy. Prime Minister Mečiar used the council for his own interests, in particular to bypass Parliament. Since

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88 M. Myant, B. Slocock and S. Smit, *op. cit.*, pp. 734-735.

89 Later it was discovered that trade unions had given money to participants from outside Bratislava to take part in the protests, see D. Malová, *op. cit.*, p. 127.

Parliament had to discuss all bills and regulations that were negotiated in the tripartite council, this secured the discussion of a topic when it was clear that there would be no majority for it in Parliament.<sup>90</sup> Despite this malfunctioning, the unsteady nature of fiscal stabilisation was due to the following factors: first, to the political incompetence and autocratic behaviour of Prime Minister Mečiar, and second to the delay of important reform measures. The Dzurinda government endeavoured to strengthen fiscal stabilisation policy considering the severe economic downturn and revived the tripartite council. In this way Dzurinda managed to reach a compromise with trade unions after their strong protests against the austerity measures.

### 3.8. Bulgaria – the Late Stabiliser

Public protest in the form of strikes and demonstrations was frequently held in Bulgaria. Trade unions from both political camps, i.e. socialists and the opposition, were engaged in political and economic debates from the beginning of transition and exerted strong pressure on political decisions, acting as political parties rather than as trade unions.<sup>91</sup> After managing to bring down the transition government of Georgi Atanasov in February 1990,<sup>92</sup> the successive government of Andrej Lukanov supported the initiative of the reformed ex-socialist Confederation of Independent Trade Unions in Bulgaria (KNSB) to introduce tripartite consultations. The National Council for Tripartite Cooperation was set up in January 1991 and in the following years it underwent various modifications. Due to the frequent changes in government – ten Prime Ministers in as many years – the process of economic and fiscal reform and the role of industrial relations in this context had a new start with almost every government.<sup>93</sup>

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90 This background information and an assessment of the development of Slovak tripartism were explained to us by Monika Čambáliková, Slovak Academy of Sciences in Bratislava.

91 One reason for the combination of political and trade union interests is that in socialist times the only possibility to establish an independent organisation was to found a trade union. This explains the dual and revolutionary character of the Podkrepa trade union, which was newly founded in 1989. The socialist trade union (KNSB) dissolved itself in December 1989 and underwent a total reformation. Today the KNSB prefers a negotiative policy style, Roderick, A. Vidinova and S. Hill, *op. cit.*, pp. 14-17.

92 Atanasov was Prime Minister from November 1989 until February 1990. In November 1990, trade unions also contributed to the fall of the second Lukanov-government, that came into office after the elections in September 1990, see J. Thirkell, B. Atanasov and G. Gradev, 'Trade Unions, Political Parties and Governments in Bulgaria, 1989-92', *Journal of Communist Studies*, Vol. 9, 1993, pp. 103-105.

93 N. Daskalova and T. Mikhailova, 'Industrial disputes and strikes in Bulgaria – legislation and trends', *SEER*, Vol. 4, 2001, pp. 120-121.

In January 1991, Prime Minister Dimitar Popov, a non-party expert, strengthened social dialogue at the request of the IMF in order to end the wave of strikes and to achieve the approval for the planned fiscal stabilisation programme. As a result, the competencies of the tripartite commission were enlarged<sup>94</sup> and an agreement between trade unions and government was established. It provided a fixed ratio between the minimum wage and the social minimum and a revised mechanism for wage indexation in exchange for a guarantee of social peace by the trade unions.<sup>95</sup> This deal enabled Popov to enact his fiscal stabilisation package, though he neglected its implementation later on. His successor Filip Dimitrov tried to secure his renewed approach towards fiscal stabilisation without tripartite bargaining. As a result, strikes and industrial unrest increased which blocked economic reform.<sup>96</sup> The Berov government then revitalised tripartite bargaining and achieved an important agreement on minimum wages and unemployment benefits, but this time Parliament blocked its implementation.<sup>97</sup>

In 1997 Prime Minister Ivan Kostov managed to launch a second fiscal stabilisation package and to revive tripartism. Tripartite bargaining received a new legal basis and the labour minister, the former deputy chair of KNSB, as the government representative secured the involvement of social partners in the law-making process in the field of fiscal stabilisation policy.<sup>98</sup> In October 1997 the government and the social partners signed a charter for social collaboration which paved the way for further reforms connected with the fiscal stabilisation of the country. The social insurance system was reformed and in exchange further legislation on health and safety at work and changes in the labour code establishing an arbitration agency were adopted.<sup>99</sup>

The inability of most Bulgarian governments to maintain a continuous fiscal stabilisation policy was not due to intense public protests and malfunctioning tripartism – though both existed – but mainly to the

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94 The National Council became a standing body which met almost weekly, and it was even agreed that the Council's decisions would be binding on state organisations at lower levels, T. Thirkell, B. Atanasov and G. Gradev, *op. cit.*, p. 106.

95 *Ibid.*, p. 106.

96 K. Petkov, 'Tribulations with Tripartism in Bulgaria: 1990-95', in R. Kyloh (ed.), *Tripartism on Trial: tripartite consultations and negotiations in Central and Eastern Europe*, Geneva, ILO, 1995, pp. 44-45. R. Martin, A. Vidinova and S. Hill, 'Industrial Relations in Transition: Emergent Industrial Relations Institutions in Bulgaria', *BJIR*, Vol. 34, 1996, p. 9.

97 K. Petkov, *op. cit.*, p. 46.

98 Interview with representative of the Friedrich-Ebert-Foundation in Sofia, May 2001.

99 T. Detchev, 'Evolution of the model of industrial relations in Bulgaria 1989-2002', *SEER*, Vol. 6, 2003, pp. 45-58, 52.

unstable political situation. This resulted in weak coalition governments, frequent votes of no-confidence, early elections and slow law making and implementation. Until 1997, not a single government survived a full legislative term. The underlying reason for these difficulties was the division between former socialists and opposition that remained strong throughout the years after transition. In addition, several governments followed inconsistent political priorities and tried to impose single economic reforms without a clear-cut plan for implementation. Some Prime Ministers recognised the preventive function of tripartism in order to secure their stabilisation efforts against public protest and tried to use it as a kind of second parliament in situations when the political climate became too tense. A closer look at the timing of strikes reveals that they appeared mostly in periods when tripartism at the national level was abandoned or ineffective.<sup>100</sup> The decline in economic development and living standards, rising unemployment and the more political behaviour on the part of the trade unions led to greater conflict in industrial relations and more extensive public protest than in the other transition countries.<sup>101</sup> Taking these experiences into account, the Kostov government revitalised tripartite collaboration for finally securing fiscal stabilisation policy although it had a strong parliamentary majority.

#### 4. CONCLUSION: MODES AND CONDITIONS OF EFFICIENT USE OF TRIPARTISM

The main aim of this paper was to examine the relevance of tripartism for policy-making, i.e. the question of how far the course of fiscal stabilisation policy was influenced by the functioning of tripartite bargaining during the first 10 years of transition. In most of the countries studied here, tripartism was introduced or at least supported by the government with the aim of securing a consensus, especially with the trade unions, in order to put through the most demanding reform measures. This means the preventive function of tripartism was clearly an idea that motivated the governments. It was only in Poland that it was not established at the beginning of transition but later, as a reaction to contingent problems.

Regardless of the differences in the formal characteristics of tripartism, at first glance we found no or just a weak connection between developments in fiscal stabilisation policy and the performance of the tripartite councils. The belated or unsteady fiscal stabilisation policy in Hungary,

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100 K. Petkov, *op. cit.*, p. 58.

101 N. Daskalova and T. Mikhailova, *op. cit.*, pp. 113-115.

Slovakia and Bulgaria was not caused by strikes or other conflicts initiated by trade unions that could not be silenced by agreements in the tripartite council. Mostly the governments themselves were responsible for the weakness of fiscal stabilisation policy, as they were not capable of formulating a coherent policy or of securing the implementation of decisions in practical terms. Among the countries that successfully implemented fiscal stabilisation policy, the buffer function of tripartism which should relieve the state from the need to deal with the acceptance of political decisions by itself appeared to be of little significance. Only the Czechoslovakian government used tripartite bargaining effectively. In the Czech Republic, tripartism was neglected under Prime Minister Klaus. In Poland, tripartism resolved stabilisation-related conflicts in the form of a social pact but this was negotiated at quite a late stage. In Slovenia and Estonia, the government did not take tripartism seriously in practice and abstained from negotiating a stabilisation-related social pact.

Whenever governments followed fiscal stabilisation policy unrestrictedly, this was due to other factors. The personality of the Prime Minister or other members of the government who were able to achieve a reform consensus was an important reason for securing a coherent policy, as in the case of finance minister Leszek Balcerowicz in Poland, or Prime Minister Vaclav Klaus in the Czech Republic. If governments were able to stimulate a common will to bear necessary hardships, they were able to cope with a certain degree of dissatisfaction and protest within society and to implement unpopular measures without endangering their survival. A reform-oriented collective identity also existed in Estonia and Slovenia, enhanced by the struggle to defend the independence of the country. The existence of special rules, as in Estonia, where a balanced budget is required by law, also secured stable policy-making.

In addition, in some countries and in certain periods the differing strength of interest groups and the degree of protests made undisturbed policy-making easier as theoretically expected. Protests did occur despite the preventive function tripartism is intended to have, mostly against restrictive wage policy.<sup>102</sup> In Estonia, partly in the Czech and Slovak Republic and in Hungary, trade unions were trapped in the collective action dilemma and employers' organisations were still rather weak in the private sector, which affected their potential to organise public protest. Social partners were only able to force the governments to give in to their pressure when there were additional demands within the political sphere, either from parliamentary opposition or from the government's coalition

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102 G. Ekiert and J. Kubik, *op. cit.*, pp. 574-575.

partners. This was the case for example in Bulgaria at the beginning of the 1990s, in the Czech Republic in 1997 and in Slovakia after 1998 when minority governments were in power.

This apparently limited relevance of tripartism for policy-making was only valid for the first half of the decade. Later, the buffer function took on more manifest importance. As initial confidence in the rationality of governmental decisions decreased, the social partners improved their organisational capacities and the agenda concerning the relevance and outcomes of reform measures became clearer, and tripartism was activated. This is clearly shown by the countries that made a new attempt at fiscal stabilisation. When the governments in Hungary (Horn), Slovakia (Dzurinda) and Bulgaria (Kostov) finally aimed at accelerating fiscal stabilisation policy, they revived tripartism and tried to achieve a broad majority by finding a compromise with trade unions. Only the Czech government of Miloš Zeman was not able to use tripartism for securing both the continuation of fiscal stabilisation policy and a mutual agreement with trade unions due to its weak backing in Parliament.

The enhanced capability of the social partners to take part in tripartite dialogue was produced by the 'hinge' function that enables the communication and mediation of interests between government and social partners. This symbolic impact of tripartism was visible in every country, even though to a varying extent. It did contribute to social peace by more or less integrating trade unions, or their leaders, into the decision-making process, establishing rules of the game and an initial idea of a deliberative democracy. Trade unions and employers' organisations were mostly interested in maintaining social dialogue and tried to behave co-operatively. Over the years they learned to formulate and articulate specific interests and to improve collective bargaining. In this sense, the symbolic meaning of tripartism showed practical results.

Our findings reveal the usefulness of tripartism as a long-term strategy. In cases where the general legitimacy that governments enjoyed at the beginning of transition has weakened, and interest groups have become more professional and defend their interests more energetically, governments can use tripartism as an additional mode of generating support and legitimacy for their decisions in addition to the parliamentary path. But this depends on country-specific conditions. Because of the different intensity and willingness to go on strike, a country like Estonia does not need tripartite bargaining and conflict resolution with trade unions to the extent that for example Bulgaria does. Hence, in countries with a more confrontational policy style and stronger trade unions, the implementation of late reforms – or rather a reform of reforms – is more probable with an executive constrained by tripartite bargaining. Thus, under certain conditions, self-imposed constraints through tripartism

constitute a deliberative mode of policy-making that proves to be an effective, enabling instrument for governmental action.

What can we conclude about the kind of tripartism that has emerged in Central and Eastern Europe? As already stated elsewhere, tripartism in transition countries does not resemble the ideal type of corporatism. The preventive and sometimes reactive usage of tripartism<sup>103</sup> serves as a distinct mode of governance in a period when parliamentary decision-making is not yet stable and functions as a mode to secure the implementation of 'neo-liberal' reform policies. Hence, this transitional tripartism in Central and Eastern Europe is very much shaped and dominated by government behaviour and is an instrument to enlarge the government's room for manoeuvre by depriving trade unions in particular of their chance to mobilise the public. But as the results mentioned above show, tripartite institutions were not all dysfunctional or 'illusory'<sup>104</sup> as the social partners also gained from this institution. Although they were neither always directly involved in policy-making as equal partners, nor always able to influence the outcomes of governmental decisions, they became more professional in the sense that they learned the rules of wage-bargaining and started to adopt their organisational structures to their new tasks. This became visible through their enhanced interest in tripartite bargaining during its revival in the second half of the decade.

In essence, the results of the analysis enable us to draw general conclusions about the feasibility of reforms. Fiscal stabilisation policy shows the importance of the timing of reforms. The case of Bulgaria demonstrates that it is possible to stabilise late, but for a much higher social price than that paid by the early stabilising countries. Many problems arose from accelerating inflation and decreasing state budgets that were hard to reconcile at a later stage. The exception is Hungary, which launched a consistent fiscal stabilisation package rather late but had more favourable general economic conditions at the beginning. Our paper shows that the thesis of the 'window of opportunity' that facilitates the introduction and implementation of reform policy measures only during a certain time frame at the beginning of transition is also valid for the realisation of fiscal stabilisation policy in Central and Eastern Europe. Later stabilisation efforts profit from additional cushioning by tripartite conflict regulation.

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103 H. Wiesenthal, *op. cit.*, 1996, p. 54.

104 D. Ost, 'Illusory Corporatism in Eastern Europe: Neoliberal Tripartism and Postcommunist Class Identities', *Politics and Society*, Vol. 28, 2000, pp. 503-530.

## ANNEX

Table 3a: Comparison of Stabilisation Measures – Initiating Transition

	1988-89	1990	1991	1992	1993	1994
Bulgaria			<i>February:</i> formal introduction of stabilisation package		incomes policy nominal anchor of stabilisation, wage ceilings less controlled	<i>April:</i> VAT introduced
Czech Republic					<i>January:</i> VAT introduced Wage regulation removed in January, reintroduced in July	
Czechoslovakia		<i>September:</i> beginning of reform	introduction of income tax, decrease profit tax <i>January:</i> wage limitations	short-term excess wage tax system		
Estonia		cutting of subsidies, start of tax reform	further budgetary reform	<i>June:</i> law on stabilisation, tight fiscal policy, taxes increased <i>September:</i> introduction of income tax	<i>December:</i> restricted wage growth, pensions frozen, public investment low	<i>January:</i> VAT and flat- rate income tax introduced

Table 3a continued

	1988-89	1990	1991	1992	1993	1994
Hungary	1988 introduction of personal income and turnover tax	<i>April:</i> beginning of reform, cuts in subsidies	budget deficit increased	corporate income tax implemented, <i>November:</i> abolition of state enterprise wage controls		
Poland		<i>January:</i> beginning of reform, tight income policy <i>December:</i> punitive tax on wages ( <i>popiwiek</i> )		<i>January:</i> introduction of corporate and personal income tax	<i>July:</i> VAT introduced, <i>popiwiek</i> modified but maintained	cuts in public investment, health care, education
Slovakia					<i>January:</i> VAT introduced	cuts in subsidies for public affairs, agriculture and defence expenditures
Slovenia			<i>January-March:</i> start of reforms <i>November:</i> wage ceiling introduced	<i>February:</i> wage ceiling removed	<i>January-June:</i> wage freeze	<i>April:</i> wage guidelines introduced

Table 3b: Comparison of Stabilisation Measures – Readjusting Transition

	1995 / 1996	1997	1998	1999	2000
Bulgaria		<i>July</i> : new austerity package, real cuts in budget	<i>January</i> : comprehensive tax reform		
Czech Republic	adoption of austerity measures	<i>April– May</i> : austerity packages announced	<i>April</i> : investment incentives adopted		
Estonia					abolition of corporate income tax on reinvested profits
Hungary	<i>January 1995</i> : higher individual tax <i>March 1995</i> : reintroduction of stabilisation package	<i>January</i> : reduction of corporate and personal income tax			
Poland	<i>January 1995</i> : wage restrictions redefined				
Slovakia	<i>1996</i> : rising budgetary debts	<i>September</i> : new wage regulation enacted, reintroduction of wage control	increase of minimum wage, new regulation cancelled	<i>April</i> : investment incentives adopted, <i>July</i> : adoption of austerity packages	stabilisation measures partly replaced, reducing income tax

Table 3b continued

	1995 / 1996	1997	1998	1999	2000
Slovenia	April 1995: start of income policy	June: minimum wage law amended	December: excise tax law adopted, law for introduction of VAT	November: VAT implemented	

Sources: Tables 1a and 1b: V. Bole, 'Stabilization in Slovenia: From High Inflation to Excessive Inflow of Foreign Capital', in M.I. Blejer and M. Škreb (eds.), *Macroeconomic Stabilization in Transition Economies*, New York, Cambridge, Cambridge University Press, 1997, pp. 241, 246, 248. Bönker 1993, pp. 23-24, 30. Bönker 2001. Cox and Mason 2000, p. 341. Economist Intelligence Unit, *Country Report Czech Republic Slovakia I*, London, 1995, p. 38. Fisera and Rusnok 1995, p. 52. Frankfurter Allgemeine Zeitung, *Länderanalyse Slovenien/Kroatien*, Frankfurt, 1999, p. 9. P. Gáspár, 'Fiscal Difficulties in the transition: the case of Hungary between 1990 and 1995', in L. Halpern and Ch. Wyplosz (eds.), *Hungary: Towards a Market Economy*, Cambridge, Cambridge University Press, 1998, pp. 23-50. J. Horváth, 'The Fiscal Aspect of the Transition Process in Hungary', *Emergo*, Vol. 2, 1995, pp. 29-51. P. Martin, 'Czechoslovakia. Inflation and Unemployment', *REE*, Vol. 1, 1999, p. 2. Morvay 2000, p. 24. OECD 1999, pp. 47-55. OECD 1999, pp. 46-57. S. Owsiak, 'Reform of the Fiscal System as an Instrument for the Transformation of the Polish Economy', *Emergo*, Vol. 2, 1995, pp. 52-67. Rajasalu 1995. P. Tang and H. Nilgo, 'Budget Reform', in O. Lugas and G.A. Hachey (eds.), *Transforming the Estonian Economy*, Tallinn, Estonian Academy of Sciences, 1995, pp. 92-111. Wyżan 1997.

Table 4: Inflation (change in annual average retail/consumer price level, per cent)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Bulgaria	26.3	333.5	82.0	73.0	96.3	62.0	123.0	1082.0	22.2	0.7	9.9
Czech Republic	9.7	52.0	11.1	20.8	9.9	9.1	8.8	8.5	10.7	2.1	3.9
Estonia	23.1	210.5	176.0	89.8	47.7	29.0	23.1	11.2	8.1	3.3	4.0
Hungary	28.9	35.0	23.0	22.5	18.8	28.2	23.6	18.3	14.3	10.0	9.8
Poland	585.8	70.3	43.0	35.3	32.2	27.8	19.9	14.9	11.8	7.3	10.1
Slovakia	10.8	61.2	10.0	23.2	13.4	9.9	5.8	6.1	6.7	10.6	12.0
Slovenia	549.7	117.7	207.3	32.9	21.0	13.5	9.9	8.4	7.9	6.1	8.9

Source: European Bank for Reconstruction and Development (EBRD), *Transition Report 2002. Agriculture and rural transition*, London 2002, p. 60.

Table 5: General government balances (as percentage of GDP)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Bulgaria	-8.1	-4.5	-2.9	-8.7	-3.9	-5.7	-10.3	-2.0	0.9	-0.9	-1.0
Czech Republic	-0.2	-1.9	-3.1	0.5	-1.9	-1.6	-1.9	-2.0	-2.4	-2.0	-4.2
Estonia	na	na	na	na	1.3	-1.3	-1.5	2.2	-0.3	-4.6	-0.7
Hungary	0.0	-2.9	-6.1	-6.0	-7.5	-6.7	-5.0	-4.8	-4.8	-3.4	-3.3
Poland	3.1	-2.1	-4.9	-2.4	-2.2	-3.1	-3.3	-3.1	-3.2	-3.7	-3.2
Slovakia	na	na	-11.9	-6.0	-1.5	0.4	-1.3	-5.2	-5.0	-3.6	-3.6
Slovenia	na	2.6	0.3	0.6	-0.2	-0.3	-0.2	-1.7	-1.4	-0.9	-1.3

Source: EBRD, *op. cit.*, p. 61.

Table 6: Growth in real GDP (per cent)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Bulgaria	-9.1	-11.7	-7.3	-1.5	1.8	2.9	-9.4	-5.6	4.0	2.3	5.4
Czech Republic	-1.2	-11.6	-0.5	0.1	2.2	5.9	4.3	-0.8	-1.0	0.5	3.3
Estonia	-6.5	-13.6	-14.2	-8.8	-2.0	4.3	9.8	4.6	-0.6	7.1	5.0
Hungary	-3.5	-11.9	-3.1	-0.6	2.9	1.5	1.3	4.6	4.9	4.2	5.2
Poland	-11.6	-7.0	2.6	3.8	5.2	7.0	6.0	6.8	4.8	4.1	4.0
Slovakia	-2.5	-14.6	-6.5	-3.7	4.9	6.7	6.2	6.2	4.1	1.9	2.2
Slovenia	-4.7	-8.9	-5.5	2.8	5.3	4.1	3.5	4.6	3.8	5.2	4.6

Source: EBRD, *op. cit.*, p. 58.



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