Convergence or Diversity
Working and Employment Conditions in New EU Member States

Convergence or Diversity?

Edited by Daniel Vaughan-Whitehead


International Labour Office
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Preface

This volume is the result of a long and complex project undertaken in collaboration with the European Commission, aimed at identifying changing patterns in conditions of work and employment in the new EU member states: employment contracts, working time, conditions of work, including safety and health, work and family, remuneration, and so on – all issues which constitute the contents of industrial relations. In this regard, it also represents a useful complementary tool by means of which the European Commission may observe what difficulties enterprises in the new EU member states may encounter in implementing EC directives on working conditions and work and family at local level, the progress achieved so far and some paths for further improvement.

The project is unique in the sense that it does not merely study working conditions one after the other, but also the combinations in which they are introduced, what trade-offs emerge at enterprise level and what the consequences are for individual workers and their family life, and for social cohesion in general. From a methodological point of view, general trends were identified through statistical analysis and then illustrated by enterprise case studies conducted by experts in the selected countries. Although the focus was on the new member states, the analysis was undertaken in a comparative perspective with other EU countries.

The contributions to this volume are rich and provide new and invaluable information. Starting with two comparative papers, each of the following country papers focuses on case studies and provides rarely collected data on what is happening at firm and establishment level. The most striking fact, however, is the problems that workers are facing regarding working conditions. Work intensity, bad working conditions and related health and safety problems seem to be the most pressing issues that new member states have to address.

By bringing countries closer together and imposing similar constraints, one would think that Europe would be able to harmonise conditions of employment. However, the papers in this volume show that there is still a long way to go.

It is true that, more generally, the world of work seems internationally to be characterised by increased diversity, not only between countries but also
between various possible forms of employment and contractual arrangements, as well as according to the different possible profiles of the workforce in terms of gender, age, race, ethnic origin or class. Job opportunities, income from work and entitlements at work are unevenly distributed across countries and groups, leading to inequalities and increased social instability. There is increasing diversification between groups of workers. This is the result of the conjunction of enterprises’ need for more flexibility to maintain or reinforce competitiveness and the changing and increasingly diverse demographic structure of the workforce, with corresponding new requirements, leading to even more fragmentation of conditions of employment. It is this complexity and increased workforce diversity that has become the main challenge not only for the European Union but for all countries and enterprises around the world.

This work could not have been accomplished without the invaluable contributions of Daniel Vaughan-Whitehead, who led and coordinated the work, Sangheon Lee, who carried out the statistical work, Corinne McCausland for the cover design, Kris Falciola for organisational matters, and, last but not least, James Patterson for editing and typesetting.

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1. The World of Work in the New EU Member States: Diversity and Convergence

Daniel Vaughan-Whitehead

INTRODUCTION

EU enlargement, bringing in 10 new member states on 1 May 2004, beyond representing a historic political step forward for Europe and offering its new economic prospects, will undoubtedly also have social implications that have yet to be properly documented. This volume aims particularly at investigating what type of working and employment conditions may prevail in an enlarged European Union.

The following chapters present concrete evidence on the reality at enterprise level in a number of new member states, especially through case studies. In the present chapter we seek to provide information on employment and working conditions in the new EU member states – while comparing them systematically with the rest of the EU-25 – in particular at the enterprise level in relation to the four key pillars defined by the EU Lisbon Strategy:

1. Adaptability to change: to what extent are the new member states showing an ability to adapt to changing conditions?
2. Social cohesion: how cohesive are the new EU member states?
3. Sustainability: how sustainable are the systems that have been put in place (during the transition as well as in the prospect of EU accession) with regard to today’s principal demographic, economic and social challenges?
4. Partnership: to what extent are these societies based on – and even sustained by – broad participation and stimulated by social dialogue and participatory mechanisms?

In short, are the practices and policies emerging at enterprise level converging towards EU standards, or do they appear instead to be taking different routes?
This chapter will examine the full range of working and employment conditions at enterprise level, including employment contracts, working time, wages, occupational health and safety, stress at work, reconciliation of work and family, social dialogue and industrial relations more generally.

1. ADAPTABILITY TO CHANGE: ACHIEVEMENTS AND DRAWBACKS

Evaluation of working and employment conditions in the new member states points to a first major conclusion: not only is their general responsiveness to change very strong but also they have shown some initiative in adaptation by developing innovative policies and practices. This can be observed in all aspects of working conditions.

At the same time, reality at enterprise level points to a second major conclusion: this adaptation to difficult circumstances has clearly led to a number of excesses and has often generated extreme behaviour. This is observable in a number of areas of working conditions, for instance employment status, but also working time, occupational health and safety, and remuneration systems.

1.1 Strong Ability to Respond to a Difficult Situation

While work under the previous communist regime was characterised by very low wages but a guarantee of life-long employment, the shift to a free market economy has brought radical changes in patterns of employment and working conditions. During the years of transition – which brought with them the unprecedented (in these societies) phenomenon of restructuring, with dismissals and growing unemployment – and with the emergence and development of the private sector, new enterprises started to leave former corporate models behind to adopt new forms of employment and working-time arrangements to better adapt to the newly competitive environment.

1.2 Temporary Contracts on the Increase

Although this form of employment did not exist in the early years of the transition – most workers had permanent contracts – fixed-term work has become a major form of employment and is increasingly being used (as in the other EU countries) as an important source of flexibility. The share of this type of contract has increased from nothing in the early 1990s to more than 10 per cent in the 10 new EU member states. Although this is slightly below the EU average of 11 per cent, a few countries – such as Poland (with 14 per cent) and Slovenia (with 12 per cent) – have seen employers making more systematic
use of such employment contracts. For the employers this has the main advantage of reducing costs in case of termination of employment. In Poland these contracts increased by nearly 25 per cent in 2003 alone. Polish legislation with regard to this type of contract is particularly permissive, inducing most employers to shift to such flexible forms of labour contract.

1.3 The Recent Development of Interim Agencies

A new phenomenon has also appeared in the new member states: the use of interim employment agencies to provide employers with a constant stock of employees. Although this type of employment is only in its infancy – all new member states being well below the EU average – a growing proportion of work contracts seem to be concluded through the intervention of such agencies.

They are more widespread in Latvia, Slovenia and Malta (around 10 per cent of the labour force). These contracts remain limited in the other newcomers.

In Estonia only 1.2 per cent of employees were employed through interim agency contracts, although this proportion is on the increase. In Hungary only 282 temporary agencies existed in 2002, employing 0.8 per cent of the total
The number of employees – including their own permanent staff, who represented half of this figure. The agencies had contracts with only 1,289 employers, insignificant compared to the total number of employers (close to 1 million with more than 4 employees). Moreover, this practice does not seem to be well regulated yet. Since several agencies were found to have leased workers only to one employer, there are good reasons to believe that many of them have been created by the employers themselves as another way of making savings in terms of labour costs and contributions – the employer thus avoids a more costly direct relationship with the employees concerned. This practice has been identified during case studies conducted in Hungary, where temporary agencies often act as extended arms of enterprises. Almost half of these assignments were directed towards the manufacturing sector and concerned mainly blue-collar workers.

Two things could explain the limited development so far of interim contracts: (i) the fact that employers are already using other forms of flexibility, and (ii) that many firms are still not aware – probably due to the poor development of interim agencies themselves – of the possibility and the advantages of such alternative employment arrangements.

### 1.4 Self-Employment as a Source of Flexibility

While new member states are witnessing growth in atypical forms of contract, such as temporary contracts or contracts through interim employment agencies, self-employment is the most increasingly used form of flexibility in new member states.

Self-employment in 2003 affected 24 per cent of employees in Poland, 17 per cent in the Czech Republic and Lithuania, and 13 per cent in Hungary, compared to an EU average of 14 per cent. It has recently increased significantly in Slovakia, the Czech Republic and Lithuania.

The percentage of self-employed persons is thus already above the EU-15 average in many of the EU new member states. In Poland and Cyprus more than one employee in five is self-employed, a figure matched in the EU-15 only by Greece (32 per cent), Portugal (26 per cent) and Italy (23 per cent).

The figures tend to show a large increase in the number of self-employed over the last few years. However, two aspects should be kept in mind: (i) it is important to analyse the data and their development both including and not including agriculture since the proportion of self-employed is very high in that sector and agriculture itself is very important in some countries, such as Poland; (ii) it is important to focus on the self-employed ‘without dependent employees’ only, leaving aside self-employed enterprises which have dependent employees.
Self-employment thus represents, like temporary work contracts, a new source of flexibility, often more convenient for employers since it allows them to attain maximum flexibility more easily, with maximum avoidance of social contributions and labour regulations. This is significant in Poland, Hungary, Lithuania, Latvia and Estonia, but has also been reported in the UK, Ireland, Portugal and the Netherlands. Compared to the EU-15, this recourse not only seems to be more extensive already, but also to capture a different phenomenon, namely regular employees in effect remaining in the same job while shifting from a normal labour contract to a self-employment contract.

1.5 Part-Time Work for Specific Categories of Workers

In contrast to other flexible forms of employment part-time work is little developed in the new EU member states. Moreover, it tends to be essentially involuntary. For instance, half of part-time work in Estonia (51 per cent in 2002 against 42 per cent in 1993) and in Poland (50 per cent) is of an involuntary nature. In addition, when it is of a voluntary nature it may correspond to a second job for those already working full-time in a main job (for instance, this affects 12 per cent of part-timers in Estonia). Part-time work is therefore something whose mechanisms seem different to those in the current EU-15. Part-time work has been developing more as a flexible form of employment rather than as a way of reconciling work and family. Part-time work is used
mainly to employ retired people, the disabled, young first entrants and the unemployed, who generally already receive social allowances but urgently require additional income. In Hungary, nearly 20 per cent of the 4.8 per cent of employees working part-time are disabled. In Poland, 40 per cent of part-time workers are either pensioners or disabled.

In Hungary, part-time work has not developed much, despite the government’s efforts to promote it as a way of increasing the employment rate. The idea was to make this type of contract more attractive for both employers and employees, notably by reducing the amount of flat-rate health care contribution that is levied equally on every employee on top of the insurance-type health care contribution. One possibility offered is to consider a part-time job (above a certain weekly limit) as a full-time job when the length of service is calculated for pension purposes.

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Part-time work is nevertheless on the increase in the new EU-10 and may progressively evolve to serve the same function it normally does in the EU-25. In Estonia the proportion of part-time workers increased from 5 per cent in 1993 to 9 per cent in 2002, mainly in health care and social services, which are dominated by the female labour force. More favourable legislation for part-time work – especially with regard to employers’ taxes and contributions – may encourage greater use of this form of flexible employment.
1.6 Long Working Hours the Main Adjustment Variable?

Working time is also an area in which there are some differences between the EU-15 and the 10 new member states, with employees appearing to work many more hours on average in the latter. In 2003 almost all new member states – with the exception of Lithuania and to a lesser extent Slovakia – were working above the EU-15 average (41.4 hours a week), especially Latvia (43.8, that is, around 2 hours more per week), Poland (43.4) and the Czech Republic (43.1). In the EU-15, comparable working time was reported only in Greece, which registered the highest number of average working hours (44.4 hours a week) and the UK (with 43.8). The two new Southern members are characterised by a longer working week.

While the EU average has not significantly changed with the increase from 15 to 25 member countries (from 41.4 to 41.6 hours a week), we must report that the EU-15 average has always been influenced upward by a few outliers (mainly Greece and the UK) – workers in most other EU-15 benefiting from far fewer working hours – long working hours seem to represent one specific feature of working conditions in the new member states.

This seems to be confirmed by the percentage of employees working more than 50 hours a week, which is also much higher in the new EU member states. According to Paoli et al. (2002), in 2001, 79 per cent of workers in the 12 candidate countries (that is, the 10 new member states plus Bulgaria and Romania) – compared to 48 per cent of workers in the EU-15 – were found on average to work more than 40 hours a week. At the same time, the percentage of employees working less than 15 hours a week was much smaller: less than 2–3 per cent compared to 5 per cent in the EU-15.

The extension of working hours has become a way of coping for both employers and employees. On the employers’ side it is a way of responding to peak periods of activity with the same manpower: in this way they limit the payment of social contributions and also avoid alternative costly hiring/firing procedures. On the employees’ side accumulating the number of hours during the week has become the main way of increasing low basic wages and supplementing family income. It is mainly low wages that impel workers to accumulate extra working hours. However, longer working hours are often due not to the employees’ wishes but to the employers’ requirements. As an example, 30 per cent of extra working time is involuntary in Poland and thus does not correspond to a free choice on the employees’ side.

Nevertheless many case studies presented later in this volume (see, for instance, Estonia and Latvia) show that the workers have opposed reductions in overtime for two main reasons: first, because overtime – when paid – has become a considerable complementary source of income; and second because employers – in order to make savings – tend to replace overtime with signif-
The World of Work in the New EU Member States

Source: Derived from the Dublin Foundation survey in 2001.

Figure 4 Long Hours and Unsocial Hours, 2001

Source: Eurostat.


Figure 5 Weekly Working Time for Those Working Full Time (in number of hours), 1997–2003
icant amounts of shift work, which is definitely not better for workers—especially night shifts—trying to reconcile work and family. No doubt long working hours will continue to represent an important form of adaptability to the difficult economic context at enterprise level, mainly in the manufacturing sector, but also in such sectors as mining, transport and electricity.

Weekend work or unsocial hours have also developed rapidly, at least in some countries. Weekend work in the retail sector, for instance, is a major political issue in Slovenia, particularly the question of whether there should be Sunday opening.

We can see from the mapping figure (Figure 4) which tries to locate the 25 EU countries in terms of both working time and unsocial hours that most new EU member states are located in the upper right corner, representing very extensive use of the labour force. These figures, well above the EU-15 average, obviously have direct implications for employees at work, especially since working time was found to have strong correlations with other working conditions. Longer working weeks are associated with higher health and safety risks, and also more difficulties in reconciling work and family.

Although the new member states seem to have particularly long working weeks, there are two positive developments to report.

First, the number of hours worked has progressively decreased in all these countries over the last few years (1997–2003), sometimes significantly, as in Slovakia and the Czech Republic (by nearly two hours) and then Slovenia, Estonia and Cyprus (by one hour). These countries thus seem to be already progressively converging towards the EU average. This has been achieved partly through changes in national labour laws—reducing maximum weekly working time (for instance, in Poland this was decreased from 42 to 40 hours between 2001 and 2003) —mainly to fall into line with the EU working time directive.

Secondly, we have also observed over the last few years a progressive decrease in the number of workers with a second or even a third job, the typical way of coping during the first transition years for a majority of workers. In Estonia, for instance, the percentage of people having a second job decreased from 9 per cent in 1997 to 4.5 per cent in 2002. It seems that the workers now concentrate on one activity but accumulate working hours to increase their wages or at least their probability of being retained by their employer. Second jobs seem now to be more common among more skilled and professional employees who can often easily obtain an additional self-employment contract with another company in addition to their regular job.

To summarise, while we are witnessing growing recourse to atypical forms of contract, it is interesting to observe that such growth is due not only to the presence of rigid conditions on the labour market (which could thus be relieved through lower taxes and fewer legal regulations), but also to the gen-
eral mentality of employers, and in particular their strong willingness to be totally free to use a stock of labour while avoiding restrictive regulations.

1.7 Extensive Recourse to ‘Civil’ and ‘Multiple’ Contracts

In the last few years, in many new EU countries a new phenomenon has emerged at enterprise level: employers’ demand that employees shift from regular to self-employment status. This not only means that the employees get a new employment status – of self-employed – but also that their normal labour contract is replaced with a civil contract – with many obvious implications for them. First of all, they are no longer covered by the Labour Code, but rather by the Civil Code. Furthermore, they are no longer treated as employees, but rather as business units, so that they lose all workers’ rights.

Significantly, this practice has burgeoned not only in those services where freelancers or consultants operate naturally – for instance, interpreting, translation or business consultancy – but also in services that require regular employees, such as banking, as we may observe in Hungary.

This shift seems to be driven by a number of different motivations: on the employers’ side the wish to avoid taxes and social contributions or binding regulations such as the right to strike or prior authorisation before dismissals; on the employees’ side, growing unemployment and low negotiating power, especially in the presence of a large informal sector. It can also represent certain advantages for employees who can deduct certain expenses (such as fuel for the car, clothing, electricity or telephone bills) from their income tax.

Not only does this usage of self-employment circumvent the need to pay any social or pension contributions on the employer’s part, but it also affects working conditions. The self-employed tend to work longer hours due to tight deadlines fixed for their specific assignments, without proper remuneration, especially since their working hours are much more difficult to check and are not counted in official statistics on working time. In Poland, the self-employed were found to reach peaks of 56 hours per week. Self-employed persons can also suffer from non-payment or from long delays before payment. In Estonia, for instance, 13 per cent of self-employed persons reported having had their wages delayed by more than one month.

The question is, will this upward trend of this type of self-employment arrangement continue? In particular, will it continue to be applied at enterprise level to substitute regular labour contracts? According to Eurostat, the percentage of employees in self-employment has been decreasing recently, although this will have to be monitored regularly in the future.

Regarding the use of this type of contract, in addition to the employers’ demand that employees shift from a regular to a self-employment contract – involving a change in employment status while the employee continues to do
the same work as before – we have also observed a second form of self-employment, where the employer supplements the employee’s normal labour contract with an additional, self-employment contract. In this case, the different employment status may be matched by a different form of activity, this additional activity being covered by the Civil Code rather than the Labour Code. This second practice seems to be developing rapidly in many of the new member states: the use within the same enterprise and with the same employees of ‘multiple contracts’, with a regular labour contract being supplemented, for extra working time or additional work assignments, by a civil contract or a self-employment contract. This phenomenon seems to be particularly widespread in Poland and Hungary, but is also prevalent in all other new member states in Central and Eastern Europe. It is widespread in the three Baltic states.

In Estonia, not only are civil contracts widely used by employers as a major source of flexibility, but also a not insignificant proportion of workers – 5 per cent in 2002 against 11 per cent in 1998 – continue to work without any written labour contract. Their employment and working conditions are agreed orally with the employer, a practice that circumvents Estonian law and seems to be more developed in new enterprises, especially in Tallinn, and in rural areas (7 per cent of enterprises in 2002).

Another practice is present in some of the new EU member states – especially in Lithuania, Latvia and Estonia – which enables employers to achieve their ends without circumventing the law: the employee signs, alongside an individual labour contract, a supplementary ‘extra agreement’ – in fact, a
notice of dismissal that can be used any time at the discretion of the employer. While this practice is decreasing in Estonia (from 10 to 6 per cent between 1999 and 2002) it continues to increase in Latvia and Lithuania, where it affects nearly 10 per cent of the labour force. Employees’ willingness to accept such practices is clearly related to high unemployment and the poor prospects of finding a job.

1.8 General Acceptance of Health and Safety Risks

Enterprises have not so far paid much attention to health and safety, particularly because it is in this area that they would have to spend the most without an immediate bottom-line return, especially with transposition of the numerous EC directives in this area. Although the general situation seems to be improving the picture is still worrying in most new EU member states. A health and safety index which we built up from the Dublin Foundation survey results of 2001 shows that the health and safety risks in most new EU member states are much higher than in existing EU countries.

Moreover, even when there is significant legislation, it is too rarely applied at enterprise level, especially among the new private small and medium-sized enterprises. In Estonia, for instance, according to the Labour Inspectorate only 15 per cent of enterprises were in compliance with legal obligations in this area. The main violations involved the absence of a contract with an occupa-

Source: Derived from the Dublin Foundation survey in 2001.

Figure 7 Long Hours and Health and Safety Risks, 2001
tional health service specialist (70 per cent were found not to have one), no risk assessment or plan of activities (60 per cent of enterprises are not in compliance), no internal control (absent in 49 per cent of enterprises), no training (not even discussed in 44 per cent), and no elected working environment representatives (in 37 per cent).

Conversely, most of the inspected enterprises did not have problems with safety instructions, first aid equipment and personal protective equipment. The fact that many enterprises have problems in this area, however, is confirmed by the statistics on occupational accidents and diseases: their number in Estonia increased by almost 50 per cent between 1999 and 2002. In other countries, such as Poland, while the number of accidents at work is decreasing, they remain at a very high level. Moreover, most victims of such accidents are found to be on short-term or temporary contracts. There is also a direct correlation between working time and risk of accidents.

We must add that the recent increase in accidents in a few new member states may be due not only to a real increase in absolute numbers but to better reporting, the true figures having been too often and systematically hidden in the first 13 years of transition and in the course of EU accession, by both employers and employees. This is a sign that these countries are moving towards more transparency and thus more public concern in relation to occupational health and safety issues.

1.9 Unpaid Overtime

While working time is already officially much longer than in current EU member states, the reality is certainly worse than suggested by official statistics (and what is enshrined in the new Labour Codes), which largely underestimate the real number of working hours: first, because of the informal economy – much larger in the new EU member states than in the EU-15 – where by definition the number of working hours is unregulated and thus much larger (often above 50 hours a week); second, because employers in the formal economy also have a tendency to underreport total number of working hours, for different reasons, mainly the presence of the civil contracts that we described above (alongside the phenomenon of multiple contracts) for which working time does not seem to be counted; and then also because there can be very tough, intensive periods with very long working weeks (more than 50 hours a week), while average working time remains low because the reference period taken for calculation of this average is mainly defined by the employers (due to very weak social dialogue or works councils). Conversely, social dialogue can help greatly in negotiating a working time frame that is acceptable for both employers and employees (see section on social dialogue).

Problems have also been reported with regard to *extra working time in the*
public sector in Hungary, Estonia and the Czech Republic. In Hungary, workers in the health sector (and particularly nurses) are legally permitted to work 62 hours per week, due to labour shortages (when we add their normal working hours to their complicated on-call time system).

Additional service contracts on top of regular work contracts are also practiced in the public sector in Estonia. However, beyond long working weeks, the case studies seem to confirm another important finding: *unpaid overtime* on a massive scale. For example, more than 70 per cent of workers in Poland do not receive any additional remuneration for overtime, not even at the basic rate. In addition, the Labour Inspectorate reported that more than one-third of enterprises had falsified their working time report. The case of Lithuania is also striking, as only 6.5 per cent of workers who are working more than 48 hours per week receive extra payments. The best situation seems to be in Slovakia, where only 48.5 per cent of employees working overtime reported not being paid! A similar situation exists for the payment of weekend work. In Cyprus and Lithuania, less than 10 per cent of workers who work on Sundays are paid extra.

Multiple contracts seem to constitute an important way of avoiding paying for extra working time. While the phenomenon of unpaid overtime is not unknown in other EU countries, such as the UK, it is generally found to concern mainly managers and white-collar employees; in many of the new EU countries, it seems to concern all types of workers.

Many reasons induce employees to accept such conditions. Unemployment
is the principal factor. The second factor is the payment of part of the wage ‘under the table’, while only the minimum wage is officially declared: this gives employers more power to push workers to work longer and under any conditions if they want to receive their full wage, a practice we describe below.

1.10 Wage Payments ‘Under the Table’

Another way of reducing labour costs in the new member states seems to consist in declaring a majority of their employees on the minimum wage and providing them with extra payments ‘under the table’, that is, undeclared cash-in-hand. This allows employers to make significant savings in terms of social contributions and other taxes. Nearly half of Hungarian employers in their answers to a recent survey (see Economic Trends, 2003) reported that this was a general practice in the Hungarian economy. It represents the most quoted method (by 46 per cent of respondents) of saving on labour costs. Among other methods, 27 per cent of employers also quoted employment under a civil contract, while around 12 per cent mentioned employment for a trial period and 15 per cent part-time employment.

In Estonia, 10 per cent of employees received such ‘under the table’ payments in 2002 (an improvement on 1999 when this practice was reported by 19 per cent of employees).

In Poland, in 2003 this affected nearly 20 per cent of employees in micro-enterprises (less than 5 employees), between 10 and 15 per cent in small and medium-sized enterprises (6 to 150) and less than 5 per cent of employees in large companies (over 150 employees).

The general practice of under-declaring wages obviously has implications for many other working conditions: for instance, the payment of extra working hours which, according to the law, must be calculated on the basis of the normal basic wage. Instead of being regulated by law, overtime is, in practice, at the employers’ discretion. All sources of income (social benefits) are systematically deflated by such wage under-reporting.

To summarise, while progress has been reported, significant abuses in working conditions may also be observed in the new EU member states. However, we might wonder whether this situation reflects the difficult adaptation process which these countries have had to go through – an answer to growing unemployment, declining living standards and the disappearance of the central role of the state. Are not these flexible contracts, massive unpaid overtime and other informal practices the only way enterprises can survive? Are they not also the only alternative to unemployment or deprivation for a majority of workers? Monitoring will have to be carried out to check whether these trends will continue in the more rosy economic and social context.
expected in the newly enlarged EU. At the same time, we must see whether these developments, if confirmed, are compatible with a more inclusive society and if they contribute to more sustainable economic and social systems.

2. SOCIAL COHESION: SOON THE MAIN PRIORITY?

Undoubtedly – and the above analysis confirms it – employment and working conditions in the new member states seem to have been driven mainly by two major variables so far: high unemployment rates and very low wages, which have both pushed employees – or at least a majority of them – to accept whatever conditions are offered them at enterprise level. This means that living standards have so far not developed enough to induce employees to choose their working patterns on the basis of other criteria – for instance, the need to take care of children or the wish to have more leisure time, and so on – than the basic necessity to escape from poverty. Living standards thus represent the core element that may modify the picture at enterprise level. In this context, social cohesion – one of the objectives of the Lisbon Summit – should certainly be retained as an absolute priority in these countries, also with the aim of providing opportunities for all – even those categories excluded so far – to participate in the exceptional adaptation process in which these countries are currently engaged.

2.1 Unemployment and Wages the Main Determinants

Clearly, almost all working and employment conditions at enterprise level in the new EU member states can be traced back to the population’s general social situation, particularly high unemployment and very low wages. We see from Table 1 that not only minimum wages (as well as average wages) continue to be well below the other EU countries’ average, but that many of them already experience higher unemployment rates (especially Slovakia and Poland).

Most case studies carried out recently at individual enterprises tend to show that the main reason why employees tend to accept bad working and employment conditions – without complaining or going to court – is fear of losing their job. Another reason why employees generally accept very long hours, often not fully remunerated – and at very high and stressful working rhythms – is the urgent need to raise their living standards.

Many examples can be brought forward. For example, the workers at a pub in Estonia who do not want to complain about the unhealthy conditions because they fear that the Labour Inspectorate may close the place down and they will lose their jobs (see case study in the chapter on Estonia). Or employees in the banking sector in Hungary who have been forced by their employer to shift
Table 1 Unemployment Rates and Minimum Wage Levels, EU-25

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<td>EU-25</td>
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<td>-</td>
</tr>
</tbody>
</table>

Source: Eurostat; EC Employment in Europe 2003, p. 80.

from a regular to a self-employment contract if they want to keep their job. Or temporary workers in Poland forced to remain on very short-term contracts or civil contracts (as illustrated by the case studies in Poland in this volume).

Figure 9 (overleaf) shows that self-employment – which we have seen is directly related to longer working hours – is mainly motivated by the wish to increase wages. As a result, many self-employed were found to belong in the higher-income category.

Another practice observed at enterprise level in many of the new EU member states well illustrates the predominance of the wage issue: the widespread payment of bonuses or premia compensating very poor working conditions, especially in occupational health and safety, a practice whose continuance both workers and trade unions seem content to accept.
The lack of development of part-time work can also be traced back to wages and living standards. In Estonia, the main reason for involuntary part-time work (according to 51 per cent of part-timers) is the failure to find a full-time – and thus fully remunerated – job. The situation is the same in Poland (where 40 per cent of part-timers would like a full-time job) where part-time work is generally associated with social exclusion (especially if we consider the high price of urban transportation in cities like Warsaw, approximately 15 per cent of the average wage of a part-time job; moreover, a part-time wage does not seem to be enough to cover child-care costs).

A recent survey in Hungary shows that most people on a part-time contract are unable to find a full-time job. Only one-third agreed to such contracts by choice, particularly women. Part-time work in Hungary seems in fact to be more voluntary for women than for men.

While such poor working conditions might be considered part and parcel of adaptation to restructuring and economic crisis, the growth of such practices is certainly too much influenced by the fear of falling into deprivation and social exclusion. It is in this regard that social protection policies are important. Among the new EU member states Slovenia certainly represents a success story in this regard since it has managed to achieve a successful economy while maintaining the main features of its social protection system. However, even there the fight against poverty and deprivation (so-called ‘social exclusion’) – with notably very high long-term unemployment rates – would require an even more comprehensive policy.

**Figure 9 Working Conditions and Self-Employed (without Employees) Compared to Other Employees**

The lack of development of part-time work can also be traced back to wages and living standards. In Estonia, the main reason for involuntary part-time work (according to 51 per cent of part-timers) is the failure to find a full-time – and thus fully remunerated – job. The situation is the same in Poland (where 40 per cent of part-timers would like a full-time job) where part-time work is generally associated with social exclusion (especially if we consider the high price of urban transportation in cities like Warsaw, approximately 15 per cent of the average wage of a part-time job; moreover, a part-time wage does not seem to be enough to cover child-care costs).

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**Source:** Own calculations from the Dublin Foundation survey 2001.
2.2 Excluded Categories

Under Communism Central and Eastern European countries tended to give women a central place in the world of work. This situation continues in most of these countries. In 2003, for example, and in contrast with EU patterns, many Central and Eastern European countries continued to have higher male unemployment (for example, in Lithuania, Latvia, Hungary and Slovakia). Female employment rates also continue to be slightly higher than the EU-15 average, so that they brought up the EU-25 average.

However, the emergence of market economies brought the first imbalances and the first significant signs of inequality in respect of both employment and unemployment. While employment rates continue to be lower for women, as in the rest of the EU, this difference has started to increase rapidly in some of the new EU member countries from Central and Eastern Europe. Employment rates have decreased most dramatically (by 15–20 points) in Hungary and Poland, to 40 and 38.4 per cent respectively in 2003. This is also marked in the two new member states from Southern Europe – Cyprus and Malta – due to different culture and traditions.

During the transition process, many workplaces’ ‘family-friendly’ arrangements have been abandoned, which explains to a certain extent the fall of female employment rates in these countries. Women are also increasingly confined to lower-paid jobs.
A significant gap has also started to develop between men’s and women’s unemployment, particularly in the Czech Republic, where it reached more than 4 per cent (from around zero in 1990) after more than twelve years of transition, but also in Poland. Many women have started to leave the labour market, either because of difficulties reconciling work and maternity, but also because they are the most vulnerable in the restructuring process that affects mainly low-paid, less-skilled jobs.

Women are also at a disadvantage in respect of getting a job, since they seem to experience longer periods of unemployment. In Slovakia, 67 per cent of them (58 per cent in Poland compared to the 48 per cent EU-15 average) have not been able to find a job for a year and so find themselves plunged into very long-term unemployment, reducing even further their ability to maintain the skills – and motivation – necessary to find a job.

Efforts have been made recently in some new EU countries to improve the situation (‘social inclusion’) of groups such as pensioners, students and the unemployed. The political priority of lengthening working life and postponing retirement – also within the context of pension reform to move towards more viable systems in the long run – has somehow contributed to a response to old-age poverty. Measures have also been taken to facilitate new entrants integrating in the labour market, for instance through a lower minimum wage for young entrants, as in Estonia. So far, however, we have seen that it is mainly through flexible forms of contract that flexibility is attained at the
enterprise level – for instance through part-time work for unemployed young entrants – but they are not yet contributing sufficiently to the general target of reducing social exclusion.

Among other categories of the ‘excluded’ we might also mention the disabled, whose situation has worsened significantly during the years of transition. In Slovenia, the disabled are also strongly affected by unemployment.

Studies also point to the poor labour market position of the Roma population, with some clear cases of discrimination. Roma were often found to be excluded from education and employment opportunities. A number of programmes to give them better access to education and training have been implemented, leading to some definite progress. Nevertheless, their situation will not be improved without a more comprehensive policy, aimed also at improving social protection and social assistance coverage, as well as facilitating their better integration (schooling, housing, and so on), an aspect which the European Commission emphasised during the accession negotiations.

2.3 Increased Poverty

As a result, poverty remains a major concern in most new EU member states. A large part of the population continues to find itself below or not far from the subsistence minimum or poverty line. Certain groups are more affected than others. The unemployed – especially the long-term unemployed – are first in line, together with pensioners, the disabled and those trying to cope on only social benefits. Among the families most at risk, we find large families composed of two adults with three or more children, as well as single-parent households – generally women – with dependent children. This poverty risk has obviously direct implications for family structure, an issue we address in the following section.

3. HOW SUSTAINABLE ARE THE NEW EU SOCIETIES?

After this assessment of working and employment policies and practices at enterprise level it is no less essential to try to identify what effects they might have in the long term, and to analyse in particular how sustainable they may be in the face of the major current challenges of EU societies, in terms of demographic, economic and social developments.

3.1 Demographic Sustainability

Most trends at enterprise level, through their influence on life outside the workplace – especially those of women – may sometimes influence demo-
graphic trends radically. The new EU member states are no exception in this regard.

3.1.1 Impossible to Reconcile Work and Family Life?

The employment and working conditions described above do not seem to leave much flexibility for women – or men – to reconcile work and family life. While part-time work is very poorly developed, women are found not to work fewer hours. In contrast with the EU-15, where women work fewer hours than men – 33 as against 41 hours a week on average in 2000 – there are no major differences in the new member states. Women have to accumulate working hours in order to sustain their family. This process is evident in the employment rates of women with a child under six (see Figure 12). They show a much lower propensity to continue working in the new EU member states than in the other EU member states.

It is only in the public sector and in certain activities of the tertiary sector that women manage to work less and thus have more flexibility in reconciling work and family. In services in Estonia women worked 4.5 hours less than men in 2002, while they were found to work 2 hours more in manufacturing, probably because they are confined to low quality and low-wage jobs that require full availability.

The available data also show that there is very low ‘feminisation’ of part-time contracts. In Poland, for instance, less than 10 per cent of women work-

![Figure 12 Participation Rates of Women with Children under Six (aged 15–64) in EU](source: Eurostat)
ing part-time mentioned family obligations as the reason for this type of contract. Women are generally constrained to accept such employment status (because it is the only one available) although they would like to work full-time for financial reasons. We have already seen that part-time work is also mainly used with retired people, the disabled, young first entrants and the unemployed, and not as a way of reconciling work and the family. Figure 13 confirms that while most EU-15 countries have increased part-time work to better reconcile work and family – sometimes successfully, as in the Netherlands – in many new EU member states difficulties reconciling work and family (as shown by our work and family index) remain higher while part-time work is little used for this purpose.

This means that other avenues should be explored in order to reconcile work and family life in new member states, and to increase women’s participation in the labour market. For instance, there seems to be a slight increase in teleworking arrangements, though not enough to provide a real alternative for women.

Other measures for reconciling work and family life are discussed by economic and social actors in new member states, such as crèches, services provided by employers, opening hours of schools and shops, costs of housing in the cities (involving longer distances between home, school and workplace), services for older children, and so on.

It is probable that self-employment contracts are also being used as a way of reconciling work and family life since this employment status can leave

Source: Derived from the Dublin Foundation survey in 2001.

Figure 13 Part-Time Work and Reconciliation of Work and Family, 2001
more freedom to employees to organise their working time. In Estonia, for instance, part-time work is more widespread among the self-employed, something that may correspond to a way of combining work and family life.

3.1.2 Impact on Maternity

At the same time, the issues described above – such as employers’ search for flexibility and recourse to atypical forms of work – are also having an impact on maternity statistics. In some new member states tougher labour markets are found to be a direct cause of lower female employment rates: in a context of high unemployment, with men ready to accumulate long hours for low wages, the new employers of private businesses became more and more reluctant to

Table 2 Fertility Rates in EU-25, 1980–2000

<table>
<thead>
<tr>
<th>Country</th>
<th>1980</th>
<th>2000</th>
</tr>
</thead>
<tbody>
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<td>Austria</td>
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</tr>
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<td>Poland</td>
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<tr>
<td>Portugal</td>
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</tr>
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<td>1.20</td>
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<td>2.11</td>
<td>1.25</td>
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<td>1.22</td>
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<td>Sweden</td>
<td>1.68</td>
<td>1.54</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.90</td>
<td>1.64</td>
</tr>
</tbody>
</table>

Note: *Figure for 1999.

employ women who might leave to have children and thus not only interrupt their activity but also claim maternity leave and benefits. Women are finding it more difficult than before to re-integrate in the labour market after maternity leave. In cases of self-employment, maternity directly leads to dismissal. Some Polish labour market specialists summarise the situation as follows: there are mainly two alternatives left to women: give up work if they want to have children or postpone the first child, sometimes by ten years.

In fact, while 75 per cent of women between 25 and 39 years of age are active, this rate falls to 60 per cent if they have one child, 47 per cent with two children, and 51 per cent for those with three children.

In other countries, if the unemployment rate gap between men and women has recently decreased, it is mainly because women have a tendency to leave

<table>
<thead>
<tr>
<th></th>
<th>1 Adult w/ Dependent children</th>
<th>2 Adults w/ 1 Child</th>
<th>2 Adults w/ 2 Children</th>
<th>2 Adults w/ 3 Children</th>
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<td>17</td>
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<td>16</td>
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<td>40</td>
<td>12</td>
<td>17</td>
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<td>12</td>
<td>21</td>
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<td>United Kingdom</td>
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<td>32</td>
<td>9</td>
<td>15</td>
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</tbody>
</table>

Note: Dependent children include all children under 15 and persons aged 15–24 who are economically inactive and who are living with at least one of their parents.

the labour market and become inactive. These developments could turn out to run counter to the current need to increase fertility rates, that have fallen to their lowest levels. The new EU member states show fertility rates even lower than those – already described as alarming – in existing EU countries.

Table 3 shows that the number of families with more than three children has fallen considerably in most new EU member states, especially in Hungary, the Czech Republic, Slovenia and Slovakia, where people appear to be more and more reluctant to have more children, probably in part because of the financial implications. To a certain extent, the new member states seem to be in line with Southern EU countries like Greece, Portugal and Spain, characterised by the lowest female participation rates and a dramatic reduction in family size.

Table 4 Mean Age of Women at Childbearing, EU-25, 1989–1999

<table>
<thead>
<tr>
<th>Country</th>
<th>1989</th>
<th>1999</th>
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<td>EU-15*</td>
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</tr>
<tr>
<td>United Kingdom</td>
<td>27.57</td>
<td>28.38</td>
</tr>
</tbody>
</table>

Notes: *Figure for 1996; (1) Figure for 1995

Labour market conditions could also partly explain the progressive postponement of the first child, particularly visible in the new EU member states. The statistics on the average age of women bearing children since 1989 in the 25 EU countries not only shows a phenomenon common to the whole of Europe – an increase in the age at which a woman has children (by nearly one year over a period of ten years in the EU-15) – but also that the new EU member states are located at the higher end of this: the situation is particularly extreme in Slovenia and the Czech Republic (with a loss of more than 2 years), but also in Hungary and Cyprus (with a loss of more than 1.5 years) and to a lesser extent in Slovakia and Poland (more than 1 year).

These worrying trends call for immediate and more determined action from the authorities to promote demographic growth, but also a general rethinking of labour market participation, and employment and working conditions at enterprise level.

3.2 Economic Sustainability

Employment and working conditions are also not neutral with regard to the viability of economic systems. Although most new EU member states have known good economic growth over the last few years – something which should be further boosted by accession – the type of business developments occurring at microeconomic level may cause concern over the capacity of enterprises to remain competitive in the long run, not to mention the ability of these economies to reach the Lisbon targets in relation to better human resources, better working conditions and higher quality employment.

3.2.1 A Waste of Economic Resources: Massive Tax Avoidance

One major feature of most new member states is undoubtedly the existence of a large informal sector (accounting for approximately 30 per cent of GDP in Poland and 25 per cent in Hungary), but also, within the formal sector, the widespread practice of tax evasion which seems to be somehow rooted in both employers’ and employees’ mentality. Most of the employment and working conditions described above – such as unpaid overtime, under-payment of wages, extensive recourse to self-employment – share one key feature: they all contribute to reducing tax revenues for the state. It is in this respect that these developments may seriously undermine the long-term economic capacity of the country as a whole.

The recourse to self-employment provides a good example. From the employers’ side it not only constitutes a permanent reserve of cheap and flexible labour but also represents a way of avoiding social contributions and taxes. From the employees’ side, the self-employed generally declare only
part of their income, generally in agreement with their 'employer', in order to limit their income tax – in fact, a majority of the self-employed are officially loss-making according to Hungarian statistics. They generally declare the minimum legal activity that allows them to continue to be covered by social security and to contribute to their pension fund. Self-employed status used so extensively is thus clearly an open door to the informal sector, a path to the informalisation of previously formal activity.

3.2.2 The Need for More Long-Term-Oriented Activities

At the same time, the economic contribution of business activities that are short-term rather than long-term can also be questioned. A large part of the economic dynamism in the new member states seems to be coming from the myriad of new private small and medium-sized enterprises that emerged during the transition process. However, the life expectancy of these firms is generally less than two years. There is probably a need here to progressively increase economic activity around more viable companies and businesses.

This may have direct effects on employment and working conditions. Apart from low wages and unemployment risks the conditions of work were mainly found to differ according to the size – as well as the form of ownership – of the enterprise: generally speaking, the larger the enterprise, the better the employment and working conditions. Especially since the large corporations tend to be regrouping public enterprises or multinational companies, both of which generally implement better working conditions. In Poland, for instance, 41 per cent of foreign-owned enterprises were found never to ask employees for supplementary working hours, while only 28 per cent of Polish enterprises similarly refrained. This seems to be an indicator of longer-term and more human-resource-oriented policies in foreign enterprises, while domestic firms – probably also because they must continue to adapt to an adverse economic situation – develop a shorter-term development strategy.

At the same time, the economic viability of countries – such as Hungary and a few others – whose economic growth is being generated mainly by foreign investors should also be studied, especially since industrial relocations further East are already occurring and may continue in the near future, with obvious economic and social implications.

This leads also to the debate on the best possible sources of future competitiveness for enterprises in the new member states.

3.2.3 Quality of Work and Productivity

Progressively, most EU countries have moved towards a competitive model based mainly on higher quality and value-added products rather than on cheap
labour costs, even in traditional sectors such as textiles, clothing, and so on. Although the reality is complex and very much diversified in the new member states, their new small – but also sometimes their largest – privately-owned enterprises, in their struggle to survive and to find their place in a very competitive environment, have so far not put human resource policy and quality of employment among their main priorities.

As a result, while increased employment is clearly the aim – with unemployment being successfully curbed in some of these countries – jobs are often of very poor quality and there is no long-term investment in human resources or in industrial relations policies at enterprise level: this can only entail low motivation at work and generate poorer productivity in the longer run.

Although a number of economic studies of the new EU member states are showing a definite increase in productivity – generally measured by value added per employee – this can only be partly due to a real improvement at enterprise level through restructuring and rationalisation. It often reflects instead an artificial improvement through downsizing. While specific studies of productivity at microeconomic level – through specific enterprise surveys or case studies – are still missing, there are good indications that productivity (which can also be qualitatively captured by employees’ work satisfaction) will remain low in many enterprises in the new EU member states.


Figure 14 Workers’ Dissatisfaction in the EU-25, 2001 (% of workers dissatisfied with their working conditions)
From the latest extensive survey carried out among the populations of the EU-25 (first with the EU-15 in 2000 and then with the 10 acceding countries in 2001) by the Dublin Foundation we immediately notice much higher rates of work dissatisfaction in most new EU member states.

The survey results also help us to identify the major sources of dissatisfaction. The strongest correlations are between dissatisfaction at work and long

Source: Derived from the Dublin Foundation survey in 2001.

Figure 15a Workers’ Dissatisfaction and Long Weekly Working Hours, 2001

Source: Derived from the Dublin Foundation survey in 2001.

Figure 15b Workers’ Dissatisfaction and Occupational Health and Safety Index, 2001
working hours on the one hand, and between dissatisfaction and health and safety conditions on the other. Stress at work may also be a source of adverse performance in the longer term.

Work and family issues, themselves directly influenced by excessive working hours, seem to be another area of dissatisfaction at work. We can thus see that all these working conditions – to which we should add employment status such as temporary or self-employment contracts – combine to undermine workers’ motivation (and thus productivity) in the workplace, a phenomenon that is addressed in more detail in the next chapter.

3.3 Social Sustainability

Poor working conditions at enterprise level can not only influence long-term enterprise performance but also damage workers’ health and have significant effects in the social sphere. Too great an imbalance between flexibility and security may also lead to serious damage on the social side.

3.3.1 Health Indicators: Improving But Still below EU Average

We have seen that health and safety conditions at enterprise level remain one area where the new EU member states most obviously lag behind the
EU-15. For instance, in Latvia multiple health and safety risks were reported by all enterprises, as shown in the chapter on Latvia in this volume.

Health conditions in general are also well below the EU average. Although the situation is rapidly improving the new member states continue to have a life expectancy well below EU standards. In Hungary, life expectancy at birth is 7.8 years less than the EU-15 average for men and 5.6 years less for women. In addition, early death is twice the EU average. Stress at work and stress in general between the conflicting claims of work and family are clearly contributing to such worrying mortality indicators. The death rate of men between 40 and 60 is significant. In 2000 in Hungary 40 per cent of the men who died were below the age of 65, the main fatal diseases being of circulatory, bone, muscular or digestive origin. Poverty and deprivation (‘social exclusion’) – made even more acute by additional alcoholism problems – are also an important factor. In Hungary, a survey has identified a direct relationship between individuals’ health conditions and life expectancy and their socio-economic status and income. As an example, there is a ten-year difference between the life expectancy of those in the most advantaged group and the Roma population, which belong to the most disadvantaged group. Mortality rates also closely follow regional socio-economic inequalities and different access to health care.

It is clear that such issues must be urgently addressed if the new EU societies want to become sustainable.

This would also require more administrative capacity. In terms of occupational health and safety the Labour Inspectorate is clearly under-resourced. In Hungary, for instance, a total of 452,000 hours were spent in 2001 on occupational health inspection, corresponding to the full working time of 53 physicians and 173 public health inspectors. However, according to the national Public Health and Medical Office (ANTSZ) the optimal coverage would require 123 physicians and 303 public health inspectors, working a total of 852,000 hours per year. This means that the available staff corresponds to only 53 per cent of the optimal level. According to another source (the National Labour Inspectorate or OMMF), in 2001 there were only 0.4 labour safety inspectors per 1,000 employees. The percentage is comparable in Poland, with one inspector for 2,416 enterprises.

It is clear that this very low percentage of inspections can only encourage employers to circumvent the law, especially in an area – health and safety – where compliance with the law entails a heavy cost. If the circumvention of labour regulations on health and safety is also a means of adapting to difficult conditions for individual employers it is clear that this strategy is not sustainable in the long run, especially after EU accession and the important Community acquis on occupational health and safety.
3.3.2 General Stress: Too Much Flexibility Demanded by Employers?

More generally, stress in most new Member States is more due to the difficulties of reconciling work and family life, of running from one job to another, or of having to cope with employers’ demands of constant availability – with permanent conflicts between employer and employees – than to workplace conditions alone. Work clearly dominates family life in the new member states, and there are thus many reasons to believe that work and family life will not be reconciled.

Employers often demand total availability of their employees, as indicated by the formulations of many job announcements that seek workers who are ‘fully available’ and ‘resistant to stress’. The chapter on Poland provides a good illustration of the requirements in the ‘new’ labour markets. This type of stress not only undermines social sustainability but also demographic sustainability by its excessive interference in family life. Taking care of a young child, for instance, is in almost irreconcilable conflict with employers’ expectations of total availability.

The shift from permanent to temporary contracts in many cases also indicates a change in the labour–management relationship. In Poland, most employers interviewed during our case studies reported that the main reason for the shift was to frighten the labour force and to play on uncertainties in order to motivate personnel. This human resource policy emerging in some enterprises seems to be far from the consensual model based on social dialogue that seems to prevail in the EU.

4. SOCIAL PARTNERSHIP AS A GOVERNANCE TOOL: GOING IN THE RIGHT DIRECTION?

One major conclusion stands out from observation of enterprise-level reality in the new EU member states: the strong interaction between the different employment and working conditions – employment status, working time, health and safety, wages, work and family life. This shows the need to develop comprehensive policies which take into account all aspects. Social dialogue – and social partnership and workers’ participation in general – could constitute an essential tool that would not only affect each issue in a significant way, but also help to address these different areas in terms of a combined and coherent approach. Given the fact that social dialogue has become a transversal governance tool at the EU level, with European social partners being engaged in most Community policies, let us now examine the process in the new EU member states. The aim here is not to assess social dialogue in these countries but to better understand how it could interact with working conditions.
4.1 Tripartism: A Central Element in the Democratic Process

Tripartism is functioning satisfactorily in most of the new EU member states. All Central and Eastern European countries, but also Cyprus and Malta, have promoted forms of tripartism. They have all created tripartite national councils – as early as 1960 in Cyprus, 1988 in Malta and 1998 in Hungary – to which the government regularly invites employer and trade union representatives to discuss a number of economic and social issues. These structures were successful in the transition years since they helped to overcome a difficult period of economic and social crisis, avoiding major social upheavals and acting as an important governance tool in difficult times.

In many cases such tripartite bodies have remained too formal and do not always lead to concrete outcomes, but more recently such bodies seem to cover a more extensive number of areas as wages, social protection and employment, but also such diverse topics as immigration, EU accession and ILO matters. Moreover, in certain areas such tripartite bodies have acquired real decision-making powers.

This is the case in relation to the minimum wage, an area where most new member states are showing good examples of best practice. First, all new EU member states have implemented a statutory minimum wage, in contrast to the EU-15 where only nine of which have done so, but where low wage protection can be ensured through collective agreements as in Germany and Italy; second, the minimum wage in new member states is sometimes decided directly within the framework of the tripartite body, something which is rarer in the other EU countries where it is the government which generally fixes the new minimum wage level after consulting the social partners. Since 1998 the Tripartite Council in Hungary has also decided maximum and average wage increases which are then used as a framework for decentralised wage collective bargaining. Slovenia has also traditionally used tripartism to address a diverse set of issues. In Estonia, tripartite negotiations also take place regularly and lead directly to fixing the minimum wage level, the wage threshold under which wages are not taxed, and unemployment benefits. In all other new member states similar involvement in minimum wage fixing is left to the social partners.

4.2 The Weaknesses of Autonomous Social Dialogue

Contrary to tripartite structures the independent channels of social dialogue and bilateral negotiations continue to be poorly developed in most new EU member states. Worrying trends continue to be observed at the enterprise level, which often seems to be beyond the control of the social partners. Employers’ organisations do not seem to have much influence over the myri-
**Table 5 Minimum Wage Fixing in EU-25**

<table>
<thead>
<tr>
<th>Country</th>
<th>Fixing Type</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyprus</td>
<td>Yes</td>
<td>Sectoral Government – following recommendation of the Tripartite Labour Advisory Board</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Yes</td>
<td>National Government – following consultation with the social partners</td>
</tr>
<tr>
<td>Estonia</td>
<td>Yes</td>
<td>National Tripartite agreement followed by government decree</td>
</tr>
<tr>
<td>Hungary</td>
<td>Yes</td>
<td>National Tripartite agreement at the National Labour Council – followed by government decree</td>
</tr>
<tr>
<td>Latvia</td>
<td>Yes</td>
<td>National Government – following consultation with the National Tripartite Cooperation Council</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Yes</td>
<td>National Government – following recommendation of the Permanent Labour Remuneration Committee</td>
</tr>
<tr>
<td>Malta</td>
<td>Yes</td>
<td>National Government – following recommendation of the Employment Relations Board and automatic indexation</td>
</tr>
<tr>
<td>Poland</td>
<td>Yes</td>
<td>National Tripartite agreement</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>Yes</td>
<td>National Government – following recommendation of the social partners</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Yes</td>
<td>National Tripartite agreement of the social partners – followed by government decree</td>
</tr>
<tr>
<td>Austria</td>
<td>No</td>
<td>No statutory minimum – industry level collective agreements</td>
</tr>
<tr>
<td>Belgium</td>
<td>Yes</td>
<td>National Agreement between the social partners at the National Labour Council and automatic indexation</td>
</tr>
<tr>
<td>Denmark</td>
<td>No</td>
<td>No statutory minimum – industry level collective agreements</td>
</tr>
<tr>
<td>Finland</td>
<td>No</td>
<td>No statutory minimum – sectoral collective agreements</td>
</tr>
<tr>
<td>France</td>
<td>Yes</td>
<td>National Government – following either report of the National Committee on Collective Agreements or automatic indexation</td>
</tr>
<tr>
<td>Germany</td>
<td>No</td>
<td>No statutory minimum – sectoral collective agreements</td>
</tr>
<tr>
<td>Greece</td>
<td>Yes</td>
<td>National Tripartite agreement between the social partners tripartite agreement; or the recommendation of the Labour Court</td>
</tr>
<tr>
<td>Ireland</td>
<td>Yes</td>
<td>National Government – following either: a national</td>
</tr>
<tr>
<td>Italy</td>
<td>No</td>
<td>No statutory minimum – industry level collective agreements</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Yes</td>
<td>National Government – following government review and automatic indexation</td>
</tr>
<tr>
<td>NL</td>
<td>Yes</td>
<td>National Government</td>
</tr>
<tr>
<td>Portugal</td>
<td>Yes</td>
<td>National Government</td>
</tr>
<tr>
<td>Spain</td>
<td>Yes</td>
<td>National Government</td>
</tr>
<tr>
<td>Sweden</td>
<td>No</td>
<td>No statutory minimum – industry level collective agreements</td>
</tr>
<tr>
<td>UK</td>
<td>Yes</td>
<td>National Government – following recommendation of the Low Pay Commission</td>
</tr>
</tbody>
</table>

ad small businessmen and entrepreneurs who have emerged in the new private sector. Trade unions for their part have yet to find the right strategy to achieve representation in small private companies. Moreover, they continue to face a fall in membership and low mobilisation capacity. At the same time – in contrast to EU experience – there is a lack of collective agreements at the sectoral and regional levels, meaning that there is no intermediate social dialogue either. These different features explain the low coverage of collective bargaining currently experienced in most new EU member states. A majority of workers – sometimes up to 80 per cent, for instance in Latvia and Lithuania – are not covered by collective agreements. This contrasts with the general trend in the EU-15, where in 2000–2002 coverage rates were as high as 100 per cent in Belgium and Austria, above 90 per cent in Sweden, Finland and France, and more than two-thirds of employees in Denmark, Spain, the Netherlands and Germany (85, 81, 78 and 67 per cent respectively).

Only in Cyprus is the estimated coverage rate (65–70 per cent) comparable with the above-mentioned EU member states. Slovenia is a particular case, since its high coverage rate is due mainly to an obligatory system of collective agreements – signed between relevant sectoral trade unions and relevant sectoral organisations of the Slovenian chamber of commerce rather than with the national employers' association – so that a fully voluntary collective bargaining system has yet to emerge.

However, even when the coverage rate is higher enterprise characteristics may be a cause for concern. Even in Hungary – where the coverage rate is higher – micro and small enterprises account for more than 1.5 million jobs, thus representing half of the labour force. In these enterprises there is little probability of seeing any form of collective industrial relations. Instead, working conditions continue to be governed by the employer through the individual employment relationship with his employees. We must also emphasise that employees who shift to self-employment status legally can no longer be reached by social dialogue.

Not only does the number of collective agreements remain very low in new EU member states, but their contents are limited too. They generally reproduce the contents of the respective legal texts. A study of the contents of agreements in a chapter on Estonia reveals that in some cases where a collective agreement was signed, its contents were sometimes even more modest than what was enshrined in the law, showing the social partners' lack of knowledge of the existing legislative provisions on working conditions.

Collective agreements also cover a very narrow range of issues, generally only wages and wage bonuses – sometimes also working time – but rarely. All the other essential working conditions described in this chapter – such as health and safety, working rhythms, working time flexibility, payment of

On the basis of this law, voivodship commissions of tripartite social dialogue (WKDS) started to operate in March 2002. This commission can be called by at least one of the representatives of either trade unions or employers' organisations, and is composed of the Voivod – as a representative of the local authorities – the representatives of workers' trade unions; the representatives of employers' organisations; and the Marshall of the Voivodship – as a representative of the self-government.

Evaluation of these regional commissions is so far mixed. On the one hand, social partners have complained about their consultative nature – they do not have any statutory mission – which would impede them from going much beyond 'theoretical' discussions. Research conducted in 2003 underlined that such consultative status may hinder rather than strengthen the development of regional social dialogue.¹ According to the authors, if at the beginning social organisations tended to send their major representatives to the regional commissions this would no longer be the case today, thus showing some disillusion with regard to such forms of dialogue. The commissions also seem to be suffering from narrow scope and range of decision-making.

On the other hand, concrete steps have already been taken within the framework of these regional commissions. Cooperation between social partners could be launched to implement national and international programmes aimed at improving employment at the regional level. This has been the case, for instance, with the commission of the voivodship of Swietokryskie in which social partners worked together on the restructuring plan for the coal industry (Huta Ostrowiec). The social commission played a key role in avoiding social conflicts and finding concrete solutions. Discussions were also conducted with a potential Spanish investor who decided to buy the firm in September 2003 and who signed an agreement with trade unions on social conditions. Beyond that, the commission also started cooperating with the Friedrich Ebert Foundation in order to define and carry out a restructuring programme in this region that could benefit from European funds. To summarise, while the functioning of regional social dialogue may certainly be improved it represents today one of the specific features of Polish industrial relations.

¹. Sroka Jacek and al. (2003), Rozwój dialogu społecznego na poziomie regionalnym – Raport z badan – Memo, Uniwersytet Wrocławski.
Box 2 Social Dialogue and Working Time Arrangements in Hungary

Following transposition of the EC Directive (93/104/EC), the Hungarian Labour Code (Act XXII of 1992, as amended in 2001) today leaves considerable room for social dialogue on working time issues. It allows a certain flexibility to be negotiated between social partners, in particular to increase the maximum annual overtime ceiling from the 200 hours legally allowed up to 300 hours and the daily hours limit from 8 to 12 hours. The reference period can also be negotiated and lengthened from 2 to 4 months in case of an enterprise collective agreement and even up to 6 months in case of an agreement that involves several employers – a ‘multi-employer’ agreement. Finally, collective agreements may also stipulate a reference period of up to one year for four specified job categories: employees working on stand-by; employees working in continuous shifts; those on alternating shifts; and seasonal employees.

Social dialogue on working time thus makes it possible to define a framework for working time within individual companies, and to take better account of the specific needs of the various sectors, professions and types of work organisation. Employers responded positively to such a call to social dialogue, with two major trends: an increased interest at enterprise level in negotiating on the reference period; and the lengthening of the reference period up to the maximum one year, where conditions allow it.

As a result, the number of collective agreements with a reference period of a year increased significantly. In 2002, there were 13 such agreements out of the 67 registered multi-employer agreements, and 160 out of the registered 1,278 company agreements; in 2003, they increased to 20 agreements out of the 73 registered multi-employer agreements, and to 225 out of the registered 1,275 company agreements.

The collective agreement in the hotel and catering sector – which has been extended to the whole sector – includes this kind of provision. Other sectors where such a one-year reference period is widely used include agriculture and construction – both dominated by seasonal work – and the chemical industry, where continuous shifts prevail.

Social dialogue has thus led to the regulation of extra working hours and also contributed to fair remuneration of working time, notably by reducing unpaid overtime – more prevalent where there are no trade unions. According to the Labour Inspectorate, those companies that have no collective agreement - and thus have not lengthened the reference period beyond two months – are far more likely to breach the working time provisions of the Labour Code (and thus to face penalties) than the companies with collective agreements. Employees covered by a longer reference period are also better protected – in line with the joint requirements for flexibility and security – since
They are automatically entitled to more and longer rest periods – unless otherwise agreed in the collective agreement – and the maximum time of daily work performance under no circumstances can exceed twelve hours.

This stronger correlation between social dialogue and working time, however, has also led to some drawbacks. First, employers who do not have the opportunity to sign such a collective agreement – either because they have too few employees, or because the trade union entitled to conclude a collective agreement is unwilling to consider the question of reference periods in a collective agreement – find themselves at a significant competitive disadvantage as against those employers who did have such an opportunity: only a two-month reference period compared with a twelve-month one. The difference may be fatal in the case of seasonal – or alternating-shift – activities, for instance for the many hotels, restaurants or food stores at Lake Balaton which have only a few employees because the workload in the summer months is much higher than in the winter months. Second, the circle of employees who could be covered by extension of the reference period is in reality very low – less than half of all employees – because of the large number of employers who have just a few employees.

The above drawbacks, however, point to the need for greater and not less social dialogue – especially better coverage of collective bargaining – and for stronger and not weaker social partners.

Thanks to Mária Ladó for providing the information necessary to prepare this box.

Overtime, work and family, employment contracts, and so on – are not covered by social dialogue, which easily explains the crisis we found at enterprise level.

This absence of collective bargaining helps of course to explain the excesses in employment and working conditions described in previous sections. The employers seem to have become in practice the main decision-makers in terms of working and employment conditions, so that changes at work may well continue to depend for a while on the employers’ discretionary power.

This leads to another important conclusion: as working conditions have been weakened by the lack of social dialogue, they could only be reinforced in the future through a significant strengthening of social dialogue.

In this regard some recent positive examples of emerging social dialogue can be identified in the new member states. This is the case with regional social dialogue in Poland (see Box 1), which in recent years has helped some regions to carry out restructuring in partnership rather than in a conflictual fashion.

Collective bargaining also seems to be playing an increasingly active role in regulating working time arrangements in Hungary (see Box 2).
Finally, Slovenia offers an example of best practice in terms of the interplay between different levels of social dialogue, with national tripartite agreements on a number of issues being then complemented by collective agreements at sectoral and enterprise level, and by a strong tradition of workers’ participation in decision-making – through works councils and participation on the board – at enterprise level.

The above examples suggest that social dialogue could indeed help to improve working conditions at enterprise level, especially in areas, such as reconciliation between work and family, so far untouched – because totally neglected – by the social partners of the new EU member states.

Instances of workers’ participation and of workers’ information and consultation could also play a role.

4.3 Employee Participation: Yet to Be Promoted

Direct forms of workers’ participation – such as participation in boards of directors or works councils, including European works councils – are also found to have a direct impact on working conditions, especially where a role is foreseen for workers’ representatives, such as for the implementation of all EC directives on health and safety, which require health and safety committees. However, among the new EU members only Slovenia and Hungary, and more recently Slovakia, have implemented some type of works council. In the other new members, workers’ participation is still surprisingly missing, as the case studies in this volume confirm. In countries like Poland, the Czech Republic and the Baltic states, works councils and other forms of workers’ involvement in decision-making, considered as ‘vestiges’ of socialism, have been totally dismantled, together with other self-management forms, such as cooperatives, often with the cooperation of trade unions (we remember the fierce opposition during the first years of reform of the Polish trade union Solidarnosc to works councils because they were considered to contradict the good functioning of a free market economy).

Workers’ participation and forms of information and consultation are more likely to be present in larger companies, which also generally have trade union representatives. Conversely, small private enterprises generally do not have trade unions or works councils and other participatory mechanisms that could act as a counterbalance to management policies. Affiliates from multinational groups also benefit from the presence of European works councils which have helped in some cases to solve transnational issues.

The Dublin Foundation survey indicates a direct relationship between employees’ opportunities to discuss their working conditions with the hierarchy and their work satisfaction. Despite such a direct impact on the social
climate within the enterprise, such channels of communication remain too rare.

Moreover even when there are legal requirements, these are not always implemented. In Estonia, for instance, 23 per cent of enterprises were found not to apply the obligatory appointment of a working-environment council.

Considering the excessive flexibility of employment contracts that is emerging in the new member states, the involvement of workers’ representatives in employment decisions – for instance, in collective layoffs and restructuring – may also turn out to be rather marginal.

The development of employees’ financial participation, especially through employee-ownership, is a particular feature of new member states, where such participatory forms have been promoted much more actively than in the EU-15. It was developed on a massive scale in the first stage of privatisation in Slovenia but also in many others, such as Hungary, Lithuania and Latvia.

Although this represents a significant element of economic democracy at work – which has moreover shown its positive effects not only for workers’ motivation but also employment and economic performance – this form of ownership is progressively declining, since the economic situation of workers and their families has often pushed them to sell their shares. This form of employee involvement in their company has thus not been allowed to remain a viable property form in the longer run, another example of the effects of low wages and poor living standards on working conditions and forms of economic democracy at firm level.
CONCLUSION

We have tried in this chapter to assess in an important area – employment and working conditions – the extent to which the new member states are achieving the main objectives laid down at the Lisbon Summit. We first found that the new member states have to their account both achievements and excesses with regard to employment and working conditions. On the positive side, we can conclude that employers in these countries have shown a very strong capacity for adaptation, since they have responded to a new and rapidly evolving context often in very innovative ways.

While Cyprus and Malta have made enormous progress to be ready for accession, the eight new EU members from Central and Eastern Europe have successfully transformed their collectively planned systems into capitalist ones: they have removed the central role of the state to allow individual private operators to emerge and develop, have redirected their trade flows from the former COMECON system towards the EU and other industrialised countries, and finally, they have totally restructured their economies by reducing the prevalent manufacturing activities and the agricultural sector in favour of more service activities.

Alongside this process, however, employees have had to endure difficult living and working conditions characterised by excessively low wages and growing unemployment, while employers also adapted to the new competitive context through the use of new forms of employment and working arrangements, like temporary work, self-employment, part-time work, multiple contracts, and long working hours, all better alternatives than deciding to jump into the informal economy. Alongside this adaptation process, however, a number of abuses have been identified, with adverse working conditions especially with regard to occupational health and safety, excessive recourse to self-employed status and civil contracts, long working time, massive unpaid overtime, under-reporting of wages, stress at work and in life in general with difficulties reconciling work and family life.

The key question is whether these extreme practices are part of a general coping strategy by both employers and employees that may naturally continue to evolve alongside the economic and social catch-up currently taking place within the newly enlarged EU, or whether they may reflect more profound structural and ideological choices with the result that these abuses may be consolidated and even exacerbated in the future. The individual answers of the 10 new members may of course be very different, as in the EU-15.

Another question is whether the new member states, while continuing their adaptation process, will also succeed in promoting more sustainable and ‘socially inclusive’ societies, thus making an important contribution to the achievement of the Lisbon objectives. Important progress has already been made and the new member states have already been involved for a while in
the open method of coordination on ‘social inclusion’ decided by the EU member states. Nevertheless, despite the progress observed we have seen that too many drawbacks continue to prevail in this area, with growing differentials, increased poverty and the exclusion of too many categories of people. This low investment in the social sphere may affect these countries’ economic capacity and competitiveness in the future. No doubt this will be the most important challenge for their industrial relations systems in future years.

Social dialogue could represent an essential governance tool that social partners could use to achieve a more cohesive society and ensure a better balance at work between employers’ need for flexibility and employees’ need for security. Their capacity to change and innovate, together with the enthusiasm shown during accession and their strong desire to converge with other EU members’ standards, can only make us optimistic with regard to future developments – obviously, on condition that abuses in working and employment conditions in the newly enlarged EU are not allowed to become a more permanent way of running market economies in an increasingly competitive environment. The fulfilment of the Lisbon objectives will, more than ever, depend on increasingly coordinated and interactive policies between EU members.
2. Working Conditions and Satisfaction at Work: Determinants and Interactions in New EU Member States and Candidate Countries

Sangheon Lee

INTRODUCTION

While EU integration is supposed to bring a range of economic advantages to the new member states, on their side it will require substantial investment in social policy, among other things to provide a good environment for employment creation, to improve the quality of work and to guarantee their workers the EU ‘social floor’ which is specified in various EC directives. The challenge is particularly significant in the area of working conditions, in which the gap between EU-15 and the 10 new EU members (and candidate countries) is the most considerable, with the risk of ‘social dumping’ in new member states (Vaughan-Whitehead, 2003).

Despite such concerns, very little is known about working conditions in these countries mainly due to the limited availability of data. Some notable exceptions include studies by Antila and Ylöstalo (2003) and Vaughan-Whitehead (2003), which provide the first informative discussions of employment conditions in these countries. There is a need, however, for a comprehensive analytical framework which may enable systematic evaluation of the current situation and changes in working conditions. This chapter attempts to provide such a framework on the basis of comparable data sets.

It is difficult to obtain a harmonised data set on working conditions which covers both EU-15 and new EU member states and candidate countries, the only exception being the European Union Survey on Working Conditions which was carried out in 2000 for EU-15 and in 2001 for new EU member states and candidate countries. The sample size is around 1,500 workers for

1. Among candidate countries, Croatia was not included in this survey and the Turkish survey was undertaken in 2002. These countries are excluded from the analysis.
each EU-15 country and 1,000 workers for each new EU member state and candidate country, with the exception of Cyprus and Malta, in relation to which around 500 workers were interviewed. For all these countries, a standard questionnaire was used which covered a broad range of working-condition issues, such as working environment, work organisation, working time, physical/mental health, and wages and incomes. The data set provides the richest and the most comparable information on working conditions for these countries. Based on this data set, this chapter attempts to compare working and employment conditions in EU-15 on the one hand and new EU member states and candidate countries on the other. In doing so, three different sets of indicators are developed, with a strong focus on the potentially negative effects of poor working conditions.

- First, key dimensions of working conditions are described in terms of what can be called working-condition risk indicators, which capture ‘objectively’ observable symptoms and conditions.
- Second, along with these objective indicators, a subjective indicator was developed to capture workers’ dissatisfaction at work (dissatisfaction indicator). The inclusion of such indicator is essential for many reasons: it can summarise workers’ feelings about working conditions, which are not necessarily reflected in objective indicators and can thus ‘serve as a useful complement’ in assessing working conditions (Gospel, 2003). In fact, the evidence often indicates that workers’ satisfaction can determine their performance and future behavioral patterns (for example, staff turnover); from the policy perspective, any policy intervention in working conditions also aims at increasing workers’ satisfaction.
- Finally, the areas in which problems in terms of working conditions might appear (such as health and safety) are captured by a set of indicators which can be called outcome indicators.

The chapter is structured as follows. Section 1 introduces working-condition risks and dissatisfaction indicators, and provides a descriptive comparative analysis, focusing on the differences between EU-15 and new EU member states and candidate countries. Section 2 concentrates on the determinants of worker dissatisfaction in new EU member states and candidate countries. Section 3 examines the effects of working-condition risks through developing outcome indicators: from this analysis, a demographic distribution of workers according to different combinations of working-condition risks will be drawn up. The Conclusion looks at some policy implications.

2. For further details about this survey, see European Foundation (2001 and 2003).
3. Of course, in the case of self-reports, the distinction between objective and subjective indicators is not always clear, as even objective indicators could be distorted by subjective influences.
1. THE GAP BETWEEN OLD AND NEW MEMBER STATES

1.1 Working-Condition Risks and Dissatisfaction Indicators

As ‘working conditions’ normally refers to multi-dimensional and complex aspects of work at the workplace, it is almost inevitable that the evaluation of working conditions is undertaken based on a set of selected variables which are believed to demonstrate key aspects of working conditions. The strategy used in this paper is ‘risk-averse’ or conservative in that it focuses on the classical areas of working conditions which have a wide applicability to most types of worker; other areas which have recently attracted much attention (such as new forms of work organisation) are not considered. The areas selected are: (1) physical environment in which work is carried out at the workplace; (2) how tiring or exhausting the work may be; (3) work intensity; (4) and working hours. As already mentioned, a subjective assessment of working conditions by individual workers (dissatisfaction with working conditions) is also considered so as to gain an understanding of objective working conditions as perceived by workers.

To evaluate the situation in the four areas of working conditions and in terms of subjective feelings, an indicators approach (a binominal index) is adopted. As they concentrate on potentially negative aspects of working life, they can be called working-condition risk indicators. These indicators are constructed as follows:

- **Poor physical environment indicator (Indicator I):** This first indicator is intended to capture workers in a poor work environment (that is, noise, high temperature, exposure to dangerous materials). In the dataset, a score of 1 is assigned to workers who report that they are exposed at work ‘around three-quarters of the time’ to any of the following: (1) vibrations from hand tools, machinery, and so on; (2) noise so loud that they have to raise their voice to talk to people; (3) high temperatures which make them perspire even when not working; (4) low temperatures, whether indoors or outdoors; (5) breathing in vapours, fumes, dust or dangerous substances, such as chemicals, infectious materials, and so on; (6) handling or touching dangerous products or substances; (7) forms of radiation such as X rays.

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4. The structure of the survey questionnaire is slightly different between EU 15 and EU new member states and candidate countries. However, the structure of working-condition related questions from which five indicators are derived are the same for both questionnaires. The question numbers referred to in this paper are based on the survey questionnaire for the latter countries. See European Foundation (2003).
radioactive radiation, welding lights, or laser beams. A score of 0 is assigned to other workers. By its very nature, this indicator has limited relevance to white-collar workers in comparison with blue-collar workers.

• **Tiring work indicator (Indicator II):** This aims to capture whether or not the job is likely to make workers tired or exhausted. A score of 1 is assigned to workers who report that their main paid job involves ‘around three-quarters of the time’ either: (1) painful or tiring postures; (2) carrying or moving heavy loads; (3) or repetitive hand or arm movements. ‘Painful or tiring postures’ is expected to be relevant to the service sector as well as the manufacturing sector.

• **High work-intensity indicator (Indicator III):** This indicator is very much related to the above two indicators since work in a poor environment and/or tiring work can have worsening implications if work intensity is high. A score of 1 is assigned to workers who report that their jobs involve ‘around three-quarters of the time’ either: (1) working at very high speed; (2) or working with tight deadlines.

• **Long working hours indicator (Indicator IV):** This indicator captures working hours that potentially cause tensions and problems in working life. The threshold of 48 hours per week is used, taking into account that: (1) the EU working-time directive, which is being applied in new member countries, specifies as the maximum weekly hours 48 hours including overtime; (2) there is evidence that repeatedly working more than 48 hours per week may cause health and safety problems (Spurgeon 2003; Lee 2004).

Finally, the same approach is taken with regard to workers’ satisfaction: A score of 1 is assigned to workers who reported they were ‘not very satisfied’ or ‘not at all satisfied’ with working conditions in their main job. Otherwise, a score of 0 is assigned. This indicator can be called the dissatisfaction indicator (Indicator V).

### 1.2 Assessments and Comparisons

National mean averages of these five indicators are presented in Table 1. Overall, it confirms that working conditions in the new EU member states and candidate countries are worse than those in EU-15. The gaps between these two groups of countries are clearly revealed in relation to ‘poor work env-

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5. This indicator is derived from Q9 of the survey questionnaire.
6. In EU new members and candidate countries, about 42 per cent of service workers and shop and market sales workers were exposed to tiring work as defined in this indicator.
7. This indicator is derived from Q18b of the survey questionnaire.
ronment’, ‘long working hours’ and, not surprisingly, ‘dissatisfaction with working conditions’. With regard to the poor work environment indicator, the highest figure is reported for Cyprus (0.487, which means 48.7 per cent of workers report that they are exposed to a poor work environment), and the lowest for Denmark (0.212). The case of Cyprus is surprising, as one might assume that this indicator would be higher in an economy with a greater share of industry, while Cyprus has a relatively low share of industry among new EU member states and candidate countries. In EU-15, Greece and Spain are notable outliers as regards work environment.

However, a mixed picture emerges for ‘tiring work’ and ‘high work intensity’ indicators. The proportion of workers who reported their work was tiring ranged between 0.350 (Slovenia) and 0.596 (Cyprus) among new EU member states and candidate countries, while a wider variation – between 0.317 (Denmark) and 0.667 (Greece) – is found for EU-15 countries. However, the extent of high work intensity is on average slightly lower in new EU member states and candidate countries than in EU-15 countries. In fact, Lithuania and Slovenia are the best performing countries on this score, while the majority of workers in five of the EU-15 countries reported high work intensity. The relatively high incidence of high work intensity in EU-15 is related to the phenomenon of work intensification. Green and McIntosh (2001), for example, identified this trend using the European Surveys on Working Conditions, most notably in the UK (which registered the highest score of 0.590 – see Table 1). Although the reasons for this are not clear, technological and organisational changes at the workplace appear to be important factors (Green, 2004). At the same time, the relatively low incidence of high work intensity in New EU member states and candidate countries may be associated with the sluggish introduction of new work organisation and the legacy of a ‘shortage economy’. As the European Foundation (2003) points out, in these countries ‘the organisation of work is relatively more industrial and less market-oriented than in the EU [-15], less open to the outside world and more concerned with internal constraints than external demands’ (p. 31). As changes in work organisation are expected in new member states and candidate countries in the course of integration, work intensity may further increase, something that would deserve particular monitoring in these countries in future years.

Long working hours are the area in which the gap between the two groups of countries is most clearly demonstrated. The proportion of workers on long hours is typically less than 20 per cent in EU-15 countries (with the exception of Ireland, with 23 per cent), while a proportion of more than 20 per cent is fairly common in many of the new member states and candidate countries, notably Poland and Romania. This may not be particularly surprising, but it does present these countries with a significant challenge to implement the EU working time directive (1993) which stipulates a maximum of 48 hours per
week, including overtime. Given that the survey was undertaken before implementation of the directive, the number of workers who would be affected is considerable. If only employees who are most likely to be affected by the directive are considered, it is noteworthy that more than 25 per cent of employees in the construction and hotels and restaurants sectors are working more than 48 hour per week in their main job. Such long hours are particularly widespread in small establishments (between 2 and 10 employees). In addition, it appears that overtime is often unpaid in these countries. In Lithuania, for example, only 6.5 per cent of employees working more than 48 hours received extra payments for their overtime work, whereas in Slovakia

### Table 1 Indicators for Working Conditions for EU-15, the 10 New EU Member States and 2 Candidate Countries

<table>
<thead>
<tr>
<th></th>
<th>I Poor work environment</th>
<th>II Tiring work</th>
<th>III High work intensity</th>
<th>IV Long working hours</th>
<th>V Dissatisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyprus</td>
<td>0.487</td>
<td>0.596</td>
<td>0.585</td>
<td>0.244</td>
<td>0.225</td>
</tr>
<tr>
<td>Estonia</td>
<td>0.409</td>
<td>0.416</td>
<td>0.366</td>
<td>0.172</td>
<td>0.285</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0.298</td>
<td>0.404</td>
<td>0.189</td>
<td>0.263</td>
<td>0.317</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.376</td>
<td>0.427</td>
<td>0.291</td>
<td>0.260</td>
<td>0.288</td>
</tr>
<tr>
<td>Hungary</td>
<td>0.374</td>
<td>0.517</td>
<td>0.476</td>
<td>0.188</td>
<td>0.197</td>
</tr>
<tr>
<td>Malta</td>
<td>0.425</td>
<td>0.486</td>
<td>0.512</td>
<td>0.130</td>
<td>0.185</td>
</tr>
<tr>
<td>Poland</td>
<td>0.311</td>
<td>0.395</td>
<td>0.498</td>
<td>0.308</td>
<td>0.250</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.344</td>
<td>0.350</td>
<td>0.297</td>
<td>0.137</td>
<td>0.343</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0.363</td>
<td>0.468</td>
<td>0.427</td>
<td>0.198</td>
<td>0.291</td>
</tr>
<tr>
<td>Czech</td>
<td>0.236</td>
<td>0.365</td>
<td>0.515</td>
<td>0.207</td>
<td>0.210</td>
</tr>
<tr>
<td>Romania</td>
<td>0.409</td>
<td>0.535</td>
<td>0.508</td>
<td>0.332</td>
<td>0.317</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>0.381</td>
<td>0.481</td>
<td>0.472</td>
<td>0.225</td>
<td>0.347</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.275</td>
<td>0.421</td>
<td>0.387</td>
<td>0.137</td>
<td>0.113</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.212</td>
<td>0.317</td>
<td>0.393</td>
<td>0.078</td>
<td>0.048</td>
</tr>
<tr>
<td>Germany</td>
<td>0.245</td>
<td>0.343</td>
<td>0.459</td>
<td>0.107</td>
<td>0.123</td>
</tr>
<tr>
<td>Greece</td>
<td>0.466</td>
<td>0.667</td>
<td>0.482</td>
<td>0.196</td>
<td>0.351</td>
</tr>
<tr>
<td>Italy</td>
<td>0.254</td>
<td>0.443</td>
<td>0.407</td>
<td>0.158</td>
<td>0.219</td>
</tr>
<tr>
<td>Spain</td>
<td>0.409</td>
<td>0.609</td>
<td>0.327</td>
<td>0.188</td>
<td>0.228</td>
</tr>
<tr>
<td>France</td>
<td>0.345</td>
<td>0.574</td>
<td>0.443</td>
<td>0.135</td>
<td>0.187</td>
</tr>
<tr>
<td>Ireland</td>
<td>0.311</td>
<td>0.444</td>
<td>0.475</td>
<td>0.227</td>
<td>0.080</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>0.273</td>
<td>0.419</td>
<td>0.422</td>
<td>0.123</td>
<td>0.116</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.226</td>
<td>0.453</td>
<td>0.543</td>
<td>0.077</td>
<td>0.124</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.296</td>
<td>0.561</td>
<td>0.346</td>
<td>0.149</td>
<td>0.197</td>
</tr>
<tr>
<td>UK</td>
<td>0.292</td>
<td>0.440</td>
<td>0.590</td>
<td>0.150</td>
<td>0.098</td>
</tr>
<tr>
<td>Finland</td>
<td>0.287</td>
<td>0.487</td>
<td>0.520</td>
<td>0.143</td>
<td>0.073</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.278</td>
<td>0.452</td>
<td>0.535</td>
<td>0.096</td>
<td>0.147</td>
</tr>
<tr>
<td>Austria</td>
<td>0.236</td>
<td>0.352</td>
<td>0.506</td>
<td>0.153</td>
<td>0.094</td>
</tr>
<tr>
<td>EU 15</td>
<td>0.292</td>
<td>0.459</td>
<td>0.463</td>
<td>0.138</td>
<td>0.155</td>
</tr>
</tbody>
</table>
the proportion was much higher, at 51.6 per cent. The prevalence of unpaid overtime was also reported in Antila and Ylöstalo (2003) who estimated that about 24 per cent of Lithuanian workers did unpaid overtime as ‘part of a typical working week’ (p. 131).

To summarise, if we take the four working-condition risk indicators together, it is fair to say that working conditions are worse overall in new EU member states and candidate countries than in EU-15 countries. This difference is well reflected in workers’ own evaluations of their working conditions. The proportion of workers who were reported as dissatisfied with their working conditions was typically more than 20 per cent in new EU member states and candidate countries, while much lower proportions were reported in most of EU-15 countries. More interesting are variations between new member states and candidate countries, which potentially point to country-specific factors determining level of dissatisfaction. For example, Slovenia and Bulgaria show similar national averages of dissatisfaction (0.347 and 0.343, respectively), although, as far as working-condition risks are concerned, the former belongs to the best performing group and the latter to the worst. This means that greater caution is required in the cross-country comparison of workers’ dissatisfaction with working conditions. The effects of country-specific factors in determining dissatisfaction will be discussed below.

Concerning the relationship between these five indicators, it is difficult to establish a logical connection between the first four, while it can be assumed that higher scores for any of them are associated with higher dissatisfaction. In this regard, Table 2 presents correlation coefficients (Pearson) between the five indicators. First of all, it confirms that workers’ dissatisfaction is strongly correlated with poor work environment and long working hours (significant at 0.01, two-tailed), but not with tiring work and high work intensity. The last

Table 2 Correlation Coefficients (Pearson) for Working-Conditions Indicators for EU-15, 10 New EU Member States and 2 Candidate Countries (N=27; 2000 and 2001)

<table>
<thead>
<tr>
<th></th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Poor work environment</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>II. Tiring work</td>
<td>0.627**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III. High work intensity</td>
<td>–0.064</td>
<td>0.234</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV. Long working hours</td>
<td>0.527**</td>
<td>0.184</td>
<td>–0.075</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>V. Dissatisfaction</td>
<td>0.642**</td>
<td>0.244</td>
<td>–0.316</td>
<td>0.599**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Note: ** Significant at the 0.01 level (two-tailed).
ter finding is more or less expected, considering that performance in these two areas is not so bad – sometimes even better than in EU-15 – in new EU member states and candidate countries. Secondly, the four working-condition indicators do not seem to have a statistically significant correlation, except that poor physical work environment is associated with higher incidence of ‘tiring work’ and ‘long working hours’, and not surprisingly leads to overall poor satisfaction at work.

2. WHY ARE WORKERS NOT SATISFIED AT WORK IN NEW EU MEMBER STATES AND CANDIDATE COUNTRIES?

While the focus so far has been on cross-country variations, we shall now examine working conditions more closely for individual workers in new EU member states and candidate countries. The incidence of dissatisfaction (Indicator V) is calculated according to different working conditions (Indicators I to IV). To see the potential effects of other employment-related factors on workers’ evaluations of working conditions, wages and employment status are added. In the case of wages, economic theory often assumes that poor working conditions may be compensated by higher wages (which is known as a compensating differential), so that workers’ negative evaluations of poor working conditions would be alleviated (see Filer et al., 1996, Chapter 10). In other words, especially in periods of economic difficulty, workers are willing to accept poor working conditions for higher compensation. In the case of employment status, one might theoretically expect that self-employed workers, who have more control over work processes than other types of worker, report a more favourable evaluation of their working conditions. For example, the self-employed tend to have relatively high discretion or autonomy over their working conditions and thus are better able to cope with or alleviate the negative effects of poor working conditions (for example, securing frequent rest breaks during their long working hours or changing the order of tasks to cope with the fatiguing effects of high work intensity). In fact, the data indicate that the overwhelming majority of self-employed workers (about 85 per cent) had a choice over their working hours, while only 23 per cent of (non-self-employed) employees had such choice. Similar differences are found in the area of autonomy over work organisation (see European Foundation, 2003, Chapter 5). Among employees, temporary workers who may not be happy with their contractual status may express their negative view in their evaluation of working conditions (for example, see McGovern et al., 2004).

Table 3 shows the weighted mean averages of dissatisfaction according to the four factors mentioned above. The first general result is that the level of
dissatisfaction is higher among workers who report poor working conditions (Indicators I to IV), with all mean differences being statistically significant. They are particularly high for poor work environment, tiring work and long working hours. Again, high work intensity shows a relatively modest mean difference. More interestingly and as expected, the proportion of dissatisfied workers decreases with higher wages: for example, 37.1 per cent of low-paid workers were not satisfied with working conditions, while only 18.6 per cent was reported for high-paid workers. Contrary to the prediction about employment status, however, dissatisfied workers were most common among the self-employed, followed by temporary employees. However, this may signify a different type of self-employment in new EU member states, so-called ‘forced’ self-employment (see Chapter 1), or it may indicate adverse working conditions forced upon the self-employed, something which remains unclear from the Table and on which we shall try to expand later on. Similar caveats can be expressed with regard to wages.

Table 3 Variations in Dissatisfaction with Working Conditions in EU New Member States and Candidate Countries (Weighted Mean Averages within Each Row)

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>0.371</td>
<td>0.483</td>
</tr>
<tr>
<td>Lower-medium</td>
<td>0.307*</td>
<td>0.461</td>
</tr>
<tr>
<td>Upper-medium</td>
<td>0.253*</td>
<td>0.435</td>
</tr>
<tr>
<td>High</td>
<td>0.186*</td>
<td>0.389</td>
</tr>
<tr>
<td><strong>Employment status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-employed</td>
<td>0.314</td>
<td>0.464</td>
</tr>
<tr>
<td>Permanent employees</td>
<td>0.249*</td>
<td>0.432</td>
</tr>
<tr>
<td>Temporary employees</td>
<td>0.291*</td>
<td>0.454</td>
</tr>
<tr>
<td><strong>Poor work environment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>0.382</td>
<td>0.486</td>
</tr>
<tr>
<td>No</td>
<td>0.214*</td>
<td>0.410</td>
</tr>
<tr>
<td><strong>Tiring work</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>0.355</td>
<td>0.479</td>
</tr>
<tr>
<td>No</td>
<td>0.204*</td>
<td>0.403</td>
</tr>
<tr>
<td><strong>High work intensity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>0.295</td>
<td>0.433</td>
</tr>
<tr>
<td>No</td>
<td>0.251*</td>
<td>0.456</td>
</tr>
<tr>
<td><strong>Long working hours</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>0.355</td>
<td>0.479</td>
</tr>
<tr>
<td>No</td>
<td>0.242*</td>
<td>0.428</td>
</tr>
</tbody>
</table>

* Significant at 0.05 level; [ ] is the reference group for mean comparison.
To fully explore the relationship between dissatisfaction and working conditions, wages and employment status, we carry out a logistic regression. Along with these variables, we consider basic demographic and occupational variables. Given that workers’ own evaluation of dissatisfaction may be influenced by country-specific factors, country variables are also included in the regression.

The regression results are presented in Table 4. In Model I, in which only working conditions indicators I to IV and country variables are included, it is clear that all working condition indicators (especially poor work environment) are strong determinants of dissatisfaction at work. As expected, country-specific effects are also notable in that, compared to Bulgaria, workers with the same working conditions captured by Indicators I and IV are more likely to be satisfied with their working conditions in Cyprus, Hungary, Malta and the Czech Republic, and less likely to be satisfied in Slovenia. Unfortunately, it is not possible to identify the factors shaping such country-specific effects.

Model II is an extension of Model I to see the changes in regression when individual characteristics are controlled for gender, age, marital status, education level and occupation. As the literature on job satisfaction indicates, women tend to expect less from work and to be more satisfied with any given job; hence the paradox that women are more satisfied even though their jobs are worse than men’s (Clark, 1997; cf. Eskildsen et al., 2003). This implies that satisfaction with working conditions may be a function of workers’ aspirations, which could depend on individual characteristics. Thus, one might expect that workers with higher educational attainment (hence expecting more from work) are less likely to be satisfied with given working conditions. Similarly, as workers get older and more used to their working conditions, their expectations are lower and easier to satisfy. However, our regression results do not support these predictions. In fact, women workers are more likely to be dissatisfied than men, but the difference is modest and not statistically significant. This is probably due to the relatively high employment rates for women in new EU member states and candidate countries, in which paid work for women is a norm rather than an exception and women and men have similar expectations about working conditions. No statistically significant difference is found for age, education and marital status. Older workers (especially 55 years and more), for example, are more likely to be satisfied, but again not significantly so. More interesting are the occupational effects: compared to legislators and senior officials and managers, a much higher incidence of dissatisfaction is reported for service workers, agricultural and fishery workers, craft and related trades workers, plant and machine operators and assemblers, and elementary occupations. Occupation-specific working conditions, which are not captured by the four working-condition indicators, appear
Table 4 Logistic Regressions on Dissatisfaction with Working Conditions in New Member States and Candidate Countries (N=8,930)

<table>
<thead>
<tr>
<th></th>
<th>Model I</th>
<th>Model II</th>
<th>Model III</th>
<th>Model IV</th>
</tr>
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<tbody>
<tr>
<td>Gender</td>
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</tr>
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<td>[Male]</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Female</td>
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<tr>
<td>Age</td>
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<tr>
<td>[15–24]</td>
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<tr>
<td>25–39</td>
<td>-0.016</td>
<td>0.044</td>
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<td>40–54</td>
<td>-0.088</td>
<td>-0.022</td>
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<td></td>
</tr>
<tr>
<td>55 +</td>
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<td>-0.204</td>
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<td></td>
</tr>
<tr>
<td>Marital</td>
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<tr>
<td>[Married]</td>
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<td>Divorced/separated/widowed</td>
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<td>0.038</td>
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</tr>
<tr>
<td>Education</td>
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</tr>
<tr>
<td>[Low]</td>
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<tr>
<td>Medium</td>
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<td>Occupation</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>[Legislators and senior officials and managers]</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professionals</td>
<td>0.209</td>
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<td></td>
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</tr>
<tr>
<td>Technicians and associate professionals</td>
<td>0.314</td>
<td>0.194</td>
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</tr>
<tr>
<td>Clerks</td>
<td>0.397</td>
<td>0.243</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service workers and shop and market sales workers</td>
<td>0.643***</td>
<td>0.406*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skilled agricultural and fishery workers</td>
<td>0.176***</td>
<td>0.924***</td>
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<td></td>
</tr>
<tr>
<td>Craft and related trades workers</td>
<td>0.757***</td>
<td>0.578***</td>
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</tr>
<tr>
<td>Plant and machine operators and assemblers</td>
<td>0.702***</td>
<td>0.539***</td>
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<tr>
<td>Elementary occupations</td>
<td>0.847***</td>
<td>0.540***</td>
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</tr>
<tr>
<td>Employment status</td>
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<td></td>
</tr>
<tr>
<td>[Self employed]</td>
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<tr>
<td>Permanent employees</td>
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<tr>
<td>Temporary employees</td>
<td>0.096</td>
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<tr>
<td>Temporary agency workers</td>
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</tr>
<tr>
<td>Wages</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>[Low]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower-medium</td>
<td>-0.214**</td>
<td>-0.194**</td>
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<tr>
<td>Higher-medium</td>
<td>-0.460***</td>
<td>-0.417***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>-0.836***</td>
<td>-0.735***</td>
<td></td>
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</tr>
</tbody>
</table>
to play a role. Finally, the regression results concerning working conditions and country variables in Model I remain largely unchanged in this extended model.

Model III is intended to capture the effects of employment status and wages. The results suggest that employment status itself does not affect workers’ evaluations of their working conditions. This means that the relatively high incidence of dissatisfaction among the self-employed, shown in Table 3, is to a large extent due to their relatively poor working conditions. For example, the proportion of long working hours among the self-employed was 54.7 per cent, compared to 14.9 per cent among permanent workers (and, as Table 4 shows, long hours are a powerful determinant of dissatisfaction with working conditions). By contrast, wage levels do matter in determining workers’ satisfaction with working conditions. This implies that workers’ evaluation of working conditions tends to be mediated by their assessment of whether or not their poor working conditions are properly compensated. Another implication is that, as Hamermesh (1999) pointed out in his study of the US and Germany, increasing wage inequality would widen the distribution of workers’ satisfaction with working conditions, hence reducing the proportion of satisfied workers. Finally, results on working-condition indicators and country effects remain largely unchanged in Model III. A full model which includes all variables is also tested in Model IV, but does not generate significantly different results.

### Table 4 (cont.)

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</thead>
<tbody>
<tr>
<td>Poor environment</td>
<td>0.638***</td>
<td>0.549***</td>
<td>0.647***</td>
<td>0.560***</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9687.47</td>
</tr>
<tr>
<td>Tiring work</td>
<td>0.419***</td>
<td>0.543***</td>
<td>0.508***</td>
<td></td>
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<td></td>
<td></td>
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<td>9481.629</td>
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<tr>
<td>High work intensity</td>
<td>0.560***</td>
<td>0.508***</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9552.393</td>
</tr>
<tr>
<td>Long working hours</td>
<td>0.441***</td>
<td>0.541***</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9395.982</td>
</tr>
</tbody>
</table>

**Notes:** * p<0.010, ** p<0.005, *** p<0.001.
To sum up, workers’ satisfaction with working conditions is strongly influenced by the set of ‘objective’ indicators of working-condition risks, as well as by occupation-specific conditions and country-specific factors. Higher wages have the effect of reducing dissatisfaction quite considerably, even when other variables are controlled for.

3. CONSEQUENCES OF POOR WORKING CONDITIONS IN NEW MEMBER STATES AND CANDIDATE COUNTRIES

We have seen a robust relationship between ‘objective’ working conditions and ‘subjective’ evaluations. To further examine this relationship, it is useful to look at the potential effects of poor working conditions on intermediate factors which can affect workers’ evaluation of their working conditions. For example, it is plausible that even some workers in poor work environments might be satisfied with their working conditions if their work does not cause problems with health and safety, especially compared with workers in good work environments. A similar conjecture can be made for workers on long hours: insofar as their long working hours are compatible with family life and do not threaten their health, workers may be happy with their conditions of work. Another way of examining the effects of poor conditions through workers’ eyes would be to look at the extent to which poor working conditions affect whether they believe they will be able to continue working in their current job when they get older (for example, over the age of 60). We need to examine the consequences of poor working conditions for working life.

In order to examine this issue, four indicators (which can be called outcome indicators) are derived from the dataset as follows:

- **Incompatibility between working hours and family/social life (Indicator VI):** a score of 1 is assigned to those who reported that their working hours do not fit ‘very well’ or ‘at all’ with their family or social commitments outside work (Q17 from the survey); 0 otherwise.
- **Health and safety risks at work (Indicator VII):** a score of 1 is assigned to those who reported their health and safety is at risk because of their work (Q30); 0 otherwise.
- **Health problems (Indicator VIII):** a score of 1 is assigned to those who reported that their work affected their health and identified specific health problems; 0 otherwise.
- **Work capability (Indicator IX):** a score of 1 is assigned to those who reported that they ‘will not be able to do the same job [they] are doing now when [they] are 60 years old’; 0 otherwise. (Workers older than 60 were excluded.)
Table 5 shows the (weighted) mean averages of these four indicators within groups of workers classified in terms of each working-condition indicator. For example, the incidence of incompatibility between working hours and family/social commitments is 39.6 per cent among workers with long working hours, compared to 13.7 per cent among those without. Similarly, workers with high work intensity are more likely to have health problems (46.7 per cent compared to 34.4 per cent) and believe that their health and safety are at risk because of their current work (74.4 per cent compared to 64.1 per cent). Considerable differences in health and safety risks are found for poor work environment and tiring work. Given these results, it is not surprising that workers who are exposed to working-condition risks are less likely to believe that they will be able to continue to work at the age of 60. The presence of such relationships indicates that working-condition aspects need to be taken into account in the ‘active ageing’ policies which aim to encourage older workers to continue to work or reenter the labour market. It is entirely plausible that the accumulation of the consequences of poor working conditions over the years will gradually (often unconsciously) reduce mental and physical capabilities, thus rendering unfeasible, if not undesirable, an active ageing policy for these workers (see Jolivet and Lee, 2004).

Given the strong effects of working conditions, it is useful to look at how countries vary in terms of working-condition risks for individual workers. For instance, it is possible that although two countries A and B have the same average level of working-condition risk, these risks concentrate on a small

<table>
<thead>
<tr>
<th>Table 5 Working Condition Risks and Outcomes (Weighted Mean Averages) in New Member States and Candidate Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working time incompatible with family and social life</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>I. Poor environment</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>II. Tiring work</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>III. High work intensity</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>IV. Long hours</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Yes</td>
</tr>
</tbody>
</table>
number of workers in country A, while they are rather equally distributed among workers in country B. To see this, Figure 1 shows the distribution of workers in new EU member states and candidate countries (plus the EU-15 average) by the number of working-condition risks to which individual workers are exposed (I to IV). Overall, exposure to all four risks is relatively rare in both EU-15 and new member states and candidate countries, with the exception of Cyprus (11.1 per cent of workers report being exposed to the four types of risks at work). By contrast, the incidence of ‘risk-free’ working conditions is very high in Slovenia, Lithuania and Estonia (more than 30 per cent of workers do not report any risk), and these countries perform well even compared with the EU-15 average. The situation is worse in Cyprus, Romania and Malta where more than 30 per cent of workers are exposed to at least three risks. We thus can see that strong differences seem to prevail in terms of working and employment conditions among the new EU member states and candidate countries.

Table 6 provides further details about the relationship between working-condition risks and their consequences by combining Table 5 and Figure 1 and also specifying different combinations of working-condition risks and their corresponding consequences. In new member states and candidate countries, roughly 26.5 per cent of workers on average were free from any working-condition risks, while 4.5 per cent of workers were exposed to all working-condition risks. If these two groups of workers are compared, the consequences

![Figure 1 Distribution of Workers by Number of Working-Condition Risks in New EU Member States and Candidate Countries](image-url)
are striking: for example, the proportion of workers who believed their health and safety were at risk because of their work was 21.2 per cent for the ‘risk-free’ group, compared to 75.2 per cent among the latter group of workers. Not surprisingly, the likelihood of negative consequences tends to increase as the number of risks increases. Yet the types of combinations are important in determining the consequences. For example, the pessimistic prediction about their continuing work at the age of 60 (work capacity) was most common among those workers with two risks (poor physical work environment plus long working hours), higher than among those with more risks. Comparisons within the group (by number of risks) indicate that workers who had a poor physical work environment are more likely to report pessimism about continuing employment.

Table 6 Combinations of Working-Condition Risks and Their Consequences (Weighted Mean Averages within Each Row) in New EU Member States and Candidate Countries

<table>
<thead>
<tr>
<th>No. of risks</th>
<th>Distribution of different combinations (% of workers)</th>
<th>Incompatibility between time and family/social life</th>
<th>Health and safety problems</th>
<th>Health problems</th>
<th>Work capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>26.5 0.090 0.212 0.519 0.350</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>1</td>
<td>5.3 0.119 0.444 0.714 0.538</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7.7 0.121 0.340 0.747 0.532</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9.0 0.119 0.265 0.564 0.421</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>6.0 0.285 0.355 0.683 0.460</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>7.0 0.115 0.521 0.763 0.600</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>6.8 0.171 0.312 0.706 0.496</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>3.3 0.440 0.337 0.710 0.380</td>
<td></td>
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<tr>
<td></td>
<td>3.4 0.140 0.484 0.758 0.510</td>
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<tr>
<td></td>
<td>1.0 0.295 0.621 0.849 0.763</td>
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<tr>
<td></td>
<td>2.1 0.425 0.586 0.798 0.564</td>
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<td>3</td>
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<tr>
<td></td>
<td>0.8 0.424 0.555 0.831 0.690</td>
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<td>11.8 0.247 0.640 0.823 0.656</td>
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<tr>
<td>4</td>
<td>4.5 0.487 0.752 0.909 0.697</td>
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</tr>
<tr>
<td>Total</td>
<td>100.0 0.208 0.405 0.692 0.498</td>
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CONCLUSION

In this chapter we have attempted to explain the complexity and interaction of working and employment conditions in new EU member states and candidate countries, based on the data set of the European Survey on Working Conditions. First, the results confirm the widely-shared belief that working conditions are relatively poor and workers’ satisfaction at work relatively low in new EU member states (and candidate countries) compared to EU-15. Second, workers’ dissatisfaction with working conditions – which might be seen as a very subjective and ungrounded variable – is found to respond to actual working conditions in these countries as captured by working-condition risk indicators. At the same time, wage levels, occupational characteristics and country-specific factors are also found to influence workers’ own evaluations of their working conditions. Finally, such working-condition developments seem to have direct implications for workers, since they were found (through our outcome indicators) to be significantly affecting workers’ health and safety, family life and long-term work capacity.

All these findings obviously have an important policy dimension, since they clearly highlight the need for more substantial investment in improving working conditions, particularly if we might expect work intensity in many of these countries to increase (as already reported in the case studies of this volume) with the introduction of market-based work organisation and the flexibilisation of employment contracts, which in turn may worsen the already poor working conditions. The main concern in this regard would be that such investments are often costly, which explains employers’ resistance to curbing long working hours and improving the work environment. However, the analysis developed in this chapter points to the potential gains from such investment. For example, the reduction of health and safety risks through a safer environment and shorter working hours may generate direct productivity gains through increasing workers’ satisfaction at work and overall motivation. Such a policy would be even more essential in a longer perspective when older workers are required to remain longer in employment in the context of ageing. However, the problem is that, as these gains are shared socially (not confined to individual workplaces), they are not fully reflected in workplace decisions. This is where EU social policies become important. Yet it is hard to evaluate what kinds of changes have occurred in the context of EU integration. The second round of the European Survey on Working Conditions for new member states and candidate countries, which is scheduled for 2005, will provide an opportunity to monitor recent developments on the basis of the framework proposed in this chapter.
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3. Czech Republic: Rapidly Evolving Conditions

Pavel Kuchar

PART I NATIONAL ASSESSMENT

Labour Market: Difficult Adjustments

In the 1990s, the nature of work and employment changed significantly for a large proportion of the population. The branch and professional structure began a process of rapid change due to liberalisation of the economy and radical changes connected with it, especially in ownership structure. On the one hand, the principles of free competition were introduced, almost bringing activity in some branches to an end (for example, electronics and, to some extent, textile manufacturing) in the domestic market within a very short period of time (two to three years); on the other hand, other branches of industry, heavily subsidised by the state (metallurgy, mining), continued without major changes for many years. Similar developments took place in professional structure, with new professions emerging which required different methods of training, behavioral patterns or understanding of personal career prospects (managerial, IT, finance, and so on). In addition, a number of professions whose basic profile was established many decades ago have experienced almost no change and continue to exist. In the 1990s these tendencies were combined.

Structural change in the Czech economy in the 1990s can be divided into two periods, according to dynamics and depth. The first period runs from the upheaval of 1989 until roughly 1992–93, when the economy underwent dramatic changes that, naturally, were reflected in the employment structure. In a relatively short period there was a rapid fall in employment in agriculture (roughly 300,000) and a significant increase in employment in the tertiary sector (almost 200,000). Some change, although much less significant, was also apparent in the secondary sector. These workforce shifts created the basic preconditions for labour market changes in the subsequent period, which was in many respects quite different.
Such tremendous changes did not continue. The basic trends – the fall in the proportion of primary-sector employment and the increase in the tertiary sector – remained unchanged, although the dynamics were perceptibly weaker. The changes had their most significant impact in shifts within individual sectors, in lines of business and profession levels.

All economic branches saw greater or lesser movements in terms of employment (see Table 1). Although manufacturing employment as a whole had declined by one fifth by 2003, most of the decrease took place during the first half of the 1990s. Since 1995 manufacturing has resumed its growth, which in some branches is relatively significant. For example, the employment changes index 2003/1995 was 155.7 for the electro-technical industry, 124.0 for timber, 142.2 for printing and 203.4 for rubber. The most significant growth during this period was recorded in the manufacturing of office machinery and computers (279.2).

These changes resulted in a strong increase in workforce dynamics, even for employers. As ownership relations gradually changed, hitherto rigid positions at enterprise level started to soften. As a consequence, the same happened in employment. The first new socio-economic group to emerge was entrepreneurs who, at the beginning of the 1990s, almost entirely took over economic areas which had been very underdeveloped in workforce terms.

As the former regime’s work obligation was lifted (which, although never explicitly declared, was severely applied) and the first restructuring measures kicked in, another new group emerged, the unemployed. The first to become unemployed were those exercising their ‘natural right’ not to work. However – and increasingly this was to become a rule – the ranks of this group began to be swelled by those who had not responded in time to the ongoing changes and, for various reasons, were unable or unwilling to adapt.

A particular feature of the first stage of transformation in the Czech Republic was the very low unemployment rate: only around 3 per cent up to 1996. Disregarding special regional deviations, for the first half of the 1990s there was no deep-rooted unemployment threat in the Czech Republic. The causes of this – significantly different from the situation in other post-communist countries – can be found mainly in two circumstances: (i) fundamental structural changes in production were postponed until after ownership relations (related to the privatisation process) had been clarified – that is, roughly until the second half of the 1990s; (ii) the economy – and especially the gradually emerging private service sector – was able to absorb a considerable part of the workforce.

A radical change occurred in 1998 as the unemployment rate increased from 5 per cent in January to almost 8 per cent in December. It peaked in January 2004 at more than 11 per cent. Besides the onset of restructuring unemployment growth was linked to a number of other trends that can be
### Rapidly Evolving Conditions

#### Table 1 Organisational Structure of the Czech Economy: Natural Persons by Principal Activity, 31 December

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
</tr>
<tr>
<td>Total</td>
<td>1 124 662</td>
<td>100.01</td>
<td>680 169</td>
</tr>
<tr>
<td>Agriculture, hunting and forestry</td>
<td>104 152</td>
<td>9.3</td>
<td>119 494</td>
</tr>
<tr>
<td>Fishing</td>
<td>291 0.0</td>
<td>0.0</td>
<td>475 0.0</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>346 0.0</td>
<td>0.0</td>
<td>227 0.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>167 285</td>
<td>14.9</td>
<td>230 466</td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>941 0.1</td>
<td>0.1</td>
<td>504 0.0</td>
</tr>
<tr>
<td>Construction</td>
<td>131 593</td>
<td>11.7</td>
<td>191 650</td>
</tr>
<tr>
<td>Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods</td>
<td>353 108</td>
<td>31.4</td>
<td>523 268</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>50 338</td>
<td>4.5</td>
<td>90 087</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>42 969</td>
<td>3.8</td>
<td>63 016</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>7 075</td>
<td>0.6</td>
<td>69 115</td>
</tr>
<tr>
<td>Real estate, renting and business activities</td>
<td>187 345</td>
<td>16.7</td>
<td>269 733</td>
</tr>
<tr>
<td>Public administration and defence; compulsory social security</td>
<td>1 865 0.2</td>
<td>0.2</td>
<td>580 0.0</td>
</tr>
<tr>
<td>Education</td>
<td>9 337</td>
<td>0.8</td>
<td>16 497</td>
</tr>
<tr>
<td>Health and social work</td>
<td>23 284</td>
<td>2.1</td>
<td>25 946</td>
</tr>
<tr>
<td>Other community, social and personal service activities</td>
<td>44 624</td>
<td>4.0</td>
<td>79 012</td>
</tr>
<tr>
<td>Private households with employed persons</td>
<td>109 0.0</td>
<td>0.0</td>
<td>99 0.0</td>
</tr>
<tr>
<td>Extra-territorial organisations and bodies</td>
<td>– – – 0.0</td>
<td>– – –</td>
<td>– – –</td>
</tr>
</tbody>
</table>

**Notes:**
Natural persons include private entrepreneurs who are in business in compliance with the Trades Licensing Act, self-employed farmers and natural persons carrying out other business activities governed by special regulations.

**Source:** Statistical Yearbooks.
divided into two groups: (i) macroeconomic circumstances such as the economic recession plaguing the Czech Republic’s closest partners, such as Germany and the EU in general; (ii) the significant strengthening of the Czech crown. A number of Czech enterprises concentrating mainly on exports thus had to face severe economic problems.

1. EMPLOYMENT STATUS: INCREASE IN SELF-EMPLOYMENT

Although the first traders and entrepreneurs emerged at the end of the 1980s, by the beginning of the 1990s they had become an important part of the Czech labour market. While the proportion of wage labourers decreased from 87 per cent in 1993 (when the Labour Force Survey [LFS] was introduced in the Czech Republic) to 82 per cent in 2003, the proportion of self-employed doubled from 6 per cent to 12 per cent. Growth was mainly concentrated in trade and construction. The proportion of producer cooperative members fell significant during this period, from 4 per cent to 0.6 per cent, while newly (or in a way newly) employers and family workers increased in number (Table 2).

However, self-employment is much higher than the number of people who work this way (on one’s own account) in their main occupation. In 2004, just under two million people in the Czech Republic had a trading licence. As shown in Table 3, the number of private entrepreneurs running a business in accordance with the Trades Licensing Act reached just under 1.7 million in 2003 (but involving around five million workers altogether); this means that a trading licence is owned by every third working person. Most licences (35 per cent) are issued for trading activities, 17 per cent for activities in the sphere of real estate, business services, research and development, and 16 per cent for processing activities.
Table 2  Employment Status in Czech Republic by CZ-ISCE ('000)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>4 238.6</td>
<td>4 278.0</td>
<td>4 274.4</td>
<td>4 278.1</td>
<td>4 249.0</td>
<td>4 138.4</td>
<td>4 024.1</td>
<td>3 971.7</td>
<td>3 969.8</td>
<td>3 966.4</td>
<td>3 893.7</td>
</tr>
<tr>
<td>Employers</td>
<td>130.5</td>
<td>156.6</td>
<td>188.0</td>
<td>202.3</td>
<td>198.7</td>
<td>202.5</td>
<td>195.7</td>
<td>196.2</td>
<td>186.2</td>
<td>192.6</td>
<td>196.8</td>
</tr>
<tr>
<td>Own-account workers</td>
<td>308.2</td>
<td>338.7</td>
<td>374.6</td>
<td>377.8</td>
<td>388.4</td>
<td>437.5</td>
<td>464.0</td>
<td>486.1</td>
<td>499.7</td>
<td>540.5</td>
<td>581.3</td>
</tr>
<tr>
<td>Members of producer cooperatives</td>
<td>181.6</td>
<td>132.8</td>
<td>99.4</td>
<td>91.3</td>
<td>80.4</td>
<td>64.5</td>
<td>55.1</td>
<td>50.8</td>
<td>43.8</td>
<td>35.8</td>
<td>28.0</td>
</tr>
<tr>
<td>Family workers</td>
<td>14.4</td>
<td>20.2</td>
<td>25.8</td>
<td>22.3</td>
<td>19.9</td>
<td>22.6</td>
<td>25.1</td>
<td>26.6</td>
<td>27.7</td>
<td>28.9</td>
<td>33.0</td>
</tr>
<tr>
<td>Total employed</td>
<td>4 873.5</td>
<td>4 926.8</td>
<td>4 962.6</td>
<td>4 972.0</td>
<td>4 936.5</td>
<td>4 865.7</td>
<td>4 764.1</td>
<td>4 731.6</td>
<td>4 727.7</td>
<td>4 764.9</td>
<td>4 733.2</td>
</tr>
</tbody>
</table>

Source: Statistical Yearbooks.
<table>
<thead>
<tr>
<th>Date</th>
<th>Number</th>
<th>%</th>
<th>Registered units, total</th>
<th>Private entrepreneurs in business under Trade Licensing Act</th>
<th>Self-employed farmers</th>
<th>Business companies and partnerships</th>
<th>Cooperatives</th>
<th>State-owned enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.1995</td>
<td>1 321 096</td>
<td>100.0</td>
<td>1 000 375</td>
<td>14 605</td>
<td>92 776</td>
<td>112 514</td>
<td>7 564</td>
<td>6 172</td>
</tr>
<tr>
<td>31.12.1999</td>
<td>1 963 319</td>
<td>100.0</td>
<td>1 425 743</td>
<td>13 705</td>
<td>102 408</td>
<td>188 058</td>
<td>13 009</td>
<td>10 236</td>
</tr>
<tr>
<td>31.12.2000</td>
<td>2 050 770</td>
<td>100.0</td>
<td>1 471 291</td>
<td>15 826</td>
<td>101 626</td>
<td>204 075</td>
<td>14 092</td>
<td>11 007</td>
</tr>
<tr>
<td>31.12.2001</td>
<td>2 121 562</td>
<td>100.0</td>
<td>1 523 051</td>
<td>20 173</td>
<td>101 394</td>
<td>214 637</td>
<td>14 845</td>
<td>11 536</td>
</tr>
<tr>
<td>31.12.2002</td>
<td>2 223 745</td>
<td>100.0</td>
<td>1 607 151</td>
<td>21 331</td>
<td>101 053</td>
<td>220 461</td>
<td>15 260</td>
<td>12 085</td>
</tr>
<tr>
<td>31.12.2003</td>
<td>2 325 977</td>
<td>100.0</td>
<td>1 671 031</td>
<td>20 763</td>
<td>100 914</td>
<td>232 204</td>
<td>15 903</td>
<td>13 078</td>
</tr>
</tbody>
</table>

Source: Statistical Yearbooks.
2. WORKING TIME: DIVERSIFICATION

2.1 Full-time work

For many years, working hours in the Czech Republic were set at 42.5 hours per week. Current legislation is somewhat looser and sets maximum working hours at 43 hours per week, and in the case of employees under 16 years of age, 33 hours a week. Although LFS data confirm this, there is considerable variation.

Average weekly working hours were 42.1 in the third quarter of 2003. However, this included both full-time jobs (43.1 hours) and part-time jobs (23.6 hours). The proportion of full-time workers was 95.1 per cent: that is, only 5 per cent of employed people were working part-time.

Table 4 Working Hours in Main Occupation

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average hours usually worked in the week</td>
<td>43.2</td>
<td>42.0</td>
</tr>
<tr>
<td>Male</td>
<td>44.9</td>
<td>43.9</td>
</tr>
<tr>
<td>Female</td>
<td>41.0</td>
<td>39.6</td>
</tr>
<tr>
<td>Employees</td>
<td>42.9</td>
<td>41.3</td>
</tr>
<tr>
<td>Members of production cooperatives</td>
<td>44.3</td>
<td>42.1</td>
</tr>
<tr>
<td>Entrepreneurs</td>
<td>54.8</td>
<td>51.1</td>
</tr>
<tr>
<td>Contributing family workers</td>
<td></td>
<td>45.8</td>
</tr>
</tbody>
</table>

Source: Labour Force Surveys.

The above-mentioned variation in average weekly working hours can best be demonstrated using the results of extensive research conducted in 1999. Since then, average hours recorded by the LFS have declined somewhat (by 1.4 hour), although the main distribution trends remain unchanged. Less than half the employed (47 per cent) stated their working hours as between 41 and 43 hours. One-tenth worked fewer than 40 hours (mainly part-time workers), but 29 per cent were working 44 to 50 hours in their main job and 15 per cent even more than 50 hours. These differences are even more striking if we look at working hours by groups of workers.

Entrepreneurs work the longest hours – especially those with employees – at 55 hours. Entrepreneurs without employees worked slightly less, at 51 hours per week. The legal limit was also exceeded by senior specialists (47 hours) and qualified blue-collar workers (45 hours). Other groups (routine non-manual workers and unskilled labourers) worked around the limit (43 hours).
Unsurprisingly, those working in the private sector have a longer working week (46.5 hours) than those working in the state sector, where traditional working hours (42.5 hours) are maintained.

Enterprise size is also important. The longest working hours are found in the smallest (private) enterprises, at slightly under 48 hours. The shortest working hours are in big companies with 500 employees and more, where they do not exceed 43 hours per week.

Working hours are also differentiated according to gender. Men work roughly four hours more per week than women (47 hours as against 43 hours).

2.2 Part-Time Work

As already mentioned, at present approximately 5 per cent of people work part-time, a proportion which remained stable for almost the whole of the 1990s. It concerns mainly women, 8 per cent of whom work part-time compared to only 2 per cent of men. There are two main reasons for this: (i) the high rate of economic activity among women, which almost exhausts the available potential (52 per cent of women 15 years of age and above are economically active); (ii) the lack of availability of such work. Such work is particularly scarce for men, as is part-time work requiring higher qualifications (and therefore higher wages).

Interest in part-time work is quite high, again mainly among women. According to the 1999 research, 37 per cent of men and 63 per cent of women (especially those with small children) would accept part-time work in case of unemployment risk. Education does not play a major role in this choice. However, we must emphasise that this is merely expressed interest, which declines quickly in reality.

The reason for this decline in interest lies mainly in the prevailing household model, based on two incomes. Any reduction in either income (for example, due to a switch from full-time to part-time work) would lower the household’s living standards. Furthermore, as already mentioned, most part-time work at present requires low qualifications and therefore pays poorly (minimal wage). Time, transport costs and other necessary expenses joined with work performance significantly reduce the potential benefits from such employment.

Part-time work has other disadvantages beside lower wages. Part-time employees have less job security (they can be dismissed more easily) and benefits (social provisions are mainly granted to full-time workers). It is also significant that although wages are based on shorter working hours the work load often exceeds paid hours, so there is growth in unpaid overtime. According to research from 2000, the working hours of 15 per cent of part-time workers were tantamount to full-time working and another 15 per cent declared the need to work overtime.
For these reasons it is unlikely that interest in part-time employment will increase in the near future.

2.3 Supplementary Employment

The rate of those with two or more jobs fell significantly during the 1990s, from 5.2 per cent of workers in 1993 (when the LFS started in the Czech Republic) to only 2.6 per cent at the present time. Supplementary employment is usually performed as part-time work: the average number of weekly working hours in a second job is 11.5 according to LSF data. The current proportion of second job holders testifies to the decline in the supply of part-time work and people’s rising workload (among other things, increasing working hours). Undoubtedly, improved living standards have also played a role: for many it is no longer necessary to have more than one job.

Many combine their main paid employment with self-employment as an additional activity, especially highly qualified professionals (especially teachers, doctors, people working in cultural activities, and so on). According to research conducted in 2003 this applies to 5 per cent of economically active people. There has also been a significant decline here, however, as at the beginning of the 1990s this proportion was roughly twice as much. Men are more likely to engage in this than women (7 per cent compared to 3 per cent).

2.4 Distribution of Working Hours

Work starts at most enterprises at 6 a.m. This has a historical origin: early morning hours suited the working regime of so-called ‘farming factory workers’, a large social group in the Czech lands until approximately the Second World War. They needed employment that allowed them to come home from work early and start a ‘second shift’ at their smallholding. This trend was further reinforced in the 1950s when all good workers started work with the working classes, namely at 6 a.m; anyone starting work later came under suspicion.

At the beginning of the 1990s starting time changed quite quickly and since then a significant shift has taken place, especially in cities (though not in schools, which is a problem for many parents). Smaller towns and villages have not experienced such significant changes, due to the continuing need for free time for household duties. The situation is quite different in other EU countries, where it would be hard to find people who after finishing work rush to another job, this time unpaid and not particularly rewarding. So far the Czech Republic has not adapted to European norms in this area, with the exception of a few offices, agencies and banks. Significant change is unlikely in the near future, especially outside the larger urban areas.
3. WORK–LIFE BALANCE: LACK OF SUPPORT

Generally speaking, it seems to be increasingly difficult to harmonise work and family life in Czech enterprises, especially for women who seem to be under increasing pressure from both the employer – in response to tougher competition – and the family (due to lack of services for children provided either by the company or the state).

The choices and trade-offs facing Czech women changed during the 1990s. While family budgets are often dependent on two incomes, women also report social and cultural reasons for maintaining their high rate of activity. For younger and more highly qualified women, these are increasingly important. Government plays a decreasing role in harmonising work and family life with various support services. However, despite the combination of diminished support and more demanding working conditions under the free market system, women have maintained their level of economic activity. They have reacted to the changing social and economic conditions by delaying or forgoing motherhood and by devoting larger amounts of time to work at the expense of the family. All women are confronted by the lack of effective support, especially from employers, for combining work and family.

Harmonisation of work and family life is in many cases lacking in companies’ employment and personnel policies. The situation is better in the non-business sphere, while in the business sphere it depends on the role and influence of trade unions. The size of an enterprise and the particular branch play their role as well – the situation is better in larger companies and in industry than, for example, in services and retail. Fringe benefits are mostly granted on the basis of collective agreements, much less often on the basis of individual work contracts. The fringe benefits most often provided are: subsidies for lunch and for training (in almost 90 per cent of companies), loans and subsidies for housing (both about 30 per cent), access to health care and subsidies for accommodation or travel expenses on holiday (about 25 per cent of companies). Some companies subsidise holiday camps for children or offer their own products at a moderate price to their employees (both in 20 per cent of companies).

State support is on the decrease. Working parents are assisted by day-care facilities that have quite a long tradition but have changed during the last fifteen years. These changes include a decrease in the number of children of the appropriate age (as a result of the decreasing birth rate), an increase in the cost of running kindergartens, and a change in organisational structure when the state and most employers stopped running and financially supporting kindergartens, while the church stepped into the breach. At present, most kindergartens are operated by municipalities (98.5 per cent). There is minimal pressure on employers to participate; the share of children aged 3–5 years attend-
ing kindergartens remains constant at about 90 per cent. The Czech Republic has one of the longest averages of kindergarten attendance, at 2.7 years.

Although the introduction of parental allowance in 1990 represented a fundamental change in legislative conditions for the gender division of roles in young families, few fathers utilise the chance to care for their children full-time. Fathers’ unwillingness to take up parental allowance is attributable not only to traditional views of the roles of men and women, but also to the negative financial consequences for the family. Because of the gender wage gap, the family income tends to decrease less during the period of caring for a small child if the woman stays at home. The value of the parental allowance in 2000 was 29 per cent of the average wage of women aged 25–29 years working full-time, but only 20 per cent of the average wage of similar men. Another factor working against the equal sharing of child care was the unequal availability of parental leave. Up until 1 January 2001, a man wishing to take leave to care for his child did not have the same entitlement to return to his job as a woman. At present the conditions for men and women are equal in principle but the share of men on parental leave has not increased markedly and accounts for less than 1 per cent of all parents on maternity leave.

4. WORKING CONDITIONS IN A CHANGING BUSINESS ENVIRONMENT

Czech undertakings underwent big changes in the 1990s, especially two which need to be emphasised: (i) transformation of the ownership structure; and (ii) extensive changes in size. While in 1990 the private sector was, with a few exceptions, non-existent and almost everyone was employed by the state, today fewer than 40 per cent of economically active people work in the state sector, and 58 per cent in the private sector (the rest have jobs in companies with other forms of ownership, especially cooperative or municipal). Extensive changes in enterprise size means that while more than one-third of people worked in large corporations (over 500 employees) in 1988, only one-fifth did so in 1999.

Almost all companies have undergone greater or smaller organisational changes, especially in the second half of the 1990s, usually in terms of number of employees and organisational structure.

Current enterprise changes have a different nature, being a matter of continuous adaptation to changing market conditions (including the labour market). There was also a desire to reform in advance of EU accession so as to be better prepared for the new situation.

Changes in enterprises during the previous year were evaluated in 2002 in
a survey of six industrial enterprises (engineering and rubber). The highest stability (that is, the fewest changes) was in terms of job security (79 per cent). It was also quite high in terms of the provision of information within organisations and in relations among co-workers (69 per cent each). Interestingly, however, in these two areas things had got worse according to the other employees (20 per cent each). The biggest improvement was recorded in connection with the level of technical equipment (29 per cent improvement, 53 per cent stability), while respondents found the greatest deterioration in wages (49 per cent stability, 29 per cent deterioration) and in company care for employees (66 per cent stability, 28 per cent deterioration).

The present situation of Czech enterprises may be documented by data from a population-wide survey carried out in 2003. The following aspects of the respondents' workplace were evaluated: economic prosperity, long-term prospects, prestige, relations between managers and employees, abilities and quality of management and employees' opportunities to participate in management decision-making. In almost all evaluations the option ‘better on average’ prevailed (the prestige of enterprises was evaluated most highly). The only exception concerned employee involvement in management decision-making, which was rated ‘worse on average’. By and large, there is moderate satisfaction with the abovementioned aspects of Czech companies.

Evaluations tended to correlate with social and professional characteristics. The higher the professional position, the better the evaluation. Also, prosperity, prospects and quality of management were rated higher by workers of 30–39 years of age, but also those 20–29 years of age, and rated worse by older workers (that is, 40 years and over). Prosperity, stability and prestige were rated best of all by workers in services. Women evaluated all aspects of their enterprises worse than men did.

The overall indicator of the respondent’s relation to work and occupation is level of satisfaction with performed job. The Czech working population is fairly satisfied, despite all the problems. In the same survey in 2003, 22 per cent of respondents expressed high satisfaction with their job and another 60 per cent were fairly satisfied. In contrast, slight dissatisfaction was stated by 16 per cent and strong dissatisfaction by only 3 per cent of respondents.

This evaluation naturally depends on basic characteristics, mainly the influence of social position. Entrepreneurs and professionals are noticeably more satisfied, in contrast to skilled and unskilled workers: in short, the higher the education, the higher the satisfaction.

Aside from overall satisfaction, satisfaction with particular aspects of work and work position was assessed. The content of work was evaluated, alongside use of the employee’s abilities at work, possibility of participating in management decision-making, personal prospects in the firm, relations between company management and employees and between co-workers.
Highest satisfaction was declared in relation to the content of work and the use of abilities, in respect of which satisfaction markedly outweighed dissatisfaction (85–90 per cent). The lowest satisfaction was indicated in connection with personal prospects in the company and participation management decision-making: satisfaction again outweighed dissatisfaction (but only by 60–65 per cent).

As with the evaluation of the enterprise, the evaluation of work depends particularly on work position (except for the evaluation of relations between employees, in relation to which no dependency was found). People in management positions evaluated all aspects of their work far better than people in lower positions. Most aspects were evaluated highest by construction workers.

5. SERIOUS DRAWBACKS IN HEALTH AND SAFETY AT WORK

In 2002, 1,047 occupational diseases were newly reported in the Czech Republic and 123 risks of occupational disease. Retrospectively, it is clear that absolute and relative (per 100,000 insured people) numbers of reported occupational disease have been decreasing since the beginning of the 1990s. The same trend applies to the statistics on work injuries.

Several factors are contributing to this downward trend. Among the most important are dumping of employment in branches characterised by high-risk workplaces (metallurgy, mineral extraction, heavy machinery) and a gradual change in national economic structure consisting in the transfer of workers from the primary and secondary sectors to the tertiary sector. On the other hand, other factors threaten to increase occupational diseases and injuries. In the first half of the 1990s particularly were the breakdown in company health care, and the neglect of preventive health care and prevention of injuries by some private entrepreneurs. Occurrence of occupational diseases and work injuries naturally differs by branch (the highest being in metallurgy and mining).

Perceptions of health risks at work can be documented from an international survey carried out in 2000. Almost one-half (44 per cent) of economically active people stated that they were working in an environment which endangered their safety and health. This concerned mainly those working in mineral extraction (77 per cent) and processing (53 per cent). Among occupational categories with significantly higher risks, according to their own statement, are tradesmen, repairmen and machinery and device servicemen.

In comparison with EU-15 states, Czechs feel much more endangered. The question of whether their work might be dangerous to their health was
answered positively by only 27 per cent of working people in EU-15 states compared with 44 per cent in the Czech Republic, and another 60 per cent stated that work negatively affected their health, as against 97 per cent in the Czech Republic.

Compared to the EU, the high percentage of people working in a risky environment in the Czech Republic is strongly affected by the different structure of the working population in individual economic sectors. In the Czech Republic many people are still working in the secondary sector, where the risks of exposure are much higher than in the tertiary sector. It is also clear that the quality and extent of health risk prevention is significantly greater in EU-15 countries, in which many people who declare that they are working in a risky environment also state that their health is not affected by this.

6. EMPLOYMENT CONTRACTS: FLEXIBLE ARRANGEMENTS ON THE INCREASE

So-called family-friendly policies are needed to increase work flexibility. Other provisions may also help here, such as company arrangements for families (day-care facilities for children, family recreation, system of company loans, and so on) or work distribution between partners.

Concerning work flexibility, it is possible to distinguish between quantitative and qualitative flexibility. Quantitative flexibility makes it possible to harmonise work and family obligations better either by shortening working hours or by allowing workers themselves to determine when they put in their hours. Various types of qualitative flexibility allow independence from the point of view of where and how work is done.

The most frequent form of quantitative flexibility is part-time working (see below), and shift work, flexible working hours, irregular or non-uniform working time, job sharing and a reduced working week.

Shift work has a long tradition in the Czech Republic and in some branches is common. It is no longer perceived negatively, although it does disturb standard family relations, and impacts unfavourably on child care. It is largely perceived as a means of work rationalisation on the part of employers, making possible more intense utilisation of production equipment. Shift work has been growing in frequency recently, in industry in connection with an economic boom, but also in services, where shift work also has something of a tradition, but its massive expansion has been driven by the fast growing big commercial chains forced (they have also offered a large number of positions for less qualified female workers). Research shows that today half of those working shifts are employed in services and only one-third in industry (the reverse of the previous situation).
The fact that shift work is now generally accepted was confirmed by survey findings. According to a 1999 survey even night work would be accepted by 43 per cent of workers, especially younger men (under 30 years of age) with primary education or skilled men.

Flexible working hours have been used in the Czech Republic for a long time, although they were recently modified in the Labour Code. Such working generally has one of two purposes: (i) to enable employees (especially women with small children) to harmonise work and family life, and (ii) to carry out certain kinds of work (most frequently high ranking positions in science, research and teaching). Often it means setting a time during which the employee needs to be at the workplace (usually 4–6 hours), optionally shifting the start or the end of working hours. Another phenomenon gradually growing in importance is the efforts of offices to meet the needs of their clients (citizens). For this reason, flexible working time is being introduced to the effect that two days a week opening hours are longer (by 2–4 hours), for which the employees are compensated during the rest of the week.

Irregular working time is less widespread. The calculation of working hours is carried out over a longer period (usually monthly). This concerns only a few professions (transport, building and agriculture) and is connected especially with seasonal work. So-called ‘free jobs’ – especially in the cultural sector – also belong in this category. Although this type of work regime offers employees the greatest freedom as regards work performance, it does entail irregular working rhythms (especially social contacts) and workers do not receive extra pay for overtime or working unsocial hours.

Job sharing is almost nonexistent in the Czech Republic, mainly for economic reasons. With the 4+4 hour system, productivity suffers, while the 6+2 hour system benefits only one of the employees involved from a financial point of view.

The so-called reduced working week is little used, although it is addressed in the Labour Code. With the approval of the employer working hours can exceptionally exceed nine hours a day. According to the trade unions a four-day working week would be possible by extending the length of the working day to 9–10 hours. Such an arrangement would probably be acceptable only in the case of day-and-night operations with Saturday and Sunday working.

Qualitative flexibility usually includes different forms of homeworking (teleworking). Homeworking is nothing new, however. Most crafts were performed at home originally. Today, homeworking is discussed mainly in connection with jobs that can be done via the Internet. Its expansion has both positive and negative aspects. Among the former are undoubtedly major savings for the employer, who does not have to invest so much in material working conditions (except for computer hardware and software), and social conflicts on both the horizontal and the vertical level are eliminated. Research also
indicates that work efficiency can be up to 20 per cent higher. There are also environmental advantages (less use of transport to/from work) and social advantages (it is possible to employ people ‘at a distance’ in regions with high unemployment).

The major problem with working at home is separation of the worker from the social environment at the workplace, erosion of social networks and resulting latent exclusion from a work team. The transfer of a work regime into the home environment is also a problem, connected with the gradual interpenetration of work and household (the home becomes an office) which can have a negative impact on the family (family members become components of the office).

Research carried out in 2003 showed that roughly 5 per cent of workers work at home full-time, and another 4 per cent do so part-time. In 2000, 4 per cent of workers, mostly men, used a computer for their work at home, while 8 per cent of workers worked at home without a computer. It is obvious that more highly educated people dominate in both groups. The main advantage of working at home is considered to be the time saved on commuting. The disadvantages include above-average and dispersed working hours, as well as, especially among women, unfavourable interpenetration of working and non-working obligations. Since in most Czech households the main responsibility for running the household, including child care, rests with women, working at home for women entails greater stress, especially if they are not receiving support from other family members. Reduction of social contacts was also mentioned. Despite these risks, however, people working at home declare higher satisfaction with their work regime than other workers. However, it does not appear that they are better able to balance their work and family obligations than employees with traditional working time arrangements.

7. SOCIAL DIALOGUE AND PARTICIPATION: THE MISSING SPRING?

Social dialogue in the Czech Republic is conducted at several levels. The highest level is tripartite negotiations between government, trade unions and employers; next comes industry level, that is, collective bargaining between trade unions and employers’ confederations; finally and most frequent is social dialogue at enterprise level, including collective bargaining.

7.1 Trade Union Membership Negligible in Small Private Enterprises

The development of trade union membership has been monitored since the beginning of the 1990s. All surveys indicate a declining trade union member-
ship, related to the fundamental changes in Czech society and economy since the beginning of the 1990s. In 2001, trade union membership was 12 per cent of society as a whole (population 15 years of age and above) and 23 per cent of employees. Almost 10 per cent of respondents declared that they were not trade union members although there was one at their workplace.

Male and female trade union membership is practically equal; nor are there major differences within age groups. Among young people aged 20–29, 19 per cent of respondents were trade union members. Education seems to play a role in trade union membership: among people with only a primary education 6 per cent were trade union members, in contrast to 13 per cent of people with a secondary education without a school certificate, 19 per cent with secondary education and a school certificate and 20 per cent with a university degree. Professional orientation seems less important: 29 per cent of workers and 31 per cent of employees are trade union members. In contrast, size of company is a good indication of likely social dialogue at enterprise level: only 3 per cent of respondents who were employed by the smallest undertakings (up to 25 employees) were trade union members, 18 per cent at enterprises with 25 to 100 employees, 44 per cent at enterprises with 101 to 500 employees, and 49 per cent at enterprises with more than 500 employees. These size differences often reflect an ownership effect (private companies are generally smaller): 10 per cent of trade union members worked at private enterprises, 33 per cent in the state, municipal or public sector and 40 per cent in partly state and partly privately owned enterprises. Trade union membership is also strongly influenced by period spent with the same employer: almost one-third of trade union members have worked for the same employer for more than 20 years, while employees who have been working with their employer less than two years make up only 4 per cent of trade union members. As a consequence trade union members are mainly older people (51 per cent of all members are aged 45 and over). In comparison with employees as a whole, trade union membership among 35 year olds and younger is distinctly lower (23 per cent).

7.2 Continuous Decline in Membership

Between 1990 and 2000 trade union membership in the Czech Republic declined by 60 per cent. A decline in people’s willingness to become a trade union member and to participate in its activities was also recorded. In 1998 only one in ten respondents wanted to participate in some way in a trade union. A 2000 survey found that only 21 per cent of respondents would appreciate a trade union being established at their workplace.

Personal convictions are not the only determinant of trade union participation. People also fear that joining a trade union would upset their employer. In
1998, 46 per cent of respondents agreed that trade union participation could be viewed unfavourably by an employer and cause them difficulties.

One criterion of success (or failure in this case) in relation to trade unions is the number of collective agreements signed. The number of employers at which a trade union is active and collective agreements signed has declined every year since the beginning of the 1990s. Only 25–30 per cent of employees are presently covered by such agreements. Developments in the most important area of collective negotiations, wages, are alarming. The number of employees paid on the basis of a collective agreement is falling continuously. In comparison with most EU-15 countries, wages in the Czech Republic are negotiated mainly at the lowest level.

Despite the low trade union participation, most employees evaluate them positively: 80 per cent affirm the need for trade unions to protect their interests, an opinion which has remained constant since the 1990s. The most frequent trade union activity is considered to be efforts to improve working conditions, followed by the pursuit of fringe benefits. Obtaining better wages came seventh.

Almost one-third of employees are optimistic about the trade unions’ ability to help enforce labour legislation and solve disputes with employers. One-third of respondents stated personal or mediated experience of the positive contribution of trade union membership to the solution of some problem. Employees positively evaluating trade union activities at their employer come mainly from a working environment with a participatory management style.

Personnel management generally express a positive attitude to trade unions and their role in enterprises, and see social dialogue as a platform for communication with employees which can contribute to reducing tensions. At the same time, they usually do not regard the presence of a trade union as necessary for protecting employees’ interests, only desirable. They also believe that employees’ interests can be taken care of even without trade unions.

8. WAGES AND INCOMES: MORE INEQUALITY

Former socialist Czechoslovakia had the lowest income differentiation in communist Europe. Although this egalitarianism was mainly the outcome of a political preference for manual over intellectual work, it also had deeper historical roots. Czech society was always characterised by relatively strong social solidarity and together with a strong working-class movement and a well educated population, conditions favoured narrow wage differentiation.

The greatest changes in income structure took place after the communist coup d’état in 1948. The service sector (including education, culture and health care) recorded a fall in wages, in contrast to high wage increases in
industry and, later, agriculture. These trends were maintained until the end of the 1980s: while the average wages of highly educated professionals were 1.68 times those of people with only a primary education in 1970, by 1988 this had fallen to 1.55.

After 1990 state wage control began to decline, but it was not abandoned until 1995. It was also at this time that more pronounced wage differences emerged for the first time. It is important to note that the widening of the wage gap took place particularly at the bottom and, even more, at the top of the wage scale, while middle-income groups remained almost unchanged. If we separate both marginal income deciles, the average wage drops at CZK 1,200 but the value of standard deviation lowers by two thirds.

Individual branches experienced big changes. Compared to the average, relative wage falls were registered in agriculture, industry and transport, while in services wages increased. Wages in the financial sector, public administration and legal services grew the fastest, with increases also in wholesaling/retailing and health care. Earnings in education more or less stagnated. In 1990 average gross wages were around CZK 3,300 (around EUR 100 at the current rate), and CZK 16,500 (EUR 500) in 2003 (according to comparable methodology based on business reporting). However, consumer prices increased almost fourfold during this period.

Looking at wage development from the point of view of ownership, in the long term the highest average wages are paid by enterprises with both foreign and Czech capital, thus by firms under foreign control. By contrast, the lowest wages are paid in cooperatives. In firms under foreign control nominal average wages, aggregated in the first nine months of 2003, reached almost CZK 21,000, while wages in cooperatives were roughly half this amount. Employees of companies with some foreign ownership received the second highest average wages at almost CZK 20,000. Employees of associations, political parties and churches received the second lowest nominal wages, although those forms of ownership are relatively insignificant in terms of total employment.

Since 2002 average wages have also been estimated by means of sample employee surveys. According to this methodology, average wages in 2002 rose above CZK 18,000, while the median wage was CZK 15,500. Wage growth thus kept pace with productivity. While in 2002 wage growth in industry reached an index value of 105.8, compared to the same period in 2003, the wage growth index was 106.0.

During the 1990s women’s average wages were maintained at around 75 per cent of men’s wages. Education also plays an important role in wage distribution. For men, the wages of persons with a basic education amounts to 67 per cent of the average wage, in contrast to 176 per cent for someone with a university degree. For women, the gap between the lowest and the highest
wages is a bit smaller (basic education 71 per cent, university 157 per cent). In recent years the pace of average-wage growth of persons with a higher education has increased compared to other groups. The variation coefficient of university graduates’ wages since the beginning of the 1990s has been many times higher (and is still rising) than that of other educational groups, especially employees with only a basic education and skilled employees, whose wages have flat-lined. Wage inequality strongly increases with level of education. The wages of persons with a university degree are 2.64 times higher than those of persons with a basic education. The ratio between the wages of officials and managers compared to those of day-labourers and unskilled workers was even higher, at 3.51.

As regards branch differences, the highest wages were in financial intermediation (almost double the average wage), and the lowest were in agriculture (75 per cent of the average wage). Wages also differ in relation to company size: the more employees, the higher the average wage.

The structure of average wages in 2002 was as follows:

- basic component 66%
- benefits, premiums 16%
- supplements for overtime 1%
- other supplements 7%
- compensations of wages 10%

Differences connected with the nature of the job are small. Legislators and officials have the smallest basic wage component (ISCO 11) at 59 per cent, while clerks in services and retailing have the highest (ISCO 42) at 71 per cent.

The wage components (that is, direct expenses) represent roughly 70 per cent of the total labour costs. The second biggest components are obligatory social security contributions (that is, health and pension insurance and state employment insurance contributions), which depend on earnings: on average, this component represents 26 per cent of the overall monthly wage bill per employee. Other components of the wage bill – fringe benefits, expenses on extra social and pension insurance programmes, and so on – made up the other 4 per cent.

Labour costs are gradually increasing. Over the last year they have grown by 6.3 per cent – compared to 1994, however, the increase is 124 per cent. The ratio of direct expenses (wages) remained unchanged over the period in question. It is markedly lower than in EU-15 countries.

Determination of the minimum wage and state social support to guarantee the subsistence minimum remains an unresolved problem. The minimum wage was established in 1991 and set initially at CZK 2,000. For a long time the minimum wage was significantly lower than state social support and
although it finally rose above it after several adjustments between 1999 and 2005, the difference is still not sufficient to motivate recipients to seek a job. The minimum wage is currently (as of 1 January 2005) CZK 7,185, more than twice the 1999 figure of CZK 3,250. Only 2 per cent of employees (3.5 per cent of women) receive the minimum wage, but its constant rise constitutes a further threat to jobs suitable for this vulnerable group.

PART II REALITY AT ENTERPRISE LEVEL – CASE STUDIES

Case studies were carried out in three industrial enterprises: firm A from the electro-technical industry, firm C from the metal working industry, and firm B with a variety of activities (metalworking, trading in fertilisers, dealing and servicing railway freight wagons). Case studies were carried out in three industrial enterprises: firm A from the electro-technical industry; firm B with a variety of activities (metalworking, trading in fertilisers, dealing and services); and firm C from the metal working industry, manufacturing railway freight wagons. Firms A and B are smaller enterprises, while firm C is larger (it is the biggest in the region). They also differ from in terms of ownership: B and C are joint-stock companies with Czech owners (although C has been a public limited company for a long time), while firm A is a cooperative.

The selected firms are different kinds of enterprise in terms of working conditions. Firm A is characterised by old equipment and older premises, although it is investing in new technology. Wages are below the national average. Firm B is a dynamically developing company with a wide range of activities enabling it to adjust quickly to the market. It’s premises are refurbished and it plans further development. Wages are slightly above the national average. Firm C is a typical manufacturing enterprise with a long tradition. Although its premises are old, its technological level is improving quite quickly, and there is greater emphasis here on health and safety than in the other two companies. Wages are around the national average.

The firms differ somewhat in terms of employee participation. Firm A is exceptional in that most employees are co-owners and so can directly influence activities (there is no need for a trade union). Employee ownership here seems to have led the company in a direction rather different from the national trends described in this paper, ensuring long-term employment stability and not resorting to long working hours. Contrary to theoretical predictions, workers as co-owners do not seem to give preference to wage increases but rather seem to have taken a rather cautious management strategy. There is a fairly strong trade union at firm B, whose chairman is also a member of the board of directors, so that social dialogue seems to have a significant effect on work-
ing conditions. There is also a strong trade union at firm C, which maintains good relations with management, although increased pressure from international competition seems to have led to a number of changes in working and employment conditions (with more flexibility and some delays in wage payment).

Finally, the firms differ in terms of market position. While firm A produces only for the domestic market and fears foreign competition, the situation in firm B is entirely different, since it has gained quite a good position on EU markets and is well prepared to meet competition. A similar situation prevails at firm C, although it fears losing ground in the face of competition.

Table 5 Case Studies: Features of Enterprises under Study

<table>
<thead>
<tr>
<th>Name</th>
<th>Firm A</th>
<th>Firm B</th>
<th>Firm C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Elektro Becov nad Teplou</td>
<td>Agropodnik Jičín</td>
<td>Lospr Louny</td>
</tr>
<tr>
<td><strong>Main features:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector</td>
<td>Manufacture of electrical equipment</td>
<td>Trading of industrial fertilisers</td>
<td>Manufacture of railway wagons</td>
</tr>
<tr>
<td>Number of employees</td>
<td>145 (small)</td>
<td>114 (small)</td>
<td>614 (large)</td>
</tr>
<tr>
<td>Ownership</td>
<td>Domestic Cooperative</td>
<td>Domestic Joint-stock</td>
<td>Domestic Joint-stock</td>
</tr>
<tr>
<td><strong>Main trends:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment contracts</td>
<td>Co-owners</td>
<td>Permanent contracts</td>
<td>Permanent contracts</td>
</tr>
<tr>
<td>Working time</td>
<td>One-shift operation</td>
<td>One-, two-, three-shift operation</td>
<td>One-, two-, three-shift operation</td>
</tr>
<tr>
<td>Health and safety and other conditions</td>
<td>Poor safety at work</td>
<td>Better than average, well developed</td>
<td>Poor safety at work</td>
</tr>
<tr>
<td>Work and Family</td>
<td>Standard</td>
<td>Standard</td>
<td>Standard</td>
</tr>
<tr>
<td>Wages</td>
<td>Below national average (lower skilled employees)</td>
<td>Above national average</td>
<td>At national average</td>
</tr>
<tr>
<td>Social dialogue and workers’ participation</td>
<td>No trade union, most employees are co-owners</td>
<td>Trade union, standard collective bargaining</td>
<td>Trade union, standard collective bargaining</td>
</tr>
</tbody>
</table>
Question: ‘How much are you satisfied generally with the following items?’

<table>
<thead>
<tr>
<th></th>
<th>Very much + rather satisfied</th>
<th>Very much + rather dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Work safety, equipment and facilities for work, etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard of sanitary installations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall satisfaction with job</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note*: Evaluation on a four-degree scale: 1 = very much satisfied; 2 = rather satisfied; 3 = rather dissatisfied; 4 = very much dissatisfied

|                                | Very much + rather satisfied | Very much + rather dissatisfied |
|                                | A       | B       | C       | A       | B       | C       |
| Content of work performed      | 77.3    | 94.2 *  | 53.3    | 6.3     | 5.8 *   | 13.5    |
| Granted fringe benefits for employees |                     |                     |        | 61.4    | –       | 19.2    | 10.6    | –       | 57.8    |
| Relationships between management and employees |                     |                     |        | 44.8    | 57.8    | 23.4    | 19.3    | 13.4    | 44.3    |
| Possibility of participation in management and decision-making |                     |                     |        | 43.3    | 78.3 *  | 24.6    | 23.0    | 21.7 *  | 31.8    |
| Work organisation              | 46.9    | –       | 16.8    | 23.8    | –       | 60.3    |
| Working time                   | 83.1    | –       | 69.8    | 5.4     | –       | 10.2    |

*Notes*: Evaluation on a five-degree scale: 1 = very much satisfied; 2 = rather satisfied; 3 = not satisfied, not dissatisfied; 4 = rather dissatisfied; 5 = very much dissatisfied

* Evaluation on a four-degree scale: 1 = very much satisfied; 2 = rather satisfied; 3 = rather dissatisfied; 4 = very much dissatisfied
A. ‘Participatory Work’ in Cooperative Elektro

**Successful transformation into a cooperative in the 1990s**

The company was established in 1945 and became one of the most important Czech producers of electro-technical jointing material. It was transformed into an owners’ cooperative only in 1992. This major change means that today more than two-thirds of the cooperative’s employees are at the same time its co-owners. Under the changed conditions a new conception of enterprise also emerged, the current production programme was innovated and conditions for developing new products were created.

The cooperative has two main production locations and has its own development and construction base, including technical preparation of production, tool shop and workshop for development, in respect of which the workers participate in decision-making. Interestingly, the workers themselves have directed investment in recent years towards reconstruction and modernization of production technologies.

Interviews with the manager and employees were conducted in the course of a sociological survey of organisational culture and human resource management in November 2004. A questionnaire was issued to all employees, providing feedback on employment and working conditions and degree of satisfaction at work.

**Successfully adapting in a crisis**

The cooperative has had quite a difficult period recently. After 1992 the wholesale network of regular customers collapsed and positions on traditional markets were lost, within both the Czech Republic and Slovakia (after the split of the former Czechoslovakia).

In subsequent years it was necessary to recover those market positions. Uneconomic production programmes were dumped, flats owned by the cooperative were sold and other unnecessary activities were terminated. This created a basis for economic stability without the need for credit, the security of employees was strengthened and wages also gradually increased. At the same time, the first signs of foreign competition started to appear, which gradually gained a larger share of the Czech market.

However, the company managed to overcome these difficulties and as a result the current economic situation can be evaluated as very good. Annual turnover in 2004 was higher in comparison to 2003 and a profit was made, so that the cooperative is today able to meet all its obligations. In the meantime it has managed to invest significantly in new technologies, especially environmentally friendly ones (galvanic works, waste cleaner, gas boiler-room). The basis for a marketing department was also laid to ensure better customer support. However, the influence of foreign competition remains an issue:
although the company is viable in itself, it is discriminated against by a state policy which favours foreign companies over domestic producers. The adaptation phase has prepared the company for the future: although EU accession does not seem to have brought any significant changes yet, it is expected that greater opportunities for production and other forms of cooperation will become available than before accession, especially with regard to the cooperative’s geographical position, 50 km from the German border. It is not yet possible to say whether this opening up will bring bilateral advantages. The cooperative has put its hopes in EC structural funds (and other national programmes) to finance its plans.

The competitive environment will no doubt continue to develop in Czech markets, which is always positive for the customer. For Czech producers, however, it will be advantageous only insofar as there is a level playing field: so far, foreign competitors – because of their expected positive effects on employment and economic growth – remain privileged by government policy.

The priorities: employment stability and training
While in the first part of this chapter we saw that national trends point towards more flexible conditions of employment, thus easing hiring and layoffs (which in turn leads to a shortening of average tenure), the workers at the Elektro cooperative have decided to opt for a long-term employment relationship in order to boost workers’ motivation, and allow long-term investment in human resources and training. The ownership structure of the company has thus influenced its fundamental strategic direction.

At present, 145 employees work at the cooperative, 79 of them women (55 per cent). Most workers are blue-collar (70 per cent), the rest in technical and routine non-manual jobs. As regards age structure, half the employees are 45 years of age or older, particularly the women, 55 of whom are in this age group (70 per cent of all employed women). Only 23 employees (16 per cent) are 35 years of age or younger. The average age is thus fairly high (around 48 years).

This is reflected in the stability of the workforce: 60 per cent have worked here for over 10 years, 35 per cent for over 20 years. The cooperative is therefore the lifelong employer of a large proportion of the employees (a quarter of them have never worked anywhere else).

Half the employees are skilled workers (50 per cent), but there is also quite a high proportion of non-skilled workers, that is, with only basic schooling (27 per cent), mostly older women (85 per cent). The rest of the workforce consists of advanced level secondary school graduates. There is only one university graduate in the enterprise, the cooperative’s lawyer. Staff turnover is small; only a few individuals are considering leaving, mainly to retire.
Two-thirds of the employees participate in training organised by the cooperative’s leadership in cooperation with external firms, a much higher proportion than in comparable Czech firms in the same sector. Talented workers are enabled by the system of internal requalification to develop their career within the cooperative, which further reduces the risk of unemployment.

**Working conditions: moderate wage policy and improved work environment**

The choice of employment stability is reflected in the type of employment contracts preferred by the company. Most are signed for full-time work and for an unlimited period: only four workers have a temporary work contract and only 10 per cent of employees work part-time—all women.

The nature of the work and the rapid pace of social development (especially growing competition from outside) is reflected also in the arrangement of working hours. One-shift operations are usual, occasionally two-shift operations. Average working hours remain rather low, 7.5 hours a day (that is, 37.5 hours a week), including one-shift operation. Overtime is minimal and paid according to current legislation. These practices seem to diverge from national trends towards increasing working hours, not always remunerated properly as a means of rapidly improving competitiveness.

This innovative policy seems to pay dividends in terms of motivation, however, with high work satisfaction prevailing: 91 per cent of workers reported being totally or partly satisfied with their work.

However, the situation may also have its drawbacks. The high level of stability is due to insiders’ (workers as co-owners) resistance to releasing workers, even if they are not performing well. The leadership is therefore trying gradually to reduce the proportion of worker ownership to below two-thirds of the total number of shares in order to make room for greater flexibility in personnel policy and eventually to allow partnership with a strategic investor.

With regard to working conditions, wages are roughly CZK 2,000 lower (that is, 11 per cent lower) than the national average, which partly reflects the qualifications structure of the employees, but also the moderate wage policy followed by the company. Nevertheless, employees reported being satisfied with their wages (55 per cent of employees are very or partly satisfied) and additional rewards (42 per cent are very or partly satisfied).

This wage moderation runs counter to the theoretical prediction that workers in a cooperative tend to use their decision-making power to distribute higher wages, to the detriment of other types of investment or restructuring. On the contrary, not only are wages below the market level, but the cooperative has shown good adaptability in great part due to its decision to invest in new technology, allowing a return to high profitability.

Other working conditions could still be improved. Working premises, for
instance, are partly in older, reconstructed buildings, partly in more recent ones (built in the 1980s), and many of these buildings (at two workplaces at present) continue to suffer from an adverse working environment (especially a high noise level). The leadership of the cooperative stated that it was committed to improving conditions in the near future.

Compared to other enterprises in the same sector, health and safety seems good, as confirmed by the recent absence of serious injuries. In comparison with 2003, overall illness fell. This is confirmed by the questionnaire, with 78 per cent of employees expressing (total or partial) satisfaction with health and safety and 67 per cent with sanitary conditions.

**Work and family: women-friendly arrangements**

Given the higher rate of working women, there are specific arrangements for women and their children, particularly adjustment of working hours. There are also funds available for retraining, especially for employees in workplaces with a poor-quality working environment; social fund bonuses on the birth of a child or for children’s recreation; and sports facilities. Standard services for employees are available as a matter of course (especially catering).

According to the cooperative’s leadership, there is no gender or other discrimination. Wages are dependent solely on performance.

**Social dialogue: direct forms of workers’ participation**

Since the workers are co-owners of the cooperative, direct forms of participation are developed within the company rather than indirect forms through the trade unions. This may explain why there is no trade union at the cooperative.

Most employees participate in decision-making much more than is standard in this sector, and in the Czech Republic in general. An elected ‘Committee on Member Care’ also plays a role. This Committee cooperates closely with management in planning and implementing plans which affect employees. The survey results show that workers have a good opinion of the quality of social dialogue; in particular, 87 per cent reported being regularly involved in regular wage adjustments. They have also been involved in setting up a basic organisational culture, building up a sort of ‘value codex’ (reported with high satisfaction by 60 per cent of employees). There is a social programme which provides above average benefits (as reported by 55 per cent of workers). Finally, employees have been actively involved in the design and launch of an ambitious programme of human resource development, including career planning (reported by 30 per cent of employees).

Apart from participation in cooperative profits (through their shares), the worker co-owners are also directly involved in decision-making, since all have an opportunity to voice their opinions on the management of the cooperative at regular work meetings and technical sessions.
Overall evaluation: an alternative view of management

In addition to the high satisfaction expressed by the workers, the cooperative’s prospects are at present also assessed quite positively by its leadership, although with caution due to the uncertain business environment and growth. The future will depend both on the development of the national economy and on the company’s ability to penetrate other EU markets. While working conditions remain satisfactory, employment stability and good participatory rights should also help the company to maintain high levels of productivity and profitability. Moreover, the company seems to have developed practices in relation to working hours and long-term tenure which contrast with the extensive use of longer working time and increased casualisation of work contracts in other parts of the Czech economy.

Nevertheless, the ownership structure, while bringing advantages on the human resources side, also has its drawbacks, such as the difficulty of modifying the cooperative’s employment composition, given the overall ageing and low qualifications. While this example of a cooperative presents an alternative – and most importantly, viable – way of facing a competitive environment while maintaining high working standards, the difficulty in the future will be to introduce the necessary flexibility to adapt to changing markets while keeping the same ownership and organisational structure.

B. Diversification and Social Dialogue: Agropodnik Jičín

Transformation and diversification

In contrast to the previous case study, Agrícolas de San Carlos was transformed from a cooperative to a joint-stock company. The company was established in 1992 as a public limited company on the basis of the former joint cooperative enterprises in the district of Jičín. Those establishments ceased without liquidation and all rights and duties passed over to the present public limited company. Current shareholders are agricultural self-employers farming almost 70,000 hectares of agricultural land in all districts of East Bohemia. The company is thus owned entirely by domestic, that is, Czech shareholders, an arrangement which has proved viable, since profits have been generated since the start.

After its transformation, the company has engaged in the following main activities: purchase, storage and sale of industrial fertilizers, covering the basic need for pure nutrients as regards the land farmed by the shareholders. Around 20,000 tonnes of fertilizers valued at CZK 100 million are purchased and sold annually. The second traditional line of business is drying: the company produces more than 8,000 tonnes of dried material per year in its two dryers. Besides its central operation it has three other regional centres. The company has also engaged in a substantial diversification policy, with signif-
significant investment in non-traditional production. It was within the framework of this strategy that the subsidiary company ProScan plc was established in 2002, as the contractual dealer and authorized truck servicer of the heavy-duty truck producer SCANIA for East Bohemia.

A second subsidiary company, Kovos Jičín plc, an engineering firm, was established in 2004. This activity started as early as 1990 when Kovos, as a former centre of Agropodnik, took over production of spare parts for LIAZ trucks. At present, it produces components for hydraulic systems for global producers of construction and other vehicles (Caterpillar, Liebherr, Volvo, Komatsu), custom manufactures spare parts for LIAZ trucks and engages in large-lot production of spare parts for the Dutch company MONROE.

Given the close interconnection between the three entities we shall henceforth be concerned with Agropodnik as a whole, again on the basis of a management interview and an employee questionnaire.

**Boost after EU accession**

The transformation policy of the company has been completed successfully. Good results have been registered in all its activities: truck sales; purchase and sale of industrial fertilizers; drying; and metal production, in which the company has also managed to position itself among the major EU enterprises. The company has established a good foundation for further economic growth, as evidenced by the sales increase in 2004 in comparison with 2003 of more than CZK 70 million.

The most prosperous part of the company is the ProScan subsidiary whose turnover was CZK 300 million. After EU accession, the freight car market surged (up 30 per cent since 1 May 2004). ProScan is an important distributor of heavy-duty trucks in East Bohemia.

The second biggest activity, industrial fertilizers (in Poland and Russia), enjoys large sales in both the Czech Republic and the EU. Here the influence of EU accession is manifested mainly in protective measures against third countries, Russia, Ukraine and Belarus, leading to price growth of industrial fertilizers.

The hot-air drying business produces raw materials for the production of feed mixtures. After years of deep production decline this activity is undergoing significant changes as it is supported by EU grants. The enterprise is already a recipient of such a grant. The position of Agropodnik on Czech and international markets for drying commodities is best illustrated by its recent international recognition: a national professional association of drying enterprises, comprising 95 Czech producers, has been established (Czech Drying Association) and has become a member of the European Drying Association. Significantly, the Agropodnik general manager was nominated chairman of the Czech Drying Association and is also a member of the board.
of the European Drying Association, a significant professional association better known as CIDE (Commission Intersyndicale des Déshydrateurs Européens).

The youngest part of the company, metalworking Kovos, is also developing quickly. Its major customer is the French company Clerk-Cardone, one of the main producers of spare parts for the hydraulic systems of heavy land engines.

Social dialogue as a facilitating tool
Without doubt, the relatively well balanced and well developed social dialogue system has contributed to the recent success of the company.

One common trade union exists for all three firms. Approximately 60 per cent of employees are trade union members, especially blue-collar workers, a very high rate compared to the national average. As a result, relations between management and trade union are assessed by both sides as very good, and this has played a facilitating role in the transformation of the company. There is also a collective agreement which is common to the three firms and which is signed and renegotiated every year. This is also confirmed by the survey results: 85 per cent of employees report being satisfied with the quality of relations between supervisors and employees in operations, workshops and departments. According to 92 per cent of employees, the management can be trusted, while 87 per cent of them believe that the management makes decisions and acts correctly. This climate of mutual trust is reinforced by another result: 81 per cent of employees rate the management as fair and honest.

The industrial relations climate is also due to employees’ opportunities to participate in management decision-making through the trade union, a process that is evaluated as satisfactory by 78 per cent of the workers, who added that they thus do not require any other form of participation. Since 2004, the trade union leader has been a member of the ProScan supervisory board. Training policy is also well developed. All ProScan employees, including lead management, participate in continuous technical training within the framework of SCANIA. The available training makes career development possible.

A mixed picture on working conditions
While the functioning of social dialogue and the conclusion of a collective agreement has allowed some discussion of working conditions, the need for the enterprise to carry out restructuring and adapt to international competition has also sometimes generated working conditions which are too intensive. First, the coefficient of overall shift work is approximately 1.95, quite a high figure compared to the national average. While one-shift operation is the standard in Agropodnik for the purchase and sale of industrial fertilizers, drying
operations, especially at times of enhanced production (during the drying process), require a three-shift process. At ProScan, as in all firms of this kind, work is organized in two-shift operations. Kovos usually operates under a three-shift system and has even introduced continuous operations, which will continue until the firm is equipped with a new machine-tool unit. Overtime, although it seems to match the average length approved by the Labour Code, varies greatly by period, and can reach very high levels for certain seasonal activities, such as drying operations. In general, working hours arrangements vary greatly in the different parts of the company.

Moreover, in order to satisfy international orders, the management has imposed full-time work; only a few people are allowed to work part-time, particularly women with small children. At the same time, the company does not seem to have accompanied these intensive working rhythms with appropriate facilities to help workers better reconcile work and family life. Nevertheless, two-thirds of the employees expressed their satisfaction with the way the company takes care of their children.

As an indication of the tough working conditions, the management was forced to lay off one trade manager in recent years due to a serious violation of the labour contract.

Employees have also expressed dissatisfaction with health and safety in the workplace. In 2002 more than 40 per cent of employees reported discontent with the company’s health care, for example, the lack of health care facilities on the premises – something one would expect given the significant number of employees – obliging employees to rely on public health services.

Nevertheless, there have been no serious work injuries over the last 15 years, and only one occupational disease. Moreover, the management recognises its weaknesses in terms of health and safety and aims to improve the situation. In particular, the management is currently renovating and reconstructing its buildings to ensure better working conditions. It is also improving the quality of its technology, so minimising the negative effects of the production process on workers’ health. These efforts are recognised by the workers, 66 per cent of whom noted the improvement in conditions and the quality of the technical equipment, although only 29 per cent report improvements in physical working conditions (noise, dust, temperature), indicating that there is still a long way to go.

**Employment and wages compensatory factors**

Despite the above critical assessment of working conditions, employee satisfaction at work remains surprisingly very high: 95 per cent of workers report being fully or partly satisfied with their work. This seems directly due to the situation in terms of employment and wages. Due to its transformation policy, the company has managed to stabilise employment and even to increase it.
The number of employees has increased every year by roughly four to five people, while employment is expected to rise even more in 2005 because the company will establish new premises – with at least 30 new workers – in Pardubice (related to the representation of SCANIA in East Bohemia: ProScan must establish itself in the centre of the region), which is part of a large urban conglomeration, Hradec Králové-Pardubice, with a population of more than 300,000 and extensive industrial production. Production facilities and employment are also expected to grow at Kovos. As a result of this rosy employment situation the majority of labour contracts are signed with indeterminate duration. The current practice is to sign a contract with a newcomer for one year and to extend it indefinitely if the probation period is completed satisfactorily.

The situation is also good on the wage side, since the company pays wages slightly higher than the national average. Annual wage increases are also higher than average: by 9 per cent in 2004. As a result, the majority of employees (nearly 75 per cent) reported being satisfied with their wage level and additional rewards.

The high level of satisfaction among workers confirms one of the main conclusions of Chapter 1, the predominance – in the general transition situation of growing unemployment and falling real wages – of employment and wages as the key variables for workers, who often – and understandably – put working conditions at the bottom in their list of priorities. No doubt the presence of functioning social dialogue has also influenced workers’ opinions about company policy.

**Overall evaluation: the need for a comprehensive social policy**

The case of Agropodnik is illustrative of companies trying to find a new place in the transition to a market economy, which brings new opportunities but also involves greater exposure to international competition. While the company’s activities have been boosted by EU accession, it has had to adapt quickly. While this new context has been very positive for employment and wages, working conditions seem to be lagging well behind, with excessive shift work, long working hours and insufficient consideration for workers’ need to balance work and family life. A more comprehensive social policy is thus needed. Despite this, workers’ satisfaction with their work remain impressively high, confirming that employees’ priorities remain the preservation of their workplace and their purchasing power (through higher wages). Agropodnik is also interesting in the sense that good use of social dialogue and collective agreements seems to have helped the company in its transformation and diversification; they may also turn out to be invaluable in progressively improving working conditions.
C. Export company LOSTR: Under Pressure from International Competition

From a long tradition to new corporate forms
LOSTR provides a good example of a traditional company that has had to transform itself in order to become viable in the context of a market economy dominated by a tougher international context.

LOSTR draws upon a rich tradition dating back to 1873 when workshops for the repair of track vehicles were built at Louny on the orders of CK Austro-Hungarian National Lines. After the Second World War repairs to personal vehicles ceased and the extra capacity was transferred to truck repairs. In the 1970s, 95 per cent of activities comprised truck repairs for Czechoslovak National Railways (CSD), and the remaining 5 per cent was production of atypical devices. At the end of the 1980s, however, the moment of truth came.

After 1989 the situation changed enormously with the privatisation of railway repair services. On 1 September 1992 the enterprise split from CSD, passing into the hands of LOSTR plc and changing its name to Louny Machine-Works Ltd. Production was extended first to railway wagon components and then to the production of whole wagons. In 2002 the company was transformed from a limited liability company to a public limited company.

A tighter international environment
The company went through a critical period culminating in 2000–2002. It finally managed to overcome its difficulties and the economic situation today looks pretty good. With a slump in repair activities and production of new wagons not yet started, the company was in crisis, and at that time wages could not be fully paid. Today the company is profitable and the outlook is quite good, since the company is the only producer of goods wagons in the Czech Republic. Production comprises 70 per cent new goods wagons and components, 30 per cent servicing.

Nevertheless, the future remains uncertain in this highly competitive sector, which is increasingly dominated by relocation of activities and tougher competition on labour costs. The only serious competitor in Europe is the Romanian affiliate of the American company Trinity, which partly comprises production relocated from the Czech company Vagónka Studénka. Production there is cheaper due to lower labour costs in Romania.

LOSTR exports 70 per cent of its production to the EU, which shows how well the company is established on foreign markets but also how vulnerable it is with regard to competitors. In 2004 the company won a tender for the distribution of container goods wagons for German Railways (DB) and increased its activities with Czech Railways, so from 2005 a strong rise in production is expected and therefore a rise in the number of employees.
EU accession in 2004 did not affect the company significantly as it already had EU partners (especially in Germany and Switzerland) long before this. The removal of customs duties, however, has undoubtedly been advantageous, in relation to the abovementioned Romanian competition.

**Effects on working conditions**

The company’s competitive environment clearly has a significant effect on working and employment conditions. First, in order to satisfy all its clients the company has had to impose rather intensive working rhythms and a multi-shift system. There are one-shift, two-shift and three-shift operations. One-shift operations apply in the case of servicing, multi-shift operations to production of new wagons. Roughly one-third of blue-collar employees work in three-shift operations, but with production expansion from 2005 the proportion of multi-shift operations will increase. The management has also clearly stated its preference for full-time work and total availability of workers, so that part-time contracts are exceptional, involving only 1 per cent of employees (mainly women with small children or handicapped employees).

Overtime seems to be used and paid in accordance with the Labour Code (the official working week is 37.5 hours), but although the management reported seeking to minimise overtime, it is obvious that with production expansion it will continue to increase.

During its adaptation process, the company has also had to seriously downsize its labour force: the number of employees has gradually fallen, from 944 in 1995 to 614 in 2005.\(^1\)

Moreover, serious delays in wage payments occurred during the same period, something that caused great dissatisfaction among employees.

The company seems to have neglected safety at work for years, with most working positions being rather dangerous, a situation that the company has attempted to modify recently through its participation in the Safe Enterprise programme launched by the Czech Institute for Safety at Work and the Regional Health and Safety Inspectorate, aimed at minimising dangers at work and improving work safety. Within the framework of this programme, there will be an audit of safety at work at the company in October 2005. Signs of improvement are already apparent: there were 71 work injuries in 2003 (which is a significant number at a company of 614 employees!), but only 30 injuries in the first three quarters of 2004. These are common work injuries, however; more serious injuries (with permanent effects) have not been incurred in recent years.

Increased work disability owing to common diseases has also been a prob-

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1. At present, the company employs 614 workers, 58 of them women (just under 10 per cent). Three-quarters of employees work in blue-collar positions (77 per cent), the rest in technical or routine non-manual work.
lem, but was often a cover for shirking, as confirmed by the survey. In 2003 roughly 70 per cent of employees agreed that dissatisfied employees often claimed work disability. This was a clear sign of workers’ low motivation and lack of involvement in the company. As a consequence, the company adopted a system of so-called ‘attendance bonuses’: employees who miss work below a certain threshold are paid bonuses amounting to 15 per cent of their wages.

Although physical working conditions are being improved all the time, the quality of the working environment could be better. Company premises are old; handling areas (roads, tracks) are of low quality. In 2003, half of all employees were dissatisfied with work safety, protective equipment and the like, and as many as 60 per cent with sanitary conditions.

Management today is investing significantly in repairs, especially where working conditions are worst. For example, new paint-shops with modern technology have been built. However, there are still risky workplaces (especially because of chemical vapours). Workers in these operations undergo regular health monitoring and are temporarily (for 3 to 6 months) moved to different work positions if need be. Financial compensation is provided for those working under dangerous conditions within the framework of the collective agreement, although this is probably not the best way to solve the health and safety problem in the longer run.

As a result of the poor working conditions, satisfaction at work was reported by employees to be particularly low. Compared to our other case studies, the satisfaction rate was only just above 50 per cent, with a significant proportion of employees reporting being very dissatisfied. Even more employees might express dissatisfaction if it were not for the company’s implementation of indeterminate-duration labour contracts, which have the advantage from the employees’ point of view of securing some stability of employment. Nevertheless, workforce turnover has been fairly significant: in 2003, according to the survey, 12 per cent of employees wanted to leave the company and another 57 per cent were considering leaving.

However, with production expansion in 2005 employment will rise significantly. The creation of 150 to 160 new blue-collar positions is planned and around 10 technical economic positions. Job mobility is at present around 14 per cent: 84 workers joined and 237 left the company in 2002, 140 and 146 respectively in 2003, and 86 and 87 in 2004 (until November). The company currently faces labour shortages in some jobs. A more rosy economic situation, according to the management, should progressively improve employees’ satisfaction.

Social dialogue: a lever on working conditions
There is one trade union at the company with roughly 370 members, approximately 60 per cent of blue-collar employees. Relations between management
and trade union are considered good, in great part due to the stable employment relations. A collective agreement is signed every year and assessed quarterly by trade union and management. Even in the crisis years 2000–2002, company management was able to negotiate with the trade union. The most important issue at that time was an agreement on late payment of wage bonuses, something that could be progressively solved, and which thus improved trust between management and labour. Nevertheless, social dialogue yet has to become a lever for improving working conditions in the face of adaptation to competition.

**Overall evaluation: working conditions left behind**

LOSTR is an example of rapid adaptation to economic conditions while postponing necessary improvements in working conditions. The rather high work dissatisfaction among employees tends to indicate how important it is to harmoniously combine improvements in employment with better conditions at work. Delays in the payment of wages, but also excessive risks to health and safety only served to undermine worker motivation and overall company productivity and performance, leading for instance to significant employee turnover. Social dialogue should be used as a lever to progressively improve working conditions. Better economic prospects could also contribute to this, unless the company decides to opt for increasing working rhythms and reducing labour costs, an option that may, however, be detrimental to its competitive position in the longer run.
4. Estonia: Towards a Rather Mixed World of Work

Raul Eamets, Rait Raal and Jaan Masso

PART I NATIONAL ASSESSMENT

1.1 Increased Variety of Work Contracts\(^1\)

First, we shall consider the frequency of different types of contract (employment contracts, civil law contracts, verbal agreements). We then document the frequency of different employment contracts (unlimited versus limited duration). Next we discuss the frequency of multiple employment contracts, self-employment and part-time employment (see Table 1 overleaf).

1.1.1 Two Main Forms of employment: Fixed (Regular) Labour Contracts and Temporary (Civil) Employment Contracts

According to NORBALT, the percentage of the workforce working under a fixed labour contract (in Estonian: Tööleping) was 85 per cent; 4.7 per cent had a temporary (‘civil’) employment contract\(^2\) (in Estonian: Tööettevõtuleping).

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1. The information is drawn from the following surveys: Estonian Labour Force Survey (hereafter LFS) 1989–2003 carried out by the Statistical Office of Estonia; Living Conditions Study in Estonia (part of the survey NORBALT I and II. Living Conditions in the Baltic Countries) for 1994 and 1999 conducted by the Norwegian Research Council; Working Life Barometer in the Baltic Countries 2002 and 1999 carried out by the Finnish Ministry of Labour; the first candidate countries survey on working conditions 2001 (done by the European Foundation for the Improvement of Working and Living Conditions). A concise comparison of the results of different surveys is presented in Table 1. We have access to individuals’ data collected by ELFS and NORBALT. For the other surveys, we have used the information available in published reports. Data on the number of self-employed entrepreneurs are also available through the Estonian Business Registry.

2. We use hereby the translations in Living Conditions (2000), in which ‘tööleping’ (employment contract) is translated as ‘fixed labour contract’ and ‘tööettevõtuleping’ is translated as ‘temporary employment contract’. The main difference between the two is that in the fixed civil...
Table 1. The Frequency of Different Work Contracts in Estonia: Comparison of Different Surveys

<table>
<thead>
<tr>
<th></th>
<th>EIRO 2001</th>
<th>ELFS 2002</th>
<th>NORBALT 1999</th>
<th>WLB 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status of employment (% of employed population)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>89.9</td>
<td>91.9</td>
<td>92.2</td>
<td>91.7</td>
</tr>
<tr>
<td>Share of self-employed</td>
<td>9.7</td>
<td>7.5</td>
<td>6.8</td>
<td>8.3 c)</td>
</tr>
<tr>
<td>Incl. self-employed without employees</td>
<td>5.9</td>
<td>4.8</td>
<td>3.5</td>
<td>NA</td>
</tr>
<tr>
<td>Incl. self-employed with employees</td>
<td>3.8</td>
<td>2.7</td>
<td>3.3</td>
<td>NA</td>
</tr>
<tr>
<td>Unpaid family workers</td>
<td>NA</td>
<td>0.5</td>
<td>1.0</td>
<td>NA</td>
</tr>
<tr>
<td>Other</td>
<td>0.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
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</tbody>
</table>

The share of part-time employees (% of employed population) 11.4 7.9 14.0 11 b)

The presence of multiple contracts (% of employed population) NA 4.5 9.4 14

Type of work contract (% of paid employees receiving wage or salary) NA 2.6 6.8 5

Work contract NA 95.0 90.2 95

Incl. fixed labour contract (tööleping) NA 93.8 85.5 92

Incl. temporary (civil) contract (tööettevõtu leping) NA 1.2 4.7 3

Public service act NA 2.4 2.4 NA

Total NA 100 100.0 100.0

Frequencies of regular and fixed-term labour contracts (% of salaried wage earners)

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<tbody>
<tr>
<td>Regular labour contract</td>
<td>85.0</td>
<td>NA</td>
<td>NA</td>
<td>72.6</td>
</tr>
<tr>
<td>Fixed-term labour contract</td>
<td>12.0</td>
<td>NA</td>
<td>NA</td>
<td>27.4 a)</td>
</tr>
<tr>
<td>Temporary agency contract</td>
<td>1.0</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Other</td>
<td>2.0</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>NA</td>
<td>NA</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Notes:
The number is the sum of written fixed term employment contracts and the written contract for doing specific work (Anttila and Ylöstalo 2002, pp. 151)
The number of those working less than 30 hours (Anttila and Ylöstalo 2002, page 133).
Written contract for doing specific work (Anttila and Ylöstalo 2002, pp. 151)

Source: Anttila and Ylöstalo (2002); ELFS; European Foundation 2001; Living Conditions 2001.
4 per cent had a verbal agreement (agreed orally between the employer and the employees) and 2.8 per cent had no agreement. According to the Estonian LFS, the percentage of employees with a labour contract was higher, more than 90 per cent in all years. The proportion of temporary (civil) employment contracts rose from zero to 6 per cent by 1994, but thereafter fell back to 1 per cent.

The percentage of people working under a fixed labour contract shows how well employees’ interests are protected, while temporary (civil) employment contracts do not provide such protection (social guarantees, compensations in case of dismissals, and so on). The former is a contract covered by labour law; the latter is a civil law contract and not governed by labour legislation (Estonian Law of Employment Contract, paragraph 7). People working under such contracts are still paid employees, but not self-employed (the self-employed will be covered in section 1.1.4).

According to NORBALT, fixed labour contracts were more prevalent among older employees, women, Estonians (compared to Russians working in Estonia), public enterprises, and with people on higher incomes. The contrary applies to the frequency of temporary (civil) employment contracts. Fixed labour contracts are also more frequent among white-collar than among blue-collar workers, and the difference was most remarkable between skilled and unskilled blue-collar workers (85 and 75 per cent respectively). Among those unemployed at the time of the survey, 77 per cent had had a fixed labour contract (people with a labour contract have a lower probability of becoming unemployed). Also, the LFS confirms the higher prevalence of fixed labour contracts among female employees.

An important finding in all surveys (WLB, NORBALT, LFS) is that a significant percentage of workers had no written labour agreement, that is, the conditions had been agreed verbally. In WLB, it was 11 per cent in 1998 and 5 per cent in 2002. The LFS and NORBALT surveys indicate the prevalence of verbal agreements to be somewhat lower, 3–4 per cent and 4 per cent respectively. It should be remembered that such practices contravene the Estonian Law on Employment Contracts (paragraph 28). Such practices vary across enterprises and regions. In 1999 almost every fifth person working in newer Estonian enterprises had not signed a written contract (Antila and Ylöstalo 1999). Regionally, the results are somewhat controversial. According

(footnote 2 cont.)

employment contract the worker commits himself to work for the employer under his supervision; the employer is obliged to pay the employee a wage for the work done and to provide him with the working conditions agreed by individual agreement, collective agreement, law or administrative act. A temporary employment contract is a civil law contract between equal civil subjects, by which one of them is obliged to perform particular work at his own risk; the other side is obliged to accept the work done and to pay for it.
to the WLB survey, the lack of a written contract is most frequent in Tallinn (14 and 7 per cent in 1999 and 2001, respectively). ELFS data show that verbal agreements are twice as frequent in rural than in urban areas. This latter evidence is perhaps a bit more plausible.

1.1.2 Regular Contracts: Longer Term Employment than in other Baltic States

The share of regular unlimited labour contracts in Estonia was 85 per cent in 2001, according to the EIRO survey, and 74 per cent in 1998 and 75 per cent in 2002 according to the Working Life Barometer, and showing an upward trend. In both surveys their frequency exceeds that in Latvia and Lithuania. According to WLB, permanent working relationships are more common in the public than in the private sector, but even in the latter their share (66 per cent) is larger than in the two other countries (Antila and Ylöstalo 2003).

The share of regular fixed-term contracts according to WLB was 27 per cent in 1998 and 25 per cent in 2002 among employees with either fixed or permanent written labour contracts; according to EIRO, the share was 12 per cent. In both surveys the numbers are much lower than in Latvia and Lithuania. Fixed term contracts are just as frequent in both private and public sectors (Antila and Ylöstalo 2002). Also, gender is not a factor, but fixed term relationship is linked to age: of employees under 30, 31 per cent were on fixed term contracts, whereas for those over 50 the proportion was only 18 per cent. One possible explanation could be that newly created jobs were governed by fixed-term contracts.

Another form of limited term employment relationship alongside fixed term contracts is the interim agency contract (another term for this is temporary work agency employment). Information on the frequency of temporary agency contracts is available only from the EIRO survey. In 2001 they accounted for 1.2 per cent of all employed and self-employed; the EU average was 1.8 per cent according to a similar survey. The reasons for the lower frequency could be that employers use other means to achieve flexibility of employment relationships and that many firms are not aware of the possibility of such arrangements. However, it can be predicted that their share will increase in the future, among other things because to the best of our knowledge the present labour legislation does not limit the use of temporary work agency contracts in any way (Eamets and Masso, 2003).

1.1.3 The Prevalence of ‘Multiple’ Jobs

Some data on the prevalence of extra work contracts or an extra job are available from the NORBALT, LFS, WLS and EIRO surveys. The percentage of
people with an extra job was 9.4 per cent in the NORBALT survey, 15 per cent in the WLB survey, while according to Estonian LFS data it declined over the period 1997–2003 from 9 per cent to 4 per cent (see Table 2); according to the EIRO survey, 11.4 per cent of Estonians had some kind of second job (the average among candidate countries – the 10 new EU members plus Bulgaria and Romania – was 10 per cent, the EU-15 average 6 per cent). In the EIRO survey, Estonia also had one of the highest rates of regular second paid jobs (6 per cent – the candidate countries’ average was 3.9 per cent).

Concerning the prevalence of multiple jobs among different population groups, according to NORBALT, the percentage was higher among middle-aged (25–49) employees (younger people usually cannot take on extra work because they are studying, while older people are not physically able to work extra hours), Estonians (rather than ethnic Russians) and higher income quintiles (European Foundation, 2001, pp. 37–38). On the other hand, the number of persons seeking extra work was a little higher (11.4%), even among population groups that did not have additional jobs (for example, Russians). Estonian LFS data show also that the numbers are higher among Estonians than non-Estonians (in 2003, 4.9 versus 2.0 per cent), but that there is no significant difference between men and women. The lower frequency of second jobs among non-Estonians could reflect their generally poorer prospects of

Table 2 Employed Persons by Number of Jobs, Estonia

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<tbody>
<tr>
<td>Employed persons total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 job</td>
<td>91.0</td>
<td>91.7</td>
<td>92.8</td>
<td>94.3</td>
<td>95.6</td>
<td>95.5</td>
<td>96.09</td>
</tr>
<tr>
<td>Total employed persons with more than one job</td>
<td>9.0</td>
<td>8.3</td>
<td>7.2</td>
<td>5.7</td>
<td>4.4</td>
<td>4.5</td>
<td>4.0</td>
</tr>
<tr>
<td>City</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 job</td>
<td>91.3</td>
<td>91.4</td>
<td>93.2</td>
<td>94.9</td>
<td>95.7</td>
<td>95.4</td>
<td>96.5</td>
</tr>
<tr>
<td>2 or more jobs</td>
<td>8.7</td>
<td>8.6</td>
<td>6.8</td>
<td>5.1</td>
<td>4.3</td>
<td>4.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Countryside</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 job</td>
<td>90.2</td>
<td>92.6</td>
<td>91.7</td>
<td>92.8</td>
<td>95.3</td>
<td>95.6</td>
<td>94.9</td>
</tr>
<tr>
<td>2 or more jobs</td>
<td>9.8</td>
<td>7.4</td>
<td>8.3</td>
<td>7.2</td>
<td>4.7</td>
<td>4.4</td>
<td>5.7</td>
</tr>
<tr>
<td>Estonians</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 job</td>
<td>89.0</td>
<td>90.4</td>
<td>91.1</td>
<td>92.7</td>
<td>94.8</td>
<td>94.4</td>
<td>95.1</td>
</tr>
<tr>
<td>2 or more jobs</td>
<td>11.0</td>
<td>9.6</td>
<td>8.9</td>
<td>7.3</td>
<td>5.2</td>
<td>5.6</td>
<td>4.9</td>
</tr>
<tr>
<td>Non-Estonians</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 job</td>
<td>95.0</td>
<td>94.4</td>
<td>96.2</td>
<td>97.4</td>
<td>97.4</td>
<td>97.8</td>
<td>98.0</td>
</tr>
<tr>
<td>2 or more jobs</td>
<td>5.0</td>
<td>5.6</td>
<td>3.8</td>
<td>(2.6)</td>
<td>2.6</td>
<td>(2.2)</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Note: ( ) LFS data based on 20–39 persons of the sample.

Source: ELFS, authors’ calculations.
finding a job or the fact that they are less active in improving their living conditions by getting an extra job.

Finally, LFS data also cover employment status in the second job. About two-thirds to three-quarters of people with a second job have employee status, while the rest are employers, self-employed, and so on. There is no significant difference between men and women concerning extra jobs.

1.1.4 Self-Employment: Progressively Increasing

Estimates of the share of self-employment are available from various sources. According to NORBALT, it was 6.8 per cent in 1999; according to EIRO, it was 9.7 per cent in 2001; according to WLB, it was 9 per cent in 1999 and 8.3 per cent in 2001. These numbers also include agricultural self-employment. According to WLB, the shares of self-employment in 1999 (2002) in the primary, secondary and tertiary sectors were 33 (39 in 2002), 5 (4) and 7 (7) per cent (of total employment in the sector). Still, as compared with developed countries the proportion of employees is large in Estonian agriculture, while the proportion of self-employed entrepreneurs is small in industry and services. Moreover, the growth in the share of self-employed entrepreneurs in employment has practically ground to a halt in recent years. (Antila and Ylöstalo, 1999, p. 15). According to NORBALT, the share of paid employees (other than self-employed or employers) is about 69 per cent in agriculture and about 96.4 per cent in manufacturing. In the service sectors, the share of paid employees is lowest among the wholesale and retail trades (88 per cent), real estate and other business services (91 per cent) and hotels and restaurants (93.5 per cent). For some industries the number of people surveyed was not very large, so that estimates cannot be very exact.

According to NORBALT, the share of self-employed is larger among men (10.4 per cent compared to 5.1 per cent among female) and among older workers (Dublin Foundation, 2001. The higher number among Estonians than Russians (9.5 per cent compared to 4.7 per cent) is in accordance with the conventional view that the Russian speaking population is generally less entrepreneurial and educated. The higher percentage in rural areas (12.6 per cent as against 6 per cent in urban areas) was expected. Surprisingly, there is practically no relation between level of education (basic, secondary, higher or post-secondary) and employment status.

Self-employed entrepreneurs are also recorded in the Estonian Business Registry (together with other business entities). Although the number of self-employed entrepreneurs has been growing rapidly, these numbers are not comparable to the general growth of self-employment in the economy, espec-

3. In Estonian these self-employed entrepreneurs are called 'Füüsilisest isikust ettevõttjad'.
cially since it is to a large extent due to the registering of farms, with the number of self-employed entrepreneurs being by far the greatest in agriculture and fishing. The other most important sectors are wholesale and retail, and hotels and restaurants (2.59 and 2.58 per cent, respectively, of employment in 2003). The reason why the number of self-employed entrepreneurs has increased so much recently (from 0.9 per cent in 2001 to 6.3 per cent in 2003) in transport, storage and communication is arguably the registration of taxi drivers (Ettevõtlus 2002).

1.2 Health and Safety – Differences between Legislation and Compliance

Working conditions in Estonia are regulated by the Occupational Health and Safety Act which is in harmony with EU legislation. The Act lays down all the occupational health and safety requirements.

The Act states that physical, chemical, biological, physiological and psychological factors present in the working environment shall not endanger the life or health of workers or of other persons in the working environment. An employer has an obligation to furnish workplaces which are not likely to give rise to occupational accidents and damage to health, and to maintain workers’ capacity for work and their well-being.

Special regulations specify working conditions for different groups. The real situation in Estonian enterprises, however, is different from what is laid down in the law. According to the Labour Inspectorate only 15% of enterprises are in compliance with the law. The results of inspections carried out in 2002 and 2003 are listed in Table 3. The main problem in inspected enterprises is the absence of a contract with an occupational health specialist, while about 60% of inspected enterprises did not have a risk assessment and planning of activities. Another major problem is related to training. At the same time, most inspected enterprises had no problems with safety instructions, first aid equipment and personal protective equipment.

The fact that many enterprises have problems related to working conditions is confirmed by the statistics on occupational accidents and diseases (Table 4). Over the period 1990–2002 the number of occupational accidents per 100,000 employees increased by almost 50 per cent; in 2003 there was a small decrease but the number is likely to rise again. The number of occupa-

---

4. These regulations include procedures for training and in-service training regarding occupational health and safety; occupational health and safety requirements for manual handling of loads; procedure for selection and use of personal protective equipment; occupational health and safety requirements for use of work equipment; occupational health and safety requirements for work with display screen equipment; occupational health and safety requirements for specific areas of activity and for pregnant and breastfeeding women.
Table 3  Assessment of Working Environment Organisation at Enterprises, 2002 and 2003, Estonia

<table>
<thead>
<tr>
<th>Controlled and assessed activity or situation</th>
<th>Complies with requirements</th>
<th>Some shortcomings</th>
<th>Does not comply with requirements</th>
<th>% of enterprises not complying with requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer fulfils himself the obligation of a WE specialist</td>
<td>603 480 na na na 229 0.0</td>
<td>32.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is a WE specialist Working environment council</td>
<td>785 523 na na 273 na</td>
<td>25.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members trained</td>
<td>323 241 na na 104 75 24.4</td>
<td>23.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WE representatives elected</td>
<td>242 157 75 55 146 92</td>
<td>31.5</td>
<td>30.3</td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>905 746 148 85 608 379</td>
<td>36.6</td>
<td>31.3</td>
<td></td>
</tr>
<tr>
<td>Risk assessment plan of activities</td>
<td>661 602 212 191 788 442</td>
<td>47.4</td>
<td>35.8</td>
<td></td>
</tr>
<tr>
<td>Internal control</td>
<td>501 502 283 779 447</td>
<td>46.9</td>
<td>36.3</td>
<td></td>
</tr>
<tr>
<td>Contract with an occupational health service</td>
<td>407 464 308 236 946 532</td>
<td>57.0</td>
<td>43.2</td>
<td></td>
</tr>
<tr>
<td>Health examination</td>
<td>1269 1048 261 139 131 45</td>
<td>7.9</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>First aid providers trained</td>
<td>909 767 267 244 661 370</td>
<td>41.5</td>
<td>33.0</td>
<td></td>
</tr>
<tr>
<td>First aid equipment</td>
<td>1269 1048 283 779 447</td>
<td>46.9</td>
<td>36.3</td>
<td></td>
</tr>
<tr>
<td>Instruction of workers</td>
<td>863 731 397 219 104</td>
<td>13.2</td>
<td>8.4</td>
<td></td>
</tr>
<tr>
<td>Safety instructions</td>
<td>745 687 684 442 232</td>
<td>14.0</td>
<td>8.4</td>
<td></td>
</tr>
<tr>
<td>Personal protective equipment exists</td>
<td>1074 932 251 135 113 37</td>
<td>7.9</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td>PPE is used</td>
<td>892 812 450 256 104 33</td>
<td>7.2</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>Investigation of accidents and diseases</td>
<td>699 476 na na 100 51</td>
<td>12.5</td>
<td>9.7</td>
<td></td>
</tr>
<tr>
<td>Implementation of planned measures</td>
<td>600 428 na na 49 na</td>
<td>6.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notice followed</td>
<td>562 na 324 66 33 30</td>
<td>3.6</td>
<td>31.3</td>
<td></td>
</tr>
</tbody>
</table>

Source: Labour Inspectorate of Estonia.

The number of occupational diseases has also increased during the period 1990–2002 by 37 per cent, though again in 2003 the number decreased. Problems remain with regard to working conditions in Estonia.

Further analysis of working conditions should be carried out to identify the main reasons why enterprises do not fulfil the requirements of the Occupational Health and Safety Act. One reason is likely to be cost.
1.3 Working Time: Differences by Sector, Location and Gender

1.3.1 Legal Regulations

Working time is regulated in Estonia by the Working and Rest Time Act. Working time must generally not exceed eight hours per day and 40 hours per week. Reduced working time has been established for teenagers (13–14 years, 20 hours per week; 15–16 years, 25 hours per week; and 17 years, 30 hours per week). Shorter working time also applies to workers in underground, unhealthy or other specific jobs (35 hours per week); teachers, nurses and other pedagogical specialists in schools, and workers in other institutions dealing with children (35 hours per week).

The Working and Rest Time Act specifies the normative limit on overtime work and work carried out during the evening or at night. In general, overtime

Table 4 Occupational Accidents and Diseases, Estonia

<table>
<thead>
<tr>
<th>YEAR</th>
<th>No. of employees</th>
<th>TOTAL employees</th>
<th>OCCUPATIONAL ACCIDENTS</th>
<th>OCCUPATIONAL DISEASES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Per 1000</td>
<td>Per 100 000</td>
</tr>
<tr>
<td>1990</td>
<td>826 400</td>
<td>3 871</td>
<td>4.7</td>
<td>468.4</td>
</tr>
<tr>
<td>1991</td>
<td>807 800</td>
<td>3 981</td>
<td>4.9</td>
<td>492.8</td>
</tr>
<tr>
<td>1992</td>
<td>765 700</td>
<td>2 758</td>
<td>3.6</td>
<td>360.2</td>
</tr>
<tr>
<td>1993</td>
<td>708 100</td>
<td>1 320</td>
<td>1.9</td>
<td>186.4</td>
</tr>
<tr>
<td>1994</td>
<td>692 600</td>
<td>1 465</td>
<td>2.1</td>
<td>211.5</td>
</tr>
<tr>
<td>1995</td>
<td>656 100</td>
<td>2 296</td>
<td>3.5</td>
<td>349.9</td>
</tr>
<tr>
<td>1996</td>
<td>645 600</td>
<td>2 251</td>
<td>3.5</td>
<td>348.7</td>
</tr>
<tr>
<td>1997</td>
<td>648 400</td>
<td>2 368</td>
<td>3.7</td>
<td>365.2</td>
</tr>
<tr>
<td>1998</td>
<td>640 200</td>
<td>2 664</td>
<td>4.2</td>
<td>416.1</td>
</tr>
<tr>
<td>1999</td>
<td>614 000</td>
<td>3 285</td>
<td>5.4</td>
<td>535.0</td>
</tr>
<tr>
<td>2000</td>
<td>608 600</td>
<td>2 965</td>
<td>4.9</td>
<td>487.2</td>
</tr>
<tr>
<td>2001</td>
<td>577 700</td>
<td>3 293</td>
<td>5.7</td>
<td>570.0</td>
</tr>
<tr>
<td>2002</td>
<td>585 500</td>
<td>4 033</td>
<td>6.9</td>
<td>688.8</td>
</tr>
<tr>
<td>2003</td>
<td>594 250</td>
<td>3 761</td>
<td>6.3</td>
<td>632.9</td>
</tr>
</tbody>
</table>

Source: Labour Inspectorate of Estonia.
is limited to 200 hours per year and four hours per day. Generally, overtime is
permitted by mutual agreement. Overtime is not permitted for pregnant
women and minors. Additional compensation paid for an hour of overtime
must be at least 50 per cent of the worker’s usual wage. Overtime may also be
compensated by additional time off.

Additional compensation for an hour of work in the evening (6 pm–10 pm)
must be at least 10 per cent of the worker’s usual wage. Night work (10 pm–6
am) must be compensated by 20 per cent of the worker’s usual wage. The
usual wage rate must be doubled if the worker is required to work on holidays.

In some cases, the employer is allowed to establish part-time work (mainly
in the event of a temporary decrease in work volume). The duration of part-
time work must not be less than 60 per cent of standard working time and the
overall duration of part-time work may not exceed three months in a year. The
pay for such work must not be less than 60 per cent of the minimum wage. At
the request of a pregnant woman or a woman raising a disabled child or a
child under 14 years, the employer is required to apply part-time working.

Note: * total number of hours worked in main and secondary jobs.

Source: Statistical Office, LFS data.

Table 5 Average Number of Hours Worked per Week* in Main Job of
Employed Person, by Sex, Place of Residence and Sector (2003), Estonia

<table>
<thead>
<tr>
<th>Place of residence</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>usual</td>
<td>actual</td>
<td>usual</td>
</tr>
<tr>
<td>City and rural area</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>43.7</td>
<td>41.38</td>
<td>42.09</td>
</tr>
<tr>
<td>Secondary</td>
<td>41.5</td>
<td>39.48</td>
<td>39.39</td>
</tr>
<tr>
<td>Tertiary</td>
<td>40.61</td>
<td>38.77</td>
<td>37.82</td>
</tr>
<tr>
<td>Total</td>
<td>41.24</td>
<td>39.29</td>
<td>38.34</td>
</tr>
<tr>
<td>City area</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>43.5</td>
<td>37.72</td>
<td>38.11</td>
</tr>
<tr>
<td>Secondary</td>
<td>41.52</td>
<td>39.72</td>
<td>39.33</td>
</tr>
<tr>
<td>Tertiary</td>
<td>40.33</td>
<td>38.20</td>
<td>37.86</td>
</tr>
<tr>
<td>Total</td>
<td>40.91</td>
<td>39.00</td>
<td>38.20</td>
</tr>
<tr>
<td>Rural area</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>43.74</td>
<td>42.19</td>
<td>42.58</td>
</tr>
<tr>
<td>Secondary</td>
<td>41.44</td>
<td>38.88</td>
<td>39.58</td>
</tr>
<tr>
<td>Tertiary</td>
<td>41.56</td>
<td>39.75</td>
<td>37.69</td>
</tr>
<tr>
<td>Total</td>
<td>42.02</td>
<td>39.97</td>
<td>38.74</td>
</tr>
</tbody>
</table>

Note: * total number of hours worked in main and secondary jobs.

Source: Statistical Office, LFS data.

5. Except in cases of natural disaster, accident, damage to the property of the employer and
completion of work when the consent of the employee is not necessary.
There are also standards for working in a second job. The employment contract in the second job is similar to the one in the principal job.

How long do workers work in reality? According to Estonian Statistical Office data based on Labour Force Surveys average working time was 39.82 hours per week (calculated from employee responses to the question ‘How much do you usually work?’). A more precise indicator of actual working hours is the second indicator in Table 5, the number of actual working hours. This shows how many hours employees worked during the survey week. Interestingly, this number is considerably lower than usual working time. The reason is simply that during the survey week people report their actual working hours daily and all lunch breaks, holidays, sickness days, and so on, are taken into consideration (and thus not included in actual working hours).

Differences are also observed between different categories: the self-employed work more (Table 6) and the actual number of hours worked is much higher in the private sector (Table 7).

People in rural areas work longer than people in urban areas. The same goes for the primary sector, which partly explains why people in the countryside are working more. In agriculture, especially on farms and in family businesses working time regulations are not well implemented. The situation is better in urban areas.

Differences between males and females are especially high in the tertiary sector in the countryside where females work almost five hours fewer than males.

In 2002 the only sector in which females worked longer than males was the primary sector, but in 2003 in all sectors women worked less hours than men.

**Table 6 Average Number of Hours Usually Worked per Week in Main Job of Employees by Sex and Employment Status (2003), Estonia**

<table>
<thead>
<tr>
<th>Status</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Usual</td>
<td>Actual</td>
<td>Usual</td>
</tr>
<tr>
<td>Employees</td>
<td>40.82</td>
<td>38.95</td>
<td>38.20</td>
</tr>
<tr>
<td>Employers</td>
<td>45.49</td>
<td>44.94</td>
<td>43.24</td>
</tr>
<tr>
<td>Own-account worker</td>
<td>43.96</td>
<td>40.34</td>
<td>39.65</td>
</tr>
<tr>
<td>Unpaid family worker</td>
<td>41.83</td>
<td>38.94</td>
<td>37.50</td>
</tr>
<tr>
<td>Total</td>
<td>41.24</td>
<td>39.29</td>
<td>38.34</td>
</tr>
</tbody>
</table>

*Source: Statistical Office, LFS data.*
1.3.2 Part-Time Work: Mainly Involuntary

Information on the frequency of part-time work is available from the Estonian Labour Force Survey (see Table 8). The number of part-time workers has somewhat increased over the years (from 5 per cent in 1993 to 9 per cent in 2003), although since 1996 no upward trend has been visible. In the EIRO survey, the number of part-time workers was fairly similar, at 8.2 per cent (the average of the 12 new member and candidate countries was 7.4 per cent).

There could be different reasons for the low amount of part-time arrangements, for example, the fact that it is impossible to attain a reasonable living standard when working part-time due to the low wages. In addition, employers may well prefer full-time employees. The latter seems to have become more important over time. Among possible reasons for working part-time, involuntary part-time work (due to the wishes of the employer or a failure to find a full-time job) grew from 42 per cent in 1993 to 53.5 per cent in 2003 (Table 8).

As expected, part-time work is more widespread among younger employees (many of them have part-time jobs while studying) and among people aged 50–69 (wish to work less due, for example, to poorer health and working ability). Among self-employed, the frequency of part-time employment is up to twice as high. That seems to be a recent development – it was not present at the beginning of the 1990s (perhaps because such a self-employment contract would represent a second job to which all one’s time cannot be dedicated). The proportion of part-time employees is higher than 10 per cent in, for example, health care and social work, other community services and real estate. Part-time employment is found least in manufacturing, wholesale and retail, and financial intermediation.

The NORBALT data show that part-time work is more widespread among self-employed compared to normal employees, although the difference is not remarkable (8 and 10.7 per cent, respectively). The same can be inferred for

<table>
<thead>
<tr>
<th>Type of ownership</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Usual</td>
<td>Actual</td>
<td>Usual</td>
</tr>
<tr>
<td>Public</td>
<td>38.38</td>
<td>35.39</td>
<td>36.95</td>
</tr>
<tr>
<td>Private</td>
<td>41.87</td>
<td>40.15</td>
<td>39.08</td>
</tr>
<tr>
<td>Total</td>
<td>41.24</td>
<td>39.29</td>
<td>38.34</td>
</tr>
</tbody>
</table>

*Source: Statistical Office, LFS data.*
part-time workers with another job (among full-time workers 9 per cent have another job, while among part-time workers it is 12 per cent.

1.4 Work and Family: Not Yet a Priority

In Estonia special attention should be paid to reconciling work and family life, an issue not yet sufficiently recognised by either employers or employees.

Gender inequality is widely defined as arising from the fact that women are responsible for a great deal of work in the home: housework and taking care of children, the elderly and the sick. Although in Estonia both mothers and fathers have the right to three years’ parental leave, fathers show little interest in exercising their right. There was a major public debate in 2003 centred on the Parental Benefits Act. The aim of this law was to compensate loss of income due to child raising and to support the integration of job and fami-

---

**Table 8 Part-Time Employees at Main Job by Reason for Part-Time Work, Estonia**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Studies</td>
<td>10</td>
<td>11</td>
<td>9</td>
<td>12</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Personal/family reasons</td>
<td>15</td>
<td>13</td>
<td>...</td>
<td>...</td>
<td>9</td>
<td>9</td>
<td>7</td>
<td>9</td>
<td>9</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Reasons due to employer</td>
<td>34</td>
<td>32</td>
<td>32</td>
<td>31</td>
<td>34</td>
<td>30</td>
<td>38</td>
<td>28</td>
<td>32</td>
<td>33</td>
<td>32.5</td>
</tr>
<tr>
<td>Did not find full-time job</td>
<td>8</td>
<td>11</td>
<td>20</td>
<td>20</td>
<td>32</td>
<td>24</td>
<td>20</td>
<td>18</td>
<td>22</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Did not want full-time job</td>
<td>32</td>
<td>34</td>
<td>32</td>
<td>30</td>
<td>18</td>
<td>30</td>
<td>25</td>
<td>38</td>
<td>27</td>
<td>27</td>
<td>29.5</td>
</tr>
</tbody>
</table>

*Note:* … indicates that LFS data based on less than 20 persons of the sample; ( )LFS data based on 20-39 persons of the sample

*Source:* Estonian LFS, authors’ calculations.

---

6. The issue of equality between men and women was widely addressed as early as the late 1980s, although gender equality issues remain undeveloped in Estonia. The legislation is inadequate, as Estonia has not ratified the Gender Equality Act drafted by the Ministry of Social Affairs and adopted by the government in 2001. At the beginning of January 2004 the draft of the Gender Equality Act was approved by the government, but has not yet been debated in the Riigikogu (Parliament).
ly life. The Act envisages benefits equal to the average wage (not less than EEK 2,200 and no more than EEK 15,741 in 2004) of one parent for one year after birth. On 19 December 2003, the president promulgated the act.

While public opinion is ambivalent towards the Gender Equality Act, the situation in the labour market indicates that its effects have been positive, although there is still a lot to accomplish to achieve gender equality in Estonia.

Labour market participation rates have traditionally differed between women and men in Estonia. Although this gap has narrowed in recent years, the difference is still significant. According to the Labour Force Survey data, the labour market participation rate of women (age 15–64) was 65.5 per cent and that of men was 74.5 per cent in 2003, slightly up from 64.3 per cent and 74.1 per cent in 2002. These numbers reveal that equalisation is partly due to the increase in women’s labour market activity and the decrease in men’s participation rate.

Men’s employment rate has traditionally been significantly higher than that of women: in 2003 men’s employment rate was 66.7 per cent and women’s 58.8 per cent. The difference has remained fairly stable for the past six years, at around 10 per cent. The unemployment rate was about one percentage point higher among men (11.0 per cent) than women (10.1 per cent) in 2003. In addition, the problem of long-term unemployment is more serious among men than among women. In 2002, long-term unemployed men made up 59 per cent of all unemployed men, while for women the share was 46 per cent. One of the main reasons for this is that more women than men become more inactive and leave the labour market.

The Estonian labour market is quite strongly differentiated in terms of sectors and occupations. The majority of employees in the public sector are women. The share of women is particularly high (around 80 per cent) in health care, education and hotels and restaurants. The share of men is extremely high (around 90 per cent) in fisheries, mining and construction. Women tend to work as specialists, service and sales workers. Men tend to be craftsmen, machine operators and managers.

Over the last ten years more women have begun to enter many sectors (banking, trade, real estate, and so on) and also many occupational groups. Equal opportunities for women and men in labour market access, career advancement, earnings and reconciling work and family life are among the main aims of labour market strategy in Estonia.

Women more often work part-time, defined as having an overall working week of less than 35 hours (except where working time is shortened by law). Twice as many women as men work part-time. There is also much less underemployment among women. Underemployment is defined in Estonia as working less than full-time but being willing and able to work longer hours. In
2000 there was a change in methodology: previously, people were not asked to show their readiness to start work in the course of two weeks, but henceforth extra questions were added, reducing the number of persons counted as underemployed significantly.

Women’s part-time work is less common in sectors like manufacturing, trade and transportation. The share of part-time work is less than 10 per cent of total employment in those sectors. Women’s part-time work is significant in personal services, real estate and education.

1.5 Social Dialogue: Poor Collective Agreements and Declining Trade Unions

1.5.1 General Situation

Social dialogue is still at the development stage in Estonia. The social partner organisations are quite young, established only over the last decade. Tripartism is satisfactorily developed at national level: tripartite negotiations and consultations take place fairly regularly and it is through this process that the minimum wage, tax allowances and unemployment benefits are agreed. Social dialogue at sectoral and company level is notably less developed. This is evident from the poor representation, and the institutional and financial shortcomings of social partner institutions. Collective agreements on wages and working conditions are being negotiated only in a limited number of sectors and companies. The weak development of social partnership is in the first instance the result of poorly developed social partners, both financially and institutionally.

Trade unions in Estonia are organised on the sectoral principle, although there are exceptions, such as occupational trade unions. Some industries, such as construction and banking, are almost union-free in Estonia.

Trade union membership is small: union density was around 14 per cent in 2002 and union membership has shown a declining trend throughout the transition (density was almost 100 per cent at the end of the 1980s, but only just over 20 per cent in 1996).

The overall decrease in employment and rising unemployment have caused the fall in membership. Employees are also reluctant to engage in trade union activities, for a number of reasons. Industrial relations are often employer-dominated and strict legislation on participation is necessary to improve the situation. Trade unions are also in a very poor financial situation and are in need of better qualified staff. The public are not informed about trade union activities and overall trade union negotiating power is not very high.

7. For example, the unions of hospital employees are usually divided along three or four professions: for example, doctors, nurses, carers. The majority of administrative workers in hospitals are unorganised, but can belong to some other trade union association.
At national level, the different sector-based trade union organisations are united into two national trade union associations, which are internationally and nationally recognised as social partners: the blue-collar Association of Estonian Trade Unions (EAKL) is the largest organisation with 18 branch unions and approximately 47,500 members; and the white-collar Estonian Employees’ Union Confederation (TALO) with 12 branch unions and one cooperative association, and approximately 37,000 members.

Some trade unions in Estonia do not belong to any association or central body and act autonomously. Their role outside their own organisation is practically invisible and their political influence non-existent. Nevertheless, they are sometimes able to draw public attention by strike threats and other activities of the kind.

At present, there is one employers’ confederation, the Federation of Estonian Employers and Industry (ETTK), founded in 1997 by a merger of the Estonian Confederation of Employers’ Organisations and the Confederation of Estonian Industry and Employers. The ETTK’s membership embraces 31 branch associations and associated member associations and 23 enterprises (as of December 2003 – data provided by ETTK). This means that ETTK encompasses about 1,500 enterprises with around 45,000 employees (25 per cent of Estonian workers overall and 35 per cent of private sector workers). ETTK’s main aim is to promote a business-friendly climate in Estonia. ETTK wishes to increase competitiveness by improving the economic environment and providing social stability.

It is very difficult to estimate the proportion of enterprises organised in employers’ organisations, and this may not always be a sign of active social dialogue. For example, the Oil League belongs to ETTK, but has not made any collective agreements; the same applies to the Union of Hospitals and some others.

In terms of representativeness, a number of tendencies may be observed. In general, employers are organised better in state enterprises. This is due to longer experience in negotiating with employees, and also because state enterprises are usually larger. The general rule is that the larger the enterprise, the more likely it is to belong to an employers’ organisation. The industrial sector is better organised than the service sector, which is relatively recent and also characterised by small enterprises.

Besides ETTK (which is an umbrella organisation of employers’ organisations), the official partner in social dialogue, three other employers’ organisations are recognised by the government. Tripartite negotiations take place

8. The Chamber of Commerce (which mainly deals with business contacts), the Large Business Association (a leading partner for the Ministry of the Economy) and the Association of Small and Medium-Sized Enterprises are entrepreneurs’ and business organisations.
regularly, and the social partners’ involvement in resolving labour market and social policy problems and in the EU accession process has risen in Estonia.

1.5.2 Analysis of Collective Agreements

The following analysis is based on the collective agreements registered in the Estonian Collective Agreement Register in June 2003. According to the Register the number of collective agreements at enterprise level was 164 at the end of 2003 (with 73 new agreements in 2003). The trade unions estimate that the total number of agreements is between 250 and 300, but not all are registered yet.

We analysed only concluded agreements; we had no information about negotiations in progress. It may be that more agreements were mooted, we can see only the results of actual negotiations. Through the analysis of the concluded agreements registered in June 2003 (115 in total), the purpose of our analysis was to find out whether the trade unions are able to negotiate better conditions than the minimum requirements prescribed by legislation. If the conditions laid down favoured the employees we concluded that this constituted an improvement and that the agreement had improved upon the legal minimum. In some cases it was difficult to say whether the agreement was an improvement. We carried out such a comparison in the following areas:

- Wages. This might include the minimum wage at enterprise level, rules on wage increases, and so on.
- Bonuses, extra remuneration for night shifts or overtime, work on holidays, and so on. It can also include payment schemes in the case of work stoppages or transfers to another job.
- Other bonuses, such as bonuses for tenure or holidays, or bonuses in the case of personal events like birthdays or Christmas. Also, extra payments in the case of sick leave. Such bonuses are not laid down by law, so such items in an agreement constitute an improvement of conditions.
- Severance payments, all kinds of payment concerning ending a work contract.
- Working and rest time. Daily breaks, lunch breaks, but also overtime, definition of shift work and night work.
- Length of main vacation.
- Extra vacations for bad working conditions, extra child leave, extra free days for personal events (birthdays, funerals, and so on).

9. The Register of Collective Agreements was created in 2001 and is administered by the Ministry of Social Affairs.
• Employment: how total employment is determined.
• Services provided by the employer.
• Informing and consulting. On top of the general legal regulations, employer and employee can agree on extra provisions and procedures on how information and consultation should be organised.
• Training: how many hours and who covers the cost.
• Extra retirement schemes/unemployment benefit. Since there is no legal requirement to create such schemes at firm or branch level, any related item in an agreement was considered as an improvement.
• Special treatment in the case of dismissals: who has the right to keep their job, who is dismissed first, who comes next, and so on.
• Health and safety conditions in the workplace were left out of the analysis.

The employment level at the firm was covered in only one collective agreement (see Table 9). Main topics included in the agreements were wages (88 per cent of them), working time, vacations and different bonuses. Consulting, informing and also the procedure of conflict resolution were also mentioned in many cases.

Enterprise-level agreements cover a wide range of topics. Wages are almost always covered (87.9 per cent), although together with the wage formation process they are treated in agreements in very different ways. In some cases all wages are agreed individually, in other cases, there are detailed wage schemes (depending on tenure and work performance), including motivation schemes. Wages were much less important in public sector agreements, mainly because public sector wages are mostly determined by law.

In general, collective agreements at local municipalities and state agencies contain far fewer extra provisions than agreements in the private sector (firms).

The second most important issue in collective agreements is working time and rest time. Half of the agreements dealing with this issue defined better conditions for workers. In many cases these improvements were relatively small, one common issue being the shortening of the working day in the case of national holidays (the day before the holiday). Law stipulates that some (not all) national holidays may be preceded by a shortened day, not all.

Informing and consulting was an important topic in many agreements. One agreement should be mentioned as worsening the workers’ situation in this regard. According to Estonian law, in case of dismissals the employer should inform the shop steward 15 days in advance so that he reacts. In the agreement in question notice was reduced to 10 days. Indeed, it is surprising in how many cases agreements laid down worse conditions than stipulated by the law. On the other hand, another agreement gave workers the right to participate in
Table 9  Coverage of Different Topics in Collective Agreements, Estonia

<table>
<thead>
<tr>
<th>Topic</th>
<th>No. of agreements in which topic covered</th>
<th>No. of contracts with same conditions as law</th>
<th>No. of contracts in which conditions improved</th>
<th>No. of contracts in which conditions worse</th>
<th>% of agreements covering particular topic (out of total agreements)</th>
<th>% of contracts which had same conditions as law (out of contracts dealing with issue)</th>
<th>% of contracts with better conditions than law (out of no. of contracts dealing with issue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage</td>
<td>58</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>87.9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wage bonuses</td>
<td>40</td>
<td>13</td>
<td>25</td>
<td>2</td>
<td>60.6</td>
<td>32.5</td>
<td>62.5</td>
</tr>
<tr>
<td>Other bonuses</td>
<td>48</td>
<td>-</td>
<td>-</td>
<td>0</td>
<td>74.2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Severance payments</td>
<td>26</td>
<td>2</td>
<td>24</td>
<td>0</td>
<td>39.4</td>
<td>7.7</td>
<td>92.3</td>
</tr>
<tr>
<td>Advance notice of the termination of the contract</td>
<td>17</td>
<td>5</td>
<td>12</td>
<td>0</td>
<td>25.8</td>
<td>29.4</td>
<td>70.6</td>
</tr>
<tr>
<td>Work and rest time</td>
<td>54</td>
<td>20</td>
<td>27</td>
<td>7</td>
<td>81.8</td>
<td>37.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Main vacation</td>
<td>41</td>
<td>26</td>
<td>15</td>
<td>0</td>
<td>62.1</td>
<td>63.4</td>
<td>36.6</td>
</tr>
<tr>
<td>Extra vacation</td>
<td>45</td>
<td>4</td>
<td>41</td>
<td>0</td>
<td>68.2</td>
<td>8.9</td>
<td>91.1</td>
</tr>
<tr>
<td>Vacations in general</td>
<td>44</td>
<td>4</td>
<td>40</td>
<td>0</td>
<td>66.7</td>
<td>9.1</td>
<td>90.9</td>
</tr>
<tr>
<td>Employment/no. of employees</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Services</td>
<td>26</td>
<td>2</td>
<td>24</td>
<td>0</td>
<td>39.4</td>
<td>7.7</td>
<td>92.3</td>
</tr>
<tr>
<td>Informing</td>
<td>51</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>77.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Consulting</td>
<td>30</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>45.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>New employees</td>
<td>18</td>
<td>1</td>
<td>17</td>
<td>0</td>
<td>27.3</td>
<td>5.6</td>
<td>94.4</td>
</tr>
<tr>
<td>Training</td>
<td>40</td>
<td>26</td>
<td>13</td>
<td>1</td>
<td>60.6</td>
<td>65.0</td>
<td>32.5</td>
</tr>
</tbody>
</table>
Table 9 Coverage of Different Topics in Collective Agreements, Estonia (cont.)

<table>
<thead>
<tr>
<th>Topic</th>
<th>No. of agreements in which topic covered</th>
<th>No. of contracts with same conditions as law</th>
<th>No. of contracts in which conditions improved</th>
<th>No. of contracts in which conditions worse</th>
<th>% of agreements covering particular topic (out of total agreements)</th>
<th>% of contracts which had same conditions as law (out of contracts dealing with issue)</th>
<th>% of contracts with better conditions than law (out of no.of contracts dealing with issue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure how to solve labour conflicts</td>
<td>38</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>57.6</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Extra retirement schemes/ unemployement benefit.</td>
<td>10</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>15.2</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Special treatment, in the case of dismissals</td>
<td>13</td>
<td>0</td>
<td>13</td>
<td>0</td>
<td>19.7</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Seniority principle</td>
<td>30</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>45.5</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Note: – : not possible to evaluate in the scale of positive negative

Source: Register of Collective Agreements.
management board meetings, if the topic concerned employees, something that is relatively rare in Estonia.

Most improvements compared with what is laid down by law concerned extra retirement schemes and unemployment benefits, as well as special treatment in the case of dismissal. Neither are regulated by law.

Improvements were also achieved in employment of new workers (94 per cent), employers’ services (92 per cent), severance payments (92 per cent), vacations and, to a lesser extent, advance notice. Agreements repeated the legal provisions in the case of training (63 per cent), work and rest time (37 per cent), and bonuses.

1.6 Wages and Incomes: Poor Bargaining Process and ‘Envelope’ Practices

1.6.1 General Developments

In the early 1990s, although the state kept some administrative control over wages – especially through minimum wage-fixing and wage setting in the public sector – wage policies in general were rather flexible and responsive to market changes. In 1994, the Wage Act came into effect, regulating the remuneration procedure, laying down the possibilities for handling wages in collective agreements and labour contracts. Two more legislative acts — the Employment Contract Act and the Civil Service Act — influence wage setting procedures. The actual wage level is the subject of individual and collective bargaining. Nevertheless, the collective bargaining system in Estonia has developed slowly at enterprise, industry and national level. The number of collective agreements concluded in Estonia is still quite small.

At the national level tripartite agreements have become increasingly important every year, but the minimum wage is so low that prevailing wages are higher than the minimum. Wages are predominantly set between employers and employees in the process of negotiations. In the period 1992–2002 average monthly gross wages increased more than seven times but (Table 10). real wage increases have not been very high compared to the growth in gross nominal wages: in 2002 gross real wages were twice as high as ten years previously. The trend in Estonia has been stable growth in gross nominal wages; gross real wages started to increase after the government and the Central Bank managed to control inflation.

During 1995–1998 wage increases were mainly in financial intermediation, agriculture and hunting and fishing (Growth was more modest in transport, construction and mining and quarrying), while in 1998–2003 wages increased mostly in wholesale and retail, real estate and education. Increases were lower in forestry, fishing, construction and hotels and restaurants.
It was not coincidental that wage increases were lower in those sectors. In the hotels and restaurants, forestry and construction sectors unofficial payments to workers have been more common compared to other sectors. The main reasons for this include the desire to maintain competitiveness and the high percentage of cash transactions. During the last couple of years employees have been given greater motivation to have all their wages declared officially because of the pension system reform which directly connects the size of future retirement benefits to wages earned during the employee’s lifetime. Also, the Estonian tax authorities have acquired more power and effectiveness as regards discovering illegal payments to workers. Still, unofficial wages remain one of the biggest problems in Estonia.

It is not very common for Estonian enterprises to pay a premium for bad working conditions. The main reason for that is that workers have insufficient knowledge of their rights. Those employees who are aware of their rights usually get better working conditions, especially in manufacturing and construction. Because of the lack of trade unions in most economic sectors, or their low bargaining power, individuals have to be more active in protecting their own rights.

In the last couple of years trade unions have gained a little in the way of bargaining power but remain quite weak. Strikes are not very common in Estonia; the last ones involved demands for a wage increase among teachers. The trade unions have been more successful in lobbying to raise the minimum wage, although even so it has risen less than average wages.

\textbf{Table 10 Average Monthly Gross Nominal and Real Wages, Estonia}

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal wage</th>
<th>Growth in gross nominal monthly wage (%)</th>
<th>Growth in gross real monthly wage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>annual</td>
<td>overall</td>
</tr>
<tr>
<td>1992</td>
<td>802</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1993</td>
<td>1165</td>
<td>45.26</td>
<td>45.26</td>
</tr>
<tr>
<td>1994</td>
<td>2096</td>
<td>79.91</td>
<td>161.35</td>
</tr>
<tr>
<td>1995</td>
<td>2697</td>
<td>28.67</td>
<td>236.28</td>
</tr>
<tr>
<td>1996</td>
<td>3310</td>
<td>22.73</td>
<td>312.72</td>
</tr>
<tr>
<td>1997</td>
<td>4027</td>
<td>21.66</td>
<td>402.12</td>
</tr>
<tr>
<td>1998</td>
<td>4389</td>
<td>8.99</td>
<td>447.26</td>
</tr>
<tr>
<td>1999</td>
<td>4799</td>
<td>9.34</td>
<td>498.38</td>
</tr>
<tr>
<td>2000</td>
<td>5279</td>
<td>10.00</td>
<td>558.23</td>
</tr>
<tr>
<td>2001</td>
<td>5879</td>
<td>11.37</td>
<td>633.04</td>
</tr>
<tr>
<td>2002</td>
<td>6512</td>
<td>10.77</td>
<td>711.97</td>
</tr>
</tbody>
</table>

1.6.2 ‘Envelope’ Wages

A survey conducted by the Estonian Institute of Market Research shows that although the grey economy is gradually shrinking in Estonia, many workers still receive unreported pay. It is claimed that so-called ‘envelope pay’ is received by around 15 per cent of workers, which means that the state is losing EEK 1.6 billion in unpaid social contributions and income tax (0.4 per cent of the total state budget). This is EEK 0.4 billion more than last year.

Earlier studies showed that the share of ‘envelope wages’ is relatively stable ‘Envelope wages’ were not approved of by 89 per cent of respondents. They suggested that the government should strengthen control mechanisms; some also suggested that the tax burden be reduced. ‘Envelope wages’ are relatively common in sectors like trade, construction, transportation services and in the service sector generally. The transport workers’ union launched a survey among employers in 2000, 70 per cent of whom admitted that they paid ‘envelope wages’. It was especially common in small firms (3–5 employees).

1.6.3 Wages and Working Hours

Low wages are a common problem in most CEE countries, one of the consequences of which is increased working time. The low proportion of part-time work in Estonia is directly due to low wages and explains why most part-time arrangements are of an involuntary nature: about 50 per cent of part-time work, indicating that people would like to work longer.

Low wages and longer working time are correlated in agriculture and, to some extent, in construction and transportation. In banking, however, wages are high but people also work long hours. Only in mining are wages relatively high and working time relatively short. The share of part-time workers is relatively high in sectors like health care and education despite the fact that wages there are relatively low, something that seems to be due to the domination of female workers in these sectors (which offer more possibilities to reconcile work and family despite lower wages).
Figure 1 Working Hours and Hourly Wages by Industry and Working Time, Estonia
PART II REALITY AT ENTERPRISE LEVEL: CASE STUDIES

In general, our case studies – based on substantial interviews with management, workers and their representatives – showed that working conditions have improved a lot in Estonia, compared with the situation 10–15 years ago. But first we shall look at the great differences between large and small enterprises.

In large companies labour contracts are mostly regular and trade unions are relatively active. In addition to a range of different bonuses and premiums large companies also pay bonuses in the case of child birth, family events, accidents at work, and so on. However, large companies (more that 500 employees) represent only five per cent of the total labour force, according to labour force survey data.

We have little information on small firms: access to their worker and financial data is extremely limited. Also, employees are afraid to answer questions and owners refused to give any data. What evidence we do have on small firms we present in the second part of this section where we talk about special cases.

If we look at the statistics (Estonian Business Register, 1995–2001 annual average) we can see that more than 55 per cent of firms are micro firms with less than 10 employees. Their share in total employment, according to the Business Register, was 13 per cent, and so they have an important role in the labour market. Even from the few case studies included here we can see that in sectors in which small firms are significant, such as catering and services, working conditions are sometimes poor. The biggest problems are in services, where there is unpaid overtime, low (often ‘envelope’) wages and poor working conditions. Labour turnover is correspondingly very high in the service sector.

One major problem for Estonia in relation to working conditions is the weakness of workers’ representation. Trade union coverage is relatively small. The trade unions are strong in some sectors, such as transportation, energy, health care and education, but in others they are completely missing, such as construction and banking, or weak, as in hotels and restaurants and trade. As some of our case studies show even if there is trade union representation its opinion is often ignored. This is the situation in public institutions but also in many private firms, especially small ones. Similarly, despite the obligations concerning information and consultation laid down in the collective agreements, these provisions are simply ignored and the trade unions are not informed about major policy changes.

Tripartism is satisfactorily developed at national level: tripartite negotiations and consultations take place regularly and a range of important issues are discussed. Social dialogue at sectoral and company level is notably less
developed: in the near future it will be important to focus on developing social
dialogue here. It is also necessary to expand the range of issues for negotia-
tion beyond wages and working conditions.

The social partners are weakly developed in Estonia, but the importance of
social dialogue is recognised and programmes are under way for improving
the situation. The European Union plays a special role in developing labour
market policy objectives and measures. Estonia has accelerated its harmonis-
ing of legislation and is now pursuing EU employment policy principles.

As regards works councils, they still do not exist in Estonia. As an EU
member Estonia must introduce the Council Directive on European Works
Councils (94/45/EC) and the Directive on Employee Involvement Linked to
the European Company Statute (2001/86/EC). Finally, after long discussions,
on 12 January 2005 the Estonian Parliament ratified the Involvement of
Employees in the Activities of Community-Scale Undertakings, Community-
Scale Groups of Undertakings and European Company Act initiated by the
government. The aim of the Act is to ensure employees’ right to be involved
in issues concerning working life (above all, before an employer makes a
decision that would affect employees). The Act establishes the legal frame-
work for informing and consulting to make it possible for employees to obtain
information about the employer’s activities, economic and employment situ-
ation, work organisation and other matters of interest. However, this act will
affect perhaps only 20 multinational companies in Estonia.

We can conclude from analysis of working conditions that in large firms
the situation is relatively good, but in small firms people are often very dis-
satisfied. There is a correlation between fixed-term contracts and job dissatis-
faction, as well as more uncertainty, and so on.

We can see that in some sectors, real estate for instance, in which so-called
professional service firms dominate, the variety of work contracts is consid-
erable with little transparency regarding working time, etc. On the other hand,
such firms utilise many flexible work forms, such as teleworking. People can
also work less than 40 hours per week, go home earlier, and so on. This again
helps to reconcile work and family life.

The lack of trade unions means that collective agreements mostly contain
what is laid down in the law. Trade unions, at least in large companies, have
been relatively successful in demanding extra benefits and vacations and bet-
ter working time arrangements. On the other hand, the trade unions are not
always informed concerning rights and legal possibilities, and in some cases
working conditions stipulated in the collective agreement are worse than the
law requires.

There are a variety of work contracts not only at private firms, but also –
as described recently in the major daily business paper Äripäev – the state
postal services monopoly, Estonian Post, is using ‘civil’ contracts for postmen
(this applies to 227 employees). This allows the company to reduce wage expenditure significantly. According to the article, one self-employed worker can replace four regular employees on a proper work contract. At the same time, self-employment gives workers extra motivation, but they have no holiday entitlements or other benefits laid down in regular work contracts. This is a particular problem in relation to mail delivery due to the continuity of the work: postmen may take a holiday only if they manage to find a replacement.

As regards wages, the current Estonian government is pursuing a very liberal (deregulating) economic policy, and in 2004 the personal income tax rate was reduced from 26 per cent to 24 per cent. Needless to say, companies try to minimise their tax bill. Several cases have been described in the media of companies trying to reach agreement with the employees or their representatives concerning net wages. According to the law, the wage agreed between employer and employee shall be interpreted as the gross wage. If employees agree to sign a contract in which only a net wage is laid down, however, the worker will not benefit from the relevant tax reduction, only the company. It is likely that in small firms (especially without a trade union) net wages are more prevalent and employees lose out financially.

Our case studies are organised as follows. We look at five companies in terms of all aspects of working conditions, and then focus on a number of special cases highlighting particular aspects of working conditions, whether it is different bonuses (Port of Tallinn), satisfaction with working conditions (mining company), poor working conditions (pub), ‘envelope wages’ or attitudes to trade union representatives (state institution).

We look at three large companies, representing all ownership forms (state energy company, a large trading company based on Estonian capital which owns department stores and supermarkets, and finally a multinational electronic company assembling mobile phones and other IT products); a relatively large furniture company; and a relatively large real estate firm. In the latter the majority of employees are on ‘civil’ contracts instead of labour contracts.

Both special cases and general case studies provide us with relatively good coverage of different firm types, sectors and ownership forms. A summary of the five case studies is presented in the following table.
### Table 11  Case Studies: Main Features of Enterprises under Study

<table>
<thead>
<tr>
<th></th>
<th>Tallinn Department Store</th>
<th>Tarmeko Ltd</th>
<th>Elcoteq Network Corporation</th>
<th>Estonian Energy with sub-units</th>
<th>Pindi Kinnisvara AS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main features:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector</td>
<td>Trade</td>
<td>Furniture</td>
<td>Electronics</td>
<td>Energy production</td>
<td>Real estate</td>
</tr>
<tr>
<td>Number of employees</td>
<td>1,290, large</td>
<td>850, large</td>
<td>3,000 in Estonia, large</td>
<td>With sub-units, 10,000, large</td>
<td>120 medium</td>
</tr>
<tr>
<td>Ownership</td>
<td>Estonian</td>
<td>Estonian</td>
<td>Multinational</td>
<td>State</td>
<td>Estonian</td>
</tr>
<tr>
<td><strong>Main trends:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment contracts</td>
<td>Regular contracts, 67% covered by collective agreement</td>
<td>+ 95% regular employment contract</td>
<td>- temporary work, workers on lease</td>
<td>Share of temporary ‘civil’ contracts less than 1 per cent</td>
<td>+ Variety of contracts, including civil contracts, but trend towards regular employment contracts</td>
</tr>
<tr>
<td>Working time</td>
<td>+ OK - overtime and weekend work</td>
<td>- 4 shifts, 24 hours, overtime very rare, some overtime for white-collar workers</td>
<td>Regular working time, overtime in the case of disasters, overtime among white-collar workers</td>
<td>Working time is regulated only for technical personnel secretary, bookkeeper etc.</td>
<td></td>
</tr>
<tr>
<td>Health and safety and other conditions</td>
<td>+ better than national average</td>
<td>National average</td>
<td>+ better than average routine work</td>
<td>Big differences depending on location</td>
<td>Stress, intensive work</td>
</tr>
<tr>
<td>Work and family</td>
<td>Traditional (extra) bonuses in the case of child birth, etc.</td>
<td>Average, sometimes payment delays</td>
<td>Company covers some housing costs, but only for worker, not for their family</td>
<td>Traditional (extra) bonuses in the case of child birth, etc.</td>
<td>No special arrangements</td>
</tr>
</tbody>
</table>
Table 11 (cont.)

<table>
<thead>
<tr>
<th></th>
<th>Tallinn Department Store</th>
<th>Tarmeko Ltd</th>
<th>Elcoteq Network Corporation</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Main features:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>Less than national average</td>
<td>Average</td>
<td>+ Slightly above national average</td>
<td>+ Above average</td>
<td>+ Above average</td>
</tr>
<tr>
<td>Social dialogue and workers’ participation</td>
<td>+ Active trade union and collective agreement</td>
<td>+ 50% belong to trade union</td>
<td>- No trade union, Work Environment Council and special negotiating body</td>
<td>3,000 employees covered by collective agreement</td>
<td>No trade unions</td>
</tr>
</tbody>
</table>

**Notes:**
+ very developed ++ on the increase
- poorly developed -- worsening
1. Tallinna Kaubamaja (Tallinn Department Store): Social Dialogue Determinant?

Company profile
Tallinna Kaubamaja is one of the biggest wholesale companies in Estonia. It owns shopping centres and department stores in Tallinn and in Tartu; it also has 100 per cent ownership of another big shopping centre network, Selver.

Net turnover in 2003 was EUR 112.5 million; annual growth in net turnover was 15 per cent. Market share in Estonia was approximately 6.5 per cent. Net profit was about EUR 4.2 million in 2003 (47 per cent increase compared with 2002), representing EUR 0.6 per share. Company’s shares are traded on the Tallinn Stock Exchange.

Total employment in 2003 was 1,289. About 800 are covered by a collective agreement. Trade union membership covers mostly blue-collar workers. Collective agreement is extended to all workers.

Work contracts
The collective agreement covers around 67 per cent of the workforce. The main purpose of the collective agreement is to guarantee higher benefits than the law provides.

Benefits include higher wages for working evenings and weekends, extra five days’ winter holiday if a worker has worked more than 10 years at the company. This may be taken between 1 January and 1 May. Families with three children receive once a year a bonus in the amount of one minimum wage (families with four or more children receive two minimum wages).

Tallinna Kaubamaja uses mainly regular work contracts of unlimited duration, although it is willing to use temporary work contracts when necessary.

It also uses part-time working, mainly at the employee’s request. Majority of workforce is female and employees prefer part-time work, so that they can combine family life and work. There is little difference between normal, fixed-term and part-time work contracts: all contain the same provisions, requirements and benefits. Other forms of contract, such as self-employment, civil contracts or ‘multiple contracts’ are not used by Tallinna Kaubamaja.

Working conditions: compensating for adverse working conditions
Working conditions are sometimes hard but the workers get some compensation for it. In the case of particular jobs with difficult working conditions (photo lab, transport workers), the firm provides free juice (1.5 litres per day) and other advantages.

According to the collective agreement Tallinna Kaubamaja must also provide free medical treatment in a certain range; free vaccinations and, once a year, free X-ray examination of lungs. For those who work with computers the
firm provides eye examinations once every three years and in case of need will cover the cost of glasses.

**Working time: dominated by shift-work**

Employees work in two shifts, seven days a week. Workers work one shift (for example, the evening shift) for four days, after which they get time off. Then they work five days on the morning shift and after time off move back to the evening shift. Workers on the evening shift are taken home by company bus. Such shift work does not help employees to integrate work and family issues. Sometimes it is possible to change working schedule because of family needs, sometimes not, since it mainly depends on the intensity of the job and seasonality. This clearly causes the workers extra stress.

Tallinna Kaubamaja sometimes uses overtime. According to the workers’ representative, in the case of a staff shortage (illness, and so on) department managers try to fill the gap through overtime. The company tries to keep within the maximum working time stipulated by law, but uses significant overtime, which mainly concerns blue-collar workers, like sales assistants.

In the case of overtime, workers are paid according to the collective agreement guaranteeing workers higher wages for working evenings and weekends than required by law. In agreement with the employee, additional vacation days can be given for overtime rather than money.

**Work and family: significant bonuses but difficult reconciliation**

Tallinna Kaubamaja takes good care of its workers, making a big effort to integrate work and family life. For example, a day off is given for personal events (birthdays, weddings), two in the case of funerals. If an employee is taking care of a sick family member they have the right to shortened working time for a maximum of two weeks. This is very important because most workers at Tallinna Kaubamaja are women.

In accordance with the collective agreement Tallinna Kaubamaja also pays bonuses in the case of special events: e.g. in the case of child birth the company pays the employee a bonus in the amount of two minimum wages. When a child goes to school for the first time a bonus in the amount of one minimum wage is paid. In the case of anniversaries (50th, 60th, 65th birthday, and so on), the firm pays a bonus as follows, depending on how many years the employee has worked for the company: up to 10 years – EEK 1,300; up to 20 years – EEK 1,800; up to 30 years – EEK 2,000; and more than 30 years – EEK 2,100.

Tallinna Kaubamaja also supports families in need. For instance, families with three children receive an annual bonus in the amount of one minimum wage (families with four or more children receive two minimum wages). On the death of an employee their family receives a payment in the amount of three national minimum wages. If a family member of an employee dies they
receive a payment in the amount of the official state funeral subsidy. According to the workers’ representative no delays had been reported in the payment of the various benefits. Most of these benefits have been achieved by trade union activities.

Any kind of campaign or sale puts ordinary shop workers under very high psychological and physical pressure, because workload and intensity during the campaign period increase drastically. These campaigns last usually one or two weeks and there are about three or four during the year.

It is important to note that although employees sometimes prefer part-time it is forced on them because payments for part-time work are insufficient and do not cover the subsistence minimum. One can say that in the case of part-time work employees sacrifice part of their income to family life.

**Social dialogue and workers’ participation: helped improve conditions at work**
The collective agreement has helped to improve working conditions. Negotiations concerning working environment, bonuses and wages are carried out by the trade union. Workers’ representatives do not sit on the board of directors, however. Communication with the management in most cases goes directly through the trade union.

In general we can say that trade union membership has declined particularly fast in the trade sector over the transition period and there are several reasons for that:

- Along with the general restructuring of the economy, the Soviet type wholesale and retail trade system collapsed in the early 1990s. Lots of small and privately owned enterprises were created instead.
- The average number of workers in the newly created shops was in most cases less than five and it is very difficult to organise a trade union organisation in such small units. According to the Estonian Trade Union Act, the minimum number of workers for establishing a trade union organisation is five.
- The labour market situation is not favourable for trade union members because unemployment in Estonia is relatively high. People are scared to organise, as they are afraid of losing their jobs.

However, there are prospects of trade union development in the trade sector:

- There are good conditions for attracting new members, as workers are unsatisfied with the current work situation. There are violations of working time regulations, overtime, envelope wages, and so on, especially in small firms.
If employers organise under the professional employers’ confederation, it may be possible to develop social dialogue at the sectoral level.

The whole sector is moving towards centralization; the number of small shops is declining and bigger retail and wholesale companies are increasing their market share. In larger companies it is easier for workers to unionise.

Tallinna Kaubamaja is a good example of how trade unions are active and effective in a big company: most of the benefits in the collective agreement have been achieved by the union. All workers are covered by the collective agreement (also those who do not belong to the union).

Wages and incomes: relatively low but slightly better than in other enterprises

Wages at Tallinna Kaubamaja are not divided into parts (basic salary, bonuses, and so on). Workers receive a basic salary and if they are eligible for other bonuses they get them in accordance with the collective agreement. The workers’ representative was satisfied with the payment of wages, which takes place as agreed in the work contract.

In the case of overtime, Tallinna Kaubamaja pays the rate laid down in the law. The wages of salespersons at Tallinna Kaubamaja are a little lower than average wages in Estonia. In 2004 average wages of a salesperson were EEK 6,200 (approximately EUR 395) per month. Tallinna Kaubamaja does not practice financial participation.

This is typical of the trade sector, in which wages are relatively low because of strong competition between companies which try to minimise labour costs. Workers do not have much bargaining power because usually they are not unionised and the labour market situation is unfavourable (relatively high unemployment). Low wages also mean high labour turnover in the sector. Tallinna Kaubamaja is considered to be a relatively prestigious company and labour mobility is somewhat lower there compared with other firms in the sector.

Overall evaluation: the positive effect of trade unions

Tallinna Kaubamaja well illustrates what trade unions can achieve, especially the provision of a large number of benefits, working conditions, extra bonuses, and so on. While in general only about 0.01 per cent of workers in the trade sector are trade union members, Kaubamaja represents a positive story. Of course difficult shift work, seasonality and intensive work during sales campaigns continue to place employees under strong mental and physical stress, and hinder reconciliation of work and family life. This, however, is the situation prevailing in this sector, with the difference that other firms’ employees, who are usually not organised, get no form of compensation.
2. AS Tarmeko: The Limits of Social Dialogue

Company overview
Tarmeko Ltd is one of the biggest furniture and plywood companies in Estonia. It currently employs approximately 850 workers, 65 per cent of them men. Women mostly do administrative work and lighter manufacturing tasks. The company exports 60–70 per cent of its production to Europe, mainly to Germany. However, the company representatives did not want to reveal information about financial and other economic data.

A strong trade union that influenced the collective agreement
The company has a trade union which enjoys 50 per cent membership among the workers (from simple workers to top management: for example, the manager of the personnel department and the accountants are members of the trade union).

A collective agreement has been signed that covers all workers, mainly due to the influence of the trade union. According to the trade union leader the main purpose of the collective agreement is to guarantee that the workers are better rewarded than they would be if the legal minimums were applied.

In fact, the collective agreement gives workers 25 per cent higher wages for working at nights and weekends than required by law; three additional vacation days per year for shift workers, and seven additional vacation days per year in the case of hazardous work.

Mainly regular labour contracts but lack of transparency
The collective agreement covers workers who have a regular labour contract of unlimited duration. Since this represents 95 per cent of the workforce theoretically only 5 per cent are uncovered by the collective agreement, namely the workers on fixed-term labour contracts – mainly project managers – and casual workers replacing women on maternity leave, and so on. Other forms of contract, such as self-employment, civil contracts or 'multiple contracts' are not used in Tarmeko, which also makes little use of part-time work.

Despite the fact that the company uses different working contracts there does not seem to be a big difference between the usual unlimited and fixed-term labour contracts, since they both contain the same paragraphs, the same requirements and the same benefits. Sometimes fixed-term labour contracts even contain extra bonuses to reward good performance or early completion (mainly applies to project managers). Nevertheless, according to the worker's representative the labour contracts are quite difficult to understand, although their compensation mechanism is set out very clearly. The trade unions should certainly make themselves acquainted with the differences between all forms of contract used by the management. More generally, although they seem to
have done a good job in negotiating different aspects of the collective agreement with the management they have failed to explain to simple workers all the legal aspects of their labour contracts. Since the average blue-collar worker is likely to be unfamiliar with sophisticated legal texts, the trade unions should certainly put more effort into communications, especially to inform workers about their rights.

**Working conditions: no better than the law requires**

Working conditions in Tarmeko can be described as at the Estonian average, which means that the workers are simply granted the minimum working conditions required by law and nothing more, despite the activities of the trade union and the presence of a collective agreement. Of course, workers are offered certain facilities, such as changing rooms and showers, the services of a doctor (employed by the company eight hours a week) and a full-time physiotherapist who helps them to monitor their health. Employees are also given protective equipment (for example, protective glasses, masks, and so on), although they have to wear their own working clothes and shoes.

Workers – especially those on shift work – did complain about the lack of catering facilities. The workers’ representatives complained that the management had deliberately run down the canteen which used to serve the workers, obliging workers, especially on night shifts, to prepare their own (cold) meals.

Although this seems to be quite important to the workers, the trade union leader admitted that he was not in a position to force the company to reopen the canteen since it was not a legal requirement. This is a good illustration of the general fact that trade unions find it difficult to get companies to make provisions beyond their legal obligations. On the other hand, other case studies and surveys show that the workers are not particularly bothered about their working conditions (see Anttila and Ylöstalo 2002). Their main concern is remuneration and it is in that regard that they expect the trade union to play an active role. It may therefore be concluded that in Tarmeko as well as for many other firms in Estonia, the main determinant of working conditions remains the employer’s legal obligations.

**Working time: no limit to overtime**

Employees in AS Tarmeko work two shifts, seven days a week. Workers work one shift (for example, an evening shift) for five days, after which they get two free days. Then they work five days on the morning shift and after more free days return to the evening shift. The company bus takes home workers who finish their shift in the evening.

Officially, AS Tarmeko does not use overtime. However, according to the workers’ representatives, in the case of worker shortages (illness, etc.) production-line heads offer overtime. In the case of such a mutual overtime
agreement between employee and company no account seems to be taken of the maximum working time stipulated by the law. No legal regulations thus seem to limit overtime, and cases of overtime – as reported by the workers and their representatives – are frequent.

Workers are paid for overtime in accordance with the collective agreement, which guarantees workers (thanks to the trade union) 25 per cent higher wages for working at night and at weekends than is required by law. However, no additional vacation days are given in compensation for overtime, which perhaps illustrates the management’s need for full labour force availability.

These examples illustrate the situation of a medium-sized company which apparently remains within the law, although many infringements can be identified on closer scrutiny. From the workers’ side, it is very difficult, if not impossible to say no to the management, especially older workers who are afraid of losing their job and thus want to keep on their good side.

**Work and family: additional benefits but delayed payment**

Thanks to the trade union the company provides some bonuses in case of sudden, unpredictable events (death of close relative, illness of child, redundancy, and so on). Also, when the company fires a worker who is a trade union member, he receives additional compensation – on top of the unemployment benefit paid by the state – of EUR 30 per month for the first 180 days of unemployment. In the case of long-term illness the trade union pays 10 per cent of the cost of medication.

Trade union members who are in financial difficulties (single mothers, families with three or more children, and so on) receive annual financial support in the amount of EUR 30–50 if they have pre-school age children. Financial support can also be provided in case of special events (birth of child, wedding) and tragedies (death of close family member). The amount of support will be decided case by case.

However, according to the workers representative there have been serious delays in paying the different benefits, with the company trying to retain the money as long as possible. Such behaviour reduces workers’ trust in the company and has also affected expansion of the trade union. It may also be that such delays are caused by fluctuations in demand, with the company simply keeping the money to ensure current production needs instead of paying the workers. This example again illustrates the powerlessness of the trade union.

At the same time, widespread shift work and overtime do not make it easy to reconcile work and family life. Workers and their families have no other option than to accept the shift work schedules imposed by the management. Of course, negotiations are always possible, especially in the case of special family events, but this will be an individual rather than a collective matter.
Social dialogue and workers' participation: small improvements
It is significant that 3 per cent of workers in Tarmeko are disabled. The company tries to find disabled people a proper job; workers who for some reason are unable to do a particular job (for example, because of an allergy) usually get another job in the company which suits them better.

The collective agreement has helped to improve working conditions, as has the Work Environment Council, to which workers' representatives from every production line unit belong and where they can present their ideas on possible improvements. The aim of the Work Environment Council is to formulate proposals which are then forwarded to the trade union leader who presents them at meetings with top management. In most cases these proposals concern everyday working conditions, such as the lack of canteen, ventilation issues and other problems. In most cases these small problems are solved.

There are no workers' representatives on the board of directors, however. Instead, once every three months members of the top management meet with workers' representatives and inform them about upcoming issues and changes in the working environment and work organization. The workers are not satisfied with this and would prefer their representatives — and they have made a formal proposal to the trade union in this connection — to have a seat on the board, above all to obtain better information about current and planned activities. It is significant that the management refused to give us any details on the economic and financial situation of the enterprise, information that the workers are also seeking. Instead of fighting to obtain such important information, the trade unions are more concerned with negotiating better conditions for their members as against non-members: the trade union is planning a new collective agreement in which trade union members will receive higher benefits than non-members, and will also see their working conditions — as well as the financial support they get from the company — progressively improved. This also corresponds to the trade union's strategy to win new members and to become more influential within the company for the good of the workers.

Workers' dissatisfaction with wages and incomes
Wages in AS Tarmeko are divided in two parts: basic salary and collective bonuses. The basic salary constitutes approximately 60 per cent of total wages. In addition, employees receive a collective bonus when their production line has performed well. However, the workers' representatives declared that this system is unfair: the basic salary is very low — approximately EEK 4,500 (EUR 300) — and the management tries to avoid paying the collective bonus whenever possible. The workers' representatives are seeking a bonus system that depends not on collective but on individual performance.

The workers' representatives were also dissatisfied with wage payments, which are made in three instalments, at the beginning, the middle and the end
of the month. In this way, the company – which faces financial difficulties from time to time – can keep the money that belongs to the workers one month longer than usual.

According to the collective agreement the workers of AS Tarmeko receive 25 per cent higher wages for night and weekend work, as required by law. Wages (EEK 7,098 or EUR 460) more or less equal the average wage in Estonia.

Overall evaluation: adverse working conditions not changed, but rather compensated
Tarmeko illustrates the case of a typical medium-sized company with a trade union. The trade union is rather active but its negotiating power remains limited, as only 50 per cent of the workers are members, mostly blue-collar. Nevertheless, the trade union has managed to get extra pay for night and weekend work, which are among the main concerns of the workers, who do not seem to care much about working conditions, including health and safety. The trade union has failed repeatedly to get better working conditions, and to limit wage and bonus arrears. Consequently, shift work and overtime pressure people, paradoxically giving the trade union new opportunities to attract more members, although they have proved to be totally powerless on these issues: if the membership dramatically increases their negotiating power will be boosted. At the same time, it is difficult to talk about reconciling work and family life when people have to work evening shifts on weekends, and so on.

The case of Tarmeko thus confirms the limits of social dialogue – and of collective agreements – to radically change working conditions. It also confirms the fact that often there is little difference between legal requirements and what is contained in the collective agreement. The main driving force towards better working conditions in many cases remains the law and the effectiveness of labour inspection (there more likely it is that the company will be fined, the more likely it will be to fulfil its obligations).

3. Elcoteq Network Corporation: Working Conditions Influenced by Threat of Possible Relocation

Multinational company: major exporter
Elcoteq Network Corporation is a leading electronics-manufacturing-services (EMS) company with original design manufacturing (ODM) capabilities in the communications technology field. Elcoteq provides globally end-to-end solutions consisting of design, NPI (new product introduction), manufacturing, supply-chain management and after-sales services for the whole lifecycle of its products.
Elcoteq is a typical multinational company. Currently, the company operates on four continents in 13 countries and employs approximately 19,000 people. The main plants are in Hungary, Germany, Russia, and Estonia. The turnover of the European region in 2003 was EUR 1,421 million, 64 per cent of total turnover. Overall operating revenue was EUR 30.5 million, 1.4 per cent of net sales. Net income in 2003 was EUR 20.8 million (0.9 per cent of net sales). Despite the fact that final data on turnover and net income for 2004 are not available, Elcoteq did even better in 2004. During the first three quarters of 2004 net sales were EUR 2,089.1 million, almost as much as during the whole of 2003. Net income also grew rapidly in 2004: during the first three quarters of 2004 Elcoteq earned EUR 26.8 million for its shareholders.

Almost 100 per cent of Elcoteq Estonia’s production is exported. Elcoteq is not the biggest exporter in Estonia, with a 20 per cent share of total Estonian exports. However, this is a very large share for a small and very open economy like Estonia today.

Elcoteq Estonia started in 1991 with 10 employees. By 2004 this had grown to around 3,000 employees (almost 25 per cent of all Elcoteq workers work in Estonia). Almost 70–80 per cent of all employees in Elcoteq Tallinn are women aged 30–40 years, mostly Russian-speaking. Elcoteq Estonia is the biggest company in the electronics manufacturing sector and one of the biggest companies in Estonia. Elcoteq plans to maintain steady growth in Estonia by expanding its NPI services department. This means that Elcoteq sees high potential in Estonia to develop new products.

**Work contracts: fixed-term contracts to Adapt to Demand**

Elcoteq Estonia uses mainly regular work contracts with unlimited duration, enabling it to maintain stable relations with workers. Two other types of working relationship are also used – fixed-term labour contracts (minimum contract length is one year) and borrowing workers from similar companies – but they amount to only three per cent of all work contracts. According to the Public Relations manager the main reason for using fixed-term labour contracts is the need to fulfil unplanned orders. This avoids, as far as possible, the need to lay workers off during downturns. The market for Elcoteq products is very volatile and this can cause high demand fluctuations.

Sometimes, fixed-term labour contracts are the only way of satisfying the company’s need for workers. For example, in January 2005 Elcoteq Estonia needed around 500 additional workers to fulfil another extra order. In preference to hiring new people they contact workers who are temporarily off work, for example women who are at the end of their maternity leave.

Elcoteq Estonia would like to use more workers on lease from other companies instead of fixed-term labour contracts. A positive example of this is Hungary where almost 40 per cent of workers at Elcoteq Network
Corporation’s Hungarian affiliate are taken temporarily on lease from other companies. Unfortunately, in Estonia Elcoteq’s needs for skilled labour cannot be satisfied domestically.

This concerns mostly white-collar technical staff. There is a big shortage of engineers in Estonia in general because of the declining interest of school graduates in technical professions. No special qualifications are expected from simple assemblers or line workers, and the company trains employees at the workplace.

Although the company uses different work contracts there is no difference between regular and fixed-term work contracts. Other forms of contract, such as self-employment, civil contracts or ‘multiple contracts’, are not used. According to the workers’ representative the work contracts are quite difficult to understand despite the company representative’s explanations. Elcoteq Estonia has always kept its promises and the representative was very satisfied with the company’s overall attitude towards its workers.

Recently, Elcoteq hired a large number of workers from Ida-Virumaa (north-east Estonia), where labour market conditions are much worse compared with the capital. In Ida Virumaa unemployment is the highest in Estonia: because of the widespread lack of knowledge of Estonian, people are not very mobile and try to find a job in the region. Both workers interviewed were from Ida-Virumaa and they reported that job and wage conditions were indeed very good compared with Ida Virumaa.

**Working conditions: problems with the monotonous nature of the work**

Working conditions are relatively good. The company has obtained three quality certificates – ISO 9001:2000, certifying that the company’s operating procedures and business processes are managed according to the relevant standards; ISO 14001, certifying that the company’s operating procedures and business processes are environmentally friendly; and OHSAS 18001, certifying that working conditions, especially health and safety in production, are in accordance with the relevant standards.

Elcoteq Estonia has to maintain excellent working conditions because they manufacture electronic equipment which needs stable conditions in the assembly rooms. The air temperature in manufacturing departments is always 24°C and humidity is 40 per cent. Workers are given special clothes and footwear to avoid any possibility of static electricity. In some cases they also have to wear masks. In the other hand, Elcoteq Estonia wishes to maintain workers’ satisfaction with the working environment.

Workers have a shower room, personal lockers, and hot meals available 24 hours a day. Workers do not have contact with hazardous materials, so the incidence of occupational accidents or disease is very low (almost nonexistent).
Routine and continuous work operations – emphasised by the workers’ representative – are the biggest problem in Elcoteq. The company has tried to solve this problem by training workers to work in different workplaces and to rotate them. But Elcoteq does not pay compensation for routine work. And life is expensive in Tallinn. It seems to us that the wage premium the company is offering is not enough to compensate routine work. Therefore they have a problem finding extra labour.

**Working time: continuous shift work**

The company operates 24 hours a day, seven days a week. There are three shifts. Workers work four days on one shift – for example, the night shift – and then take two days off. Then they work the other shift for four days and, after two days off, return to the first shift. The company transports workers finishing their shift in the morning to their home by company bus.

Elcoteq Estonia uses overtime only in extreme cases and only when both parties agree. The company does not exceed the maximum working time per day stipulated by law. The workers’ representative knew only two or three cases of overtime in 2004. She emphasised that Elcoteq requires exact time-keeping (starting work, lunch breaks and ending work) in accordance with the work contract.

Overtime is quite common among white-collar workers in Estonia. According to Elcoteq Estonia’s Public Relations manager, workers in administrative positions work more than the eight hours specified in the work contract. They do not appear to feel that they work too much for their wages. According to the personnel manager, no white-collar worker has demanded extra wages for overtime, although the company would be willing to discuss the matter.

**Work and family: reconciliation impossible**

The company takes good care of the workforce, particularly by Estonian standards. The company has made an effort to integrate work and family life. Furthermore, sports activities are subsidised. Because employees are women aged 30–40 years and have children it is quite common for workers to receive days off if they need them (in case of emergency, child illness, and so on).

Free transportation and hot meals available 24 hours a day were the most valuable benefits, according to the interviewed worker. One thing workers would like is somewhere at work where they could leave their children under supervision.

As already explained, Elcoteq has been very active in recruiting workers from north-east Estonia (Ida Virumaa), an area with relatively high unemployment and a large Russian-speaking minority. People who come to work at Elcoteq Estonia from other parts of Estonia can live in apartments rented from
the company. According to the workers interviewed it is a problem that the company does not allow employees to bring their families to live with them. The PR manager said that this is because the company has only single-room apartments, unsuitable for more than one person. Also, providing a worker with an apartment is considered a temporary solution; Elcoteq envisages that workers who decide to continue to work with the company will move utterance into their own apartment.

This attitude will not help to reconcile work and family life. In fact, workers behave as guest workers. They come to the company to work their shift days and then go back to their families. The majority of the workforce are female, young and in most cases single. This kind of work organisation will definitely postpone marriage and the first child. It is also the reason why labour turnover is very high. People are looking for a more interesting and stable job, and in many cases they leave Elcoteq when they get married.

Absence of social dialogue and workers’ participation

There is some employee involvement in management decision-making. Employees’ representatives sit on the Work Environment Council where workers can present their ideas on how to improve working conditions. The goal of the Work Environment Council is to work out proposals which are then forwarded to top management.

Workers also have a special negotiating body, the Negotiation Council, in which the proposals of the Work Environment Council are discussed with top management. According to the interviewed worker, once a month anyone may make a proposal to the workers’ representative on the Work Environment Council. She herself had not made any proposals, however. She was satisfied with overall conditions at Elcoteq Estonia and considered the management attitude to the workers to be very good.

In addition, Elcoteq Network Corporation has decided to establish a European Company, which means that workers’ representatives will soon have a seat on the Council and the board of directors. In this way, the workers will be represented on all Elcoteq’s governing bodies. Apparently, the main reason why Elcoteq has no trade unions is that the company extended its activities lately and there has been an extensive increase in the workforce. As

10. In January 2005, the Estonian Parliament ratified the Involvement of Employees in the Activities of Community-Scale Undertakings, Community-Scale Groups of Undertakings and the European Company Act initiated by the government. The Act transposes the Directive on European Works Councils (94/45/EC) and the Directive on employee involvement linked to the European Company Statute (2001/86/EC). The aim of the Act is to ensure employees’ right to be involved in issues affecting them (above all that employees are involved in decision-making which affects their interests). The Act establishes a legal framework for informing and consulting in relation to the employer’s activities, economic and employment situation, work organisation and other matters.
many employees come from areas where labour market conditions are very bad, they are satisfied with the conditions the company offers. Also, they fear losing their job if they start to organise. The parallel with immigrant workers is obvious. Another reason is that the majority of workers are really blue-collar workers doing very simple work, such as assembling electronic parts. Their understanding and knowledge of trade union benefits are relatively limited. White-collar workers are relatively well paid and are not interested in unionising for that reason.

Wages and incomes
Wages are divided into three parts: basic salary, incentives and collective bonus. The basic salary constitutes approximately 70 per cent of the worker’s total salary. In addition employees get incentive payments based on performance and a collective bonus when all workers on a production line have performed well. The incentive payment is approximately 25 per cent of the wage.

The company pays wages in accordance with Estonian law: employees receive the higher rates imposed for night and weekend work. Wages are slightly above the national average. At the end of 2004 the average salary of production-line workers was EEK 7,500 (approximately EUR 480). Elcoteq Estonia does not have financial participation. Nevertheless, it is difficult to find labour because even if wages are a little higher than the national average, the cost of living is much higher in Tallinn.

Overall evaluation: labour costs the main motive
Elcoteq is illustrative of the behaviour of a typical multinational corporation. Its main reason for being in Estonia is low labour costs but a relatively well qualified labour force. The minimum requirements are thus fulfilled. The biggest problem for the workers and the Estonian economy as a whole is the permanent threat that one day labour costs will reach a certain level, obliging the corporation to close its factory and relocate its production units elsewhere, for instance in Asia, especially if the worker shortage gets worse. In our opinion this is only a question of time.

Workers in the enterprise are typically young and single Russian-speaking women. Usually they have a secondary education and no special skills or qualifications. They come from regions where unemployment is high and the income level is very low. So for them anything offered by the company is good. They work and think as typical migrant workers. Their families are somewhere else and, they work hard all day to earn relatively well compared with wage conditions at home, but they do not see this as a job for life.

This mentality will of course not help them to reconcile work and family life, because as a result marriage and their first child will be postponed due to the demands of the routine work process, shift work and ‘unsocial’ hours.
Although the owners of Elcoteq have decided to reorganize the company as a European Company to allow workers’ representatives to join the Council and Board of Directors, we are very sceptical about the capacity of average blue-collar workers at Elcoteq to influence the activities of the company. Perhaps only a few representatives of white-collar workers will have the knowledge to influence the decision-making process.

The future of the workers thus remains uncertain: conditions will remain tough and even if they improve this may contribute to increasing labour costs with no guarantee that stakeholders will not simply close down their operations in Estonia and move to some other country where labour costs are lower and the workers less demanding.

4. Eesti Energia: working conditions in a state monopoly

Company overview: high turnover
Eesti Energia AS (Estonian Energy) is a fully state-owned, vertically integrated company engaged in power production, transmission, distribution and sales, as well as other power-related services. Activity is carried out mainly in the territory of Estonia. Around 10,000 employees work in oil shale mines, power stations, networks and client service centres. About 3,000 employees are involved energy production in power stations and client services. Operating assets were valued at EUR 1.2 billion in 2003. In the company’s energy system chain the oil shale mines produce fuel for the power plants which generate electricity and heat to be transmitted to clients via power and heating networks. Customer service operations are engaged in the sale of electricity and the management of customer accounts.

The company is doing very well. Domestic sales of electricity increased by 6 per cent (to 2,534 GWh), although the weather was warmer than in the previous year. Half the increase was due to eligible customers. Long-standing export relations contributed to a 16 per cent increase in electricity exports (to 110 GWh). Environmental charges remained at the same level, although pollution tariffs were raised. Electricity output grew by 3.6 per cent. Losses from power networks fell by 1.0 per cent to 10.6 per cent, leading to electricity savings of around 18 GWh. Approximately EEK 15 million (around EUR 1 million) worth of fuel (3.2 per cent) was saved by running the Estonian Power Plant’s new power unit and optimising power plant operations.

Work contracts: under trade union influence
Tripartite concertation remains undeveloped in the energy sector. At the sectoral level, bipartite dialogue is not highly developed either. However, there exist both employees’ and employers’ organisations.
There is one trade union organisation in the energy sector, the Association of Estonian Energy Workers’ Trade Unions (Eesti Energeetikatöötajate Ametüühingute Liit, AEEWTU). AEEWTU comprises about 41.8 per cent of all employees in electricity, gas and water supply. It belongs to the Confederation of Estonian Trade Unions (Eesti Ametiühingute Keskliit, EAKL), which is involved in tripartite concertation at national level and thereby AEEWTU is indirectly represented in national social dialogue.

There are two employers’ organisations in the energy sector: Estonian Power and Heat Association (Eesti Jõujaamade ja Kaugkütte Ühing – EJKÜ) and Association of the Estonian Electrical Industry (Eesti Elektritööstuse Liit).

Eesti Energia uses mainly work contracts of undetermined duration. This enables it to maintain stable relations with workers. The company to some extent uses temporary work contracts, but they amount less than 1 per cent of all work contracts. All energy workers are covered by a collective agreement. The agreement covers approximately 3,000 employees.

The collective agreement lays down wages and bonuses. There is also compensation in the event of occupational accidents. According to the workers’ representative, the option of paying compensation in this way reduces the company’s incentive to invest more in workers’ health and safety.

**Working conditions: more occupational accidents**

Workers at Eesti Energia have satisfactory working conditions. They have changing rooms and showers. Some workers are given special working clothes (for example, electricians and clerical workers). However, working conditions differ significantly in different parts of Estonia and in different occupations. For example, the working environment of electricians in Mustvee (small town in Eastern Estonia) is much worse than that in large cities like Tartu and Tallinn. According to the company’s representative they strive to achieve common standards in relation to working environment throughout Estonia.

Eesti Energia has more occupational accidents than the other companies studied. This is not surprising for an enterprise involved in energy and oil shale mining. In 2003 there were 28 occupational accidents in Eesti Energia, approximately 3.5 occupational accidents per 1,000 workers.

In the case of occupational accidents Eesti Energia pays compensation if it the accident was down to the company. The amount of compensation is determined case by case in negotiations between company and employee. A fixed sum is paid, under the collective agreement, to help with funeral expenses in the case of an employee’s death in the amount of EIK 3,400. If an employee has worked longer than 10 years at the company they receive a EIK 1,700 bonus and free transportation. According to the workers’ representative this amount may even increase as the result of negotiations.
Working time: full availability requested for some occupations
Most workers work eight hours a day and only on weekdays. However, in some occupations (client support, emergency teams, and so on) workers have to be available 24 hours a day, seven days a week. Even here, however, the company follows the regulations on working time.

Eesti Energia uses overtime only in extreme cases (such as natural disasters and other emergencies) and only when both parties (employer and worker) agree. In the use of overtime the company tries to avoid exceeding the maximum working time per day stipulated by the law. According to the workers’ representative, overtime is quite common as a result of power lines going down. Workers are paid 30–40 per cent more for working longer hours in accordance with the collective agreement. Additional days off are not given in lieu of overtime.

Accidents and line breaks cause a lot of mental stress for staff who have to deal with hundreds of dissatisfied clients. In the case of breaks in electricity supply those who are responsible for repairing the supply lines have to work as long as is necessary to repair the lines and usually in extreme conditions.

Overtime is common among white-collar workers, especially top management. Managers work more than the eight hours stated in the work contract, although they do not seem to feel that too much is being demanded of them (Eesti Energia board members receive between EUR 7,000 and EUR 10,000 a month).

Work and family: a bonuses policy
The collective agreement states employees who have worked for the company for between two and five years shall receive extra holiday money in the amount of EEK 2,000 (EEK 3,000 for those who have worked more than five years). Employees who have worked more than one year for the company receive a Christmas bonus of EEK 1,700. In addition, employees completing 10 years with the company receive a bonus in the amount of 50 per cent of current wages.

On retirement employees receive a bonus, calculated as follows: if the person has worked for the company for up to five years they receive a payment in the amount of two monthly salaries; 5–10 years, three monthly salaries; and more than 10 years, four monthly salaries.

Eesti Energia also makes a one-off payment in the event of child birth in the amount of EEK 1,700. Female workers receive EEK 150 on Mother’s Day. At Christmas employees receive EEK 50 per child (up to 13 years old) in order to purchase presents. The firm is also obliged to spend up to EEK 200 per employee on sporting or cultural events.

According to the workers’ representative there have been no delays in payments. In his words Eesti Energia desires to maintain workers’ satisfaction.
The workers’ representative was unaware of any sex or age discrimination.

Social dialogue: not only unions but also workers’ participation
There is some employee involvement in company decision-making. Employees’ representatives sit on the Work Environment Council where workers can present their ideas on how to improve working conditions. The goal of the Work Environment Council is to work out proposals which are then forwarded to the local trade union representative who presents them to the trade union. The trade union discusses issues at regular meetings with top management. Workers’ representatives do not sit on the board of directors.

Wages and incomes: incentive payments
Wages are divided into three parts: basic salary, incentives and bonuses. The basic salary constitutes approximately 60 per cent of the worker’s total salary. In addition, employees get incentive payments based on performance and a collective bonus when all workers on a production line have performed well. The incentive payment is approximately 30–35 per cent of the wage. Bonuses are paid quarterly.

The company pays wages in accordance with Estonian law: employees receive the higher rates imposed for night and weekend work, and so on. The company was unwilling to reveal the wage level. Eesti Energia does not have financial participation.

Overall evaluation: towards competition maintaining good working conditions
Eesti Energia is a special case of a state monopoly. It is typical of a large company in that social dialogue is relatively well developed. In general, we got the feeling that people are satisfied with their working and wage conditions.

There are of course problems connected with regional differences and type of job. As Eesti Energia covers the whole country it has service points and branches all over Estonia. In the last five years, the company has invested a lot in infrastructure and services. However, in common with other sectors, developments start from larger population centres and the capital where the company has the majority of both business and private clients. Working conditions therefore differ considerably between large centres and the periphery. Hopefully, the company will be able to distribute its resources more evenly in the future and regional differences in working conditions will be reduced.

As regards problems with specific types of job, any break in electricity supply necessarily causes widespread dissatisfaction among customers. Those working in customer services and those responsible for repairs (emergency teams) are put under very high physical and mental pressure if something happens. For instance, during a major storm in January 2005 thousands of elec-
Electricity distribution points were put out of action (mainly because of fallen trees). It took more than two weeks to restore them. People worked in extremely difficult conditions from dusk to dawn. At the same time, customer service employees had to respond to thousands of calls. It is also important to mention that the public image of the company is not particularly positive (although it is making an enormous effort to improve it) because as a monopoly Eesti Energia has increased electricity prices a lot in the last five years in order to cover increasing investment costs.

5. Pindi Kinnisvara: From Foreign-Owned to Domestic Services Company

A peculiar ownership itinerary
Pindi Kinnisvara (PKV) was established in May 1995, and today it is one of the three leading real estate companies in Estonia. Turnover was EEK 21 million in 2004. PKV has offices in three Estonian cities, Tallinn, Tartu and Pärnu. Recently, they opened another office in Narva, in north-east Estonia. There are also plans to expand to other county centres (Rakvere, Paide and Kuresaare, for instance).

Initially, PKV was owned by Estonian private investors who did not participate in the everyday management of the firm. In 1997 four top managers bought out the firm from the previous owners.

From 1998 the new owners started to look intensively for foreign investors to expand their activities to other Baltic states. In March 2001 Norwegian and British investors acquired over 60 per cent of AS Pindi Kinnisvara. The new stockholders had been operating in the Baltic real estate market for a number of years. The ownership of Pindi Kinnisvara was divided into four: 40 per cent E-Venture (Norway/UK), 21 per cent Sunstone (Norway/UK), 24.5 per cent Elukool OÜ (Estonia) and 14.5 per cent ZR Investeeringud OÜ (Estonia).

In 2004 the Estonian owners decided to exercise their right to buy back the shares from the foreign investors and PKV again became a fully Estonian company. ZR Investeeringud today owns 100 per cent of the shares. According to the manager of the Tartu branch the very high profit expectations of the foreign owners had not been fulfilled.

PKV focuses on three main areas: real estate mediation, valuation, and administrative and maintenance services.

PKV has a lot of experience and good relations with their regular clients, providing a full range of professional real estate services. Their valuation department is well known and respected for its expertise. All Estonian banks, funds and other credit institutions accept Pindi Kinnisvara’s appraisal reports.

PKV represents a good example of a growing company in Estonia.
However, the Estonian market is too meagre for growing firms and many have expanded their activities to the other Baltic states. Pindi Kinnisvara established a new enterprise in Latvia called Realia in September 2001. They also have plans to expand their activities to Vilnius, Lithuania.

Pindi Kinnisvara currently has 120 employees: 100 in Estonia and 20 in Latvia.

Multiple work contracts
This description of work contracts concerns PKV staff in Estonia. Pindi Kinnisvara has different types of work relations with its employees. The main form is the regular employment contract. In addition, civil contracts (self-employment) are used by brokers (35 employees). Seven persons use a combination of self-employment and limited liability company membership (LLC, osaühing in Estonian): this applies to brokers who have worked in the field for a long time and for whom simple self-employment is not optimal for tax purposes. A combination of work contract and self-employment is used for persons working as both head of department (employment contract) and broker (self-employment). The work contract and osaühing combination is used for accountants.

Table 12 Structure of Work Contracts at Pindi Kinnisvara

<table>
<thead>
<tr>
<th>Form of contract</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work contract</td>
<td>48</td>
</tr>
<tr>
<td>Work contract plus self-employment</td>
<td>2</td>
</tr>
<tr>
<td>Self-employed</td>
<td>35</td>
</tr>
<tr>
<td>Self-employed plus limited liability company</td>
<td>7</td>
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<tr>
<td>Work contract plus limited liability company</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>96</td>
</tr>
</tbody>
</table>

Note: In Estonia there are two major types of limited liability company: the aktsiaselts is a typical joint stock company and its equity should be relatively high (minimum size EEK 400,000); the osaühing is intended for smaller activities and size of equity is 40,000. Brokers use the second type of firm, the osaühing.

Source: Interview with K. Roosiväli.

Conditions at work improved by the foreign investor
A major change took place in 2001 when foreign capital entered the company. Before 2001 all brokers were self-employed, but then the picture changed. The first priority, according to Chairman of the Board Kalev Roosiväli would be to transfer all labour relations into regular work-contract form; the second priority is to retain the combination of work contract plus osaühing (limited
liability company); the least preferred option is self-employment: about 60 per cent of real estate brokers are self-employed in Estonia. The total number of brokers is approximately 800, of whom 92 are licensed. PKV has 17 licensed brokers at the moment.

The variety of work contracts is due to both the management policy and workers’ preferences. On the workers’ side, self-employment means lower taxes, notably through the deduction of work-related expenses (office, transport, and so on). On the employers’ side, recourse to a civil contract or a service contract helps to reduce labour costs significantly.

**Working time unlimited and unrecorded**

Because of the particular nature of the activity employees not only use office space but also work at home. Some brokers use the so-called ‘hot desk’ system, where one or two office spaces are set aside for brokers who are currently in the office. The training consultant has special working conditions and time arrangements, as she has a two-year-old son: she can work at home using a teleworking arrangement. The training of brokers and other employees is web-based. Employees get teaching materials, test results and feedback via e-mail. Training takes place throughout the year; every month employees cover a certain amount of material and complete tests. If they fail, they have to pay for the training, otherwise the company covers the cost. Training is compulsory for brokers, because otherwise they would have great difficulty in the accreditation examinations.

Real estate is a typical task-oriented business, and as most brokers are still on civil contracts, working time is not recorded.

Moreover, there is no trade union in the company, which facilitates extreme forms of flexibility.

Only administrative staff (secretaries, assistants, marketing managers, and so on) have regular eight-hour working days. Unlimited working time means that there are persons who work maybe 50-60 hours per week, but there are also many people who work less than 40 hours. It is also possible to start work at 11 a.m. rather than 9 a.m. This provides some freedom and flexibility and helps to reconcile work and family life: going home earlier to take care of children who are arriving home from school, for instance. From the interview with the employee it appears that the number of hours per week is not so important: the point is to have enough work. People become stressed when there is not enough work, as their income depends directly on the number of transactions they mediate. So far, insufficient workload (low income) and/or low skills have caused some staff mobility.

Although most of the brokers are self-employed, the company pays holiday subsidies, despite the fact that it is under no legal obligation to do so.
Performance-related pay: to create the motivation to work even harder
Certain categories of staff have fixed wages, including secretaries, book keepers, marketing managers, and so on. Brokers are task-oriented: their income depends directly on their performance. The average company commission for mediation services (the dominant services are sales and purchases) was about 4 per cent (including VAT); 30-35 per cent goes to the broker.

If the fee exceeds a certain ceiling (currently EEK 10,000), the broker’s share increases to 45 per cent (of the amount exceeding EEK 10,000).

For experts dealing with real estate valuation payment is based on a piece-rate. They receive on average 20-30 per cent of the total fee paid to the company. A short interview with one such evaluator, who has worked at the company almost from the beginning, convinced us that he was happy with the piece-rate system. In some months, he works harder and then relaxes, distributing work among colleagues.

Local branch managers receive 5 per cent of additional turnover compared with planned turnover.

The company made its book keeping fully transparent after the involvement of foreign capital. Before that, double book keeping was common, there was a large cash reserve, some people received ‘envelope wages’, VAT was not always paid, and so on. According to a representative of the Tartu branch, more than half of real estate firms pay ‘envelope wages’. Many are very small (though such companies account for about one-third of industry turnover).

Overall evaluation: diversified ownership for better working conditions
Pindi Kinnisvara represents a typical professional firm. Firms in this field use multiple contracts, working time is not limited, no trade unions are involved, wages are performance oriented, and so on.

There are still a lot of cash transactions in the field and this allows firms to pay unreported salaries. It is interesting to follow the development of the firm. It is not typical that a company initially based on Estonian capital and then taken over by foreign capital was subsequently bought out again by local capital (managers). It is also interesting that the involvement of foreign capital led to changes in book keeping and labour contracts. The firm’s activities became more transparent. The intention is to implement more regular labour contracts. After being taken over again by Estonian capital this situation did not change. Positive changes are continuing or at least there has been no return to former conditions.

On the one hand, it might be expected that the piece-rate wage system, unlimited working hours and task-oriented bonus system would cause extra stress and dissatisfaction. Our interview did not show this. One explanation could be that those who were dissatisfied have already left the company and those who remained have adapted themselves to conditions.
On the other hand, it was stressed several times that flexible working time helps people to combine working time and family life better, to work and study at the same time, and so on.

One negative feature mentioned was lack of information. People in local branches were not always informed about future plans and developments in the capital. It seems that information flows from top to bottom and that the information flow from bottom to top is not organised in the best way, leading to some dissatisfaction. It is probably also typical of a professional firm with mostly white-collar workers who have usually completed a university degree. We understood from our earlier case studies that white-collar workers care more about the future of the company.

In a way, PKV is an exceptional firm in the real estate business. Only a few larger firms in the sector have followed the same path so far. In the majority of companies envelope wages are paid, labour contracts are missing, VAT is not paid, and so on. However, the company does serve to indicate what direction the sector is moving in and how important it is to involve foreign capital in order to progressively improve conditions at work.

6. Special Cases

A somewhat restricted view of working conditions
In some cases we had access only to workers; management refused to give an interview (catering, furniture restoration) or gave very limited and formal answers (Pensions’ office) or we used data from other studies, as in the case of the mining company.

What are the main findings? The case of the mining company showed us that in declining industries, such as mining, people still live in the past and their dissatisfaction derives from the decline of their real income and declining status. While during Soviet times it was relatively prestigious to work as a miner, mainly because of the high income, today being a miner means that one is likely to be unemployed because a large part of the mining industry has closed down.

The examples of the small pub and the furniture restoration company illustrate how people in the service sector are forced to accept bad working conditions and unofficial wages. Due to high competition firms try to keep labour costs as low as possible. On the other hand, unemployment among poorly qualified people is still relatively high and people accept poor conditions in order to get a job. Workers at the furniture firm admitted that in many cases they have been too passive in demanding better conditions. In such circumstances it is also difficult to unionise people. The Labour Inspectorate could play a bigger role, but at the moment their lack of financial and human
resources prevent them from covering all small and micro firms in the service sector.

The case of the Pensions’ department illustrates relatively well how in certain cases management can just ignore the trade union. Using the majority vote principle all decisions are made in favour of the management. Because civil servants (those working under the Public Service Law) have no right to strike workers cannot protect their rights and cannot put pressure on management.

6.1 Mining Company (A)

The study was conducted at Estonian enterprise A which consists of a parent company and subsidiaries. The group also includes a railway enterprise and a mining machinery enterprise. All in all, the group has 4,700 employees. It is one of the biggest companies in Estonia and is located in north-east Estonia where the majority of the population is Russian-speaking, which is reflected in the composition of the workforce.

The study was conducted in June 2004, and 670 employees participated.

<table>
<thead>
<tr>
<th>Company</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D (Pensions’ department)</th>
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<td>furniture</td>
<td>government</td>
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<td>and workers’</td>
<td>strong trade union</td>
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<td>participation</td>
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<td>Employment contracts</td>
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<tr>
<td>Health and safety and other conditions</td>
<td>Have improved</td>
<td>poor</td>
<td>poor</td>
<td>good</td>
</tr>
<tr>
<td>Wages</td>
<td>official but workers are not satisfied with them</td>
<td>unofficial wages</td>
<td>unofficial wages</td>
<td>lower than average, dissatisfaction</td>
</tr>
</tbody>
</table>
The average age of the respondents was 41.9 years and age composition was as follows: 2.1 per cent of respondents were 15-24 years old; 50.9 per cent were 25-49 years old; 19.0 per cent were older than 50; and 28.1 per cent did not indicate their age. The gender composition was as follows: 66 per cent men and 23 per cent women; 11 per cent of participants did not indicate their gender. Most respondents were non-Estonian (50.6 per cent), 9.9 per cent were Estonians and 39.8 per cent did not indicate their nationality.

In terms of status there were three categories: workers (45.2 per cent), specialists (30 per cent) and managers (11.6 per cent); 13.2 participants did not indicate their status. The respondents were also divided into three educational levels: 0.9 per cent had a primary education; 27.3 per cent a secondary education and 60.9 per cent of respondents a tertiary education; 10.9 per cent of respondents did not indicate their education.

The research methodology was developed in two stages. First, interviews with nine employees were held in order to evaluate the overall situation and to determine what aspects were relevant to the survey. Second, the questionnaire was compiled, comprising the following parts: organisational culture, job satisfaction, communication, and motivation. We shall consider only part of the questionnaire.

Analysing the results of the survey it appears that most dissatisfaction concerns wages: more than 50 per cent of workers are absolutely dissatisfied or dissatisfied. If we add 'rather dissatisfied' three-quarters of workers are not satisfied with wages. In terms of occupational distribution workers are more dissatisfied than specialists and specialists are more dissatisfied than managers; non-Estonians are more dissatisfied than Estonians and males are more dissatisfied than females.

The main dissatisfaction derives from the fact that miners were relatively well-paid during the Soviet era. They still receive a higher wage than the national average, but as living costs have increased and there are new and extra costs which were merely symbolic during the Soviet era, or were covered by the company, their relative income has declined.

As regards health and safety conditions, the majority of people are satisfied, young people are relatively less satisfied, and older workers are relatively satisfied.

The catering facilities are found least satisfactory by primary age (25-49) male workers, but the young age group is more satisfied.

Finally, the training offered by the company seems to be acceptable to older employees, while more than 40 per cent of young employees are not satisfied. Estonians are less satisfied and females are more dissatisfied.

To summarise, it seems that young people are more critical than older employees. Perhaps this generational difference is due to older workers comparing current with former, more difficult conditions. Younger people only
know the current situation. Unfortunately, we do not have a better explanation because we used a study conducted by others for this example. Workers are relatively more dissatisfied than specialists and managers.

6.2 'Pub' (B)

Company profile: a small pub situated in the central city of Tartu which has just opened. All the money invested by the owners went into construction and redecoration. The owners would like to recover their investment as soon as possible, so the manager must maximise profits; however, because it is a small pub and they want to attract as many customers as possible they cannot raise prices too high.

Workers have to wear special uniforms at work but they do not have a changing room - they must change in the kitchen. There is no shower, either. In order to keep labour costs low waitresses also have to do cleaning between their duties waiting table. However, this is not included in their work contracts and of course it is hardly hygienic. Workers receive most of their wages unofficially ('envelope wages').

Nevertheless, the workers are satisfied, perhaps mainly because of the high unemployment among people with only a primary education in Estonia. Workers are unwilling, for example, to complain to the Labour Inspectorate because in that case the pub would probably be closed and they would lose their job. At the same reason people are not unionised; if they started to organise they would be dismissed. Secondly, firms in this sector are relatively small and it is difficult to get the minimum of five people needed to start a union branch. The overall labour market situation in Estonia must improve before working conditions can be improved. It seems that unofficial payments are widespread in catering. According to the estimates of managers in this area 50-70 per cent of wages are unofficial, mainly in order to keep wage costs low.

6.3 Furniture Restoration Company (C)

Company profile: typical Estonian small enterprise with turnover of around EUR 200,000 and profits of around EUR 15,000. The company employs 7 persons and operates in the manufacturing sector. Main activity is the restoration of antique furniture. Products are marketed only in Estonia. There are approximately 15 similar enterprises in Estonia, not including freelance restorers. The market for restored furniture is very narrow. Most of the work cannot be automated, reducing productivity. Labour costs are the main cost for the enterprise and wages are paid on an hourly basis. The nature of the work makes it very hard to measure worker efficiency, for example, for the purpose of introducing incentive schemes.
Officially, the company pays workers only a little above the minimum wage of around EEK 3,000 or EUR 180 per month; unofficially, they receive the same amount again. Even the managing director receives half his salary in cash. The main reason for this is that most customers pay in cash. It is therefore not difficult for the company to declare a much lower turnover to the tax authorities than is really the case.

Although most customers, in the nature of things, earn well above average wages they are quite sensitive to price changes. Also, competition is fierce: if one company raises prices customers turn to their competitors.

If the company paid all due taxes and contributions (VAT, social security and corporation tax it would quickly go bankrupt. The workers are well aware of this and quite rationally prefer unofficial payments, with all their disadvantages, to unemployment. This contributed to induce the employer to develop the 'envelope pay' practice.

According to the respondents, elementary work equipment such as respirators, gloves, and so on are provided by the company at the employees’ request, but other important standards are not complied with: for example, varnishing and polishing are carried out in a room with no ventilation. The situation could be changed if the Labour Inspectorate had more resources. It seems to us that they inspect mostly large and medium-sized firms and have much less time and resources to inspect small firms. It seems, on the other hand, that the tax authorities have obtained more human and financial resources, with the result that the general proportion of envelope wages has declined in Estonia. We hope that in future the Labour Inspectorate will receive more government attention and have more resources to deal with small companies.

As in the case of the 'Pub', high unemployment in Estonia means that people, particularly the middle-aged, are willing to put up with suboptimal working conditions. Until the overall situation improves, workers’ hands are tied.

6.4 Social Insurance Board (D)

Background
The Social Insurance Board (SIB) was established on 1 February 1993. There are four regional offices and 15 local pension departments. The main task of the Social Insurance Board is the organisation and coordination of the award and payment of state pensions and benefits through its local offices (pension departments).

There are about 370,000 retired persons in Estonia, more than 100,000 with special needs, and about 200,000 families with children.

Currently, around EEK 9.7 billion is distributed by the Social Insurance Board, which employs 721 persons.
This case study is based on observations made at one local branch: Pärnu pension department. Pärnu has one regional centre, Pärnu Pensioniamet (which covers four county-based departments), and one local department. The number of workers at the regional centre is 4 and in the Pärnu Pension department 30 (22 of whom belong to a trade union). All employees are women and are hired under the terms of the Public Service Act, meaning that they are public employees.

**Working time**
Overtime is rare. There are no special arrangements concerning work and family: for example, teleworking is not possible due to data protection laws.

**Wages**
Wages are below the national average. Average wages, according to the trade union representative, are between EKE 4,500 and 5,000 per month (national average is about EKE 7,000). In 2004 wages were due to rise, but jobs at the Ministry of Social Affairs are among the most badly paid. Some employees receive bonuses of around 30-35 per cent for new tasks and particular functions: for instance, when the so-called ‘parents’ salary’ (maternity payments) was introduced, the officials dealing with it received a bonus for the additional work. We noted here that the salary increases which characterise the public sector come mostly from the opening of new positions. Usually, new positions opening in different government institutions require highly skilled and well educated workers (mostly white-collar workers) and this has pushed the average salary level up. For the majority of blue-collar workers, salaries have remained almost unchanged for the last five-six years.

**Trade union**
A number of benefits are laid down in the collective agreement. Working time and holidays:

- Extra holidays (maximum 5 days) are available during the winter: most people use them at Christmas.
- Working days are shorter before national holidays.
- If a family member dies the employee receives three free days off.

**Other provisions**
The employer provides a free medical every three years, with a number of other benefits. The collective agreement contains a number of provisions concerning information and consultation, but according to the trade union representative they are very formal and not always implemented. For instance, the trade
union representative sits on the company Wage Committee, alongside seven management representatives and one employees’ representative. Since all decisions are taken by majority vote the management’s will inevitably prevails. The management likes to portray this arrangement as ‘workers’ participation in company decision-making’. Also relevant here is the fact that the final wage agreement was different from the draft discussed by the Wage Committee, and the trade union representative was not informed of the changes.

Something of an innovation in this department is the payment of an incentive component in the wage. In accordance with the law there are also bonuses related to number of years in the job: 5-10 years, 5 per cent (of basic wage), 10-15 years, 10 per cent, and more than 15 years, 15 per cent. According to a new wage agreement (the changes were not accepted by the trade union), however, the head of department is entitled to reduce the incentive portion when an employee moves from one category to the next, so that the final wage remains unchanged. This seems to be blatantly unfair, if not illegal, since the whole point of the bonuses is to increase the wages of more experienced employees.

According to Estonian legislation persons who work subject to the Public Service Law have no right to strike, so they have no possibilities to protect their rights.

CONCLUSION

Fixed-term contracts are relatively more frequent in Estonia compared to candidate countries and other EU member states, while self-employment is relatively lower and the use of temporary agency contracts limited. In many cases, employers achieve employment flexibility by means of verbal agreements and supplementary agreements which reduce job protection. One possible reason for such supplementary agreements is Estonia’s relatively employee-friendly labour legislation (Eamets and Masso 2003), although tax avoidance is another strong motivation (for example, in the case of verbal agreements). The importance of the latter consideration is underlined by the proportion of people receiving so-called ‘envelope wages’, which according to WLB was 19 per cent of the workforce in 1999 and 10 per cent in 2002.

Working conditions are much better in large companies which usually have trade unions and a collective agreement, and labour law tends to be observed.

The situation is rather different in small and micro firms, mostly in the service sector. Catering, hotels, small shops, personal services, and so on, are typically characterised by poor working conditions and wages. The share of ‘envelope wages’ is particularly significant in the restaurant sector, but also in
construction. There are no trade unions in the construction sector. The economic context would tend to explain the trade-off between preservation of jobs and workers’ acceptance of adverse working conditions. We saw this clearly in the case of our multinational company and in small firms in the service-sector case studies.

Our case studies show that working conditions were generally satisfactory in large firms. Estonia is a very open economy and the share of foreign capital is relatively high. Foreign owners tend to favour financial transparency and better observation of the law: the head of the real estate business, for example, mentioned that bookkeeping became much more transparent after Norwegian and UK capital entered the firm. Although the original owner later bought the company back, the new attitudes and culture were retained.

Finally, a number of factors influence working conditions in a small, open economy like Estonia.

- General economic expansion and concentration of firms will mean that the proportion of medium-sized and large companies will increase in the future. As we have seen, large companies take better care of their workers and workers are more organised in these companies.
- In general, the trade unions are very weak at the moment, although they have become more visible during the last couple of years: there have been a few relatively large strikes and there has been more media coverage. This has not yet led to membership growth, but in our opinion the trade unions will gain in strength in Estonia.
- Reality at firm level seems to be confirming the multiplicity and diversity of work contracts, sometimes for the same employee in the same company, something that makes it even more difficult to attain transparency and for workers’ representatives to act effectively on working conditions. In particular, recourse to civil contracts and self-employment is a way of escaping labour legislation.
- The openness of the economy means that the share of foreign capital will increase. However, we have seen that this promotes financial transparency and better working conditions. On the other hand, multinationals, because they face international competition, have also brought more shift work, more intensive use of working hours and less integration of family and working life.
- In small firms, especially in the service sector, tax violations are still very common and a large proportion of workers receive unreported payments. Although income tax is relatively low in Estonia today general labour taxation is relatively high, and firms try to reduce labour costs by paying ‘envelope wages’. Otherwise it would be very difficult to survive. It is therefore a complex issue and requires complex solu-
tions: if only a few firms follow the regulations, they will simply be pushed out of the market by their dishonest competitors.

- Last but not least, the tax authorities and the Labour Inspectorate are becoming more effective. As the threat of sanctions increases small companies will gradually improve working conditions and implementation of the law. The Labour Inspectorate still has limited resources and know-how, and are unable to reach micro firms effectively. There is still a gap between legislation and implementation, something that may become even more glaring in future with the need to implement EC directives.
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PART I NATIONAL ASSESSMENT

1. WHAT USE OF SELF-EMPLOYMENT, PART-TIME AND SECONDARY JOBS?

Self-employment: the only Baltic country in which it is declining
Figure 1 summarises recent trends in self-employment, part-time employment and multiple jobs. Since 1997, the share of self-employed persons (employers and own-account workers) in Latvia has dropped from 13 to less than 10 per cent, which is below the level found in most new member states, except Estonia and the Slovak Republic. The decline was driven by the reduction in agricultural self-employment (in 2002 only 30 per cent of the self-employed worked in agriculture, compared with 45 per cent in 1997). Figure 2 compares the incidence of self-employment and its trends in the three Baltic countries. It appears that Latvia is the only one in which self-employment has declined. Self-employment in Latvia is much more common in rural areas, where it is dominated by own-account workers, while in towns and cities most of the self-employed are employers (Figure 3). However, the share of professionals among the self-employed increased from 2.2 per cent in 1997 to 5.1 per cent in 2002.

Part-time work: underemployment or a voluntary choice?
The proportion of part-time workers declined from 13 per cent in 1997 to less than 10 per cent of all workers in 2002, but has increased somewhat since then (10.3 per cent in 2003 and 10.2 per cent in the first 9 months of 2004). While the decline in part-time employment was particularly strong for men (see Figure 1), the contrast between Latvia and EU-15 is especially sharp for women. Only 13 per cent of women workers are part-timers in Latvia, while in EU-15 this proportion is 30 per cent. However, in other CEE countries, except Romania and Poland, the proportion of part-time workers is even lower than in Latvia, in some cases substantially.
Source: Author’s own calculations based on LFS.

Figure 1 Self-Employment, Part-Time Employment, Underemployment, and Secondary Employment (% of employment), 1997–2003, Latvia

Figure 2 Self-Employment in the Baltic Countries, 2000–2003
Part-time employment is an important way of enhancing labor market flexibility, so the relatively low share of part-time workers, together with low youth activity rates might suggest that there are too few part-time jobs on offer for young people. Part-time work, however, does not only indicate labor market flexibility. Although the proportion of part-time workers who would have preferred to work full-time in their main job has declined substantially since 1999, it is still about 40 per cent. Such acceptance of fewer than desired hours of work is one of the most common definitions of underemployment. In all age groups, only a minority of jobseekers report preferences for part-time jobs (Table 1). The probability of having a part-time job as the primary job is decreasing with education. Thus it appears that part-time main job employment in Latvia is largely a result of a shortage of full-time jobs. In 2003, only 9 per cent of part-time working men and 25 per cent of their female counterparts indicated family and personal reasons for not working full-time (preliminary figures for 2004 are even lower).

**Multiple jobs on the rise in 2001–2003**

*Multiple jobs* play an important role. The number of part-time jobs in the economy greatly exceeds that of part-time workers. Apart from those whose main job is a part-time one, more than 7 per cent of those employed in 2002–2003 have at least one (typically more than one) secondary job (LFS data). This is a substantial increase compared to 1998–2001 (see Figure 1). This increase is likely to be associated with the introduction (June 2002) of the new Labour Law which excludes the possibility of having, for example, an additional half-time contract with the same employer (this frequently
meant just working more hours in the same job without being paid overtime), as well as the strengthening of the Labour Inspectorate. However, in 2004 the incidence of secondary jobs declined to 6.4 per cent of all employed (first 9 months of year). The prevalence of secondary jobs is probably underestimated in the LFS because respondents on whose behalf information was given by another household member report a second job 1.5 times less frequently than those interviewed directly. Second jobs are typically part-time.

2. FIXED-TERM CONTRACTS AND VERBAL AGREEMENTS WIDESPREAD

Among the highest shares of temporary contracts
The Latvian Labour Code (since July 2002) makes it illegal to keep an employee on a temporary contract for more than two years. Moreover, the law restricts temporary and seasonal employment to specific work areas (the list is approved by the government but undergoes modifications from time to time). Despite this, Latvia has one of the highest shares of temporary and seasonal employees among the new member states (Figure 4). In 2002 this share has reached 14 per cent, according to LFS; in 2003 it fell to 11 per cent, but among new member states this proportion was higher only in Poland, Slovenia and Cyprus.

Other sources quote figures which deviate from this level substantially. This is the case particularly for the European Foundation’s survey of working conditions in 2001, based on a sample of just 770 employees, which puts this
**Figure 4** Temporary Employment in the New EU Member States, 2003 (% of all Employees), Latvia

**Source:** Eurostat.

**Figure 5** Proportion of Employees with Fixed-Term Contracts by Age, 2002, Latvia

**Source:** Author’s own calculations based on LFS data.
proportion at 23 per cent, plus additional 7 per cent on temporary agency contracts. Both numbers – especially the second one – are implausibly high. The first temporary agency firm in Latvia was founded in 2002, and even now it employs, on average, a full-time equivalent of less than 20 workers. The other two or three agencies are even smaller. An investigation of the European Foundation’s primary data confirms that something went wrong in relation to this question.  

The incidence of fixed-term contracts is highest for teenagers, followed by young and older workers (Figure 5). However, more than three-quarters of temporary workers belong to the prime age group. Just 21 per cent of temporary employees in 2002 were non-manual workers, while for permanent employees this proportion was 44 per cent.

We have estimated an earnings equation (trying to identify the explanatory variables of earnings) whose results suggest that employees on fixed-term contracts in Latvia receive net wages 12 per cent lower than similar permanent workers (Hazans, 2005, Appendix, Tables 24–25).

Oral agreements a Latvian practice
While it is well known that perceived job security for temporary workers is substantially lower than for permanent ones (see, for example, OECD, 2004, Chart 2.8), workers with verbal agreements or with no contracts at all are of course the least protected. The Latvian LFS does not provide information on work without written contracts, but according to the Living Conditions Survey NORBALT II (1999) more than 9 per cent of employees did not have a formal contract: 4 per cent worked with a verbal agreement, while 5.1 per cent did not have any contract (according to the same survey, the incidence of work without a written contract in Estonia and Lithuania was below 7 per cent). Workers without contracts were found in all age groups and many sectors (agriculture, manufacturing, construction, trade, transport, business activities and other services); 40 per cent of these workers were women. NORBALT data are consistent with the Working Life Barometer, according to which the incidence of work without a written contract was 8 per cent in 1998 and 10 per cent in 2002 (Antila and Ylostalo, 2003, p. 144). Since then, the situation has perhaps improved, but the issue of illegal employment remains current. In 2003, the Labour Inspectorate (SLI) found 477 employees without work contracts (a drop in the ocean if one believes that the real incidence is about 10 per cent), including 92 just in just one enterprise and 22 in another (SLI Latvia Annual Report, 2003). In 2004 no-contract employment was announced as the top priority of the Labour Inspectorate, but the number of discovered cases was not large (367 in the first six months), not least because

1. Details are available on request.
detection is extremely difficult. Inspectors refer to construction (including of course renovation) and retail as the sectors with relatively high shares of illegal employment.

3. ATYPICAL WORK: SIGNIFICANT COVERAGE

Between 20 and 25 per cent of employees of both genders are engaged in shift work in Latvia. This proportion has remained more or less stable since 1997. On top of this, about 15 per cent of male employees and about 9 per cent of their female counterparts work irregular hours (the latest available data refer to 2001). About 15 per cent of men and more than 10 per cent of female employees worked on average 12 hours or more per day during the survey week (only days actually worked counted; some members of this group work either not every week or less than five days a week). (See Figure 6.)

Figures 7 and 8, using LFS 2002 data, document a very substantial incidence of night and evening work, as well as weekend work. These two types of schedule frequently overlap: 44 per cent of those working some nights tend to work at least four out of eight weekend days.

![Graph showing proportion of employees with atypical work schedule, 1997–2003, Latvia](image)

*Source: Author’s own calculations based on LFS data.*

*Figure 6  Proportion of Employees with Atypical Work Schedule, 1997–2003, Latvia*
Source: Author’s own calculations based on LFS data.

Figure 7 Incidence of Working at Home, Shifts, Evening and Night Work by Frequency (Out of Four Weeks) and Gender, 2002, Latvia

Source: Author’s own calculations based on LFS data.

Figure 8 Employees by Weekend Work (Out of Four Weeks), 2002, Latvia
4. LONG WORKING HOURS AND OVERTIME: HIGH AVERAGES

Working longer than in other EU countries
Both LFS data and Working Conditions Survey data indicate that employees in Latvia work on average longer than in other EU countries. This is true for full-time employees (43.3 hours per week in 2003, second only to Iceland), as well as for part-timers (25 hours per week). Moreover, for full-time employees aged 15–64 average usual weekly hours display an increasing trend since 2001 (Table 2).

Table 2 Average Usual Weekly Hours Worked (Employees Aged 15–64), 1999–2003, Latvia

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>40.3</td>
<td>40.1</td>
<td>41.1</td>
<td>41.9</td>
<td>42.0</td>
</tr>
<tr>
<td>Men</td>
<td>40.7</td>
<td>40.1</td>
<td>41.2</td>
<td>42.5</td>
<td>43.0</td>
</tr>
<tr>
<td>Women</td>
<td>39.9</td>
<td>40.2</td>
<td>41.0</td>
<td>41.3</td>
<td>41.0</td>
</tr>
</tbody>
</table>

*Source:* Author’s own calculations based on LFS data (quoted from Latvian National Employment Plan 2004, p. 69).

Thirteen per cent of employees work 50 or more hours per week in the main job; almost a quarter work at least 45 hours. Table 3 presents the sectors in which long working hours are most common (figures depend to some extent on the relevant thresholds).

One-third of the employees working at least 50 (or at least 45) hours per week are concentrated in trade and construction, and another 30 per cent in six other sectors (see Table 4).

According to LFS, the proportion of employees who worked more than their usual hours during the survey week due to paid or unpaid overtime was 3.5 per cent in 2002 and 2.6 per cent in 2003; males and temporary workers were on average more likely to be found in this situation (Table 5). This measure refers to what can be called occasional overtime; it clearly underestimates the true incidence of overtime work because it does not capture cases in which the employee regularly works, say, 9 hours a day instead of 8. Indeed, 13.5 per cent of all employees usually work at their main job at least 50 hours a week (Table 3); they are obviously working overtime, and 96.4 per cent of this group did not fall into the occasional-overtime category in 2002. Table 5 also reports that in most cases (about 70 per cent) occasional overtime work is involuntary.

Another source of information on overtime is the earnings structure survey.
### Table 3 Sectors with Highest Shares of Long Usual Working Hours, 2002, Latvia

<table>
<thead>
<tr>
<th>Sector and Related</th>
<th>% of Employees within Sector</th>
<th>2002</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water transport</td>
<td></td>
<td>51</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Hotels &amp; restaurants; Trade; Construction</td>
<td>30 to 38</td>
<td>22 to 23</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Computer and related activities; Business activities</td>
<td>30</td>
<td>20 to 23</td>
<td>11 to 19</td>
<td></td>
</tr>
<tr>
<td>Manufacturing of furniture and food products</td>
<td>30 to 31</td>
<td>19 to 23</td>
<td>14 to 16</td>
<td></td>
</tr>
<tr>
<td>Fishing</td>
<td>23</td>
<td>21</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Forestry</td>
<td>30</td>
<td>18</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Mining; Manufacturing of other transport equipment</td>
<td>34 to 38</td>
<td>14 to 17</td>
<td>19 to 23</td>
<td></td>
</tr>
<tr>
<td>Land transport and pipelines; Auxiliary transport activities; Manufacturing of wood products</td>
<td>30</td>
<td>11 to 14</td>
<td>13 to 18</td>
<td></td>
</tr>
<tr>
<td>All sectors (average)</td>
<td>23.3</td>
<td>13.5</td>
<td>15.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author's own calculations based on LFS data.

### Table 4 Sectors with Highest Prevalence of Long Usual Working Hours, 2002, Latvia

<table>
<thead>
<tr>
<th>Sector's Share (%) among All Employees Usually Working</th>
<th>≥50 hour per week</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002</td>
</tr>
<tr>
<td>Trade</td>
<td>23.9</td>
</tr>
<tr>
<td>Construction</td>
<td>10.1</td>
</tr>
<tr>
<td>Manufacturing of food products</td>
<td>5.6</td>
</tr>
<tr>
<td>Land transport and pipelines</td>
<td>5.2</td>
</tr>
<tr>
<td>Forestry</td>
<td>4.7</td>
</tr>
<tr>
<td>Health and social work</td>
<td>4.7</td>
</tr>
<tr>
<td>Public administration</td>
<td>4.5</td>
</tr>
<tr>
<td>Hotels &amp; restaurants</td>
<td>4.3</td>
</tr>
<tr>
<td>Other</td>
<td>37.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author's own calculations based on LFS data.
of enterprises carried out in October 2002 (see Central Statistical Bureau of Latvia, 2004). This source is problematic in that actually paid overtime hours are included. Even so, the incidence of reported overtime work in a representative sample (almost 10,000) of manufacturing workers available for analysis was 12.5 per cent. Antila and Ylostalo (2003, p. 137) report that in their Working Life Barometer survey 39 per cent of wage earners usually work overtime (about 11 hours per week on average, 12 for men and 10 for women), and half of them are not compensated for it.

Table 6 compares the determinants of: (1) systematic overtime (usual weekly hours ≥50; LFS) in all sectors; (2) systematic overtime in manufacturing (LFS); (3) paid systematic overtime in manufacturing (paid overtime ≥20 hours per month; Earnings Survey); (4) paid overtime in manufacturing (at least one hour of paid overtime in October; Earnings Survey); (5)–(6) occasional overtime in manufacturing and in all sectors (LFS).

There is no significant difference between genders in terms of occasional overtime, as well as in terms of being paid for some or even for a large number of overtime hours; however, females are less likely to regularly work more than 50 hours a week than otherwise similar men.

**Temporary workers doing more unpaid overtime**

Other things being equal, temporary workers are much more likely to be engaged in occasional or regular overtime work, as well as to be paid for a large number of overtime hours. On the other hand, they are less likely to be paid for overtime in general. This suggests that temporary workers, other things being equal, are to a larger extent subject to unpaid occasional overtime work. In manufacturing, short tenures are associated with a higher
propensity to work 50+ hours per week, but also with a lower propensity to be paid for overtime.

To some extent this applies also to part-time workers in manufacturing: they do not differ from full-time workers in their propensity to work overtime occasionally, but are significantly less likely to have paid overtime.

Social dialogue making overtime being paid
After controlling for other factors, manufacturing workers are significantly more likely to receive overtime pay when the firm is covered by a collective agreement. It is plausible to assume that overtime work as such is more widespread in the uncovered sector, so it seems that the presence of a trade union improves workers’ prospects of being paid for overtime work.

Some categories more exposed to overtime
Other things being equal, middle-aged workers in all sectors have the highest propensity to work overtime occasionally or systematically (predicted probability in columns (1), (2), (5), and (6) of Table 6 peaks between 38 and 44 years of age).

As far as occupations are concerned, managers, service and sales workers, and semi-skilled manuals are most likely to bear a heavy regular overtime load when all sectors are considered, but it is not the case in manufacturing (here semi-skilled manuals even have a lower propensity to work long hours). Occasional overtime differences between occupations are smaller; unskilled manuals and service workers are less exposed, while semiskilled manuals are more exposed than others.

The results in columns (2)–(5) also suggest that professionals, associated professionals and unskilled manual workers in manufacturing are subject to unpaid occasional overtime.

Plant size does not have any impact on employees’ propensity to work overtime, be it occasionally or regularly. Models in Table 6 do not control for size, but when such control is included in models (3) and (4) it appears that workers in large firms are significantly more likely to receive overtime pay (other effects do not change qualitatively). This suggests a high incidence of unpaid overtime in small firms.

No enforcement of legislation on overtime and night work
The Latvian Labour Code stipulates overtime premiums of at least 100 per cent and premiums for night work of at least 50 per cent. Comparison of Table 7 with the information presented in Figure 7 and Table 3 on the incidence of long hours and night work suggests that this was rather far from being enforced in October 2002.

While the above results refer to 2002, experts interviewed at the beginning
Table 6: Determinants of Long Hours and Overtime Pay, 2002, Latvia

<table>
<thead>
<tr>
<th>Dependent variable Y=1, if hours ≥ 50 overtime ≥ 20 hours paid per month</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sectors covered</td>
<td>All</td>
<td>Manufacturing</td>
<td>Manufacturing</td>
<td>All</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observed mean Y</td>
<td>0.166</td>
<td>0.151</td>
<td>0.050</td>
<td>0.125</td>
<td>0.043</td>
<td>0.035</td>
</tr>
</tbody>
</table>
| Variables | Marginal effects \( \frac{dP}{dx} \)
| Age 100 b | 0.012*** | 0.009* | 0.000 | -0.001** | 0.007** | 0.003*** |
| Age squared/100 b | -0.016*** | -0.011* | -0.009** | -0.003** |
| Female | -0.081*** | -0.052*** | -0.003 | -0.013 | 0.002 | -0.004 |
| Temp. worker | 0.020* | -0.019 | 0.017** | -0.032** | 0.062*** | 0.030*** |
| Part-time worker | NA | NA | NA | -0.023** | 0.018 | -0.006 |
| Tenure b | -0.004*** | 0.001*** | 0.001** |
| Collective agreement | NA | NA | 0.012*** | 0.036*** | NA |
| Public ownership | -0.061*** | -0.027 | NA | NA | -0.019 | -0.011* |
| Occupation (vs. skilled manual workers) | |
| Managers | 0.048** | 0.010 | -0.033*** | -0.073*** | 0.001 | 0.003 |
| Professionals | -0.018 | -0.079** | -0.032*** | -0.078*** | -0.004 | 0.010 |
| Associate professionals | 0.010 | -0.012 | -0.021*** | -0.050*** | 0.008 | -0.005 |
| Clerks | -0.037 | -0.019 | -0.012 | -0.013 | -0.017 | -0.007 |
| Service, shop and market sales workers | 0.068*** | -0.011 | 0.021 | 0.003 | -0.017 | -0.021*** |
| Plant and machine operators | 0.033** | -0.045** | -0.005 | -0.003 | 0.016 | 0.013* |
| Elem. occupations | 0.000 | -0.036 | -0.009 | -0.040*** | -0.009 | -0.013** |
| Other controls | Sector of economic activity, worker’s education |
| Data source | LFS | LFS | ES | ES | LFS | LFS |
| No./observations | 8049 | 1579 | 8352 | 9549 | 1632 | 8555 |
| Pseudo R-squared | 0.091 | 0.054 | 0.163 | 0.147 | 0.075 | 0.046 |

Notes:

- Part-time workers are excluded from the sample.
- Age-squared and tenure included only when significant.
- Marginal effect of a dummy variable is a change in predicted probability, \( P \), when the variable changes its value from 0 to 1. For a continuous variable, e.g. \( x = \text{age} \), marginal effect is \( \frac{dP}{dx} \). Effects are calculated at mean values of independent variables.
- ***, **, * indicate that underlying coefficients are significantly different from zero at 0.01, 0.05, 0.10 level respectively.
of 2005 (trade union leaders, representatives of the Ministry of Welfare and the Labour Inspectorate) admitted that unpaid overtime is still not unusual, especially in small enterprises and the uncovered sector, although its incidence has somewhat declined.

According to the experts, compensation for night work is typically being paid, although violations also happen.

**Occupational differences in working hours and wages**

Further analysis by occupation relies on the annual October Survey on Occupations carried out by the Central Statistical Bureau.

Average actual number of worked hours per week for the largest share of occupations is significantly lower than 40 because both full-time and part-time workers on their main job were included. Figures 9–12 summarise the

<table>
<thead>
<tr>
<th>Occupations</th>
<th>Earnings related to overtime, % of total</th>
<th>Special payments for shift work, % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Legislators, senior officials and managers</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Professionals</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Technicians and associate professionals</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Clerks</td>
<td>0.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Service workers and shop and market sales workers</td>
<td>0.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Skilled agricultural and fishery workers</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Craft and related trades workers</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Plant and machine operators and assemblers</td>
<td>1.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Elementary occupations</td>
<td>0.8</td>
<td>0.8</td>
</tr>
</tbody>
</table>

**Notes:** Sectors covered: Mining and quarrying; Manufacturing; Electricity, gas and water supply; Construction; Wholesale and retail trade; Repair of motor vehicles, motorcycles and personal and household goods; Hotels and restaurants; Transport, storage and communications; Financial intermediation; Real estate, renting and business activities. Budgetary institutions are excluded.

**Source:** Earnings Structure Survey 2002.
The new law has limited normal working time at a given employer to 40 hours a week, and overtime (which implies double pay) to 144 hours over a four-month period. More importantly, with respect to both working time and overtime pay the new legislation was accompanied by stricter enforcement than previously through the strengthening of the Labour Inspectorate. Overall, 48 per cent of employees in 2003 were employed in occupations in which average working hours reported by the enterprise displayed an inverse U-shaped time profile: they increased between 1998 and 2002 but declined in 2003. Reductions of more than two hours per week in 2003 are found, for example, for architects, nursing professionals, medical assistants, economists, university teachers, electronics and telecommunications technicians, controllers, operators, cleaners, and so on. It remains unclear to what extent these data reflect real changes rather than changes in reporting. All interviewed representatives of the Statistical Bureau, Ministry of Welfare and trade unions admitted that it is not unusual for enterprises to underreport working hours in order to keep the numbers in compliance with the law. This leads (envelope wages aside) to the overstating of hourly wages because total officially paid amounts are reported correctly.

Gender differences in workload and pay

In terms of workload there are clear disparities between males and females in some of the observed occupations. Relatively high gender disparities are observed among electrical engineers, pharmacists, police inspectors and detectives, as well as earthmoving- and related plant operators. Female police inspectors and detectives not only work fewer hours a week but also receive lower hourly pay.

Long hours can be associated with both low and high hourly pay; nursing and midwifery professionals provide an example of the former, and electrical engineers of the latter (see Figure 10).

A significant increase in reported hourly wages since 1998 is found for males employed as nursing and midwifery professionals, at 35 per cent (for females the change is only 18 per cent), males employed as archivists and

2. Criteria for selection: hours actually worked per week reported as more than 39 in at least one of the observed periods.
librarians, 37 per cent (females – 13 per cent), male medical assistants, at 36 per cent (against 25 per cent for females) and female electrical engineers, at 29 per cent (compared to 8.5 per cent for males). Remarkably, all these examples refer to decreasing working hours.

Working time decrease along wage increase

A significant decrease in working hours was experienced by male medical assistants, personal and protective workers, protective service workers, nursing associate professionals and nursing and midwifery associate professionals (average decrease: 3.5 to 4 hours per week, or 9 to 10 per cent), as well as for females working as electrical engineers: 4.1 hours per week from 1998 to 2003, or 11.6 per cent.

Many of these occupations also seem to have experienced an increase in pay per hour, although in general larger reductions in hours do not correspond to higher increases in pay. For instance, hourly pay of personal and protective workers per hour has increased since 1998 by only 11 per cent, while the highest hourly pay increase was experienced by nursing associate professionals and associate professionals, at 42 per cent compared to 1998, medical assistants, at 36 per cent, and medical doctors, at 33 per cent.

Figures 11 and 12 document decreasing trends in reported weekly hours (and in most cases an increase in reported real hourly wages) observed for

Figure 10 Reported Average Real Gross Wages per Hour by Selected Occupations and Sex, 1998, 2002, and 2003, Latvia


Figure 11 Reported Hours Worked per Week by Selected Occupations and Sex, 1998, 2002 and 2003, Latvia

3. Average gross wages per hour are given in lats, in 2003 prices; LVL 1 = EUR 1.54.
customer service clerks, shop/market salespersons and demonstrators (recall that these are occupations with a high concentration of 50+ weekly hours, according to LFS).

5. COLLECTIVE AGREEMENTS: COVERING ONE QUARTER OF THE LABOUR FORCE

Less than a quarter of workers covered by the Earnings Structure Survey 2002 (budgetary institutions were excluded) have their wages regulated by a collective agreement. Agreements are in most cases (87.5 per cent) at enterprise level. Figure 13 displays the evolution of the number of collective agreements. Collective agreements are almost exclusively found in unionised firms or sectors, and union coverage shows no signs of increase. One important exception is expected to happen this year if the parliament lifts the ban on trade unions in the police force: according to the leader of the initiating group, about 80 per cent of policemen have signed the petition, motivated by unpaid overtime, lack of compensation for night work, and sometimes adverse working conditions.


Figure 12 Reported Average Real Gross Wages per Hour by Selected Occupations and Sex, 1998, 2002 and 2003, Latvia
6. WORKING CONDITIONS: A SEGMENTED LABOUR MARKET

The evidence on developments in working conditions is mixed. Table 8 compares the incidence of some risk factors, health and satisfaction outcomes according to the NORBALII (1999) Living Conditions Survey, and the Dublin Foundation Survey on Working Conditions (2001), as well as the Working Life Barometer 1998 and 2002.

Perhaps the most striking finding from the NORBAL survey is that 28 per cent of respondents said that their working conditions in 1999 were worse than five years previously (not necessarily at the same job), while another 28 per cent said that they were better. This suggests a segmented labour market. Indeed, Figure 14 confirms that changes in working conditions have been predominantly favourable for management, neutral for other white-collar workers, and unfavourable for blue-collars. Likewise, Figure 15 shows that employees aged 25–34 have seen, on balance, a significant improvement of working conditions (which can be associated with ‘new’ enterprises which employ predominantly this age group), while for other age groups the change has been close to neutral. Finally, temporary workers have been exposed to adverse changes in working conditions to a much larger greater than others.


Figure 13 Change in Number of Collective Agreements, 1999–2003 (end of period), Latvia
### Table 8: Exposure to Risks and Stress, and Satisfaction with Working Conditions, 1998–2002 (%), Latvia

<table>
<thead>
<tr>
<th></th>
<th>1998 a</th>
<th>1999 b</th>
<th>2001 c</th>
<th>2002 a</th>
</tr>
</thead>
<tbody>
<tr>
<td>High temperatures</td>
<td>22.8 d</td>
<td>17.8 e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low temperatures</td>
<td>28.1 d</td>
<td>24.2 e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noise</td>
<td>30.8 d</td>
<td>31.7 e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vibration</td>
<td>13.5 d</td>
<td>30.0 e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dust, fumes, etc.</td>
<td>20.6 d</td>
<td>34.5 e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contact with dangerous</td>
<td>14.5 d</td>
<td>13.6 e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>substances</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moving heavy loads</td>
<td>23.3 f to 48.4 g</td>
<td>39.8 e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad positions</td>
<td>20.6 f to 41.9 g</td>
<td>41.6 e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repetitive and monotonous</td>
<td>23.5 f to 41.1 g</td>
<td>42.0 e</td>
<td></td>
<td></td>
</tr>
<tr>
<td>operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall fatigue</td>
<td>29.3 f to 64.9 g</td>
<td>39.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stress too high</td>
<td>24.7</td>
<td>31.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not satisfied with</td>
<td>16.0</td>
<td>28.8</td>
<td>22.0</td>
<td></td>
</tr>
<tr>
<td>working conditions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety at work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>during last 12 months:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>increased (+)/decreased (–)</td>
<td></td>
<td></td>
<td>18.4(+)/3.5(–)</td>
<td></td>
</tr>
<tr>
<td>Mental stress at work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>during last 12 months:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>increased (+)/decreased (–)</td>
<td>47(+)/4(–)</td>
<td></td>
<td>40(+)/3(–)</td>
<td></td>
</tr>
<tr>
<td>Physical stress at work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>during last 12 months:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>increased (+)/decreased (–)</td>
<td>42(+)/6(–)</td>
<td></td>
<td>37(+)/4(–)</td>
<td></td>
</tr>
<tr>
<td>Working conditions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>worse than 5 years ago</td>
<td>27.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working conditions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>better than 5 years ago</td>
<td>28.2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**

a Working Life Barometer in the Baltic Countries (see Antila and Ylostalo, 2003).
c Dublin Foundation Survey on Working Conditions in Candidate Countries (see European Foundation for the Improvement of Living and Working Conditions 2003; http://www.eurofound.ie/working/surveys/index.htm).
d Regularly. e At least 25 per cent of the time. f Often. g Sometimes.
No major improvement in working conditions
The 1999 and 2001 surveys are reasonably comparable, and it seems that on balance no major improvements in exposure to physical risks have occurred in two years; in some respects (fumes, vibration, painful postures, repetitive movements, stress) the changes, if any, seem to be unfavourable. Working Life Barometer (WLB) found in 2002 a higher incidence of dissatisfaction with working conditions compared to 1998, as well as an increase in stress at work, both physical and mental, during the last 12 months reported by about 40 per cent of employees. On the positive side, WLB reports an increase in perceived safety at work.

Experts have also noticed that foreign investors, especially from Scandinavian countries, tend to introduce substantial improvements in facilities for workers within the enterprise.

Health and safety standards still lagging behind
Since 2002, the Latvian labour market has seen significant legal and institutional changes aimed at improving job safety. About 70 per cent of all enterprises now have one or more trained labour protection specialists (in small enterprises this function is performed by the employer). Study programmes for the preparation of specialists in this field, initially just 40 hours, have been increased to 160 hours for basic level training, but since 2003 there are also one- or two-year study courses for labour protection specialists with a higher
Evaluation and management of work-related risks is supposed to become a routine procedure, and employers have to arrange regular health examinations for exposed workers.

In recent years a number of information campaigns and materials have been developed to inform employers, employees and society in general regarding health and safety at work. The Labour Inspectorate, the Latvian Focal Point of the European Agency for Safety and Health at Work, and the Ministry of Welfare are actively campaigning to raise awareness among workers and employers. There has also been a change in attitude on the part of some employers (predominantly, large enterprises) who now take a more forward-looking view of the health of their employees.

Source: Author’s own calculations based on NORBALT II survey data.

Figure 15 Perceived Change in Working Conditions Compared with 5 Years Ago by Age (Upper Panel) and Contract Type (Lower Panel), 1999, Latvia
The gap between legislation and implementation
However, full enforcement of the recent legislation and substantial improvements in the quality of risk management are still major challenges. In the first half of 2004 the Labour Inspectorate carried out inspections in 1,890 enterprises, of which one-third did not have a labour protection specialist, about 60 per cent had not carried out risk evaluation and almost three-quarters did not have a list of occupations exposed to risks. An important issue is that the labour protection specialists, who are employees of the enterprises they are suppose to oversee, are subject to pressure from employers not to include all existing risks on the list. Experts’ estimates of the prevalence of this phenomenon range from not very often to often; some representatives of trade unions are quite pessimistic about this. The requirement of regular health examinations is violated in many cases (for example, in 2004 this was found in relation to 70 per cent of patients diagnosed with occupational illnesses). Many employers (in small enterprises) do not know that the costs of health examinations and accident prevention are tax deductible. On the other hand, the quality and even scope of the mandatory health examinations depends on the provider, sometimes with substantial variations. Finally, relatively high unemployment makes employees reluctant to urge safety issues against the will of the employer. Yet another factor which weakens workers’ position in this (and many other) respect is that many workers, especially in small firms, receive a substantial part of their pay unofficially (so called ‘envelope wages’), which makes them a lot more dependent on the employer.

Accidents at work: no progress and under-reporting
While the rate of accidents at work fell in the late 1990s compared to previous years, there has been no progress since then (Figure 16). The largest number of accidents are in the following industries: manufacturing of timber and wood products; construction; production of food and beverages; land and pipeline transport; health and social care; forestry.

The reported accident rate (Figure 16) is about 20 times lower than in EU-15, implying that most accidents are not reported. In order to improve the situation and employers’ attitudes towards health and safety issues in 2004 sanctions for violation of health and safety legislation were raised fourfold, and now the maximum fine is EUR 1,400. Previously, employers in many cases violated legislative requirements because of the very low penalties. Another reason for the huge difference in reported accident rates is perhaps differences in mentality: workers, especially the older ones, are accustomed to not reporting minor accidents: they just keep working. On the other hand, the rate of fatal accidents (which must of course be reported) is much higher than in EU-15 (where it is below 3 per 100,000 employees), suggesting that there are serious problems to be solved in the coming years.
Increase in occupational diseases: better reporting or adverse developments?

The increasing trend in the rate of occupational diseases (Figure 17) is a result of the interaction of several factors. First, adverse working conditions in Soviet times and in the early 1990s. Second, workers are becoming better informed and increasingly concerned with their health, while doctors’ attitudes to accepting the occupational origin of diseases is becoming more objective. However, current problems in the workplace (lack of risk management, lack of regular health examinations, poor work organisation, long working hours and fatigue) are also contributing. Nevertheless, the overall trend in the occupational health and safety situation, according to the Latvian OSHA Focal Point, is positive.

This, however, has not been the case in the health sector, where the situation is particularly troublesome. According to the University of Latvia’s Institute of Philosophy and Sociology (2002, p. 11), 43 per cent of workers report overall fatigue, 59 per cent are exposed to risk of contact with substances containing dangerous bacteria or viruses, 51 per cent report emotional or psychological risk factors, 43 per cent are exposed to chemical risks, 24 per cent to violence and 13 per cent to other risks. The trade union of Latvian
health care and social workers (2003, p. 82), based on a representative survey, claims that working conditions are deteriorating. In this sector, in contrast with most others, first-time diagnosed occupational diseases are most frequent among relatively young employees. Vocational allergic reactions, tuberculosis, spine spondilosis and hepatitis C are the most common problems. According to the same report, health care and social workers are not well informed about working environment risk factors, their potential effect on health and preventive measures. Adequate individual means of protection are not available in sufficient amounts or are not used due to limited information. The high incidence of occupational diseases also has to do with low pay in this sector: in 2002, about 40 per cent of employees had workloads 50 per cent or more above what they should be (University of Latvia Institute of the Philosophy and Sociology (2002, p. 13). Overload leads to fatigue, and fatigue causes mistakes and inadequate precautions.

Combined with low pay, poor working conditions are causing the emigration of health care and social workers to EU-15 member states (shortage of nurses and doctors is already a problem in Latvia), as well as industrial action (like the anaesthetists’ strike in November 2004, when all except emergency surgery was postponed). As a result of the strike an action plan on wage increases for health care and social workers starting from July 2005 was prepared by the government, which allocated an additional LVL 31 million to the health care budget (one-third of what is necessary, according to the trade unions).

Source: Labour Inspectorate and own calculations.

Figure 17 Diagnosed Occupational Diseases per 100,000 Employees (1996–2004), Latvia
PART II REALITY AT ENTERPRISE LEVEL: CASE STUDIES

Overview

This section summarises (see Tables 9-11) direct evidence from enterprises obtained between November 2004 and February 2005 from questionnaires filled in by trade union leaders, management representatives (including labour protection specialists) and employees. In some cases this was followed up by in-depth telephone interviews with trade union leaders and managers. The diversity of cases in terms of size, sector, type of ownership and location of firms suggests that the emerging picture is not too biased.

Most of the case studies confirm the decreasing trend in the incidence of fixed-term contracts since introduction of the new legislation in 2002. However, the manufacturing of metal products and equipment sector (case E) is an exception: here demand fluctuations force the employers to use this type of contract regularly and, as far as the sector as a whole is concerned, increasingly. On the other hand, a relatively high incidence of fixed-term contracts in Latvia is also confirmed: in one of the firms (case C) 15 per cent of all employees have temporary contracts; in another (case G) every year about 100 employees have fixed-term contracts. In the same two cases managers complained that the restrictions on using temporary workers are in odds with efficient business strategy.

A significant incidence of long working days was found in three cases (A, B, F); in two other cases (E and G) this phenomenon also exists, although it is not so widespread. In most cases, overtime was found to be rare or very rare. This may have something to do with the fact that our cases, with three exceptions, refer to unionized firms. In two out of three cases without a trade union we found that the incidence of overtime seems to be substantial.

Consistent with the general pattern presented in Section 3, we have found that shift work and weekend work is quite common (respectively, 6 and 4 cases out of 10 with relatively high incidence).

Our findings regarding working conditions also confirm the description of the situation given in Section 8: on the one hand, some improvements in conditions are reported in almost all cases, but on the other, stress is reported in all cases, fatigue in most cases, and serious risks for a significant proportion of workers are found in eight out of ten cases (including the health sector, where we refer to the University of Latvia's Institute of Philosophy and Sociology, 2002). Some cases confirm that apart from stress and fatigue, reconciliation of work and family life is hampered by overtime, night and evening work. Access to short unpaid leave for family reasons varies from easy to almost impossible. Social dialogue is absent in two cases without trade unions, but exists in some form in a large bank.
Table 9 Case Studies: Main Features of Enterprises under Study (A, B and C), February 2005, Latvia

<table>
<thead>
<tr>
<th>Features</th>
<th>Firm A</th>
<th>Firm B</th>
<th>Firm C: SIA 'Arbo'</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
<td>Retail trade (food supplements)</td>
<td>Transport and storage</td>
<td>Construction</td>
</tr>
<tr>
<td>Number of employees</td>
<td>10–19</td>
<td>500-999, ↓↓</td>
<td>50-99, ↑</td>
</tr>
<tr>
<td>Ownership</td>
<td>Private (domestic)</td>
<td>Private (majority domestic)</td>
<td>Private (domestic)</td>
</tr>
<tr>
<td>Location</td>
<td>Capital city</td>
<td>Large city</td>
<td>Large city</td>
</tr>
<tr>
<td>Turnover</td>
<td>Stable</td>
<td>↓↓</td>
<td>↑</td>
</tr>
<tr>
<td>Profit</td>
<td>Stable</td>
<td>↓</td>
<td>↑</td>
</tr>
<tr>
<td>Employment contracts</td>
<td>+Unlimited duration</td>
<td>+ Unlimited duration;</td>
<td>+ Unlimited duration;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>− Fixed-term</td>
<td>− Temporary contracts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>− For specific task;</td>
<td>− For specific task (15% of workers)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>− Trainees</td>
<td>− For specific task (5%)</td>
</tr>
<tr>
<td>Working time</td>
<td>- Extra hours;</td>
<td>+ Overtime (paid);</td>
<td>Almost exclusively standard</td>
</tr>
<tr>
<td></td>
<td>Unpaid overtime</td>
<td>+ Long working days;</td>
<td>(no overtime, evening or night work)</td>
</tr>
<tr>
<td></td>
<td>+ Long working days</td>
<td>+ Shift work</td>
<td></td>
</tr>
<tr>
<td>Health and safety and other</td>
<td>Workers complain about stress and fatigue</td>
<td>−↑ Somewhat better than 1 and 5 years ago, but for manual workers worse than 15 years ago.</td>
<td>−↑ Risks typical for construction workers: vibration, noise, dust, fumes, low temps, etc.</td>
</tr>
<tr>
<td>conditions</td>
<td>Most workers are exposed to physical and/or chemical risks about 50% of the time. All interviewed persons are exposed to multiple risks (no special compensation); all are well informed; some report serious work-related health problems; but all say they are in general satisfied!</td>
<td>Despite this, no health problems reported except for stress (perhaps because manual workers are predominantly young, 23 to 40 years of age). Working conditions for manual workers described as 'normal', with slight improvement vs. 5 years ago. All interviewed persons were satisfied with conditions and well informed!</td>
<td></td>
</tr>
<tr>
<td>Features</td>
<td>Firm A</td>
<td>Firm B</td>
<td>Firm C: SIA 'Arbo'</td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Work and Family</td>
<td>No complaints about adverse effect on family life despite long working days (young employees). However, no more than one week of vacation is allowed at one time</td>
<td>-- Stress and fatigue, as well as evening work and work on holidays have adverse effect, according to management and trade union; none mentioned in the interviews, however. Difficult to get unpaid leave if needed, even for a few days</td>
<td>Easy to get unpaid leave up to several weeks if needed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>Level similar to other firms in the sector. About 60% of pay is received unofficially ('envelope wages'). Fixed monthly pay is assumed but sometimes it is reduced by 15–20% by the manager</td>
<td>++ Higher than average in the city for given occupation, according to administration; workers think there is no difference. Compensation includes fixed monthly pay and profit-based annual premiums. Workers recently were forced to agree to wage cuts</td>
<td>Fixed hourly wage (construction workers); fixed monthly wage (office workers and engineers). Level comparable to city average in general and to average in construction</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social dialogue and workers' participation</td>
<td>-- Workers have no say at all</td>
<td>+ (↓) Trade union exists but has very limited role ('pocket' trade union). Workers' participation very small. Collective agreement</td>
<td>-- No trade union, no workers' participation</td>
</tr>
<tr>
<td>Features</td>
<td>Firm D</td>
<td>Firm E</td>
<td>Firm F</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----------------------------------------</td>
<td>-------------------------------------------------</td>
<td>------------------------------</td>
</tr>
<tr>
<td>Sector</td>
<td>Steel company</td>
<td>Manufacturing of metal products</td>
<td>Railways</td>
</tr>
<tr>
<td>Number of employees</td>
<td>more than 500</td>
<td>more than 500 -</td>
<td>more than 500, -</td>
</tr>
<tr>
<td>Ownership</td>
<td>Private (domestic)</td>
<td>Private (domestic)</td>
<td>State</td>
</tr>
<tr>
<td>Location</td>
<td>Large city</td>
<td>Large city</td>
<td>Dispersed</td>
</tr>
<tr>
<td>Turnover</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit</td>
<td>Stable</td>
<td>+Unlimited duration;</td>
<td>+Unlimited duration;</td>
</tr>
<tr>
<td>Employment contracts</td>
<td>+ Unlimited duration;</td>
<td>+(-) Fixed-term</td>
<td>+ For specific task</td>
</tr>
<tr>
<td></td>
<td>- For specific task</td>
<td>- For specific task</td>
<td>- Fixed-term</td>
</tr>
<tr>
<td></td>
<td>+ -Trainee</td>
<td>-Self-employed</td>
<td>- For specific task</td>
</tr>
<tr>
<td></td>
<td>++Shift work</td>
<td>+ Shift work, evening work</td>
<td>+Long (12 hours) working days,</td>
</tr>
<tr>
<td></td>
<td>++Weekend/holiday work</td>
<td>+/- Night work</td>
<td>but with 3-4 hours break.</td>
</tr>
<tr>
<td></td>
<td>--Overtime</td>
<td>--Weekend/holiday work</td>
<td>+Shift work, weekend and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>holiday work compensated)</td>
</tr>
<tr>
<td>Working time</td>
<td>++Shift work</td>
<td>+ Shift work, evening work</td>
<td>+Long (12 hours) working days,</td>
</tr>
<tr>
<td></td>
<td>++Weekend/holiday work</td>
<td>+/- Night work</td>
<td>but with 3-4 hours break.</td>
</tr>
<tr>
<td></td>
<td>--Overtime</td>
<td>--Weekend/holiday work</td>
<td>+Shift work, weekend and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>holiday work compensated)</td>
</tr>
<tr>
<td>Health and safety and</td>
<td>Many workers are exposed to</td>
<td>Working conditions are described as good (trade union) or normal (administration), somewhat better than 1 or 5 years ago, much better than 15 years ago. However, 25 to 50 per cent of workers exposed to painful or uncomfortable positions and stress almost all the time, and high temperatures about half the time; 8 other types of risk affect</td>
<td></td>
</tr>
<tr>
<td>other conditions</td>
<td>multiple risks (to some of them all or almost all the time). Compensation is paid. 2 out of 5 interviewed workers not satisfied with working conditions, 4 report stress, some report health problems. Improvements in working conditions are very slow</td>
<td>Working conditions are described as normal, somewhat better than 1, 5, or 15 years ago. However, 25 to 50 per cent of workers exposed to painful or uncomfortable positions and stress almost all the time, and high temperatures about half the time; 8 other types of risk affect</td>
<td></td>
</tr>
<tr>
<td>Features</td>
<td>Firm D</td>
<td>Firm E</td>
<td>Firm F</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>workers exposed to multiple physical risks, notably noise</td>
<td>almost all the time (continuous need for individual protection, monotonous movements). Overall, 10 to 15 per cent exposed to serious risks, partly due to outdated equipment and/or technologies.</td>
<td>smaller but not negligible groups of workers</td>
</tr>
<tr>
<td>Work and Family</td>
<td>Fatigue has adverse effect on family life. Easy to get unpaid leave up to several days if needed, for some occupations even switch to part-time switching to part-time - difficult</td>
<td>Stress, fatigue and overtime have adverse effect on family life. Unpaid leave up to several days - depending on occupation; longer hours or on occupation</td>
<td>Stress, fatigue, long working days, night, evening and holiday work adversely affect family life. Possibility of unpaid leave depends</td>
</tr>
<tr>
<td>Wages</td>
<td>Double the national average with also bonuses distributed Fixed-term workers are not discriminated against</td>
<td>Fixed salaries, compensation for risks, night and shift work, monthly and annual bonuses. Workers consider themselves underpaid compared to private sector workers with similar skills</td>
<td></td>
</tr>
<tr>
<td>Social dialogue and worker participation</td>
<td>++Active trade union (collective agreement), significant workers' participation</td>
<td>++Active trade union, collective agreement, significant workers' participation</td>
<td>+90% of employees are union members. Collective agreement. Some workers doubt that trade union plays a significant role</td>
</tr>
</tbody>
</table>

Notes:
+ relatively high incidence or relatively well developed; ++ very high incidence or very well developed;
↑ improving or increasing; – relatively low incidence or poorly developed; — very seldom or extremely undeveloped; ↓ declining or worsening.
## Working Too Hard?

### Table 11 Case Studies: Main Features of Enterprises under Study (G), February 2005, Latvia

<table>
<thead>
<tr>
<th>Features</th>
<th>Firm G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
<td>Banking</td>
</tr>
<tr>
<td>Number of employees</td>
<td>more than 1000, ↑</td>
</tr>
<tr>
<td>Ownership</td>
<td>Majority foreign</td>
</tr>
<tr>
<td>Location</td>
<td>Dispersed</td>
</tr>
<tr>
<td>Turnover</td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td>↑</td>
</tr>
<tr>
<td>Employment contracts</td>
<td>+↑Unlimited duration</td>
</tr>
<tr>
<td></td>
<td>+ Fixed-term (about 6%, to replace women on child-birth leave)</td>
</tr>
<tr>
<td></td>
<td>--Self-employed</td>
</tr>
<tr>
<td>Working time</td>
<td>- Shifts, work in evenings, weekends, holidays (about 10% of employees)</td>
</tr>
<tr>
<td></td>
<td>- Overtime;</td>
</tr>
<tr>
<td></td>
<td>-- Night work, long days.</td>
</tr>
<tr>
<td>Health and safety and</td>
<td>Almost all employees work with computers all the time, with associated conditions risks.</td>
</tr>
<tr>
<td></td>
<td>Some respondents report noise and high temperatures; all report work-related health problems. Annual health checks and workplace evaluations take place. 4 out of 6 respondents were in general satisfied with working conditions</td>
</tr>
<tr>
<td>Work and Family</td>
<td>Stress and fatigue adversely affect family life. The firm pays wedding and child birth benefits. 2–3 free days are provided in case of wedding. Extra vacation: 3 days if tenure 4 to 6 yrs; 5 days if tenure &gt; 6 yrs</td>
</tr>
<tr>
<td>Wages</td>
<td>Well above economy average and even sector average (if all bonuses included). Fixed salary plus profit sharing plan. Health insurance (also for fixed-term workers). Contributions to private pension fund</td>
</tr>
<tr>
<td>Social dialogue and workers' participation</td>
<td>No trade union, no collective agreement, but many of the usual elements of collective agreements are part of the firm's policy</td>
</tr>
</tbody>
</table>
Case A: Envelope Wages: Not as Good for Workers as They First Thought

Firm A is a small retail company with domestic capital, selling food supplements. Number of employees (between 10 and 20) and turnover are stable. Most employees are very young women (20–22 years of age) working as salespersons in a number of shops located in different shopping centres in the capital city. Interviews with the manager and six employees were carried out.

Long working days
Each month these women work 15 or 16 days, 12 hours a day. No complaints were made by interviewed workers about the adverse effect on family life, but everybody mentioned the stress and fatigue which result from the long working days, as well as noise.

No compensation for overtime
Given that the normal working week in Latvia is 40 hours, the working time schedule described above implies two to three hours of overtime per week, on average. All four respondents employed as salespersons indicated that they worked 42 or 43 hours per week. There is no special compensation for this (but it is difficult to classify as unpaid overtime either, given the unofficial payments). Two other respondents – an accountant, 36, and a secretary, 25 – work 40 hours a week without overtime. Interestingly, the manager claimed that everybody works just 40 hours a week.

Undeclared wages: at employers’ discretion
About 60 per cent of net wages are paid unofficially (‘envelope wages’). Total amount paid is similar to the average in this occupation. Envelope wages make the workers fully dependent on the manager. Although the verbal agreement is for a fixed monthly wage, from time to time the manager reduces it by up to 20 per cent if she thinks somebody has underperformed; there is no discussion. When one of the girls had a conflict with the manager, she received just the official part of her wages as punishment.

Under threat if holidays taken
Workers cannot take the whole annual vacation which is guaranteed by law in one go: no more than one week is allowed at one time. One of the respondents did not know about this rule: she has worked a full year without a vacation in the hope that in March she would be able to take a free month to work on her BA thesis. She was refused any paid vacation at all; the manager argued that such a long absence would mean the firm would have to find a replacement, which would entail extra costs.
Needless to say, there is no trade union and no social dialogue in this firm.

Limited dissatisfaction
The young lady whose vacation had been ‘stolen’ appeared, surprisingly, to be the only respondent not satisfied with working conditions in general. Two others were ‘rather satisfied’ and three ‘very satisfied’, which says a lot about their perception of the quality of available jobs.

Overall evaluation: a discretionary policy
Enterprise A typically reports the problems identified in small private firms in part I. The absence of trade unions - and thus also of a collective agreement - confers on the employer excessive power to impose working and employment conditions. The discretionary payment of wages – in the form of envelope pay – is illustrative of this process, as is unpaid overtime and employees’ difficulties going on holiday. Not surprisingly, workers reported stress and fatigue, while working rhythms and conditions may have other detrimental effects.

Case B: Sick from Work But Happy with the Conditions?
Firm B is a large private enterprise in the transport and storage sector (we cannot be more specific for reasons of confidentiality). Ownership is mixed but the domestic investors are the dominant shareholders. The firm is located in a large city and has between 500 and 1,000 employees.

Sources of information for this case study included detailed identical questionnaires completed by the administration and the trade union leader, the collective agreement, and (standardised) interviews with five workers. The interviewed employees have worked for this firm between four and twenty-two years.

Limited use of temporary contracts: mainly for women
A large and increasing number of employees have contracts of unlimited duration; workers in this category are predominantly 35 to 45 years old and are highly skilled; about 45 per cent are women. Fixed-term contracts are rare, and contracts for specific task very seldom. The incidence of both abovementioned types of temporary work is decreasing. Temporary workers are usually 40 to 45 years old with average skills. They are not discriminated against in terms of monthly pay. Those on fixed-term contracts are predominantly women (70 per cent), while those hired for a specific task are mostly men (90 per cent). On top of this, a small but stable fraction of workers (aged 19 to 23) are trainees.
Trade unions: a decreasing influence

Two thirds of the workers are trade union members. The collective agreement includes the following provisions:

- protection of older workers from dismissal;
- workers’ transportation to and from work on the firm’s bus;
- special winter and summer clothes with the firm’s logo, tailored to the needs of different groups of workers, as well as all necessary individual protection equipment;
- compensation of up to 50 per cent of the costs of hospital treatment once a year;
- annual health examinations paid by the firm;
- special payments in the case of childbirth, as well as in the case of the death of a close relative or an employee’s or former employee’s death;
- Christmas gifts for children up to 12 years of age and to pensioners;
- facilities for workers (showers, rest rooms, kitchens and dining rooms, etc.);
- some categories of workers exposed to chemical risks receive free dairy products;
- a canteen open only for employees;
- additional paid vacation (depending on tenure);
- the firm finances participation of trade union representatives in conferences (up to five days a year) and offers trade union leaders a job in case they are not re-elected.

Apart from negotiating the collective agreement, the role of the trade union is small and decreasing.

There are even some signs that this is an example of a so-called ‘pocket trade union’.

Workers threatened by employment and wage cuts

The firm is experiencing difficulties: number of employees, turnover and profits have experienced a negative trend over the last five years. For example, in 2003 the number of employees fell by more than 25 per cent. Recently, workers were forced to agree to wage cuts. In contrast with most other cases our primary contact with firm B was the administration rather than the trade union leader who was in fact reluctant to complete the questionnaire until he was invited to do so by the head of personnel. The latter directly ordered the trade union leader to fill in the questionnaire, which he immediately did. Most interviewed workers first said they could discuss working conditions with the administration, but not all of them mentioned the trade union.

Even after recent cuts, wages are higher than average in the city for the given occupation, according to the administration; the interviewed workers,
however, thought there was no difference. In any case, wages here are quite high by national standards. Compensation includes fixed monthly pay and profit-based annual premiums.

Continuous deterioration of working conditions
However, long working days, overtime and shift work are quite common in this firm and show no tendency to decrease. Number of overtime hours per worker, however, is rather small, and workers receive double pay for these hours, as required by legislation.

Both administration and trade union admit that the working conditions of manual workers are worse than 15 years ago (that is, at the end of the Soviet era), although they have improved slightly compared with five years ago (according to the trade union, also compared to one year ago, while the administration does not claim such a short-term improvement).

Multiple health risks for most workers
Most workers are exposed to multiple physical and/or chemical risks about 50 per cent of the time:

- low temperatures (50 per cent of all workers);
- noise (10 per cent of all workers);
- vibration, when using instruments (10 per cent of all workers);
- breathing in vapours, fumes, dust or dangerous chemical substances (at least 50 per cent of workers);
- handling or touching dangerous products or substances (25 to 50 per cent of workers);
- painful or tiring positions (10 to 25 per cent of workers);
- monotonous hand or arm movements (10 to 25 per cent of workers);
- wearing personal protective equipment (at least 50 per cent of workers);
- carrying or moving heavy loads (10 to 25 per cent of workers);
- working with computers (25 to 50 per cent of workers).

Serious problems reported
All interviewees are exposed to multiple risks and do not receive any special compensation. All are well informed about the potential effect of these risks on their health; some report serious work-related health problems. Some examples follow.

Andris, 43, is a fitter of electric equipment who has worked for the firm for 22 years. He is exposed to vibration from instruments; noise; low temperatures; breathing in vapours, fumes, dust and dangerous chemical substances; handling or touching dangerous products or substances; painful or tiring positions; wearing personal protective equipment; carrying or moving heavy
loads; and stress. Each of these factors affects him less than one quarter of the time, but on the whole he is at risk at least half the time. Nevertheless, Andris does not (or does not want to) report any health problems. Neither does he report overtime. Andris reports being very satisfied with the working conditions and does not see any work-related personal problems.

Gatis, 46, is a mechanic. He has worked for the company for eight years. For almost the whole working day he is exposed to breathing in vapours, fumes, dust and dangerous chemical substances. On top of this, he needs continuously to wear individual protection and is exposed to noise (less than a quarter of the time). Gatis reports work-related problems with eyes, skin and sleeping, as well as stress. He is rather satisfied with working conditions and thinks they are better than five years ago. Work appears to fit in very well with his personal life.

Sergejs, 45, is a machine fitter and has worked for the firm for 11 years. Almost the whole working day he breathes in fumes, dust and dangerous chemical substances; about three-quarters of the time he handles or touches dangerous products and moves heavy loads; about half the time he is exposed to painful or uncomfortable positions, monotonous hand movements, wearing personal protective equipment, and stress; he also faces high and low temperatures and noise (less than a quarter of the time). Sergejs reports allergies, pains in the neck and shoulders, and breathing problems. Nevertheless, Sergejs says that he is rather satisfied with the working conditions, which have improved compared to five years ago. He does not report any overtime and does not claim any serious work-related problems in family or personal life.

According to the management, working conditions for non-manual workers have improved substantially compared with 15 or five years ago; the trade union leader disagrees. Two examples may illustrate this.

Vladimirs, 57, is an ‘engineer’ dealing with electrical equipment. He has worked for the firm for four years. Vladimirs is exposed to stress about half the time. Although very seldom, he occasionally works in the evening and night time, as well as at weekends and holidays. This is compensated with free time. When asked about work-related health problems, Vladimirs reports stress and fatigue. But he, too, is very satisfied with the working conditions (he does not think they have changed in recent years or since he started to work at the company) and does not see big problems in his personal life stemming from his job.

Aina, 43, is an ‘accountant’. Her tenure is five years. She works with a computer all the time. About three-quarters of the time this implies monotonous hand movements. About half the time she is exposed to stress, and a quarter of the time to breathing in dust and uncomfortable positions. She reports problems with her eyes and back pain.
Aina occasionally (but increasingly) works at least two hours in the evening, and sometimes her working days exceed 10 hours. No compensation is reported, but her normal salary is quite high. Weekend work is very rare. Aina is very satisfied with conditions and thinks they have improved in the last five years. She reports no serious job-related personal problems.

In contrast with the interviewed workers, both management and the trade union leader claim that stress and fatigue, as well as evening work and work on holidays have an adverse effect on workers’ family life. On top of this, unlike many other firms, here it is difficult to get unpaid leave if needed for family reasons, even for a few days.

**Overall evaluation: conditions at work after restructuring**

Enterprise B is illustrative of employees’ priorities in a period of restructuring: after a significant reduction - of 25 per cent - of the labour force the remaining employees can only be satisfied with their job and are ready to accept almost any working conditions imposed by the employer: wage cuts, long working days, overtime and shift work, with in addition serious exposure to multiple health and safety risks. Significantly, difficulties in having a normal family life are not reported by employees, although it was recognised as a serious problem by both management and trade union. Typically, insecurity has broken any possible balance between flexibility and security, even in the long run since weak trade unions and employee unwillingness to complain will not be able to prevent management from unilaterally determining the production process.

**Case C (Enterprise ARBO): Temporary Workers Vital in the Construction Sector**

**Construction booming**

‘Arbo’ is a construction firm located in the port city of Ventspils. It has about 100 employees, aged mostly from 23 to 40. Turnover is growing; profits are slowly increasing as well. This is not surprising given that construction is a booming industry in Latvia: real growth in this sector was 14 per cent in 2003 and 13 per cent in 2004. Number of employees rose from 81 to 95 between October 2002 and October 2004. Recently, the firm received financing from the European Structural Fund.

**Huge reliance on temporary contracts**

One interesting feature of this company is the relatively large proportion of temporary workers: 15 per cent of employees have fixed-term contracts, and another 5 per cent are hired for specific tasks. However, the owner indicates
that these proportions have been falling since the introduction of the new Labour Code in 2002. Good workers are being offered permanent contracts. On the other hand, the owner sees the restrictions on the use of temporary workers as a serious obstacle. He says: ‘In construction you depend heavily on luck in winning tenders, so it is very difficult to forecast the amount of labour you will need.’

**No pay discrimination against temporary workers**

Manual workers are paid an hourly wage. Total compensation is similar to the city average, as well as to the national average in the construction sector. Temporary workers are not discriminated against (this is not typical of other Latvian enterprises).

**Limited use of overtime but shift work planned**

In contrast with many construction enterprises, ‘Arbo’, according to the owner, does not use overtime; this was also confirmed by respondents. Shift, evening, night and weekend work are not currently in use, but shift work will be introduced on one site in the near future. All workers receive 20 days’ paid vacation; on top of this they can easily get unpaid leave of up to several weeks if needed, so no adverse effects on family life are observed in relation to working time.

**Full exposure to risks**

Another common problem in construction is the high incidence of accidents at work. While ‘Arbo’ has been lucky so far in this regard, there are risk factors at work. At least 50 per cent of the workers are exposed to vibration about a quarter of the time; 25 to 50 per cent are exposed to low temperatures during the winter season. Noise and breathing in vapours, fumes and dust affect 10 to 25 per cent of workers (less than a quarter of the time). Finally, such factors as handling or touching dangerous products or substances, welding, uncomfortable positions, repetitive hand or arm movements, wearing personal protection equipment, and work with computers each affect up to 10 per cent of workers. The risks overlap one another: according to the Labour Inspectorate, this is a frequent cause of accidents. Two of our respondents may serve as examples.

The first respondent, a joiner, wears individual protection 90 per cent of the time. He is exposed to breathing fumes and/or dust three-quarters of the time, to noise and uncomfortable positions half the time, and to vibration a quarter of the time. He also has to move heavy loads from time to time. He did not report (or did not want to) any health problems, however. Another respondent, a construction worker, is exposed to five different risks (about a quarter of the time each) but reported only stress. A project manager and an accountant both reported stress; the accountant also mentioned problems with
her eyes and sleeping. All respondents said that they were informed about risks and satisfied with the conditions, although they did not report any improvements. In case of manual workers one reason might be that they are young and healthy. Another likely reason is that outside options (other construction firms) might be worse. Indirect confirmation of the fact that ‘Arbo’ offers relatively good conditions is the fact that in October 2002, 24 out of 77 employees (managers excluded) had spent from 5 to 10 years with the firm, and another 18 workers had tenures of 3 to 4 years. This, however, must be seen in the light of significant recourse to temporary work.

**Overall evaluation: traditional major risks in construction**

Arbo provides a good example of the constraints faced in the construction sector: Difficult-to-predict activities have led the management to rely in great part on temporary work, a phenomenon that may act as a substitute for long working hours, overtime and weekend work, which remained limited in the company. Expanding demand and economic growth in construction enterprises, however, has not yet led to a parallel improvement in working conditions which remain dominated by multiple health and safety risks and stress at work, something that the absence of trade unions and workers’ participation does not help to change. It is time for the construction sector and enterprises - with the government also pushing hard in that direction - to invest part of this economic expansion not only in increased activities and employment but also in the improvement of conditions at work.

**Case D: Shift Work, Outdated Equipment and Multiple Risks: Working Conditions Still to Improve**

**A large private company oriented towards exports**

Firm D is controlled by domestic private capital. Its activities are metals and metal product manufacture and the company works mostly for foreign markets. It is located in a big city and employs more than 1,000 workers, about 30 per cent of them women.

Sources of information for the case study are:

- detailed questionnaire completed by trade union leader;
- publicly available information;
- standardised interviews with five workers.

**Intense working rhythms**

Most workers are engaged in shift work and also work during weekends and holidays. Although overtime is fairly rare all these are signs of a rather intense working process at enterprise D.
But long-term employment relationship
A large and increasing number of workers have contracts of unlimited duration. This long-term tenure was confirmed by the interviewed employees who had worked for the firm between 11 and 38 years. Fixed-term contracts are also rare, as are contracts for specific tasks, whose incidence has been progressively decreasing.

Compensating with higher wages
The rather intense working process also seems to be compensated by relatively good wages, the average gross wage in this firm being almost double the national average. In addition to the basic wage, employees also enjoy compensation for overtime, certain precise tasks and dangerous working conditions, as well as from other bonuses.

Active social dialogue
Trade union membership in enterprise D, at 70 per cent of the labour force, is largely above the national average. Moreover, a collective agreement regulates wages, compensation for dangerous working conditions, additional paid vacation days and other employee benefits.

Outdated equipment and protection
A significant part of the equipment used in production is outdated, and this restricts opportunities to improve working conditions and reduce risks; all steps in this direction which could be taken without renewing the equipment have been already made, but working conditions are improving very slowly.

Many workers are exposed to multiple risks (to some of them all or almost all the time):

- breathing in vapours, fumes, dust or dangerous chemical substances all the time (25 to 50 per cent of workers);
- wearing personal protective equipment all the time (at least 50 per cent of workers);
- high temperatures about three-quarters of the time (up to 10 per cent of all workers);
- carrying or moving heavy loads about three-quarters of the time (up to 10 per cent of all workers);
- noise about half the time (up to 10 per cent of all workers);
- vibration, when using instruments about a quarter of the time (up to 10 per cent of all workers);
- handling or touching dangerous products or substances less than a quarter of the time (up to 10 per cent of all workers);
- welding light less than a quarter of the time (up to 10 per cent of all workers);
Serious health and safety risks reported

Moreover, the overall proportion of workers exposed to serious risks, according to the trade union, is about 15 per cent, which is significant. This seems to be an underestimate. Let us look at some examples.

Aleksejs, 45, despite his higher education, has been employed as an unskilled manual worker for 11 years. His wage is not high. He is exposed to vibration from instruments; noise; high temperatures; breathing in vapours, fumes and dust; welding light; wearing personal protective equipment; carrying or moving heavy loads; stress (less than a quarter of the time for each factor). Nonetheless, Aleksejs does not report any health problems or conflicts with family life, is rather satisfied with the conditions and finds them somewhat better than one or five years ago.

Janis, 55, is an electrical mechanic. He, too, has a higher education background and has worked at the company for 32 years. He is exposed to breathing in vapours, fumes and dust about three-quarters of the time; noise and vibration about a quarter of the time; high temperatures and uncomfortable positions less than a quarter of the time. Janis reports stress and problems with eyes related to his job. He is rather satisfied with the conditions and finds them somewhat better than one or five years ago, and much better than 15 years ago. No overtime, no serious problems in family life stemming from the job.

Juris, 55, is an assembler. He has worked here for 38 years. Juris is exposed to stress almost all the time. He reports anxiety and sleeping problems. His working conditions have not changed during the last 15 years, but he is rather satisfied. Like Janis, he does not report overtime or family problems.

Andrejs, 38, is a crane operator. His tenure is 18 years. Almost all the time he is exposed to breathing in vapours, fumes and dust, as well as high temperatures and repetitive arm movements. About half the time he experiences stress and uncomfortable positions, a quarter of the time wears protection, and less than a quarter of the time is exposed to noise and vibration. He reports stress, overall fatigue, back pain, and vision, hearing and sleeping problems. Andrejs thinks he is not very well informed about the impact of his job on his health. He is rather dissatisfied with the working conditions. This is the only respondent out of five who finds that conditions have deteriorated compared to Soviet times, but like most other interviewed workers he agrees that there has been some improvement compared to five years ago. Andrejs reports working 46 hours a week, including Sundays and holidays (for double pay). Work does not go well together with his family life.

Ivars, 56, is an electrical engineer. He has worked at this enterprise for 35
years. About three-quarters of the time Ivars breathes in vapours, fumes and dust; a quarter of the time he is exposed to noise and vibration. Less than a quarter of the time he faces high temperatures and uncomfortable positions. Ivars reports stress and overall fatigue. Occasionally (not often) he works overtime. Like Andrejs, he is rather unsatisfied with the working conditions, although he admits some progress in the short, medium, and long term.

Overall evaluation: too many health and safety risks
In terms of working conditions enterprise D is mainly characterised by multiple risks to which employees seem to be permanently exposed, with clearly adverse effects on their health. These risks are multiplied by a production process based on shift work and weekend work. Nevertheless, the relatively long-term nature of the work contracts and (high) wages compared to the national average have so far limited workers’ dissatisfaction. It is important to note, however, that the relatively good trade union presence (70 per cent membership) and the signing of a collective agreement do not seem to have been enough to radically change conditions at work. It may be a long time before there are significant improvements.

Case E: Conflicting Reports from Management and Trade Union
A large unionised steel company
Firm E is located in a big city, at the heart of a district with very high unemployment. The firm manufactures metal products. Number of employees exceeds 1,000 and is increasing, in line with sales. Typical workers’ age is 45 to 54; roughly half the employees are women. Profits are stable. The trade union is quite active and plays a stable and significant role in the firm. The collective agreement guarantees, among other things, financial help in case of childbirth and when a child enters school, as well as in case of significant health care expenditure and other crisis situations; financial support for college education of employees and their children.

Sources of information for this case study are:
- detailed identical questionnaires completed by management and trade union leader;
- standardised interviews with two workers.

Combining permanent and fixed-term contracts
While most workers have permanent contracts, fixed-term workers are used regularly in significant and not decreasing numbers, according to the trade union
leader (management: fixed-term contracts are rare). The same is true for trainees. Contracts for specific tasks and contracts with self-employed persons are rare.

**Wages below sectoral average**

Wages are similar to average in the city but lower than private sector average or national industry average. Fixed-term workers are not discriminated against. Self-employed receive higher than average compensation.

**Long working hours not always compensated**

According to the trade union, shifts (implying evening and night work) are common, while the management’s response was ‘regularly but in rather small amounts’. Night hours are compensated according to legislation (+50%). Night work outside shifts is seldom. Long working days happen regularly, although not too often (management: very seldom). Long working days and shift-work were reported by the employees to lead to fatigue with adverse effects on family life, something that the management tried to compensate

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**Table 12 Risk Factors in Firm E from the Management and from the Trade Union Perspective**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Management Workers exposed, %</th>
<th>Management Exposure proportion of all working time</th>
<th>Trade union Workers exposed, %</th>
<th>Trade union Exposure time, proportion of all working time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low temperatures spring and autumn</td>
<td>&lt;10</td>
<td>&lt; ¼</td>
<td>25–50</td>
<td>¼ during</td>
</tr>
<tr>
<td>High temperatures</td>
<td>&lt;10</td>
<td>&lt; ¼</td>
<td>10</td>
<td>½</td>
</tr>
<tr>
<td>Noise</td>
<td>10–25</td>
<td>½</td>
<td>10–25</td>
<td>½</td>
</tr>
<tr>
<td>Vibration, when using instruments</td>
<td>&lt;10</td>
<td>¼</td>
<td>10–25</td>
<td>¼</td>
</tr>
<tr>
<td>Handling or touching dangerous products or substances</td>
<td>0</td>
<td>&lt;10</td>
<td>&lt; ¼</td>
<td></td>
</tr>
<tr>
<td>Welding light</td>
<td>0</td>
<td>&lt;10</td>
<td>&lt; ¼</td>
<td></td>
</tr>
<tr>
<td>Painful or tiring positions</td>
<td>&lt;10</td>
<td>&lt; ¼</td>
<td>10–25</td>
<td>½</td>
</tr>
<tr>
<td>Monotonous hand or arm movements</td>
<td>10–25</td>
<td>¼</td>
<td>10–25</td>
<td>½</td>
</tr>
<tr>
<td>Wearing personal protective equipment</td>
<td>&gt;50</td>
<td>all the time</td>
<td>10</td>
<td>½</td>
</tr>
<tr>
<td>Carrying or moving heavy loads</td>
<td>0</td>
<td>10</td>
<td>&lt; ¼</td>
<td></td>
</tr>
<tr>
<td>Stress</td>
<td>10–25</td>
<td>½</td>
<td>10</td>
<td>&lt; ¼</td>
</tr>
<tr>
<td>Work with computers</td>
<td>&lt;10</td>
<td>½</td>
<td>10</td>
<td>½</td>
</tr>
</tbody>
</table>
through easy access to unpaid leave or a shift to part-time work. This last option, however, is little used by employees who cited raising their living standards among their priorities.

**General improvements except on health and safety**

Nevertheless, working conditions are described as good (trade union) or normal (management), somewhat better than one or five years ago, much better than 15 years ago. However, 25 to 50 per cent of the workers are exposed to low temperatures in autumn–winter period; 10 to 25 per cent of the workers are exposed to multiple physical risks, notably noise. Again different information is provided by management and trade union, as displayed in Table 12.

Fatigue has an adverse effect on workers’ family life. On the other hand, it is easy to get unpaid leave of up to several days if needed; for some occupations even a switch to part-time work is possible. At the trade union’s suggestion, during the winter months the working day will start later to accommodate workers’ family needs.

**Overall evaluation: social dialogue impact**

It is difficult to identify exactly the trends in working conditions in enterprise E because of conflicting reporting between the trade union and the management. Of course, this is already a precious indication of the conflictual nature of working conditions. This seems to be the case with regard to shift-work and long working hours which are not always compensated, but especially about multiple health and safety risks, with adverse effects on family life. Active trade unions and the presence of a collective agreement, however, seem to have contributed to progressively improve conditions at work, as well as wages, over the years, despite the fact that the presence of a large company - with more than 500 employees - with rapid growth and expanding employment in an area dominated by unemployment can only reduce social dialogue and unbalance negotiating power in favour of a management that seeks increased flexibility for competitive reasons.

**Case F: Lack of Transparency despite the Trade Union**

**Under criticism from public opinion**

State enterprise 'Passenger train' employs more than 1,000 workers. This case is interesting for several reasons. First, a tragic accident with one of the trains at the beginning of 2005 (the reasons for which have yet to be discovered)

4. The sources for this case are interviews with the leader Latvian trade union of the railway workers and the person responsible for labour protection in this union, as well as recent research report (Karnite, 2003) and some publications in the media.
brought working conditions at this enterprise, especially those of locomotive brigades, into the focus of public attention. Second, this enterprise illustrates the high incidence of atypical working time in Latvia. Finally, the case shows that even in a public enterprise with a strong trade union, remuneration and benefit systems might be not fully transparent.

Well-functioning trade union
Most of the workers at 'Passenger train' have permanent contracts. Fixed-term contracts and contracts for specific tasks are rare. Number of employees displays an increasing trend, in line with turnover. More than 90 per cent of employees are union members.

Long working hours
Most employees work shifts, including frequent evening, night, weekend, and holiday work. Overtime is also common and frequent, although number of overtime hours is not large. Night work, holiday work and overtime are compensated according to the legislation (double pay for overtime and holiday work, 50 per cent bonus for night work). Working days of locomotive brigades are long because they depend on the train timetable. However, at least 3 hours' rest between tours within a shift and at least 12 hours' break between shifts are required. Rest rooms with facilities are provided by the enterprise, although their quality should be improved.

Bonuses calculated discretionally
The pay system at the enterprise includes bonuses related to peculiarities in the working schedule, as well as monthly and annual bonuses related to enterprise performance. The respondents, however, have complained about lack of transparency in several dimensions of the remuneration and benefit system, including the rules for calculating monthly bonuses (48 per cent of respondents), allocation of additional paid vacation days, and sometimes very different hourly rates for the same work, depending on worker category. As far as monthly bonuses are concerned, however, the trade union leader claimed that the rules (which have been negotiated with the trade union and published in its newspaper) were clear enough. The respondents were also not well informed about compensation in cases when work is performed while instructing a trainee (all respondents denied any compensation for this, although it is included in the industry level general agreement). All bonuses included, pay exceeds the average level in the public sector, but workers consider themselves underpaid compared to private sector workers with similar skills.

Conditions at work: evaluated differently by the workers and the unions
Working conditions are described by the trade union as normal, somewhat
better than 1, 5, or 15 years ago. However, 25 to 50 per cent of the workers are exposed to painful or uncomfortable positions and stress almost all the time, and high temperatures (in the summer period) about half of the time; eight other types of risk (including vibration, noise, and breathing in vapours, fumes, and dust) affect smaller but not negligible groups of workers.

The collective agreement not implemented
Members of locomotive brigades claimed that they do not receive any compensation for difficult or dangerous working conditions (Karnite 2003). Such compensations are envisaged in the general agreement but a corresponding list of occupations has not been prepared by the enterprise. The trade union leader in a recent interview admitted that implementation of the general agreement at the enterprise level occurs with some lag.

The workers' lives are therefore characterised by high stress and fatigue, long working days, night work, evening and holiday work that adversely affect family life. In order to compensate for such adverse conditions the enterprise distributes a certain number of bonuses or facilities. For example, women with children (as well as single fathers) receive additional paid vacation.

Overall evaluation: more action needed to reduce risks at work
The story of enterprise F shows that the presence of the trade union and even of a collective agreement may not be sufficient to radically improve conditions at work: workers' daily environment continues to be characterised by long, unsocial hours which lead to stress and fatigue that may turn out to be fatal for some professions, such as employees in the locomotive brigades. In contrast to the workers, the trade union evaluated the working conditions as 'good enough', while also legitimising the discretionary distribution of bonuses. The delayed implementation of the collective agreement has also prevented workers from being compensated for dangerous working conditions, a situation that definitely needs to be improved by more transparency within the company from both the management and the trade union.

Case G: Can a Forward-Looking Employer Substitute for a Trade Union?

No trade unions nor collective agreements
Firm G is a growing foreign-owned bank.5 It has more than 1,000 employees throughout the country. As in other commercial banks, there is no trade union

5. Sources of information for this case are interviews with the labour protection specialist and head of the personnel department, as well as questionnaires completed by six employees.
and no collective agreement. However, the human resource management policy applied by the firm seems to be forward-looking. It includes efficiency wages (that is, higher wages to motivate the labour force), as well as many common elements that would normally be included in a collective agreement, and is aimed at attracting really good workers on a long-term basis.

**Fixed-term contracts as a complement**

Although the strategy of the bank is to count on a stable labour force, they also rely on a regular basis on fixed-term employees. Nevertheless, the approach of the bank to fixed-term contracts here is somewhat different from the norm.

Bank employees are quite young, on average about 30 years of age. There are slightly more women than men. Given the total number of workers, it appears that about 100 female employees are on child care leave on any given day. Fixed-term contracts are thus used to replace them, but both the workers hired and managers are looking forward to converting these contracts into permanent ones. In most cases this becomes possible due to expansion. The head of HRM, however, told us that restrictions on fixed-term contracts prevent the firm from reaching optimal efficiency. Contracts with self-employed persons (for instance, marketing professionals) are very rare.

**Pay to performance for long-term motivation**

Wages are well above the economy average and even the sectoral average (if all bonuses are included). Compensation includes fixed salary, profit sharing plan, and contributions to private pension fund. Health insurance is provided to all workers, including the fixed-term ones. Profit-sharing is particularly aimed at increasing workers’ motivation and productivity, and making them feel more committed to the company’s and management objectives.

Concerning work and family reconciliation, the firm pays generous benefits, for example, for a wedding, child birth or death of a close relative. Two to three free days are provided in case of a wedding. Workers with tenure of four to six years receive three additional days’ paid vacation, while those working for the firm for more than six years receive five days.

**But two surprises at work: health risks and unpaid overtime**

Let us now turn to working conditions. The risks are of course very different from those in manufacturing. Most people work with a computer all the time, so eye strain, uncomfortable positions and repetitive hand movements are permanent risk factors. Those working with clients are also exposed to noise, and in some cases high temperatures. However, stress (the dark side of efficiency) seems to be the single most harmful factor. Table 13 presents the most important parts of the interviews. All respondents are between 22 and 28 years of
age and have above basic education. For confidentiality reasons, we do not disclose the occupations of the first five respondents; all of them have permanent contracts and perform some analytical work.

Two findings emerge from the table. The first one is the striking (given the respondents’ age) row on work-related health problems. The situation does not look good despite the considerable attention devoted by the bank to work safety. The firm hired a work safety specialist earlier than was required by the law. Short breaks every hour are recommended to the

---

**Table 13 Risk Factors, Health Problems, Working Time and Satisfaction of Bank Employees Aged 22–28, Latvia**

<table>
<thead>
<tr>
<th>Employees:</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job type</td>
<td>Analytical</td>
<td>Client</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exposition to stress, proportion of the time</td>
<td>½</td>
<td>&lt; ¼</td>
<td>¼</td>
<td>&lt; ¼</td>
<td>½</td>
<td>¼</td>
</tr>
<tr>
<td>Other risk factors reported</td>
<td>a, b</td>
<td>a, b, c</td>
<td>a, b, c, a, b, c, d, e</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overtime, prop. of all days</td>
<td>rare</td>
<td>½</td>
<td>½, –</td>
<td>rare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long days (10 hours)</td>
<td>very rare</td>
<td>&lt; ½</td>
<td>rare</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Usual weekly hours</td>
<td>40</td>
<td>48</td>
<td>40</td>
<td>50</td>
<td>n.a.</td>
<td>45</td>
</tr>
<tr>
<td>Compensation for overtime</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>Work-related health problems</td>
<td>vision, back pain, fatigue</td>
<td>overall pain in the neck &amp; shoulders; stress</td>
<td>back pain, overall fatigue</td>
<td>vision; vision: pain in neck, shoulders and back; overall fatigue; stress</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction with working conditions</td>
<td>Yes, very</td>
<td>Rather not</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Rather not</td>
</tr>
<tr>
<td>Work and family go together (1 - very well;…5- very poor)</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

**Notes:**
- a Repetitive hand movements; b uncomfortable positions; c noise; d carrying heavy loads; e high temperatures.
employees, but enforcement is weak. Note that two out of four respondents did not even mention repetitive hand movements. On the positive side, every year all employees who work with computers are subject to a health check and workplace evaluation. Employees can also express their concerns about working conditions in the annual survey. During the last survey lighting problems and air flow problems which affected more than 50 employees were discovered and fixed. The firm has recently bought ergonomic chairs for a large group of workers. Respondents admit the possibility of discussing problems with the management.

The second finding is related to working time. Four out of six respondents (B, D, E and F) work overtime regularly (although two of them do not classify it as such), and only one receives compensation. This is despite the management claim that overtime is rare and compensated with double pay. The issue here is efficiency wages. Workers are not ordered to stay longer, but they are aware that they have to deliver their reports on time. On the other hand, the high wages might be taken to imply extra effort when needed. However, two of the respondents who work overtime are not satisfied.

About 10 per cent of the bank’s employees work shifts (including evenings, weekends and holidays). They receive 10 per cent higher pay for shift work. Shifts are shorter than 8 hours. Holidays, in accordance with legislation, are compensated with double pay. Night work is very rare (IT specialists in emergency situations). Network administrators do night shifts, but unlike some other banks these shifts are no longer than 8 hours.

**Overall evaluation: HR limits on protecting interests at work**

Enterprise G shows that there are also important attempts to develop a Human Resources policy in some Latvian enterprises - here in a large bank - which may somehow compensate or act as a substitute for the absence of trade unions and collective agreements. The enterprise in particular promotes a long-term payment system relating part of wages to performance, complemented by various bonuses and benefits, thus leading employees to work hard to reach targets with a good overall wage - or at least above average - at the end of the month.

Nevertheless, this policy also has a price to be paid by employees who continue to accumulate shifts and long hours which are not always properly remunerated in the end, with obvious implications for their health.

In the end, however, workers turn out to be satisfied, mainly by the long-term relationship and efficiency wages, and less concerned by working conditions, especially the health and safety risks which emerged from our case studies as one of the most constant features of Latvian enterprises, whatever their activity and whether there is a trade union or not.
CONCLUSION

The evidence on developments in relation to employment and working conditions in Latvia is in many respects controversial. LFS data, experts and most case studies indicate that the proportion of employees with temporary contracts has tended to decrease since the new Labour Law came into force in 2002. On the other hand, this proportion is still one of the highest among the new member states, and at least in one sector (manufacturing of metal products and equipment) it seems to be on the increase. Managers and entrepreneurs in other sectors have expressed some dissatisfaction with legal restrictions on fixed-term contracts, too. Development of temporary employment agencies is hindered by the fact that they cannot compete with no-contract employment and contracts for minimum wages supplemented with unofficial payments. Work without a written contract is so widespread that fighting it was the top priority of the Labour Inspectorate in 2004.

Overtime is another controversial issue. The new legislation more than doubled the annual limit on overtime hours but (together with improved enforcement) made it more difficult to hide overtime legally. Employers compliant with the law seem to react by reducing occasional overtime, but at the same time the incidence of permanent heavy overtime (usual weekly hours 50 or more) increased from 13.5 per cent in 2002 to 15 per cent in 2003. Trade and construction accounted for about 40 per cent of all occurrences of this phenomenon in 2003, compared to 34 per cent one year earlier, while in some of the other sectors long hours have been reduced. If all this heavy overtime (let alone those working 41 to 49 hours a week or occasional overtime) were paid double time, as the law requires, overtime pay would constitute more than 4 per cent of total earnings of all employees. In fact, this proportion was just 0.5 per cent in 2002. It appears that permanent overtime was mostly unpaid, at least officially. Both experts and case studies confirm that in 2005 unpaid overtime is also not unusual, although less widespread. Two polar groups are at high risk: (i) workers who are paid relatively high wages which implicitly assume delivery of required output on time, whatever it takes; (ii) workers who do not have a good outside option (for example, in high unemployment regions or with insufficient skills). Representatives of the first group are often even satisfied with the situation. Our analysis suggests that other things being equal, unpaid overtime is more likely to be found in small firms, for temporary workers and for workers with short tenure. Presence of a trade union improves workers' prospects of being paid for overtime.

Both national statistics and case studies confirm the relatively high incidence of long working days, shift, night and weekend work in Latvia. Stress and fatigue are almost universal findings in our case studies, irrespective of age, job type and economic sector; this is consistent with Antilla's and...
Ylostalo's (2003) findings that physical and mental stress on the job is increasing for about 40 per cent of workers in Latvia, while only 3 to 4 per cent report decreasing stress.

Some improvements in working conditions are reported in almost all cases, but there is also evidence that some groups of workers (white-collar, young, with permanent contracts) are more likely to benefit from these improvements than others. Serious risks for a significant proportion of workers are found in eight out of ten cases. Frequently, risks are caused by outdated equipment, while relatively affordable means of improving job safety are almost exhausted. In other cases (notably, office workers) a more proactive and creative approach by labour protection specialists and further efforts to improve workers' awareness and change their attitudes are needed.

Health and safety are also related to unofficial wage payments: workers who receive a significant part of their wages as 'envelope pay' are very unlikely to argue with the employer about working conditions. But this is also to some extent true for employees who are officially paid high 'efficiency wages'.

As recently as March 2005 the Employers' Confederation came up with a suggestion to further increase the legally allowed number of overtime hours, to cut the overtime premium from 100 to 50 per cent for overtime in excess of a certain limit, and to cut compensation for night work from 50 to 25 per cent. The employers argue that this would boost investment in development. The evidence suggests that in any case the approach to this problem has to be sector specific (and maybe even experience-related). Reduction of compensation will hit workers in the unionised sector, especially where these types of work are common (for example, railways and manufacturing of metal products). If in some cases it may indeed open opportunities to substantially improve working conditions, this has to be built in to the deal. It remains unclear whether in other sectors employers who currently avoid paying overtime compensation will start to pay it. On the other hand, some employers who currently do not extensively use overtime might want to expand production using the existing employees if the proposal is accepted, and LFS data indicate that there is significant room for it on a voluntary basis. This problem has also to be seen from the health and safety perspective. Night work is usually unavoidable, and its adverse effect on health is well known. Given currently low wage levels, reduction of night work compensation does not seem justified. As long as overtime is predominantly unpaid, it is involuntary, so a reduction of the compensation is not likely to reduce the incidence of overtime.
Acknowledgments
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REFERENCES

6. Malta: Under Pressure from a Reduced Competitive Edge

Edward Zammit*

PART I NATIONAL ASSESSMENT

Introduction

The Employment and Industrial Relations Act (EIRA) (Cap. 452) of 2002 is the main legislative instrument regulating conditions of employment, and is divided into two main parts: Title I regulates relations between employers and employees as individuals; Title II regulates collective industrial relations between employers or employers’ associations and employees or trade unions as employee representatives. The Act states that conditions of employment may be (a) prescribed through the publication by government of a national standard order or a sectoral regulation order, or (b) determined by means of a voluntary collective agreement, or (c) settled following a judicial decision or award given by an industrial tribunal. The Act also establishes the institutions operating in this field. These include the Employment Relations Board, which is a tripartite body with an advisory role to the Minister of Labour on ‘any matter relating to conditions of employment’. Beyond legal regulations, it is essential to identify what working and employment conditions prevail at enterprise level, and how they seem to be evolving in the new economic and social context.

1. EMPLOYMENT CONTRACTS: WHAT LIES BEYOND THE LEGAL REGULATIONS?

1.1 Legal Framework: Helping Workers to Get Out of Short-Term Status

According to the act (EIRA), a person may enter into a contract of service for a definite or an indefinite term.

* Assisted by Godwin Mifsud.
The Contracts of Service for a Fixed Term Regulation of 2002 published under the act (EIRA) enshrine the principle of non-discrimination between employees on a contract of service for a fixed term and employees on an indefinite contract as regards their conditions of employment. Under these Regulations the employer is obliged to inform employees on a contract for a fixed term about vacancies which become available and to give such employees the same opportunity as other employees to secure work on a contract of service for an indefinite term. The employer is also urged to facilitate access to employees on a fixed term contract to appropriate training opportunities. The Regulations also ensure that in cases where an employee on a fixed term contract has been continuously employed for a period exceeding four years and where the employer cannot provide reasons to justify the limitation of renewal of such a contract, the employee shall be considered to be employed under a contract of indefinite duration.

The Part-Time Employees Regulations of 2002 enacted under EIRA ensure that part-time employees shall not be treated less favourably than comparable full-time employees as regards the terms of their contract of employment. The Regulations also establish that part-time employees whose part-time employment is their principal employment and who are employed for not less than 20 hours a week, shall be entitled to a pro rata claim to all public holidays and annual vacation leave, sick leave, birth leave, bereavement leave, marriage leave and injury leave. Such employees are also entitled to statutory bonuses, income supplements and participation in vocational training programmes provided by or on behalf of the employer in the same manner as full-time employees at the same place of work. The employers are also obliged to inform part-time employees about the availability of full-time work opportunities and to facilitate transfers from full-time to part-time or vice versa within the same place of work.

EIRA also establishes the duration of probationary periods and procedures regulating termination of employment. In the case of a contract of service for an indefinite time, such a contract may be terminated by the employee without giving any reason and by the employer only on grounds of redundancy. However, employees dismissed on grounds of redundancy are entitled to re-employment if the post they previously occupied becomes available within one year from the date of termination of employment. Re-employment shall be under conditions not less favourable than those that prevailed prior to dismissal. The employer is also bound to terminate the employment of the person who was taken on last in the class of employment affected by redundancy. The Act also establishes the penalties to be paid by the defaulting party in case of breach of the time definitely specified by a contract of service.

Are all these provisions adhered to by enterprises and what influence have they had on the types of labour contract implemented at enterprise level?
1.2 Trends and Analysis

1.2.1 Self-Employment: A Rising Trend

According to the Labour Force Survey (LFS) conducted by the National Statistics Office (Malta) (NSO), at the end of September 2004, the number of self-employed persons stood at 20,987 or 14.1 per cent of total employees, which represents a significant trend. Moreover, as highlighted in Table 1, there is growth in the proportion of self-employed persons over the period 2000 to 2004. This proportion is even higher among male workers. During September 2004, the number of male self-employed stood at 18,069 or 17.5 per cent of total male employees. The September 2004 LFS states that the number of female self-employed stood at 2,918 or 6.5 per cent of total female employees, although this figure should be treated with caution due to a problem of under-representation in the sample.

Table 1 Self-Employed as a Percentage of Total Employees, 2000–2004, Malta

<table>
<thead>
<tr>
<th>Year</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>15.9</td>
<td>6.2</td>
<td>13.0</td>
</tr>
<tr>
<td>2001</td>
<td>16.9</td>
<td>7.8</td>
<td>14.3</td>
</tr>
<tr>
<td>2002</td>
<td>17.8</td>
<td>5.4</td>
<td>14.0</td>
</tr>
<tr>
<td>2003</td>
<td>17.2</td>
<td>8.0</td>
<td>14.3</td>
</tr>
<tr>
<td>2003 (Sept)</td>
<td>17.6</td>
<td>7.6</td>
<td>14.5</td>
</tr>
<tr>
<td>2004 (Sept)</td>
<td>17.5</td>
<td>6.5</td>
<td>14.1</td>
</tr>
</tbody>
</table>

*Note: The number of females for September 2003 and September 2004 is underrepresented.

Source: NSO.

Self-employed persons without employees represented 66.3 per cent of total self-employed during September 2004 (the others thus representing self-employed persons hiring employees). The share of male self-employed without employees out of total self-employed stood at 67.0 per cent, while the corresponding female figure was slightly lower at 62.0 per cent.

1.2.2 Part-Time Employment: Also Growing But Mainly for Women

According to the LFS, the number of persons whose main occupation was part-time employment stood at 11,790 or 7.9 per cent of total employees at the end of September 2004. As shown in Table 2, the proportion of part-time employees in total employees was on a rising trend over the period
2000–2004. The number of male part-time workers stood at 3,816 at the end of September 2004 or 3.7 per cent of total male employees. During June 2004, the number of female self-employed stood at 7,974 or 17.7 per cent of total female employees.

Table 2  Part-Time Employees as a Percentage of Total Employees, 2000–2004, Malta

<table>
<thead>
<tr>
<th></th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2.7</td>
<td>17.1</td>
<td>7.4</td>
</tr>
<tr>
<td>2001</td>
<td>2.9</td>
<td>16.6</td>
<td>7.1</td>
</tr>
<tr>
<td>2002</td>
<td>4.4</td>
<td>18.9</td>
<td>9.4</td>
</tr>
<tr>
<td>2003</td>
<td>3.5</td>
<td>19.1</td>
<td>8.7</td>
</tr>
<tr>
<td>2003 (Sept)</td>
<td>3.2</td>
<td>17.4</td>
<td>7.5</td>
</tr>
<tr>
<td>2004 (Sept)</td>
<td>3.7</td>
<td>17.7</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Note: The figures for 2004 refer to June.

Source: NSO.

Table 3  Part-Time Employees, Malta

<table>
<thead>
<tr>
<th></th>
<th>Primary occupation Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1 638</td>
<td>2 565</td>
<td>4 203</td>
</tr>
<tr>
<td>1991</td>
<td>1 764</td>
<td>3 276</td>
<td>5 040</td>
</tr>
<tr>
<td>1992</td>
<td>1 802</td>
<td>3 575</td>
<td>5 377</td>
</tr>
<tr>
<td>1993</td>
<td>2 125</td>
<td>4 081</td>
<td>6 206</td>
</tr>
<tr>
<td>1994</td>
<td>2 460</td>
<td>4 661</td>
<td>7 121</td>
</tr>
<tr>
<td>1995</td>
<td>3 064</td>
<td>5 947</td>
<td>9 011</td>
</tr>
<tr>
<td>1996</td>
<td>3 274</td>
<td>6 473</td>
<td>9 747</td>
</tr>
<tr>
<td>1997</td>
<td>3 585</td>
<td>6 852</td>
<td>10 437</td>
</tr>
<tr>
<td>1998</td>
<td>4 035</td>
<td>7 552</td>
<td>11 587</td>
</tr>
<tr>
<td>1999</td>
<td>4 926</td>
<td>8 618</td>
<td>13 544</td>
</tr>
<tr>
<td>2000</td>
<td>5 636</td>
<td>9 629</td>
<td>15 265</td>
</tr>
<tr>
<td>2001</td>
<td>6 162</td>
<td>10 181</td>
<td>16 343</td>
</tr>
<tr>
<td>2002</td>
<td>6 540</td>
<td>10 688</td>
<td>17 228</td>
</tr>
<tr>
<td>2003</td>
<td>7 285</td>
<td>11 597</td>
<td>18 882</td>
</tr>
<tr>
<td>2003 (–Sept)</td>
<td>7 297</td>
<td>11 712</td>
<td>19 009</td>
</tr>
<tr>
<td>2004 (–Sept)</td>
<td>8 284</td>
<td>12 982</td>
<td>21 266</td>
</tr>
</tbody>
</table>

Source: NSO.
The administrative records of the Employment and Training Corporation (ETC), which are also published by the NSO, constitute an alternative source of employment data. According to the ETC data, at the end of September 2004 the total number of part-time employees in Malta stood at 37,488. This figure represents an increase of 3,320 or 9.7 per cent over September 2003.

A secondary occupation for men

As shown in Table 3, the number of part-time employees has risen sharply over the last decade. Over the period ranging from December 1990 to December 2003, the number of part-time employees increased by an average annual rate of 11.6 per cent. The share of females in total part-time employment increased from 36.4 per cent recorded at the end of 1990 to 45.6 per cent in 2003.

At the end of September 2004, the number of persons whose main occupation was a part-time job stood at 21,266 or 56.7 per cent of total part-time employees. Over the twelve months to September 2004, the number of persons whose main occupation was a part-time job rose by 2,257 or 11.9 per cent. The majority of the persons whose main occupation was a part-time job were females. In fact, the share of females in the total number of persons whose main occupation was a part-time job stood at 61.0 per cent, while the share of males stood at 39.0 per cent. At the end of December 2003, the share of persons whose main occupation was a part-time job in total part-time employees stood at 56.7 per cent, an increase of 5.6 percentage points over December 1990.

Meanwhile the number of persons who have a part-time job as a secondary occupation stood at 16,222 or 43.3 per cent of total part-time employees. This implies that during the year to September 2004, the number of persons who have a part-time job as a secondary occupation increased by 1,063 or 7.0 per cent. The number of males who have a part-time job as the secondary occupation stood at 12,141 or 74.8 per cent of the total. The number of persons who have a part-time job as their secondary occupation was also on a rising trend over the period under study, as the annual average growth rate registered over the period 1990 to 2003 stood at 11.3 per cent.

1.2.3 Little Recourse to Fixed-Term Employment

Table 4 shows the share of employees on a fixed-term contract as a percentage of total employees. The number of employees on a fixed-term contract represented a relatively small share of total employees and it is more common among females. At the end of 2003 the share of employees on a fixed-term contract stood at 2.6 per cent of total employees, 1.6 percentage points below the comparable figure for 2000.
Table 4 Employees on Fixed-Term Contracts as a Percentage of Total Employees, 2000–2003, Malta

<table>
<thead>
<tr>
<th>Year</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3.4</td>
<td>6.0</td>
<td>4.2</td>
</tr>
<tr>
<td>2001</td>
<td>2.3</td>
<td>6.4</td>
<td>3.6</td>
</tr>
<tr>
<td>2002</td>
<td>2.7</td>
<td>4.6</td>
<td>3.3</td>
</tr>
<tr>
<td>2003</td>
<td>1.7</td>
<td>4.6</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Note: The number of males for 2003 is underrepresented.

Source: NSO.

The share of male employees on a fixed-term contract stood at 1.7 per cent during 2003, 1.7 percentage points below 2000. At the end of 2003 the proportion of females on a fixed-term contract was 4.6 per cent, 1.4 percentage points below the figure recorded at the end of 2000.

1.3 Wages and Incomes: Converging with the EU?

1.3.1 Legal Framework: Protecting Wages

EIRA provides for the protection of wages and regulates several issues related to employee remuneration, such as deductions from wages and the imposition of fines. It establishes the frequency of payments as a maximum of four weeks in arrears and the payment of bonuses. It also provides for the treatment of remuneration owed to the employee as a privileged debt.

EIRA establishes also a Guarantee Fund for the purpose of guaranteeing payment of unpaid wages due by an employer to those employees whose employment is terminated because of the employer’s proven insolvency. The Guarantee Fund Regulations of 2002 regulate the endowment, utilisation and administration of the Guarantee Fund.

Through the publication of a National Standard Order, the Government of Malta established the National Minimum Wage which is payable to both full-time and part-time employees. However, in the case of employees covered by a specific Wages Regulation Order, the minimum wage may be actually higher. During 2004, the National Minimum Wage per week stood at MTL 53.88 (around EUR 126) for persons aged 18 and over. The Government also sets the annual increase in wages in compensation for increases in the cost of liv-

1. The number of males on a fixed-term contract is under-represented (NSO: News Release 123/2004).
ing by issuing a Wage Increase (Employees) National Standard Order. The cost of living adjustment coming into effect from January 2005 is equal to an increase of MTL 1.75 (around EUR 4) per week. It should be noted, however, that wages and other working conditions for most employees are established through collective bargaining.

1.3.2 Trends and Analysis: Difficult Progression of Real Wages

Real wages stopped and labour productivity falling

According to the Labour Force Survey for December 2003, the annual average gross salary in Malta stood at MTL 5,032.60 (around EUR 11,800), an increase of MTL 120.25 (around EUR 280) over the same period of 2002. The real average salary is obtained by deflating the nominal figures by the Harmonised Index of Consumer Prices (HICP) index using the base year 1999=100. During December 2003 the real average salary stood at MTL 4,501.56 (around EUR 10,570), a marginal decline of 0.1 per cent over December 2002. Developments in the inflation rate – with extreme volatility but a general progressive decrease after a sharp increase up to the mid-1990s – may reflect several factors, including a degree of imported inflation in a small open economy such as Malta, the pace of economic activity and policy decisions related to general macroeconomic policy.

Table 5  Productivity and Wages, 1999–2003, Malta

<table>
<thead>
<tr>
<th>Year</th>
<th>Labour Productivity Index 1999=100</th>
<th>Average Gross Salary MTL</th>
<th>Real Average Salary MTL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>100.00</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2000</td>
<td>95.93</td>
<td>4,564.95</td>
<td>4,428.32</td>
</tr>
<tr>
<td>2001</td>
<td>91.40</td>
<td>4,762.40</td>
<td>4,508.73</td>
</tr>
<tr>
<td>2002</td>
<td>91.06</td>
<td>4,912.35</td>
<td>4,507.42</td>
</tr>
<tr>
<td>2003</td>
<td>93.33</td>
<td>5,032.60</td>
<td>4,501.56</td>
</tr>
</tbody>
</table>

Source: NSO, Eurostat.

Over the period 2000–2003, the average gross salary increased by 10.2 per cent or MTL 467.65 (around EUR 1,140) over December 2000. However, in real terms, the real average salary only increased by 1.7 per cent or MTL 73.24 (around EUR 180). In fact, the real average salary in Malta was practically unchanged or indeed declined marginally between 2001 and 2003.

Figure 1 depicts trends in labour productivity and real average salary in Malta over recent years. The measure for labour productivity is GDP in Purchasing
Power Standards (PPS) per person employed, published by Eurostat. Labour productivity was generally on a downward trend over the period under review. The index declined from the normalised value of 100 in 1999 to a low of 91.1 in 2002, a drop of 9.8 per cent. During 2003, the labour productivity index stood at 93.3, an increase of 2.5 per cent over the previous year. The decline in labour productivity partly reflects the relatively slow rate of economic growth experienced in recent years, at a time when the labour force was expanding. In fact, between 2000 and 2003, according to the Labour Force Survey, the number of employed persons increased by 1,839 or 1.3 per cent. Simultaneously, GDP at constant prices declined by 2.4 per cent during 2001 and by 0.3 per cent during 2003. These declines were partly reversed by an increase of 2.6 per cent in 2002. Nevertheless, the level of GDP during 2003 was below that recorded during 2000. However, one must also note that the level of the GDP during 2000 was driven by an exceptional performance of the electronics industry. The slow rate of economic growth reflects to some extent the effect of the fiscal imbalance on the real economy, in particular as government resorted to higher direct and indirect taxes as a means of financing the fiscal deficit.

In addition, the export sector which is meant to be the main generator of economic wealth in a small open economy such as Malta, suffered a loss in relative competitiveness in both the manufacturing and service industries. Indeed, in recent years certain sectors of local manufacturing industry – most notably the manufacturing of footwear and clothing – bore the brunt of price
competition emanating from cheap-cost locations. The tourism sector also performed relatively poorly, mainly as a result of increased international competition following the expansion of low-cost flights over Europe, domestic cost pressures and poor economic growth in the main partner countries, resulting in lower demand for international travel. Indeed, the problem of the fiscal imbalance and deteriorating competitiveness are linked as government-induced costs and taxes feed into the cost-structure of private enterprises, leading to higher prices for internationally-traded goods and services.

These macroeconomic trends are confirmed by a closer look at collective bargaining trends. A recent study focusing on collective bargaining was based on a sample of 80 collective agreements. It found that in Malta wages tend to increase by approximately 2.5 per cent per annum. Adding on a further 2 per cent to account for the statutory cost of living increase, it emerges that wages are rising by around 4.5 per cent per annum, in nominal terms. The study notes that if the cost of living adjustment is forgone, then wage trends in real terms would be comparable to those observed in other European countries.²

1.4 Occupational Health and Safety: Up to Standard?

1.4.1 Legal Framework: A Step Forward in 2000

The Occupational Health and Safety Authority Act of 2000 established the Occupational Health and Safety Authority (OHSA). This represented a major step forward since this organisation is responsible for the physical, psychological and social well-being of all employees in all workplaces. It is responsible for ascertaining that employees are safeguarded by whoever is legally obliged to provide adequate safeguards and ensuring that the levels of health and safety established by the Act and subsidiary regulations under the Act are adhered to. The Act establishes a set of measures that need to be taken by employers in order to prevent physical and psychological occupational ill-health, injury or death and it also describes the duties of employees in this area. Under the Act, the OHSA may appoint Occupational Health and Safety Officers who shall have functions mainly related to the general implementation of the Act or of any regulations made thereunder.

1.4.2 Trends and Analysis: Difficult Implementation

Persons with long-standing health problems or disability

According to the LFS published in June 2002, 22,472 persons or 8.4 per cent of the working age population suffered from long-standing health problems or

² Montebello (2003), p. 43.
disabilities. Males accounted for 57.1 per cent of the persons suffering from a long-standing health problem or disability, while the share of females stood at 42.7 per cent.

Table 6 Long-Standing Health Problems or Disability, by Gender, June 2002, Malta

<table>
<thead>
<tr>
<th></th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>5 693</td>
<td>1 533</td>
<td>7 226</td>
</tr>
<tr>
<td>Unemployed</td>
<td>645</td>
<td>250</td>
<td>895</td>
</tr>
<tr>
<td>Inactive</td>
<td>6 545</td>
<td>7 806</td>
<td>14 351</td>
</tr>
<tr>
<td>Total</td>
<td>12 883</td>
<td>9 589</td>
<td>22 472</td>
</tr>
</tbody>
</table>

Source: NSO.

Interestingly, 1,918 or 8.5 per cent of the persons suffering from a long-standing health problem or disability attribute the cause to work-related accident or injury, whilst 2,722 or 12.1 per cent point to work-related diseases as the cause of their health problem or disability. Further studies are required in order to establish whether a correlation exists between the incidence of 'long standing health problems' and the availability of 'light duties' for incumbents, as may be defined in a collective agreement.

Accidents at the workplace: a declining trend

As shown in Table 7, the total number of accidents at the workplace was on a declining trend during the years 1999–2003. These statistics are based on administrative data recorded by the Department of Social Security. During 2003, the total number of accidents stood at 4,746 a drop of 190 or 3.8 per cent when compared to the previous year. Moreover, over the 1999–2003 period, the number of accidents at the workplace declined by 519 or 9.9 per cent.

Table 7 Accidents at Work by Gender of Victim, 1999–2003, Malta

<table>
<thead>
<tr>
<th>Year</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>4 713</td>
<td>552</td>
<td>5 265</td>
</tr>
<tr>
<td>2000</td>
<td>4 534</td>
<td>623</td>
<td>5 157</td>
</tr>
<tr>
<td>2001</td>
<td>4 515</td>
<td>546</td>
<td>5 061</td>
</tr>
<tr>
<td>2002</td>
<td>4 438</td>
<td>498</td>
<td>4 936</td>
</tr>
<tr>
<td>2003</td>
<td>4 208</td>
<td>538</td>
<td>4 746</td>
</tr>
</tbody>
</table>

Source: NSO.
On a gender basis, the number of accidents suffered by males declined considerably, from 4,714 during 1999 to 4,208 in 2003, a drop of 505 or 10.7 per cent. Males represented 88.7 per cent of the persons who suffered accidents at the workplace. Between 2002 and 2003, the number of accidents suffered by males declined by 230 or 5.2 per cent. The number of accidents suffered by females increased by 71 between 1999 and 2000, declines of 77 and 48 were recorded during 2001 and 2002 respectively, and an increase of 40 was recorded in 2003. Between 1999 and 2003, the number of accidents suffered by females declined slightly by 14 or 2.5 per cent.

The number of fatalities at the workplace displayed an erratic pattern between 1993 and 2004. During 2003 the number of fatal accidents was 12, an increase of 8 over 2002.

When compared with the available data from other EU member states, the index of ‘serious accidents’ at work in Malta in 2001 was marginally lower than the EU-15 average, but higher than the average for the new member states. Furthermore, the incidence of fatal accidents at work in Malta is the lowest of the new member states and is generally lower than the EU-15 states.

Figure 2  Number of Fatal Accidents, Malta

The number of fatalities at the workplace displayed an erratic pattern between 1993 and 2004. During 2003 the number of fatal accidents was 12, an increase of 8 over 2002.

When compared with the available data from other EU member states, the index of ‘serious accidents’ at work in Malta in 2001 was marginally lower than the EU-15 average, but higher than the average for the new member states. Furthermore, the incidence of fatal accidents at work in Malta is the lowest of the new member states and is generally lower than the EU-15 states.

3. A ‘serious accident’ at work is defined as one that results in more than three days’ absence.
A diversified picture by occupation
During 2003, elementary occupations and crafts and related trades workers accounted for 76.8 per cent of total accidents at the workplace. Amongst males, the highest number of accidents was recorded in the elementary occupations, crafts and related trades workers, service workers, shop and market sales workers. In the case of females, the categories recording the highest number of accidents were elementary occupations, professionals, plant and machine operators and assemblers.

During 2003, the occupations that recorded the highest increases in the number of reported accidents were crafts and related trades workers and professionals, by 204 and 202, respectively. These increases were more than countered by declines recorded in other occupations, where the sharpest declines were in elementary occupations (a decrease of 551) and technicians and associate professionals (a decrease of 172). Over the 1999–2003 period, the sharpest declines in the number of accidents were recorded in elementary occupations (less 699) and crafts and related trades workers (less 297). These decreases were partially mitigated by increases recorded in other occupations, principally amongst professionals, where an increase of 242 was recorded.

An analysis of the number of accidents at work by age group for 2003 suggests that the highest number of accidents occur amongst people aged between 25 and 34 years. Amongst males, the highest number of accidents occurred in the 25–34 years cohort, that is, around 27.1 per cent of total accidents suffered by males. The number of accidents is also high in all other categories, with the exception of the 55+ age cohort.

In the case of females, the highest number of accidents (34.9 per cent of total accidents for females) occurred amongst persons even younger aged

Table 8 Accidents at Work by Age Group, 2003, Malta

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
<th>% of total employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>15–24</td>
<td>808</td>
<td>188</td>
<td>996</td>
<td>3.6</td>
</tr>
<tr>
<td>25–34</td>
<td>1141</td>
<td>139</td>
<td>1280</td>
<td>3.5</td>
</tr>
<tr>
<td>35–44</td>
<td>977</td>
<td>90</td>
<td>1067</td>
<td>3.3</td>
</tr>
<tr>
<td>45–54</td>
<td>902</td>
<td>92</td>
<td>994</td>
<td>2.8</td>
</tr>
<tr>
<td>55+</td>
<td>380</td>
<td>29</td>
<td>409</td>
<td>3.0</td>
</tr>
<tr>
<td>Total</td>
<td>4208</td>
<td>538</td>
<td>4746</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Source: NSO.

5. In 2003, the total number of employees was 147,042 (45.9%); unemployment stood at 12,596 (3.9%); and 160,976 (50.2%) were inactive.
15–24. During 2003, a high number of accidents was also recorded in the 25–34 years category (25.8 per cent), whilst the other categories also recorded a notable number of accidents, with the exception of the 55+ age cohort. This pattern reflects, among other things, differences in participation rates and in education levels across genders.

1.5 Working Time: Long Hours

1.5.1 Legal Framework

EIRA empowers the Minister to prescribe the maximum weekly working hours, including overtime, for employees, minimum periods of daily rest, weekly rest and annual leave, and may make different provisions for different classes of employees, and to make national standard orders or sectoral regulation orders, following consultation with the Employment Relations Board.

Under the same Act, the employer is bound to explain to the employee the provisions of any recognised conditions of employment upon engagement and to provide a written statement about such conditions. Moreover, in case the Government grants a general increase in wages to all its full-time employees and such an increase is declared in the Government Gazette to be of general application, such increase is extended to all full-time employees (inclusive of private sector employees) by an amount equivalent to that granted by the Government to its employees. EIRA states also that the provisions of the Occupational Health and Safety Act and subsidiary legislation issued under the same Act shall be deemed to form part of the recognised conditions of employment.

Working time in Malta is regulated by the Organisation of Working Time Regulations (LN 247 of 2003), published and subsequently enforced in 2003. This legal instrument regulates and defines the minimum rest period, maximum working time, night work and shift work. The regulations stipulate the maximum average working time for a seven-day period should not exceed 48 hours, although a number of qualifications apply.

1.5.2 Trends and Analysis: Differences by Gender and Occupation

Mean working hours

Table 9 shows the normal mean hours worked by employed persons emanating from the LFS for April–June 2004 conducted by the NSO. On average, Maltese employees tend to work relatively long hours, with clear differences between the genders. The total mean hours worked in the survey period was 39.1 hours (males 40.8 and females 35.0 hours). On an occupational basis, agriculture and fishery workers, legislators, senior officials and managers had
the longest working hours for both males and females. The survey results also suggest that professionals of both sexes tend to work shorter hours.

The gap between the occupations with the longest and the shortest working hours – that is, skilled agriculture and fishery workers and professionals – is on average 5.5 and 24.1 hours for males and females, respectively.

Atypical working hours: already part of Maltese reality

Another useful snapshot of Maltese working habits is provided by statistics on atypical hours. The data were obtained from the LFS and refer to March 2001. Atypical hours worked is measured by the number of employees who work on Sunday, Saturday, evenings on weekdays and nights on weekdays.

As shown in Table 10, working on a Saturday is the most prevalent form of atypical work in Malta, as 54.7 per cent of total employed persons engaged in this form of activity during March 2001. The number of persons working on a Sunday stood at 43,525 or 30 per cent of total employed persons. Working on evenings and nights on weekdays was also quite frequent as the

Table 9 Normal Mean Hours Worked by Employed Persons (April– June 2004), Malta

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armed Forces</td>
<td>43.1</td>
<td>–</td>
<td>43.1</td>
</tr>
<tr>
<td>Legislators,</td>
<td>43.2</td>
<td>40.0</td>
<td>42.7</td>
</tr>
<tr>
<td>Senior officials and managers</td>
<td>38.3</td>
<td>30.9</td>
<td>35.0</td>
</tr>
<tr>
<td>Professionals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technicians &amp; associate professionals</td>
<td>40.5</td>
<td>33.9</td>
<td>38.4</td>
</tr>
<tr>
<td>Clerks</td>
<td>40.9</td>
<td>36.7</td>
<td>38.3</td>
</tr>
<tr>
<td>Service workers and sales workers</td>
<td>39.9</td>
<td>33.7</td>
<td>37.5</td>
</tr>
<tr>
<td>Skilled agriculture &amp; fishery workers</td>
<td>43.9</td>
<td>55.0</td>
<td>44.5</td>
</tr>
<tr>
<td>Crafts &amp; related trade workers</td>
<td>40.6</td>
<td>31.9</td>
<td>40.2</td>
</tr>
<tr>
<td>Plant and machine operators and assemblers</td>
<td>40.1</td>
<td>39.0</td>
<td>39.8</td>
</tr>
<tr>
<td>Elementary occupations</td>
<td>41.5</td>
<td>35.5</td>
<td>40.3</td>
</tr>
<tr>
<td>Total</td>
<td>40.8</td>
<td>35.0</td>
<td>39.1</td>
</tr>
</tbody>
</table>

Source: NSO.
## Table 10: Atypical Working Hours, by Occupation and Gender, 2001, Malta

<table>
<thead>
<tr>
<th>Occupation Category</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Armed Forces</strong></td>
<td>841</td>
<td>49</td>
<td>890</td>
<td>1,026</td>
<td>48</td>
<td>1,074</td>
<td>777</td>
<td>48</td>
<td>825</td>
<td>641</td>
<td>49</td>
<td>690</td>
</tr>
<tr>
<td><strong>Legislators, senior officials and managers</strong></td>
<td>2,006</td>
<td>455</td>
<td>2,461</td>
<td>2,399</td>
<td>359</td>
<td>2,758</td>
<td>2,246</td>
<td>444</td>
<td>2,690</td>
<td>1,251</td>
<td>45</td>
<td>1,706</td>
</tr>
<tr>
<td><strong>Professionals</strong></td>
<td>2,196</td>
<td>180</td>
<td>2,376</td>
<td>2,036</td>
<td>162</td>
<td>2,208</td>
<td>5,291</td>
<td>1,065</td>
<td>6,356</td>
<td>2,192</td>
<td>444</td>
<td>2,636</td>
</tr>
<tr>
<td><strong>Technicians and associate professionals</strong></td>
<td>4,111</td>
<td>285</td>
<td>4,403</td>
<td>6,211</td>
<td>1,053</td>
<td>7,264</td>
<td>3,201</td>
<td>0,487</td>
<td>3,688</td>
<td>2,510</td>
<td>440</td>
<td>2,950</td>
</tr>
<tr>
<td><strong>Clerks</strong></td>
<td>3,625</td>
<td>1,210</td>
<td>4,835</td>
<td>4,981</td>
<td>941</td>
<td>5,922</td>
<td>1,732</td>
<td>1,270</td>
<td>3,002</td>
<td>1,217</td>
<td>505</td>
<td>1,722</td>
</tr>
<tr>
<td><strong>Service workers and shop and sales workers</strong></td>
<td>5,267</td>
<td>2,228</td>
<td>7,505</td>
<td>11,448</td>
<td>5,883</td>
<td>17,331</td>
<td>5,099</td>
<td>1,699</td>
<td>6,798</td>
<td>3,474</td>
<td>1,118</td>
<td>4,592</td>
</tr>
<tr>
<td><strong>Skilled agricultural and forestry workers</strong></td>
<td>396</td>
<td>396</td>
<td>792</td>
<td>1,528</td>
<td>1,528</td>
<td>3,056</td>
<td>501</td>
<td>501</td>
<td>1,002</td>
<td>440</td>
<td>440</td>
<td>880</td>
</tr>
<tr>
<td><strong>Craft and related trade workers</strong></td>
<td>912</td>
<td>410</td>
<td>1,322</td>
<td>9,706</td>
<td>479</td>
<td>10,185</td>
<td>2,766</td>
<td>192</td>
<td>2,958</td>
<td>2,191</td>
<td>69</td>
<td>2,260</td>
</tr>
<tr>
<td><strong>Plant and animal operators and assemblers</strong></td>
<td>4,008</td>
<td>2,111</td>
<td>6,119</td>
<td>7,185</td>
<td>5,519</td>
<td>12,704</td>
<td>5,702</td>
<td>2,405</td>
<td>8,107</td>
<td>4,675</td>
<td>1,383</td>
<td>5,658</td>
</tr>
<tr>
<td><strong>Protected entry occupations</strong></td>
<td>4,593</td>
<td>1,524</td>
<td>6,117</td>
<td>7,597</td>
<td>2,506</td>
<td>10,103</td>
<td>5,722</td>
<td>711</td>
<td>6,433</td>
<td>2,710</td>
<td>429</td>
<td>3,139</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20,313</td>
<td>10,248</td>
<td>30,561</td>
<td>28,931</td>
<td>16,050</td>
<td>45,981</td>
<td>30,352</td>
<td>20,873</td>
<td>51,225</td>
<td>21,496</td>
<td>6,250</td>
<td>26,746</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agriculture, hunting and forestry</strong></td>
<td>286</td>
<td>786</td>
<td>1,052</td>
<td>1,543</td>
<td>487</td>
<td>2,030</td>
<td>722</td>
<td>487</td>
<td>1,209</td>
<td>169</td>
<td>169</td>
<td></td>
</tr>
<tr>
<td><strong>Mining</strong></td>
<td>405</td>
<td>-</td>
<td>405</td>
<td>405</td>
<td>-</td>
<td>405</td>
<td>405</td>
<td>-</td>
<td>405</td>
<td>405</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td>294</td>
<td>-</td>
<td>294</td>
<td>294</td>
<td>-</td>
<td>294</td>
<td>294</td>
<td>-</td>
<td>294</td>
<td>294</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Electricity, gas and water supply</strong></td>
<td>1,101</td>
<td>7,299</td>
<td>8,400</td>
<td>2,072</td>
<td>96</td>
<td>2,168</td>
<td>1,206</td>
<td>-</td>
<td>1,206</td>
<td>1,286</td>
<td>-</td>
<td>1,286</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td>1,144</td>
<td>23</td>
<td>1,167</td>
<td>4,472</td>
<td>126</td>
<td>4,598</td>
<td>462</td>
<td>-</td>
<td>462</td>
<td>428</td>
<td>-</td>
<td>428</td>
</tr>
<tr>
<td><strong>Wholesale and retail trade, repairs</strong></td>
<td>2,006</td>
<td>542</td>
<td>2,548</td>
<td>3,922</td>
<td>485</td>
<td>4,407</td>
<td>1,576</td>
<td>381</td>
<td>1,957</td>
<td>746</td>
<td>248</td>
<td>994</td>
</tr>
<tr>
<td><strong>Hotels and restaurants</strong></td>
<td>5,204</td>
<td>5,928</td>
<td>11,132</td>
<td>5,204</td>
<td>5,928</td>
<td>11,132</td>
<td>3,452</td>
<td>1,354</td>
<td>4,806</td>
<td>2,245</td>
<td>1,575</td>
<td>3,820</td>
</tr>
<tr>
<td><strong>Transport, storage and communication</strong></td>
<td>5,115</td>
<td>4,079</td>
<td>9,194</td>
<td>6,054</td>
<td>789</td>
<td>6,843</td>
<td>5,846</td>
<td>494</td>
<td>6,339</td>
<td>2,552</td>
<td>487</td>
<td>3,039</td>
</tr>
<tr>
<td><strong>Financial and insurance activities</strong></td>
<td>445</td>
<td>-</td>
<td>445</td>
<td>445</td>
<td>-</td>
<td>445</td>
<td>445</td>
<td>-</td>
<td>445</td>
<td>445</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Real estate, renting and business activities</strong></td>
<td>1,385</td>
<td>151</td>
<td>1,536</td>
<td>2,173</td>
<td>555</td>
<td>2,728</td>
<td>1,971</td>
<td>311</td>
<td>2,282</td>
<td>367</td>
<td>56</td>
<td>423</td>
</tr>
<tr>
<td><strong>Public administration, compulsory social security</strong></td>
<td>2,163</td>
<td>462</td>
<td>2,625</td>
<td>5,069</td>
<td>683</td>
<td>5,752</td>
<td>4,214</td>
<td>262</td>
<td>4,476</td>
<td>3,168</td>
<td>117</td>
<td>3,285</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>472</td>
<td>108</td>
<td>580</td>
<td>390</td>
<td>734</td>
<td>1,124</td>
<td>788</td>
<td>287</td>
<td>1,075</td>
<td>544</td>
<td>149</td>
<td>693</td>
</tr>
<tr>
<td><strong>Health and social work</strong></td>
<td>3,994</td>
<td>1,039</td>
<td>5,033</td>
<td>5,301</td>
<td>5,129</td>
<td>10,430</td>
<td>2,410</td>
<td>1,067</td>
<td>3,477</td>
<td>2,776</td>
<td>1,093</td>
<td>3,869</td>
</tr>
<tr>
<td><strong>Education and training activities</strong></td>
<td>1,916</td>
<td>220</td>
<td>2,136</td>
<td>2,072</td>
<td>188</td>
<td>2,260</td>
<td>1,265</td>
<td>226</td>
<td>1,491</td>
<td>729</td>
<td>144</td>
<td>873</td>
</tr>
<tr>
<td><strong>Private households and persons</strong></td>
<td>0</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>-</td>
<td>61</td>
<td>61</td>
<td>-</td>
<td>61</td>
</tr>
<tr>
<td><strong>Organizations and bodies</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20,313</td>
<td>10,248</td>
<td>30,561</td>
<td>28,931</td>
<td>16,050</td>
<td>45,981</td>
<td>30,352</td>
<td>20,873</td>
<td>51,225</td>
<td>21,496</td>
<td>6,250</td>
<td>26,746</td>
</tr>
</tbody>
</table>

Source: ILO
share of total employees engaged in these activities stood at 26.2 and 28.6 per cent, respectively.

Atypical working hours are also more frequent among males than among females. The most prevalent form of atypical working hours among males was working on a Saturday, practiced by 56.8 per cent of working males, compared to 49.5 per cent of females. The share of employed males working on a Saturday stood at 32.3 per cent, 7.8 percentage points more than the female share. As regards atypical working hours on weekdays, 28.8 per cent of males worked evenings on weekdays as opposed to 19.7 per cent of the females, while the share of males working nights on weekdays stood at 21.0 per cent, 8.3 percentage points more than the share of females.

A deeper insight into the nature of atypical working hours can be gained by analysing the differences in the various occupational categories. Working on a Saturday is most frequent among service workers and shop and sales workers, as 21.9 per cent of the workers labouring on a Saturday came from this category. Other major categories included craft and related trades workers, plant and machine operators and assemblers and elementary occupations. When analysed by economic sector, wholesale and retail trade, repairs, manufacturing, and hotels and restaurants were the sectors in which Saturday working was most prevalent. The occupational patterns for working on Sunday are similar to those noted for Saturday, with the sole difference that a larger share of the workers come from the health and social work sector.

As regards atypical work on weekdays, plant and machine operators and assemblers account for 21.3 and 24.5 per cent of those working on evenings and nights on weekdays, respectively. Other major occupational categories are technicians and associate professionals and service workers, shop and sales workers and elementary occupations. Manufacturing, hotels and restaurants, and public administration and defence were the sectors accounting for most atypical working hours on weekdays.

**Overtime work**

Table 11 presents the share of employees engaged in overtime in 2000–2003. According to these figures obtained from the LFS, overtime is relatively common for a sizeable part of the Maltese labour force, with little difference noted between genders.

During 2003, 3.8 per cent of all employees worked overtime (4.3 per cent of males and 2.9 per cent of females). This represented a drop of 1.9 percentage points compared with 2000. However, since the data presented above show a relatively high level of variance, probably due to cyclical developments, any conclusions about the trend developments of overtime in Malta must be treated with caution. Especially since adoption of the working time directive may limit normal working hours and thus increase the recourse to overtime.
1.6 Collective Bargaining, Industrial Relations and Workers’ Participation: Reinforced

1.6.1 A Strong Legal Framework and Now European Work Councils

Matters pertinent to industrial relations, including the organisation of workers and employers, are regulated by the Employment and Industrial Relations Act (EIRA) (Cap. 452) of 2002. EIRA sets out the regulations underpinning the status, rules and registration of trade unions and employer associations. Moreover, EIRA defines the restrictions on legal liability and proceedings, as well as restrictions on union membership. Other important elements are the rules governing the establishment, composition and procedure of industrial tribunals and the list of public offices that require to be manned at all times for the provision of essential public services.

Another significant development is the publication of the European Works Council Regulations of 2004. These regulations provide for the right of employees in Community-scale undertakings or groups of undertakings to be informed and consulted through the establishment of a European Works Council. Such a Council would also be responsible for the implementation of EU Council Directive 94/45/EC.

1.6.2 Trends and Analysis

The growth of trade union membership: Malta an exception?
Trade unions are key players in industrial relations in Malta. During June 2003 the number of trade union members stood at 86,061, a drop of 440 persons since June 2002. As shown in Table 12, membership is concentrated in two general unions, the General Workers’ Union (GWU) and the United Workers’ Union (UHM), which between them account for 85 per cent of trade union members in Malta.

<table>
<thead>
<tr>
<th>Year</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>6.3</td>
<td>4.5</td>
<td>5.7</td>
</tr>
<tr>
<td>2001</td>
<td>4.2</td>
<td>3.0</td>
<td>3.8</td>
</tr>
<tr>
<td>2002</td>
<td>5.8</td>
<td>5.1</td>
<td>5.5</td>
</tr>
<tr>
<td>2003</td>
<td>4.3</td>
<td>2.9</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Source: NSO.
Table 12 Trade Union Membership, 2003, Malta

<table>
<thead>
<tr>
<th>Union</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Workers Union (GWU)</td>
<td>47,254</td>
</tr>
<tr>
<td>Malta Union of Bank Employees (MUBE)</td>
<td>2,950</td>
</tr>
<tr>
<td>Malta Union of Midwives and Nurses (MUMN)</td>
<td>1,961</td>
</tr>
<tr>
<td>Malta Union of Teachers (MUT)</td>
<td>5,839</td>
</tr>
<tr>
<td>Union Haddiema Maghquadin (UHM)</td>
<td>25,882</td>
</tr>
<tr>
<td>Others</td>
<td>2,175</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86,061</strong></td>
</tr>
</tbody>
</table>


As shown in Table 13 – and contrary to most other EU (old and new) member states – trade union membership in Malta was generally on an increasing trend over the period 1983–2003. Trade union membership in Malta grew at an average annual rate of 2.9 per cent between 1983 and 2003. At the end of June 2003, trade union membership was 37,452 higher than in 1983. Trade union membership expanded at an average annual rate of 7.3 per cent between 1986 and 1990, and at a slower pace of 2.5 per cent and 2.1 per cent for 1991–1995 and 1996–2000, respectively. After peaking in 2001, trade union membership declined at an average annual rate of 0.7 per cent between 2001 and 2003, something, however, that does not seem to alter the rising trend, and which may be attributed to the implementation of voluntary early retirement schemes in heavily-unionised public enterprises such as the former Kalaxlokk Ltd., Malta Shipbuilding Ltd. and Malta Drydocks Corporation.

As shown in Figure 3, trends in trade union density over the years 1983–2003 tended to follow the pattern noted above in the case of trade union membership. Trade union density in June 2003 stood at 62.2 per cent, a decline of 0.2 percentage points over June 2002. However, taking a longer

Table 13 Trade Unions, 1983–2003, Malta

<table>
<thead>
<tr>
<th>Year</th>
<th>Membership</th>
<th>Density</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>48,609</td>
<td>45.5</td>
</tr>
<tr>
<td>1985</td>
<td>52,297</td>
<td>49.2</td>
</tr>
<tr>
<td>1990</td>
<td>69,220</td>
<td>56.9</td>
</tr>
<tr>
<td>1995</td>
<td>78,126</td>
<td>59.4</td>
</tr>
<tr>
<td>2000</td>
<td>86,107</td>
<td>62.9</td>
</tr>
<tr>
<td>2001</td>
<td>87,332</td>
<td>63.0</td>
</tr>
<tr>
<td>2002</td>
<td>86,501</td>
<td>62.8</td>
</tr>
<tr>
<td>2003</td>
<td>86,061</td>
<td>62.2</td>
</tr>
</tbody>
</table>

Note: Figures refer to June.

Source: Employment and Training Corporation, NSO.
perspective, trade union density in 2003 was 17.1 percentage points higher than the comparable month of 1983. Trade union density peaked in 2001 at 63.0 per cent, but it suffered marginal declines during 2002 and 2003.

**Trade union members exclusively male?**
According to the Report of the Registrar of Trade Unions, published on 26 December 2003 in the Government Gazette, trade union members are predominantly male: in June 2003, males accounted for 72.7 per cent of total trade union members, while the share of females stood at 27.3 per cent. Similarly, trade union density was higher among males than females. The trade union density for males stood at 63.9 per cent in June 2003, while the equivalent female measure stood at 58.0 per cent.

**Collective agreements: coverage higher than in other new EU member states**
Collective agreements in Malta are more common in the service sector than in industry, reflecting the high degree of unionisation in the service sector, as well as long-term trends towards greater reliance on the service sector as the main generator of employment. Moreover, in contrast with other European countries, collective agreements tend to be based at the enterprise level.
Table 14 Collective Agreements, 2000–2002, Malta

<table>
<thead>
<tr>
<th>Economic sector</th>
<th>Employees covered by collective agreement</th>
<th>Coverage rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>and fisheries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>15,919</td>
<td>38.9</td>
</tr>
<tr>
<td>Services</td>
<td>51,280</td>
<td>55.3</td>
</tr>
</tbody>
</table>

Source: NSO.

According to NSO data, during 2000–2002 the number of employees in industry covered by a collective agreement stood at 15,919 or 38.9 per cent. In contrast, the number of employees in services covered by a collective agreement stood at 51,280 or 55.3 per cent. In addition, a recent study by the WPDC put total collective bargaining coverage at around 76 per cent and noted that this is much higher than the norm in the Central and Eastern European countries.6

In 2003 there were 94 industrial disputes, 22 fewer than in 2002. As a result of these disputes, there were 8 industrial actions, an increase of the level of 5 recorded during the previous year.

Over the period 1999–2003, the average number of industrial disputes was 102 per year, while the average number of industrial actions was 11.

Table 15 Industrial Relations 1998–2003, Malta

<table>
<thead>
<tr>
<th>Year</th>
<th>Industrial disputes</th>
<th>Industrial action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>60</td>
<td>8</td>
</tr>
<tr>
<td>1999</td>
<td>92</td>
<td>16</td>
</tr>
<tr>
<td>2000</td>
<td>103</td>
<td>12</td>
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<tr>
<td>2001</td>
<td>103</td>
<td>14</td>
</tr>
<tr>
<td>2002</td>
<td>116</td>
<td>5</td>
</tr>
<tr>
<td>2003</td>
<td>94</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: PQ No. 7033, Legislature X.

1.7 Work and Family: Low Female Participation

1.7.1 Legal Framework

The Employment and Industrial Relations Act (EIRA) (Cap. 452) of 2002 lays down provisions intended to protect against discrimination in employment. This is important since gender discrimination is held to affect female participation in the workforce and by consequence work and family life. EIRA also enshrines the work of equal value principle. A series of regulations having an impact on work–family life were also published under EIRA. In particular, there are Parental Leave (Entitlement) Regulations (LN) and Urgent Family Leave Regulations, both from 2003. The Urgent Family Leave Regulations entitle employees to time off from work on grounds of force majeure for urgent family reasons in cases of sickness or accident that makes the immediate presence of the employee indispensable. The Parental Leave (Entitlement) Regulations lay down minimum requirements aimed at facilitating the reconciliation of parental and professional responsibilities for working parents.

The Protection of Maternity (Employment) Regulations of 2003 lay down the minimum legal requirements necessary to safeguard the employment rights of pregnant employees, the rights of employees who have recently given birth and breastfeeding employees, thus bringing into effect the relevant provisions of European Council Directive 92/85/EEC.

The Young Persons (Employment) Regulations of 2003 prohibit work by children, establish that the minimum employment age shall not be lower than the minimum age at which compulsory full-time schooling ends, regulate work by adolescents and young persons with the effect of guaranteeing that the working conditions suit their age and protect them against any work likely to harm their health, physically, mentally or morally.

1.7.2 Trends and Analysis

Female labour-market participation: decreasing with age

The female participation rate in Malta is relatively low, especially by continental European standards. During April–June 2004, the female labour force stood at 46,977, 29.8 per cent of the total labour force. The female activity rate stood at 34.5 per cent, compared to a male activity rate of 80.7 per cent. The female employment rate stood at 31.6 per cent, 21.8 percentage points lower than the employment rate for the whole economy. During April–June 2004, the female unemployment rate stood at 8.3 per cent, 1.4 percentage points higher than the equivalent male measure.

When analysed by age cohort, it is noticeable that the female participation rate is higher among younger than among older women. As shown in Figure

Under Pressure from a Reduced Competitive Edge

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4, the share of females out of total employees in their age cohort was 45.3 per cent for the 15–24 age group. However, this ratio declines with age, as the share of females out of total employees in the 55–64 and the 65+ groups stood at 18.4 and 16.9 per cent respectively.

Female labour-market participation has been gradually rising. According to the administrative records provided by the Employment and Training Corporation (ETC), the female labour force stood at 27.1 per cent of all gainfully employed persons in 1997. By the end of 2003 this figure had risen to 29.6 per cent. Nevertheless, a gender gap of 39.6 per cent persists (males: 73.3 per cent and females: 33.7 per cent).  

Figure 4 Share of Female Employees in Total Employees in Each Age Cohort, Malta

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PART II REALITY AT ENTERPRISE LEVEL: CASE STUDIES

2.1 The New Maltese Economic Context

In this second part, a number of critical areas are highlighted in view of their impact on working and employment conditions at enterprise level. These observations are mainly based on public statements made by government officials and the other social partners on different occasions, as reported in the media.

1. All the social partners agree that in recent years Malta’s industry has generally lost its international competitiveness. Globalisation and the opening of markets in Central and Eastern Europe have reduced Malta’s competitive edge due to its relatively high wages and other production costs. The main proposal by the employers and others is to lower wages and conditions of employment. Any such measures, however, are vehemently resisted by the powerful unions. Several attempts by the social partners to reach a national social pact, aimed at economic recovery, have hitherto been unsuccessful. Nevertheless, despite the failure by the social partners to reach agreement about the necessary measures to be taken at national level, collective agreements are effectively being negotiated at private enterprise level which fully take account of the economic situation of the enterprises concerned.

2. Malta’s real economic growth has been negligible for the past three years and the prospects for growth in 2005 are among the lowest in the enlarged EU, at 1.5 per cent of GDP. The high level of public debt precludes government-induced growth.

3. It is generally believed that undeclared work in Malta is significant in a number of trades and services. This applies equally to tax evasion. Despite various attempts by government to bring these areas under control in recent years, its success has been modest. There are also an unknown number of illegal migrants working under standard conditions in small and micro enterprises, particularly in the construction sector.

4. In the course of collective negotiations with the local affiliates of multinational enterprises, trade unions are often faced with the threat of relocation to low cost countries. This threat has been actually carried out in declining sectors such as textiles. In addition, the level of foreign direct investment coming to Malta in recent years has been low. This has led to a weakening of the bargaining power of the unions, particularly in the private manufacturing sector. This situa-
tion contrasts sharply with the policy adopted by the unions in public sector negotiations.

5. Although the unemployment rate of 5.6 per cent is still relatively low by EU standards, there is a high level of disguised unemployment, through underemployment in the public sector and the reluctance of many women to seek gainful employment outside their homes: whereas the employment rate of males is 73.3 per cent, that of females is merely 33.7 per cent. In recent years, however, there has been a rapid growth of part-time work among women.

6. The introduction of flexible working time has so far proved elusive in public and private organisations. As a result, workers with young families encounter problems in reconciling work with family life.

### Table 16 Case Studies: Main Features of Enterprises under Study

<table>
<thead>
<tr>
<th>Main features</th>
<th>VF Ltd</th>
<th>Construction Schools</th>
<th>TEFL Schools</th>
<th>ST Microelectronics</th>
<th>Shipyards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
<td>textiles</td>
<td>buildings</td>
<td>teaching</td>
<td>micro-electronics</td>
<td>Ship repair</td>
</tr>
<tr>
<td>Size</td>
<td>medium</td>
<td>SME</td>
<td>small &amp; micro</td>
<td>large</td>
<td>large</td>
</tr>
<tr>
<td>Ownership</td>
<td>international</td>
<td>national</td>
<td>national</td>
<td>international</td>
<td>state-owned</td>
</tr>
<tr>
<td>Main trends</td>
<td>Employment contracts</td>
<td>full-time</td>
<td>temporary</td>
<td>self-employed</td>
<td>full-time</td>
</tr>
<tr>
<td>Working time</td>
<td>regular</td>
<td>regular</td>
<td>flexitime</td>
<td>regular + 4 shifts (+ week-ends)</td>
<td>regular + overtime</td>
</tr>
<tr>
<td>OHS</td>
<td>+</td>
<td>--</td>
<td>+</td>
<td>+/- (stress at work)</td>
<td>+/-</td>
</tr>
<tr>
<td>Work &amp; family</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Wages</td>
<td>+</td>
<td>+ / -</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Social dialogue</td>
<td>++</td>
<td>--</td>
<td>--</td>
<td>++</td>
<td>+/-</td>
</tr>
</tbody>
</table>

**Notes:**
+ well developed; ++ on the increase; -- poorly developed; --- worsening

7. During the harmonisation of Malta’s laws and institutions prior to EU entry, it emerged that while expenditure on education as a proportion of GDP was among the highest of the accession states, its relative investment in vocational training was among the lowest. The government’s main response to this was the establishment of a new college of science and technology (MCAST). Nevertheless, a national human resources development strategy, with the active involvement of the social partners, still has to be adopted.

2.2 VF (Malta) Ltd: Labour–Management Cooperation in the Restructuring of a Declining Industry

A foreign company established in Malta
VF is an American company which has been established in Malta since 1964. It is mainly involved in the production of jeans. Originally it formed part of ‘Bluebell’, another American company, which was taken over by VF in the early 1980s. Globally, the company employs between 65,000 and 70,000 persons and its operations in Europe are located in Poland, Turkey and Malta. Following independence from Britain in 1964, the Government embarked on a rapid industrialisation drive and many of the newly established companies were in textiles. Over the years, however, this industry has suffered a number of crises. As a result, many of the establishments moved to other countries where labour costs are lower and very few textile companies are still operating in Malta.

Adapting to the market
The number of persons employed at VF has fluctuated over the years, in response to market demand. A peak of 1,400 employees was reached in the mid-1970s. Currently, however, there are only 550 employees, of whom 480 are women. Most of these are engaged as machine operators and their average age is 25 years. Many are recruited soon after leaving school and stay with the company for about 10 years. There are fewer than 25 per cent married women in the company. Occasionally, flexible working hours may be introduced on an individual basis in order to enable the person to meet their family responsibilities or due to ill health. But this can only happen rarely due to the nature of production.

There are also 70 male employees, 16 of whom are employed in the ‘laundry department’ on a fixed-term contract. Their average age is early thirties. Before the major restructuring exercise carried out by the company a year ago, the laundry operation was farmed out. It is now being performed in-house experimentally, in order to cut costs and achieve viability. This
explains why these employment contracts are temporary, while almost all the others are indefinite. Most of the other men work in the ‘cutting room’ or as managers.

**Flexibility required by production lines**

Before joining the company, all employees take IQ and dexterity tests. The results, together with an overall assessment, determine the kind of work which is allocated to them, as well as their progress within the company. Initially the employees undergo a three-week training period.

The work tends to be very repetitive and tiring. Most workers do one main shift of eight hours, on a five day week, between 06.00 and 14.00 hours, including a lunch break of 20 minutes. Thus while the number of working hours for most employees is the normal 40-hour week, the work itself is quite intense.

Once they reach their peak in a particular job, employees may undergo further training for six months, following which they may be shifted to a second job, and so on. From a managerial standpoint, employee flexibility is necessary in order to be able to balance production lines. For this reason, in 2004 the company spent around MTL 65,000 (EUR 1.5 million) on training and development. The training programme also included topics of general interest such as substance abuse. Nevertheless, despite the offer of a training allowance as a further motivation, management often encounter employee resistance to further job training. The main reason for this is that when employees are rotated to a new operation they are likely to lose speed initially and so earn a lower production bonus.

**Production bonuses and overtime to complement basic wage**

Pay rates are described by the union as ‘not bad at all’, particularly since the textile industry is known to be in great difficulties everywhere. The various operations carried out in the company are ranked into five classes, each with a slightly different basic rate of pay. On entering the company, all employees on direct production are placed in one of the five classes, according to ability. The actual pay earned by each employee includes a production bonus calculated as a percentage of the base rate of each class. In addition, each employee receives the wage increases negotiated in the collective agreement and/or any cost of living allowances (COLA) which are stipulated by employment law. Overtime, which cannot be refused by employees without

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10. There are only three or four part-time employees, working about six hours a week.
11. Depending on demand, there are usually a few other workers employed on two other shifts, between 14.00 and 22.00 and between 22.00 and 06.00.
12. Between 2003 and 2005, the amount agreed in the collective agreement is MTL 1.75 per week. The employees receive the higher amount of these increases and COLA.
sufficient reason, is paid at the rate of 1.5 times the basic wage per hour during weekdays, at twice the basic rate per hour on Sundays, and at twice the basic rate plus holiday pay on public holidays. As a result, the average wage of the best paid employees amounts to between MTL 80 (EUR 190) and MTL 100 (EUR 240) per week. This amount compares favourably with what employees earn in the electronics industry, except that the latter often also get better allowances. Clerical, technical and auxiliary workers have conditions broadly comparable to those of employees engaged in production.

**Women underrepresented at the top**
The management team consists of 14 persons, including those in the top, middle and front line supervisory positions. In contrast to previous years when all the managers were men, now most supervisors are women. This has taken place during the last ten years. However, there are still no women in higher managerial positions. One of the reasons is that most top and middle managers are in their forties and Maltese working class women tend to leave work long before they reach that age in order to raise children. This is also the main reason why there is a turnover of approximately 120 women per annum. Only two per cent of these leave the company for better jobs elsewhere. Nevertheless, it should also be noted that the social stigma attached to unmarried motherhood is fast being eroded. It is calculated that there are between 15 and 20 unmarried mothers each year at the company. Many of these return to work after their confinement and, as there is still no nursery at the company, they usually burden their parents with childcare duties.

**From initial rejection to cooperation with the trade union**
Almost all the employees at the company are members of the General Workers’ Union which has sole recognition to negotiate collective agreements with the company. Both management and union state unequivocally that their relations are very good. Initially, the American owners of the company did not like the idea of having to negotiate with the union. They even considered leaving Malta for this reason. Over the years, however, they have discovered the benefits of having a strong, cooperative union and have even grown fond of the idea. This was the result of the positive feedback received abroad (by other affiliates of the company) by the local management. The present collective agreement covers a four-year period from March 2002. While the agreement offers a considerable amount of benefits to the workers, it also takes into consideration the difficulties faced by the company.

The need for management to resort to disciplinary action is described as ‘rare’. When such action is required, management always acts as early as possible in consultation with the union. Reported cases of sexual harassment are rare and when this happens remedial action is taken as soon as possible, fol-
following investigations. In 2003, one female employee, who was herself a drug abuser, was allegedly involved in the distribution of drugs to other employees. When confronted by management on this issue, she agreed to leave her job voluntarily.

**Working together on health and safety: joint committees established**

One area in which management and union operate jointly is occupational health and safety (OHS). There are seven committees at the company which cover various aspects of OHS and related topics. The committees also serve as an important channel of communication between workers and management. Each committee comprises a chairman and two or three members. These members represent a cross-section of all employees. A meeting of all chairmen is held monthly to review and coordinate activities.

Briefly, the OHS committees have the following responsibilities:

1. **Safety activities.**
   This group is responsible for promoting OHS programmes throughout the company, ensuring that all employees know about and are involved in them. The activities promoted by this committee include: OHS publicity, communications, bulletins, signs, contests and awards.

2. **Rules and Procedures.**
   This group is responsible for coordinating all general OHS rules and procedures throughout the company, ensuring that the rules and procedures are known, understood and followed.

3. **Education and Training.**
   This group is responsible for coordinating all general OHS training throughout the company, ensuring that new and current employees are trained to perform their OHS assignments properly.

4. **Audits and Housekeeping.**
   This group is responsible for coordinating all OHS inspections and audits throughout the company, ensuring that inspections are listed and scheduled, inspectors trained, reports prepared and defects corrected. In addition, this group is responsible for coordinating the company’s housekeeping programme, ensuring that the proper level of housekeeping is maintained throughout the company by conducting routine housekeeping audits and reporting findings.

5. **Health and Environment.**
   This group is responsible for coordinating all OHS environmental activities
throughout the company, ensuring that potential health and environmental hazards are recognised, evaluated and controlled.

6. Fire and Emergency.
This group is responsible for coordinating all fire and emergency activities throughout the company, ensuring that the company’s emergency plan is up to date, effective and properly maintained. All potential emergencies should be reviewed including fire, explosion, medical emergencies, natural disasters, spills, gas leak, and so on.

7. Claims Management.
This group is responsible for assuring proper claims management procedures are established and updated. This includes injury reporting, investigations and follow-up of corrective actions in order to avoid completely or at least to minimise any future occurrences. Reports on near misses are also investigated.13

Trade union negotiation of dismissals
The positive working relationship which exists between local management and union at VF was severely tested a year ago (in 2003–2004). In the course of the company’s reorganisation, the company was constrained to lay off 240 employees. In the words of the shop steward:

Under the circumstances, the Union negotiated a ‘reasonable package’ for the employees being laid off. This included two weeks’ pay for every year of service. A notification period of four to six weeks was agreed but many employees opted for a lump sum instead. As a result, some of the senior employees received a sum of up to MTL 9,500 (EUR 22,800), whereas the bulk received between MTL 3,000 and MTL 4,000 (EUR 7,200–9,600). No employee received less than MTL 1,200 (EUR 2,880). The management had to determine which operations to slim down, and employees were laid off by order of seniority. This case received wide publicity in the national media and some employees expressed their consternation on television. As the shop steward said:

13. The above information on OHS committees was supplied by management.
At one stage, the workers’ morale was extremely low, which could be expected. Apart from the loss of jobs, many friendships were being broken. I couldn’t hold back the tears and several times had to go to weep by myself in the toilet.

**Introduction of ‘just-in-time’ production**

Restructuring has meant not only downsizing the workforce but also adapting production to the ‘just-in-time’ system and to diversifying products. In practice, this has meant that production can no longer be organised according to established methods, routines and schedules in response to large orders from clients. The management explains that,

In order to survive, the company has to respond to today’s market demands. Whereas in the past production could be planned seven or eight weeks ahead, nowadays the customer won’t commit himself to more than two weeks in advance and often less.

The company has realised that its future depends on catering for the tastes of young people. The denim jeans concept, which has been around for many years, is constantly undergoing variations in design. Until recently, the company’s products were fashioned for two seasons annually, now they have to cater for four.

As a result of the restructuring measures, the company’s market situation has improved considerably. Likewise, the employees’ morale has gone up again, particularly during the last six months. The management is very proud of the workforce. When compared with the company’s employees in other countries, the Maltese workers are spoken of very positively and enthusiastically by management. In order to illustrate his point, the local manager, who has also managed VF plants in other countries, states that

Despite offering superior conditions and far better wages, production in the Malta plant is only 9 per cent more expensive than in Turkey. This is mainly due to the ability and efficiency of our workforce.

**Overall evaluation: working conditions changing with production process**

Clearly, the company in Malta would not have survived were it not for the constructive relations which have been built up over the years between the management and the union. This has restored a sense of security among the workers who consider themselves lucky to have retained their jobs. Survival has also meant that the company and its workforce have to be flexible and adapt themselves to requirements of the global competitive environment.

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14. Originally (in the 1890s!) jeans were promoted as practical, working men’s trousers, but since the 1960s they have been associated with youth.
They are achieving this without the need to introduce different work schedules, hours or types of employment contract, except for a small number of newly engaged employees in the laundry room. Nevertheless, the work has become more intense and stressful. Moreover, it must also be noted that traditionally the vast majority of employees at VF have always tended to be female school leavers who work for a few years and leave their jobs once they start having children. It appears, therefore, that the challenge of reconciling work with family life at VF has not yet been seriously confronted. The model of constructive dialogue which has been built between union and management on matters of health and safety, discipline and even more in the handling of the recent downsizing experience may provide the basis on which reconciliation of work and family issues may be resolved.

2.3 Construction: A Pillar of the Maltese Economy

Multiplier effects

The construction sector is one of the main generators of wealth in the Maltese economy. At the end of September 2004, construction represented around 4.5 per cent of total gross value added and accounted for 4.9 per cent of employment. The construction sector has a relatively high level of inter-industry linkages as well as significant multiplier effects in the domestic economy.

Over the years, developments in the construction sector were closely related to public infrastructural investments, such as the building of a new public hospital and the Gozo ferry terminal. In addition, private sector projects related to up-market property development and tourism have also provided significant demand for construction services.

From 2001 to 2004, gross value added (GVA) at basic prices in the construction sector registered successive increases. In 2003, GVA was MTL 75.3 million, an increase of 10.4 per cent over 2001, while the share of the sector in total GVA edged up by 0.2 percentage points during the same period. During the first nine months of 2004, GVA in construction stood at MTL 57.6 million, an increase of 1.9 per cent over January–September 2003, while the share of the sector in total GVA stood at 4.7 per cent, unchanged from the previous comparable period. These trends are shown in Table 17.

According to ETC data, employment in construction at the end of September 2004 stood at 6,744, an increase of 3.0 per cent over September 2003. Males represented around 98 per cent, while the share of self-employed persons was 31.4 per cent. The overwhelming majority of employees within

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15. Main sources: Building Industry Consultative Council (BICC), and the General Workers’ Union. The case-study is partly based on the study The Construction Industry in Malta by the Workers’ Participation Development Centre (WPDC), University of Malta.
the construction sector are employed in private sector enterprises. According to LFS, the construction sector accounted for 7.4 per cent of total employment, whilst the gender mix is similar to that depicted by the ETC data.

Growth of employment and increased share of self-employed

Table 18 presents employment trends in construction, according to the administrative records of the ETC. Employment in the construction sector was on a rising trend over the period 1985 to 2004. Between 1985 and 2003, the number of persons employed increased by 1,720 or 35.8 per cent. During the same period the share of self-employed persons increased over the decade to 1995, although declines were recorded in the following years. At the end of 2003, the share of self-employed persons stood at 31.6 per cent, 1 percentage point lower than the rate recorded in 1985. Overall, the share of employment in construction increased over the years and in December 2003 it was 4.8 per cent, 0.3 percentage points higher than the share recorded in December 1985.

The gender differences in construction employment, according to the LFS, are clearly demonstrated in Table 19. Consistent with ETC records, the LFS

Table 17 Gross Value Added in Construction, 2001–2004, Malta

<table>
<thead>
<tr>
<th></th>
<th>MTL million</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>68.2</td>
<td>4.49</td>
</tr>
<tr>
<td>2002</td>
<td>70.2</td>
<td>4.58</td>
</tr>
<tr>
<td>2003</td>
<td>75.3</td>
<td>4.68</td>
</tr>
<tr>
<td>2003 (Jan–Sept)</td>
<td>56.5</td>
<td>4.67</td>
</tr>
<tr>
<td>2004 (Jan–Sept)</td>
<td>57.6</td>
<td>4.68</td>
</tr>
</tbody>
</table>

Source: NSO.

16. According to the LFS for July–September 2004, the number of persons employed in construction was 11,069. This figure is somewhat higher than the figure reported by the ETC. This may reflect the methodological differences underlying the two datasets.

17. As in many other countries, there are two main sources of employment data in Malta: the administrative records compiled by the Employment and Training Corporation (ETC) and the Labour Force Survey (LFS). Both sets of data are published by the NSO. The LFS data is more comprehensive and generally better suited for making international comparisons as it is based on the standard Eurostat procedures. Nevertheless, as with all survey data, it is subject to sampling errors. (In Malta’s case this is around 3%.) The ETC data consists of official lists of all those persons who actually go to the ETC offices in order to register for employment. It includes the lists of employees whose employers actually notify the ETC - as they should - about their newly engaged employees and send termination forms when they are no longer employed by them. As a result, the ETC data suffers from lack of conformity by employers who fail to notify the ETC and failure to register for employment by employees who may have no motivation for doing so. Hence there is some disparity between the two sets of figures issued by LFS and the ETC.
data suggest rising employment in construction between 2000 and 2003. In December 2003, the number of persons employed in the sector was 11,214, an increase of 1,435 over December 2000.18

Table 19 Gender Differences in Employment in Construction, 2000–2004, Malta

<table>
<thead>
<tr>
<th>Year</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>9,491</td>
<td>288u</td>
<td>9,779</td>
</tr>
<tr>
<td>2001</td>
<td>10,678</td>
<td>210u</td>
<td>10,888</td>
</tr>
<tr>
<td>2002</td>
<td>11,560</td>
<td>501u</td>
<td>12,061</td>
</tr>
<tr>
<td>2003</td>
<td>10,826</td>
<td>388u</td>
<td>11,214</td>
</tr>
<tr>
<td>2004 (Sept)</td>
<td>10,658</td>
<td>441u</td>
<td>11,099</td>
</tr>
</tbody>
</table>

Note: ‘u’ denotes underrepresentation of the category in the sample.

Source: NSO.

The data on value added and employment described above suggest that the construction sector has significantly expanded over recent years. The increase in activity was spurred by government projects such as the building of a new hospital, the cruise liner terminal, and the Gozo ferry terminal and other major projects that increased demand for construction services and consequently resulted in higher output and employment in this sector. Private sector demand for construction services is uncertain; it appears to be shifting away from hotel construction towards up-market property development.

18. LFS results must be interpreted with caution as absolute changes of less than 1,800 persons might be the result of sampling error.
The sector is also characterised by a mismatch between supply and demand for skilled labour leading to a shortage and consequently to an increase in operating costs. This state of affairs has led to calls from industry leaders for the issue of work permits to skilled foreign workers. Simultaneously, the Federation of Building and Civil Engineering Contractors (FOBC), an industry lobby group, has been striving to reduce unhealthy competition between employers that results in poaching skilled workers.19

Table 20 presents LFS data for December 2003 regarding the age structure in the construction sector. Given that data on the number of females is unreliable, the analysis will focus on total employees. Employees in the 15–24, 25–34 and 35–44 age cohorts account for almost two-thirds of employees. The largest cohort by number of employees is the 45–54 age-cohort, with 26.9 per cent of the employees. This suggests a gradual ageing of the sector as young persons appear to be joining the industry at a lower rate than is required to replace older workers about to retire. This development may reflect the wider phenomenon of an ageing population in Malta.

With regard to the professional structure of the construction sector at the end of December 2003, based on LFS data, in terms of gender, the majority of males were employed in industrial occupations, whilst more than half the females employed in the sector were white-collar workers. 53.2 per cent of the males were employed as craft and related trades workers. In addition, the share of males employed in elementary occupations and in plant, machine operators and assemblers was 16.3 per cent and 12.5 per cent, respectively. As regards females, around 55 per cent are employed as clerks, whilst the remaining workers are employed in industrial occupations.

Table 20  *Age Structure in Construction, 2003, Malta*

<table>
<thead>
<tr>
<th></th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td>15-24</td>
<td>2 085</td>
<td>19.3</td>
<td>151u</td>
</tr>
<tr>
<td>25-34</td>
<td>2 348</td>
<td>21.7</td>
<td>96u</td>
</tr>
<tr>
<td>35-44</td>
<td>2 360</td>
<td>21.8</td>
<td>62u</td>
</tr>
<tr>
<td>45-54</td>
<td>2 936</td>
<td>27.1</td>
<td>79u</td>
</tr>
<tr>
<td>55-64</td>
<td>1 097u</td>
<td>10.1</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>10 826</td>
<td>100</td>
<td>388u</td>
</tr>
</tbody>
</table>

*Note: ‘u’ denotes under-representation of the category in the sample.*

*Source: NSO.*

As regards professional status, employees represented 73.2 per cent of those working in construction according to the LFS for December 2004; the share of self-employed without employees was 17.9 per cent, while self-employed with employees accounted for the remaining 8.9 per cent. The total for self-employed (27 per cent) presented here from LFS data is slightly below the percentage (31.6 per cent) presented for 2003 by ETC (Employment and Training Corporation) but points approximately to the same percentage, that is, a bit below one-third of the labour force. Self-employed persons are predominantly males in both ‘with’ and ‘without employees’ categories.

Health and safety: well below acceptable standards
The nature of the work entails a certain physical hardship as well as risk. However, apart from the inevitable risks, working conditions in the sector are notorious for lagging behind acceptable health and safety standards. On average, one fatal accident is recorded every month and the number of other serious accidents is out of proportion with the number of employees. Nevertheless, some positive developments may be observed, particularly better on-site inspections carried out by the newly established OHSA and BICC.

As shown in Table 22, the absolute number of accidents at work in the construction sector has risen in recent years. In 2004, the number of accidents at work in construction was 615, an increase of 7.7 per cent over 2003. The share of accidents in construction as a share of total accidents at work was 15.2 per cent, an increase of 3.1 percentage points over 2003. However, this development must be interpreted against a backdrop of rising employment in the sector. Hence, a better measure would be the number of accidents per person

Table 21 Professional Status of Persons Employed in Construction, December 2003, Malta

<table>
<thead>
<tr>
<th></th>
<th>Males No.</th>
<th>Males %</th>
<th>Females No.</th>
<th>Females %</th>
<th>Total No.</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-employed without employees</td>
<td>1 930</td>
<td>17.8</td>
<td>79</td>
<td>20.4</td>
<td>2 009</td>
<td>17.9</td>
</tr>
<tr>
<td>Self-employed with employees</td>
<td>1 000</td>
<td>9.2</td>
<td>–</td>
<td>–</td>
<td>1 000</td>
<td>8.9</td>
</tr>
<tr>
<td>Employees</td>
<td>7 896</td>
<td>73</td>
<td>309</td>
<td>79.6</td>
<td>8 205</td>
<td>73.2</td>
</tr>
<tr>
<td>Total</td>
<td>10 826</td>
<td>100</td>
<td>388</td>
<td>100</td>
<td>11 214</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: ‘u’ denotes underrepresentation of the category in the sample.

Source: LFS (NSO).
employed. Using data for the first January–September period, the accidents/employee ratio for 2004 stood at 4.5 per cent, an increase of 0.9 percentage points over the first three quarters of 2003. The construction sector accounts for the majority of fatalities at the workplace in Malta.

The Building Industry Consultative Council (BICC) and the Occupational Health and Safety Authority (OHSA), both set up by the Government with tripartite representation, collaborate closely to promote health and safety. In fact, the OHSA has identified the construction sector as a high-risk area, necessitating greater attention and action. During 2003, 373 employees attended courses designed to create awareness and provide them with a basic knowledge of health and safety skills.20 Another initiative entitled ‘Safety Bus’ involved occupational health and safety officers going around construction sites and filming dangerous practices and subsequently showing the film to workers and discussing methods of improving safety.21 A ‘Code of Practice for the Building and Construction Industry’ was also published in Malta in 1997 with the aim of providing practical guidance on a technical, administrative and legal framework for health and safety in the construction industry, ensuring better protection for workers and preventing accidents.

**Type of employment: almost exclusively ‘full-time’**

According to LFS data from December 2003, part-time employees accounted for 4.1 per cent of employment in construction. The share of part-time employees is higher amongst females. However, this observation must be treated with caution due to the underrepresentation of females.

We also collected data on developments in the number of part-time employees in the construction sector between 1985 and 2004, according to administrative data. They reveal that the number of employees whose main occupation was a part-time job in construction increased almost tenfold, from

<table>
<thead>
<tr>
<th>Year</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
<th>% of total accidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>514</td>
<td>5</td>
<td>519</td>
<td>10.5</td>
</tr>
<tr>
<td>2003</td>
<td>562</td>
<td>9</td>
<td>571</td>
<td>12.0</td>
</tr>
<tr>
<td>2004</td>
<td>614</td>
<td>1</td>
<td>615</td>
<td>15.2</td>
</tr>
</tbody>
</table>

*Source:* NSO.

60 in 1985 to 589 in 2003. Meanwhile, the number of persons whose sec-
secondary job was a part-time job in construction increased from 79 in 1985 to 416 in 2003.

These developments led to an overall increase in the share of part-time employees in construction out of total part-time employment. It is also noticeable that the share of females working part-time in construction is low.

Traditionally low wages in construction
According to the LFS for September 2004, the average salary in the construction sector stood at MTL 4,894.91 per year (around EUR 11,400), an increase of 11.5 per cent over September 2003. The average wage in the construction sector stood at around 97 per cent of the national average, but we should also keep in mind the harder working conditions, risks to health and safety and working rhythms in this sector. The female wage stood at around 98 per cent of the wage for males. However, this result should be treated with caution due to underrepresentation.

Working hours: multiplication of unsocial (weekend) hours
Although information on overtime is quite limited, LFS data for March 2001 shed light on the degree of atypical hours worked in the construction sector.

The most common form of atypical work in the sector is weekend work: the LFS reported that 4,597 employees worked on Saturdays during March 2001. Thus around 42.4 per cent of employees in the construction sector worked on Saturday. This amounted to 5.8 per cent of the persons employed on a Saturday in Malta. The LFS reported also that 1,144 employees or 11.1 per cent of the employees in construction worked on Sunday. Work on evenings and nights was less common that work on weekends. During March 2001, 492 and 428 persons, respectively, worked during evenings and nights in the construction sector.

Table 23 Type of Employment in Construction, December 2003, Malta

<table>
<thead>
<tr>
<th></th>
<th>Males</th>
<th></th>
<th>Females</th>
<th></th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>Full-time job</td>
<td>10 430</td>
<td>96.3</td>
<td>326</td>
<td>84</td>
<td>10 756</td>
<td>95.9</td>
</tr>
<tr>
<td>Part-time job</td>
<td>396</td>
<td>3.7</td>
<td>62</td>
<td>16</td>
<td>458</td>
<td>4.1</td>
</tr>
<tr>
<td>Total</td>
<td>10 826</td>
<td>100</td>
<td>388</td>
<td>100</td>
<td>11 214</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: 'u' denotes underrepresentation of the category in the sample.

Source: LFS (NSO).
Table 24  Atypical Hours in Construction, March 2001, Malta

<table>
<thead>
<tr>
<th></th>
<th>Sunday</th>
<th>Saturday</th>
<th>Evenings</th>
<th>Nights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
<td>Total</td>
<td>Males</td>
</tr>
<tr>
<td>Construction</td>
<td>1 144</td>
<td>62</td>
<td>1 206</td>
<td>4 472</td>
</tr>
<tr>
<td>Share in total</td>
<td>3.5</td>
<td>0.6</td>
<td>2.8</td>
<td>7.7</td>
</tr>
<tr>
<td>persons (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Informal economy widespread: at least 10 per cent of the labour force

It is known that a considerable number of employees in the construction sector are not officially registered. These include an unknown number of illegal immigrants from nearby countries. Some of these may have entered Malta under false pretences, posing as tourists, while others may have drifted into Maltese territorial waters in a desperate attempt to enter Europe illegally.  

Very often such persons perform jobs which are unattractive to the locals, including the registered unemployed, due to a poor wage–benefit ratio. Since activities in the informal economy are beyond the reach of the state, the exact conditions of work among informal employees are largely unknown. However, it could be reasonably assumed that these conditions are inferior to those in the formal economy. According to the estimate of the President of the FOBC, the number of informal employees in construction is around 10 per cent of all formally registered employees in the sector.  

As already mentioned, the share of female employees in the construction industry is very low and varies between 2 and 4 per cent of total employment in the sector, depending on the measure used. In addition, females tend to be employed in white-collar jobs, mainly as clerks as industrial occupations have been traditionally considered the domain of males due to the hardship associated with this type of work.

Social dialogue: missing links between tripartite and bipartite negotiations

The BICC is the main forum for tripartite concertation at sectoral level of the building industry in Malta. The BICC was set up in 1997 by the government with the aim of fostering greater participation of non-government entities with a direct interest in building and construction, and to recommend a framework of policies and procedures which should govern this industry. The BICC is used as a platform for discussion of government policies and local plans, issues of health and safety, the sharing of knowledge, public–private partnership projects and continuing professional development of workers in the sector. However issues related to collective agreements are not discussed.  

Since the forum is of a consultative nature it cannot enforce any agreements; however, it can put pressure on the actors to conform to rules and regulations. We notice, however, a sort of gap or missing link with negotiations at more micro levels.

22. Political refugees are granted freedom of movement while economic migrants are locked up in detention centres for up to 18 months after which they are housed in ‘open’ centres. In early 2005 there are about 320 persons locked up in detention centres.
24. Ibid., p. 7.
25. Ibid., p. 8.
Bipartite social dialogue takes place at enterprise level, and not much at sectoral level, a Maltese peculiarity that may be explained by the very small size of the economy. According to the trade union GWU Section Secretary, the majority of construction workers are covered by a collective agreement. However, effective links are lacking between the three different levels (enterprise, sectoral and national). The competition for skilled construction workers leads them to believe that they have sufficient bargaining power in an industry which is highly mechanised and highly competitive.

The construction process can be broadly divided into three phases. The first phase is the building process, the second phase consists of installation work, while the third phase is the finishing process. The enterprises involved in the building process tend to be micro-enterprises or self-employed individuals. However, there are also a few big contracting firms capable of undertaking the whole range of tasks on a project. Workers in the first phase are difficult to unionise. The GWU mainly represents workers engaged in the second and third phases. According to the GWU section secretary, only around 2 per cent of the employees in the first phase are covered by a collective agreement. By contrast, in the installation and finishing phases, between 60 and 80 per cent of employees (around 1,000 workers) are covered by collective agreements. In this sector the GWU has signed around 23 agreements which generally include an increase in wages over and above the statutory annual cost of living adjustment. These agreements tend to cover a period of three years.

The other general trade union involved in this sector is the UHM, which represents about 200 employees, also covered by a collective agreement.

Overall evaluation: rosy prospects for construction but conditions at work well behind
Construction is an important sector in the Maltese economy due to its sheer size, its links with other industries and its multiplier effects in the domestic economy. Over recent years construction has expanded in terms of both output and employment, mainly as a result of government capital projects and, to a lesser extent, property development by the private sector.

Over the short term, the construction sector may be expected to remain a major pillar of the domestic economy. This prediction is made on the basis of the number of major projects embarked upon, in both the public and private sectors. The Government is committed to the completion of a general hospital within the next three years. In addition, the impending developments in the

26. These employees are now re-organised in the GWU’s Metal and Construction Section.
27. Ibid.
Cruise Liner Terminal and Harbour Development are expected to generate considerable activity. Developments in the private sector include the construction of major, upmarket property mainly targeted at foreign investors, as well as affordable housing for the domestic property market. In recent years domestic house prices have risen steeply, far outstripping increases in household incomes recorded during the same period.

Future developments in the construction sector are sensitive to two main factors:

1. public sector demand for construction services, especially in view of the Government’s drive to reduce the public deficit;  
2. should the demand for affordable housing weaken, provoking a slower rise in house prices or indeed a decline, then construction demand would also be negatively affected.

Nevertheless, if the construction sector has had a spill over (or multiplier) effect on the economy, that is far from being the case with regard to working conditions. Although the incomes of employees in the sector are second to none, and construction work has been heavily mechanised in recent years - thus reducing much of the hard work involved in it – there is still much room for improvement, working conditions in the sector have improved in recent years, especially in the area of health and safety. Despite the efforts of the OHS Authority, the unions, the media, educators and others to promote a greater awareness of these issues, they conditions generally remain well below national and EU standards. The number of occupational accidents in the sector remains disturbingly high, while low high wages are mainly the result of the shortage of workers who are prepared to work in construction by comparison with other forms of employment. can only be compensated through overtime and sometimes informal activities. Self-employment and informal activities also remains a constitute typical features of employment contracts and working conditions in the sector. Indeed, self-employment is often tantamount to self-exploitation, particularly with regard to un-social working hours and unnecessary risks being taken in order to expedite output. These are all aspects towards which further efforts should certainly be directed by the stakeholders if they wish to keep construction as a competitive sector of the Maltese economy.

29. The Maltese Government is under considerable pressure from the European Commission to rein in the fiscal deficit currently above the reference value of 3 per cent required in order to participate in ERM II.
2.4 Language Schools: Variations in Conditions of Self-Employment

Teaching for foreign students
The potential offered by Malta’s education system for the purposes of tourism development has been increasingly recognised in recent years. One area where this policy has been successful is in the teaching of English as a foreign language (TEFL). Since colonial times, Malta’s education system has been modelled on that of the UK and English is still the main language of instruction in schools and university. Almost everybody in Malta can speak English, and both Maltese and English are established as the country’s two official languages. In view of the current heavy demand in many countries to learn English, the number of TEFL schools in Malta has mushroomed. In fact, some have claimed that Malta now has the largest number of TEFL schools outside London.

Both private and public schools
Some of these language schools have been established as annexes to existing public and private educational institutions. The vast majority, however, operate as independent establishments, managed by private entrepreneurs. Some have formed alliances and obtained accreditation from internationally established language schools. There is also a Federation of English Language Teaching Organisations in Malta, FELTOM. This is a self-regulating association of the major schools in Malta, which is officially recognised by the Ministry of Education and the Ministry of Tourism and holds consultative status with the Malta Tourism Authority.30 The usual premises of these schools consist of one building with around 10 classrooms, each accommodating between 10 and 20 students. Then during the summer they usually rent classrooms in nearby schools which would otherwise be closed for the summer holidays.

A good business for the Maltese economy
In addition to the teaching of English, most of these schools offer their clients – particularly young people – a complete service during their stay in Malta, including full board and entertainment. Thus TEFL schools make a significant contribution to Malta’s economy, as well as to the local labour market.

In 2003, foreign students made up 5 per cent of all tourists visiting Malta. According to a study carried out by the National Statistics Office (NSO), the

30. The objects of FELTOM are: to set, improve, and ensure the maintenance of standards in all aspects of English language schools in Malta, primarily in terms of academic content but also in those services which together constitute the infrastructural requisites of a language stay; to develop cooperation amongst licensed English Language Schools.
number of foreign students attending English language courses in one of the 34 English language schools then in operation amounted to 53,241, thus showing a huge increase over the years (see Figure 5 below).31

In 2003, females accounted for 57.1 per cent of all students. Only a number of countries mainly from Asia and Africa recorded higher male participation. In most cases, however, the difference in male participation over females was minimal, with the exception of Libya and Turkey, with 71.2 per cent and 59.4 per cent, respectively, of their student component being dominated by male participation.

Students may be classified under four age groups. In 2003 the 15–25 age group had the highest number of students.

In 2003, European students made up 94.0 per cent of all English-language students, with 71.7 per cent coming from EU countries, an increase of 1.5 per cent over the previous year. Students from other European countries accounted for 22.3 per cent, a slight decrease of 0.7 per cent over the previous year. Asia represented 4.6 per cent, Africa 0.5 per cent and America 0.3 per cent; 0.6 per cent came from other countries. Interestingly, among these students coming from different countries, 29 or 0.1 per cent of the total number of students, came from English-speaking countries, namely the UK, Canada, USA and Australia. The number of students from Germany is also significant.

Most students come to Malta during the summer season.

31. In fact, this figure signified a decrease of 734 students or 1.4 per cent over the previous year.
Conditions at work: intensification and diversity
In 2003, English-language institutions had a teaching staff of 1,141. This figure represents a decrease of 322 persons or 22 per cent over the previous year, outstripping the marginal decrease of students over the previous year. This suggests an intensification of work. The average number of employees in each school – as well as conditions at work – vary significantly according to type of establishment. The main differences are between large and small establishments. The large schools, where the conditions are generally better, have usually been established longer and include the state owned ones. Employment contracts can also vary considerably. Most of these employees – namely 1,054 or 92.4 per cent – were engaged on a part-time/self-employment basis. Full-time teaching staff made up only 7.6 per cent. However, full-time employment in English-language institutions increased by 6.1 per cent in 2003 over the previous year. In addition to holding the minimum qualification of A-Level English, the teaching staff must be in possession of a temporary teacher’s licence and a TEFL Certificate, both issued by the Ministry of Education.

Civil contracts and hidden overtime to meet seasonal demand
The schools come in three categories. The vast majority are micro-enterprises, with a basic staff of only three to five full-time employees, including manager, director of studies, financial administrator and housekeepers. There may also be a number of part-time ‘supply’ teachers on the schools’ books whose services are called upon according to demand. These include a small core of between five and eight regular part-time teachers whose services are utilised during the winter months. Their number increases up to around 50 part-time teachers in summer. The larger schools normally employ twice the number of full-time and part-time staff all the year round. For instance, one of the largest and most established TEFL schools is Inlingua.\textsuperscript{32} At this school, there are 20 full-time and five part-time employees, all engaged in administration and support services. The number of teaching staff fluctuates between 20 and 40 in winter and in excess of 100 in summer. However, all of these operate on a ‘freelance contract’ and are, in fact, not legally considered employees of the school. These persons operate under a ‘contract for employment’ (i.e. under a civil contract) and technically ‘sell’ their services to the company. Other schools operate on a different pattern, particularly regarding the employment of teachers, with sometimes hidden overtime. There are cases, for example, where teachers are officially employed for less than the 20 hours per week threshold, but actually work for more than 20 hours. In order to get them to agree to such an arrangement, the schools offer the teachers a more advanta-
geous salary than that stipulated by law. This way they avoid having to con-
cede the *pro rata* conditions of full-time employees to their part-time staff. 
Thus there are considerable variations in the conditions of employment 
offered by the different schools to their part-time staff.

**Flexibility requested by both sides**

Despite these differences, the most basic characteristic common to all schools 
is the extreme flexibility expected from their staff. This flexibility seems to 
suit both the schools and the staff members themselves. The reason is that 
most of the teaching staff tend to be housewives with family responsibilities, university students and retired teachers or other professionals. Women 
account for 73.7 per cent of the teaching staff employed by English-language 
schools. Working irregular, but flexible hours enables them to cope with their 
responsibilities or other interests outside of work, while also supplementing 
their normal incomes. Every teacher gives between 15 and 30 lessons per 
week of 50 minutes each. When teaching mature students, the teachers may 
be expected to offer tuition on a one-to-one basis. In most other cases, how-
ever, classes include between 10 and 20 students.

**Inferior working conditions in small establishments**

In the smaller schools, teachers’ pay is negotiable, ranging from MTL 2.5 
(EUR 6) to MTL 3.3 (EUR 8) per lesson. In the top schools the pay tends to 
be better and may even go up to MTL 4 (EUR 9.5) per lesson, depending on

*Source: NSO.*

**Figure 6 Full-Time and Part-Time Teaching Staff, 2003, Malta**
the teacher’s length of service and qualifications. There are no recorded cases of schools not paying the agreed amounts to their teachers. However, it appears that relations between management and staff in the smaller schools leave much to be desired. Teachers there often complain that they are not valued and respected like professionals, but are simply exploited. On the other hand, teachers in the larger, established schools have no such complaints. They often describe their working conditions as ‘not bad’ and some even claim to enjoy a ‘pleasant atmosphere’ at the workplace, meeting interesting people from different nationalities. The willingness of the management to accommodate their working hours so as to enable them to meet their family needs is particularly appreciated by the female teachers. In this respect, it appears that the influence of FELTOM upon its affiliated schools has been significant.

**Overall evaluation: an activity where working conditions fluctuate alongside demand**
The rapid expansion of this sector in recent years, the seasonality of the demand, and the lack of official controls explain the wide divergences among the different schools, both in the quality of the teaching and the working conditions of the teachers. Evidently, the best schools attract and retain the best qualified staff. The minimum qualifications required from teachers have recently been lowered to include an Intermediate Level in English\(^33\) together with a Temporary Teaching Warrant and these tend to be the standard qualifications possessed by teachers in the small schools. On the teachers’ part, this situation has been allowed to develop as it allows the mothers among them to combine outside work with their duties at home. It also allows full-time teachers to supplement their regular salaries and university students to earn some money or make additional income during their vacation months. The near total absence of trade union representation, the lack of legal controls of part-time workers below 20 hours per week, and the widespread resort to civil contracts (i.e. contracts of employment) create scope for such wide divergences. Above all, this case illustrates that market demand would seem to impose the type of working conditions that will prevail.

2.5 ST Microelectronics: A Multinational Dominating the Maltese Economy

A ‘global’ company
ST Microelectronics is a global independent semiconductor company and it is considered a world leader in developing and delivering semiconductor solu-

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33. An examination rated between an ‘O’ and an ‘A’ Level.
tions for electronics applications. During 2003, the company’s net revenues were USD 7.24 billion and net earnings were USD 253 million. The group has more than 45,000 employees, 16 advanced research and development units, 39 design and application centres, 17 major manufacturing centres, and 88 sales offices in 31 countries. Although the company’s corporate headquarters are in Geneva, ST Microelectronics also has regional headquarters in Carrollton, Dallas (US), Singapore and Tokyo. ST Microelectronics became a public company in 1994 when it completed its initial public offering. The company has around 900 million outstanding shares and is quoted on the New York Stock Exchange, Euro Next in Paris and the Milan Stock Exchange.

ST Microelectronics promotes a Total Quality and Environmental Management (TQEM) program based on the belief that there is no contradiction between fostering shareholders’ and stakeholders’ value and that corporate social responsibility is not merely aimed at fulfilling ethical obligations, but also at building a basis for improving returns to shareholders. ST Microelectronics were one of the first signatories of the Global Compact, the United Nations’ initiative to promote responsible corporate citizenship and are actively involved in environmental protection initiatives. The company offers also computer literacy courses at the community level through the ST Microelectronics Foundation and is committed to internal training efforts.

Given the global character of ST Microelectronics, it is inevitable that the fortunes of the Maltese plant, ST Microelectronics Limited (Malta), reflect global developments in the semiconductor market. The Maltese plant was established in 1981 with an initial workforce of around 25 persons. Over the years it has expanded and now employs around 2,300 persons. The company is an assembly and test facility for dedicated products, microcontrollers and semi custom devices and it serves a range of key customers in the electronics industry around the world, including the USA, Europe, Asia Pacific and Japan. Among the customers of ST Microelectronics are Alcatel, Ford, Motorola, Nokia and Sony.

Largest employer and exporter

ST Microelectronics Limited (Malta) is the largest private employer in Malta and as such a prominent member of the Maltese community and economy. ST Microelectronics (Malta) employs around 2,300 workers, of whom around 59.4 per cent are operators. Females account for around 47 per cent of employees; average age among operators is around 26 years. Engineers and technicians constitute around 31.4 per cent of the workforce. Engineers are mainly involved in problem solving and may be responsible for a section’s output. General staff inclusive of management represents around 9 per cent of all employees. Managers are generally promoted by seniority and there are relatively few foreign managers at the plant. The company management described employee turnover as minimal.
The company also accounts for around half the country’s exports of goods and services. Its dominant position in the Maltese economy gives it very special powers when it makes representations to government and particularly during negotiations with the union in the course of collective bargaining.

As already mentioned, developments at the Malta plant reflect the state of the global semiconductor market. Since its establishment in 1981, the products assembled and tested at ST Microelectronics (Malta) have reflected technological process as the company has constantly upgraded its machinery and production processes. The company invested heavily in new machinery during 1999 and 2000. Given the degree of price competition in the semiconductor market, some production lines were transferred to cheaper-cost locations; however, this has seldom led to job losses. In fact price-sensitive processes tend to be replaced by more technically advanced production lines, reflecting the evolving demand for ST Microelectronics’ products.

The company suffered economically during the downturn in the global semiconductor industry in 2001. The industry has since recovered, although there is considerable uncertainty about future developments as increased competition led to overcapacity in the global semiconductor industry, accompanied by lower prices for semiconductor products and, as a result, increasing pressure on profits.

Working conditions imposed to maintain profitability
The company has two shift systems: three-shift and four-shift. Employees on the three-shift system work for forty hours spread from Monday to Friday, while those engaged on the four-shift system work on a roster stipulated in the collective agreement. There exists also a ‘D’ shift whereby employees are engaged for twenty-four hours over Saturday and Sunday and are compensated with the equivalent of a full weekly basic wage. There are around 340 employees engaged in the ‘D’ shift, evenly balanced between males and females. The majority of the working contracts at the plant are indefinite, and part-time work is relatively uncommon.

Employees at ST Microelectronics (Malta) are exposed to long working hours and are obliged to work overtime, depending on production priorities. Office and non-production staff tend to work a forty-hour week. Production staff are engaged on a forty-hour week but twelve weekly hours of overtime are relatively common. The company normally gives 24 hours’ notice of overtime; however, shorter notice may be given in case of emergency or special circumstances. Employees are remunerated at one and a half times the normal rate for an hour of work, before or after normal hours. Different rates apply to overtime over the weekend and on public holidays. Generally speaking, workers regard overtime as a necessary evil, as a means of augmenting their basic wage. In fact, recent changes in working patterns aimed at making more effi-
cient use of overtime caused dissatisfaction among some employees in view of the potential reduction in overall earnings. In particular, reductions in the ‘D’ shift from a 30-hour to a 24-hour engagement were estimated by union sources to lead to a reduction of about 40 per cent in overall earnings.34 Workers at ST Microelectronics (Malta) consider the potential reduction in overtime as a threat to their family life in the sense that they would no longer be able to afford the same standard of living as before.

ST Microelectronics (Malta) enjoys a high standard of health and safety. Job hazard analysis is conducted on each job and the occurrence of repetitive stress injury is negligible. In addition, during 2004 ST Microelectronics announced that all its worldwide production plants had achieved certification to the Occupational Health and Safety Management System OHSAS 18001 specification. ST Microelectronics was the first global semiconductor manufacturer to achieve this standard and the Malta plant was selected as a pilot site to test the new system. The aim of the system is to control occupational health and safety risks, improve safety performance and reduce work related risks and accidents.

According to trade union sources, the average pay of an ST Microelectronics (Malta) employee is around MTL 97 per week (around EUR 226).35 On an annual basis, the average pay is around fifteen per cent higher than the average gross annual salary for the plant, machine operators and assemblers occupation as reported in the Labour Force Survey for July–September 2004. In fact, the salary level at the plant is very close to the national average gross annual salary of MTL 5,061 (around EUR 11,800) for the period.

Work and family: not a priority alongside the production process

As already mentioned, female operators account for almost half of the operators employed by ST Microelectronics (Malta). As regards technicians and engineers, the share of females is quite low, although it has been rising in recent years. The low number of female engineers and technicians reflects the relatively low share of female graduates in science and engineering in Malta. The company enjoys a reputation as an equal opportunities employer in terms of pay and conditions of work.

As regards the ‘D’ shift, females represent around 50 per cent of the workers engaged on this shift and a number of these persons are parents. In one known case both husband and wife are employed at the company but they never meet during the week as they are working on different shifts. The company has no special facilities for children, such as child care centres, and has

35. Ibid.
no plans to introduce these facilities in the future, so that this makes it difficult for female workers to reconcile work and family, especially with the production rhythms they are requested to comply with. On the other hand, the company extends health insurance to family members and has other schemes ranging from discounted offers for employees to substance and alcohol abuse programmes.

Social dialogue: a production process out of the trade unions’ control
The majority (around 70 per cent) of the shopfloor employees are represented by the General Workers’ Union. The local management and the trade union negotiate the collective agreement every three years. Despite its strong base, the trade union has limited if any control over company developments or processes. The management justifies this by saying that, given the highly competitive nature of the semiconductor market, unrealistic demands on the part of the trade union might induce the company to close the plant and shift production elsewhere.

Apart from the traditional trade union representation, employee involvement at ST Microelectronics (Malta) takes the form of an ‘employee empowerment strategy’ aimed at involving workers actively at the workplace. This programme involves the establishment of self-managing teams, work groups with a defined degree of autonomy responsible for performing production processes. Other group activities include Quality Circles, Problem Solving Teams, Employee Involvement Teams and several other committees. Almost a quarter of the staff attend regular weekly meetings. One successful scheme was the establishment of an ‘Employee Suggestion Scheme’ tied to small incentives. However, the trade union remains excluded from strategic decisions.

Overall evaluation: for multiplier effects also on working conditions
As already mentioned, ST Microelectronics (Malta) is a respected member of the Maltese business community. Over the years the company has been awarded the Malta Quality Award, as well as the Management Award for Sustainable Development as part of the European Awards for the Environment organised by the European Commission. The future of the company in Malta depends on the extent to which it can withstand the competition in terms of price and quality posed by other ST plants in the Far East, as well as other manufacturers. At the same time, however, one might wonder whether this company does not seem to be taking advantage of its dominant position within the Maltese economy. Several times it has threatened to close down if workers refused to work long hours or if trade unions demanded modifications in the production process. The company was also among those which put strong pressure on the Maltese government – again by threatening to leave the country – to obtain in the negotiations on EU accession (in 2003 mainly) a
derogation from implementation of the working time directive, which was indeed granted by the European Commission. Another example is the company’s also tries to influence on national monetary policy: Given that currently the value of the Maltese lira is pegged to a basket of currencies where the euro has a weight of 70 per cent, while the dollar has a weight of 10 per cent. The current dollar exchange rate against the euro has resulted in a strengthening of the Maltese lira against the dollar, the currency in which ST transacts its business. Hence the concern expressed by the managing director of the company in advising the Government to ‘adopt a prudent approach’ vis-à-vis adoption of the euro. Considering the influence of this multinational company, and its significant integration in the Maltese economy, any significant measure towards better working and employment conditions, including working time and working rhythms, may have multiplier effects in the Maltese business community.

2.6 Malta Shipyards: Painful Restructuring to Survive

A long and significant history
The origins of the shipyards in Malta date back to the Knights of St John, and by the time of the British administration at the beginning of the nineteenth century there were already substantial shipyard facilities in place. Under British rule, the facilities at the shipyards were extended as the shipyards came to provide the largest concentration of industrial workers in Malta. In fact, by 1949 the workforce at the shipyards amounted to around 12,000 persons. During the late 1950s and the following years, attempts were made to transform the activities carried out at the enterprise from military into profitable commercial services. However, this process was largely unsuccessful and, apart from a brief period, the shipyards were unable to return a profit. The company was nationalised in the late 1960s. Over the years a number of expert reports have been commissioned and these generally recommended a drastic reduction of the workforce. These measures were effectively resisted by the organised and militant workforce, many of whom played leading roles within the Malta Labour Party and the General Workers’ Union. Between 1974 and 1988 a system of self-management was in operation at what was then known as Malta Drydocks. All the members of the company’s top coun-

36. The Times (Malta), 06/05/2004, p.14.
37. The main sources of information for the case study were interviews with Charles Agius, secretary of the construction and metalworkers section of the General Workers’ Union (GWU) (the union representing the majority of workers at the Shipyards) and Albert Restall, human resource executive at MSL. Other information sources are documents drawn from the company website and other general publications.
cil were directly elected by the workforce. Likewise, elected workers’ committees administered the various departments alongside professional management. Through this system various reforms and new facilities were introduced. Yet the company continued to lose money and could only operate on the basis of generous state subsidies. The workforce was reduced over the years but only through natural retirements. Finally, the self-management system was abolished by an Act of Parliament in 1997 and the company was returned under state control. In particular, since then new attempts have been made to make the company viable. In particular, a Task Force composed of the main stakeholders was established in 2001 with a brief to prepare a restructuring plan. The plan involved a gradual scaling down of both human and physical resources at the shipyards, whilst at the same time providing training and support for surplus employees.

Malta Shipyards Ltd (MSL) is the result of this process. MSL absorbed around 1,700 employees previously employed at the Malta Drydocks Corporation and Malta Shipbuilding, as these two financially-troubled companies were dissolved by the Maltese Government in an attempt to transform this sector into a competitive activity, as well as eliminating its dependence on state aid by 2008. The restructuring process was a painful exercise which entailed implementation of a series of voluntary early retirement schemes, as well as the setting up of Industrial Projects and Services Ltd (IPSL), aimed at absorbing the workers who were not selected to join MSL and who did not qualify for voluntary early retirement. Shipyard workers are traditionally regarded as the militant core of the General Workers’ Union (GWU) and the Malta Labour Party.38

MSL is based at four main sites. At the main site in Cospicua there are seven drydocks equipped with shore services and dockside cranes that can accommodate vessels of up to 300,000 dwt. Afloat services are also carried out on the two kilometres of wharves present at the site. The Marsa site provides a facility for heavy steel fabrication, the construction of hulls as well as the undertaking of non-marine projects. The Manoel Island Yacht Yard is devoted to the refitting and repairing of various types of vessels and investment is currently being undertaken to cater for the needs of owners and operators of sailing and pleasure crafts. A tanker cleaning installation is sited in sheltered waters in Ricasoli and is equipped with a private jetty and shore tanks. MSL comprises also a Super Yacht Yard which provides a package of maintenance services aimed at high-end yachts.

Continuous losses despite employment cuts
Over the last two decades the Maltese shipyards sector has experienced financial difficulties in achieving long-term viability in a highly competitive inter-

national climate. In fact, the Maltese shipyards industry faces stiff competition in its main areas of activity, not only from European neighbours, but also from Asian countries. Over the past 20 years, European shipyards have undergone severe restructuring involving the introduction of innovative production methods, as well as active outsourcing strategies that have reduced total workforce employed directly by shipyards from 461,988 in 1975 to 129,761 in 2003.\(^39\) During 2003, world shipbuilding production increased by 9 per cent over the previous year. European yards represented 20 per cent of all deliveries, while Korean and Japanese yards accounted for 31 and 30 percent, respectively. The emerging Chinese market accounted for 11 per cent of deliveries in 2003. In terms of new orders, the European share stood at around 10 per cent, while Korean and Japanese yards secured 45 per cent and 28 per cent, respectively.\(^40\) During the same year, according to the FMI Price Index, shipbuilding prices increased by 20 basis points over 2002, over a great variety of activities. It is against this global competitive scenario that the performance of the Maltese shipyards industry should be judged.

Over recent years the shipyards have continued to register losses, making their survival dependent on government subsidies. Fiscal pressures as well as EU state aid rules have increased the urgency for Government to restructure the industry in order to boost its competitiveness. The restructuring plan for the shipyards started to be implemented in 2002. The plan spanning a seven-year period to ensure the long-term survival of the shipyards under competitive market conditions. During the transition to viability, the Government will be granting MTL 419.5 million (around EUR 970 million) over a seven-year period, of which 70 per cent corresponded to the write-off of past debt, while the rest will represent subsidies. Between 2002 and 2003, around 1,600 workers took voluntary early retirement. During 2004, MSL reported a loss of MTL 9.5 million (around EUR 22.2 million), MTL 1.5 million (around EUR 3.5 million) lower than anticipated. For 2005, MSL aims to reduce its losses to MTL 7 million (around EUR 16.4 million).\(^41\)

The restructuring plan also emphasises the need for diversification with the aim of competing in higher value-added activities. In this respect, MSL entered into partnership with an international yacht fitter and builder, whilst a group of workers were trained in the necessary specialised skills.

**Assets for the future: a young, skilled labour force**

At present around 1,765 workers are employed at the shipyards. The majority of workers are males, with females accounting for only 1.7 per cent of the workforce.

\(^{39}\) AWES (2004), p. 3.  
\(^{40}\) Ibid., p. 8.  
\(^{41}\) The Times of Malta (9/2/2005).
The shipyards have traditionally served as the most important source of engineering and industrial skills in Malta. The company has a reputation for an experienced, mostly English-speaking and well trained workforce in all major trades.

As already stated, the workforce is considered the militant core of the most radical trade union, the GWU. The majority of the workers are GWU members, while professional workers and management are represented by a house union. Although a collective agreement was signed in 2003, there is some contention regarding some of the changes.

Table 25 gives the distribution of workers by gender and skill. As stated above, only 30 females are employed at the yards out of a total workforce of 1,765. Females are only present in the professional and administration/clerical grades.

Table 25 Distribution of Workers by Skill and Gender, Malta

<table>
<thead>
<tr>
<th></th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionals</td>
<td>86</td>
<td>2</td>
<td>88</td>
</tr>
<tr>
<td>Administration/clerical</td>
<td>92</td>
<td>28</td>
<td>120</td>
</tr>
<tr>
<td>Technical &amp; supervisors</td>
<td>253</td>
<td>–</td>
<td>253</td>
</tr>
<tr>
<td>Skilled</td>
<td>893</td>
<td>–</td>
<td>893</td>
</tr>
<tr>
<td>Intermediates</td>
<td>267</td>
<td>–</td>
<td>267</td>
</tr>
<tr>
<td>Unskilled</td>
<td>72</td>
<td>–</td>
<td>72</td>
</tr>
<tr>
<td>Apprentices</td>
<td>72</td>
<td>–</td>
<td>72</td>
</tr>
<tr>
<td>Total</td>
<td>1,735</td>
<td>30</td>
<td>1,765</td>
</tr>
</tbody>
</table>

Source: MSL.

The largest group of employees are skilled workers (893), the second largest are classified as intermediates (267). Skilled workers represent 51.6 per cent of MSL employees. Intermediates and Technical & Supervisors account for 15.1 per cent and 14.3 per cent of all employees, respectively. Professionals represent 5.0 per cent all employees.

As shown in Table 26, the share of young workers (the 17–39 age cohort), stood at 38.9 per cent. Middle-aged workers are the largest group at 988 or 56.0 per cent. The share of older workers (56+) stood at 5.2 per cent: the share of older employees has declined significantly in recent years owing to voluntary early retirement. These statistics suggest that the workforce at the shipyards can be considered middle-aged, with an average age of 42.
Table 26 Age Structure of Shipyard Employees, Malta

<table>
<thead>
<tr>
<th>Age group</th>
<th>Number</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young</td>
<td>686</td>
<td>38.9%</td>
</tr>
<tr>
<td>Middle-aged</td>
<td>988</td>
<td>56.0%</td>
</tr>
<tr>
<td>Older</td>
<td>91</td>
<td>5.2%</td>
</tr>
<tr>
<td>Total</td>
<td>1,765</td>
<td></td>
</tr>
</tbody>
</table>

Source: MSL.

Work conditions: often conflictual
As already mentioned, the restructuring process of the shipyards was a painful exercise. The shipyard workers’ selection process was a subject of political controversy as the criteria underlying selection were queried by members of the MLP opposition in Parliament. The content of the new collective agreement was also resisted by a section of shipyard employees and it led to the resignation of high ranking officials in the construction and metal workers’ section of the GWU who had negotiated the new collective agreement.

Full-time contracts but also recourse to foreign workers
Almost all (1,752) the workers at MSL are on an indefinite, full-time contract. According to MSL, there are 12 employees on a fixed-term contract, while one employee is on reduced hours. However, the shipyards occasionally hire foreign workers on a fixed-term basis on the grounds there are not sufficient trained Maltese workers available to perform certain tasks. According to trade union sources, this causes tension amongst the Maltese staff who see it as an attempt by management to reduce their earnings by cutting down on overtime, and as a long-term threat to their own employment. They also do not accept that many of their former colleagues were boarded out and now there is a need to import foreign workers. Furthermore, as these foreign workers are used to working under inferior conditions, the Maltese workers see it as an attempt to reduce their conditions of employment.

Disagreement on the new collective agreement: employees against overtime cuts
The new collective agreement signed in 2003 sought to introduce measures which would increase flexibility and productivity. In particular, the management sought to limit certain allowances previously enjoyed as well as economise on work performed after normal hours. The new collective agreement also brought a change in working hours. Whereas previously the normal working day ranged from 7 am to 3.15 pm, as a result of the new agreement

42. The Times of Malta (13/09/2003), p. 12.
two shifts were introduced, from 7 am to 2.30 pm and 2.30 pm to 10.00 pm. In the event that work is required on a 24-hour basis, a third shift would be introduced from 10.00 pm to 6.00 am and would be remunerated at a higher rate. The new arrangement brought about a reduction in number of hours worked, but it is also aimed at reducing the need for daily overtime. It should be noted that over the years overtime has come to be regarded by shipyard employees as an important component of their income. The necessity for such duties was dictated by the nature of their work. As a result of such traditional overtime, the average take-home pay of shipyard workers has compared – at least so far – very favourably with that of workers doing similar jobs elsewhere in Malta.

There are also a number of contentious points related to interpretation of the new collective agreement. The main issues include the rate of remuneration for unplanned night shifts, allowances related to tasks performed outside normal duties such as work performed outside the port or overseas and the interpretation of the ‘multi-skilling and flexibility allowance’. Another issue is related to the remuneration of supervisors and the general foreman. As a result of the new collective agreement, supervisors and foremen will no longer be remunerated for work beyond normal hours and will partly be compensated for this by an improved basic pay package. Discussion between the trade union and the management led to a capping of non-remunerated work beyond normal hours at the equivalent of 26 weekend days. However, no agreement has been reached on how to remunerate supervisors and general foreman when they are engaged for hours beyond the cap. Another important issue that emerged recently is related to the grading of employees following the amalgamation of the former Malta Drydocks Corporation and Malta Shipbuilding.

**Competition from sub-contracted workers**

In early February, disagreement about the interpretation of the new collective agreement led the GWU to issue a work-to-rule directive, as well as a directive to shipyard workers not to cooperate with workers subcontracted by shipyard clients and the shipyards’ own management at the beginning of February 2005. In response, MSL claimed that it had been put on notice by owners whose vessels were contracted to enter the shipyards and were considering cancelling their visit and that as a result of industrial unrest, the shipyards could potentially be unable to meet their performance targets for 2005. Consequently, MSL asked the First Hall of the Civil Court to declare that the actions of the GWU were in breach of the contract between the company and MSL and to order the union to make good the damages sustained by the company.43

Dangerous activities and health and safety risks
Health and safety at the shipyards is a very important issue as the shipyard environment is considered to be dangerous and physically hard. However, both management and trade union agree that health and safety standards have improved in comparison to the past. MSL has a rigorous corporate safety policy aimed at providing a safe and healthy working environment for all employees. During 2002, the company engaged an internationally renowned safety company to implement a three-year safety programme. Moreover, during 2001, the main site of the company was audited by the British Safety Council and awarded a four-star rating safety certificate. Nevertheless, although health and safety appear to have improved, there is still a ‘danger allowance’ to compensate workers for the intrinsic risks attached to their occupation.

Since the establishment of MSL in November 2003, only three cases of alleged violation of employment contract have been filed at the Industrial Tribunal and these have to do with the imposition of penalties by management on workers accused of breaking the disciplinary code.

Multishifts replacing overtime: a step backwards for reconciling work and family?
The industrial work at the shipyards is traditionally viewed as men’s work and consequently no females are engaged in blue-collar professions, only in administration. Moreover, MSL has no childcare centres and has no plans to introduce such facilities in the near future.

As regards the relationship between work and family life, although the new collective agreement has reduced the total number of hours worked, it has had a detrimental impact on family life, in two main ways: first, the change in working hours brought about by the introduction of the shift system implies that a considerable proportion of workers engaged on the second shift (2.30 pm to 10.00 pm) are forced to give up quality time that they previously enjoyed with their families. In addition, the drive to economise on allowances and day-time overtime brought about a reduction in total earnings of a number of workers with the consequence that their families have suffered a reduction in living standards.

From self-management to weak social dialogue
As already mentioned, shipyard workers are all members of the GWU trade union, whilst management and other professionals are members of the house union. During the period of self-management for over two decades there was industrial peace at the company. Despite its limitations, the system had strong backing from the workforce. Now without self-management, and a much reduced workforce, the company is still losing money and is dependent on
state subsidies. It seems that the main challenge to the company will have to be faced in 2008 when, according to Malta’s commitment to the EU, the state subsidies will have to be terminated. It remains to be seen whether the current, weaker system of social dialogue based on collective bargaining will succeed in weathering the storm.

Overall evaluation: for a more consensual social climate
MSL continues to undergo major structural changes. In recent years its workforce has been reduced significantly as a result of voluntary retirement schemes, while the collective agreement signed with the GWU in 2003 envisages changes in working conditions aimed at improving the competitiveness of the yard. The new collective agreement not only brings in – through subcontractors – competition from foreign workers, which contributes to watering down working and employment conditions but it also organises work around multiple shifts that adversely affect work and family (especially for those on the night shift) and also reduces total pay, which traditionally included a substantial amount of paid overtime. Such measures may be expected to negatively affect the workers’ morale.

As a result of its past history, MSL has acquired a poor reputation amongst the Maltese public: around three-quarters of people participating in an online poll organised by The Times of Malta agreed that the Government would be justified in declaring the company bankrupt unless things improve.44 Hence, any government using draconian measures at MSL is likely to get public support. Nevertheless, the successful implementation of the necessary reforms and workforce cooperation require a more worker-friendly policy. This requires an improvement in conditions at work in order to boost employees’ motivation, and allow better governance, based on consensual labour-management relations.

44. The Times of Malta (8/2/2005), p. 5.
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Workers Participation Development Centre, University of Malta. p.10.
7. Poland: Circumventing the Law or Fully Deregulating?

Stéphane Portet

PART I NATIONAL ASSESSMENT

1.1 A Deep Change in the Structure of the Working Population

The main trends of the Polish labour market are as follows: deindustrialisation, development of the service sector, limited growth of the private sector and development of mass unemployment (see Table 1).

Table 1 Trends in the Labour Market 1992–2004, Poland

<table>
<thead>
<tr>
<th></th>
<th>1992(IV)</th>
<th>1998(IV)</th>
<th>2002(IV)</th>
<th>2003 (IV)</th>
<th>2004 (III)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active population ('000)</td>
<td>17 529</td>
<td>17 162</td>
<td>17 097</td>
<td>16 881</td>
<td>17 080</td>
</tr>
<tr>
<td>Activity rate (15–64) %</td>
<td>69.5</td>
<td>65.8</td>
<td>64.1</td>
<td>63.5</td>
<td>64.3</td>
</tr>
<tr>
<td>Unemployment rate % (1)</td>
<td>13.7</td>
<td>10.6</td>
<td>19.7</td>
<td>18.7</td>
<td>18.2</td>
</tr>
<tr>
<td>Agricultural sector (2)</td>
<td>22.9</td>
<td>18.1</td>
<td>18.6</td>
<td>18.5</td>
<td>19.2</td>
</tr>
<tr>
<td>Industrial sector</td>
<td>31.9</td>
<td>32</td>
<td>28.5</td>
<td>28.5</td>
<td>29</td>
</tr>
<tr>
<td>Services sector</td>
<td>45.1</td>
<td>49.7</td>
<td>52.9</td>
<td>53</td>
<td>51.7</td>
</tr>
<tr>
<td>Private</td>
<td>50.2</td>
<td>61.7</td>
<td>67.4</td>
<td>68.5</td>
<td>70.4</td>
</tr>
<tr>
<td>Public</td>
<td>40.8</td>
<td>38.3</td>
<td>31.6</td>
<td>31.5</td>
<td>29.5</td>
</tr>
</tbody>
</table>

Notes:
2. Data by sector are not available for 1992, so we used data from 1994.

Source: GUS and LFS.

In 1988, 28.5 per cent of the working population worked in the primary sector, 36.5 per cent in industry and 35.1 per cent in the tertiary sector. The transfer of population among the various sectors was very rapid during the very
first years of the transition. Since 1994, employment in the tertiary sector has been developing, but not enough to offset the losses in other sectors. The volume of employment in 2003 accounted for only 79 per cent of that of 1988. The difference is greater than the rate of unemployment (19.5 per cent in January 2005). This shows the deep reorganisation of the Polish economy and in particular the high productivity gains. Between 1989 and 2002, the growth of productivity by hour worked was on average 4.6 per cent a year, that is, an accumulated rise of 71.5 per cent. The structure of the Polish working population distinguishes it from all the other Central European countries and in particular from the top countries – namely Hungary, Slovenia and the Czech Republic – because the growth of services has not been accompanied by a fall in agricultural employment, but in industrial employment.

In 1988, the private sector accounted for 28.7 per cent of total employment. However, the primary sector accounted for 76 per cent of private activity. In the non-agricultural sector, the share of the working population in the private sector was of 10.5 per cent, and a large majority of these were artisans (75 per cent of private employment in the non-agricultural sector). In 2003, 67.6 per cent of the working population worked in the private sector. However, in a country in which the share of employment in agriculture remains very significant, this evolution tends to mask the depth of private sector development. In the non-agricultural sector, 61 per cent of the working population and 55.3 per cent of employees work in the private sector (source: LFS 2003 IV). These figures show the dualism of the Polish labour market (high growth of the private sector in non-agricultural activities but persistence of high share of unemployment in agriculture) and we will see that it is an essential element in the distribution of flexible forms of employment. This dualism is accompanied by a very strong concentration of private employment: 86.8 per cent of employees in industry and 93.2 per cent in trade and domestic services work in the private sector. These two large occupational groups account for 61.7 per cent of total employees in the private sector.

A last significant characteristic of the Polish labour market is the high level of self-employment. In 2003 (LFS-IV) 2,957,000 people were self-employed, and of these 1,347,000 were employed in the non-agricultural sector; 1 82.5 per cent of companies are owned by a unique owner (excluding agriculture, 65.8 per cent). In 2001 (LFS-IV), among employers, 49 per cent employed one employee and 94 per cent less than 10. Beyond the large companies inherited from the socialist period or subsidiary companies of multinationals, Polish capitalism is above all made up of micro-enterprises. It is at the heart of this ‘capitalism without capital’ that ‘new’ forms of employment are developing.

1. In 1998, there were 2,142,00 registered firms in Poland, of which 60–70 per cent are active.
Circumventing the Law or Fully Deregulating?  

The Polish private sector is the privileged venue of *destandardisation* of the labour relationship and of the development of intense flexibility, often outside the law.

1.2 Destandardising Employment

The status of the contract in full-time employment is coming under assault from the development of the short-term contract, the multiplication of so-called ‘civil contracts’ and ‘moonlighting’.

**Development of short-term contracts**

It is difficult to measure the expansion of short-term contracts in the long term because of a modification in the statistical definition of this type of employment that occurred in 2000. In 1987, 4.5 per cent of employees worked on a short-term contract; in 2001, 12.7 per cent; in 2002, 16.8 per cent; and in 2003, 20.9 per cent. During 2003, the number of short-term contracts increased by 24 per cent. Between the fourth quarter of 2001 and the fourth quarter of 2003, the number of employees working on short-term contracts increased by 64 per cent. In the fourth quarter of 2003, 2,082,000 employees were on a short-term contract. The short-term contract is a form of employment which is developing above all in the private sector. This contract has developed on the basis of very permissive legislation which provided neither the maximum duration of the fixed-term contract nor the number of possible renewals between 2002 and 2004. Article 25 of the Polish Labour Code, according to which three successive renewals of a short-term contract transform it into a permanent contract, was postponed until Poland’s accession to the EU. Since that date, Article 25 has been in force in accordance with Article 12 of Directive 99/70/EC of 28 June 1999 concerning agreements on fixed-term contracts. At the legal level, a number of provisions tend to limit the impact of the new regulation:

- The short-term contracts taken into account will be only those signed after EU accession. Thus, an employee who began a three-year short-term contract in March 2004 will be subject to the new legislation only in March 2007.
- Employers was entitled to lay down in an appendix of the contract of employment a supplementary length for a short-term contract which would expire only after EU accession. He could thus envisage the renewal of the short-term contract without launching the ‘count-

2. Until the fourth quarter 2000, was regarded as short term contract any contract of less than 1 year. From the first quarter 2001 is regarded as short term contract any contract not being a permanent contract.
down’ leading to a permanent contract. Indeed, at the end of the period mentioned in the appendix at the employment contract, a new fixed-term contract would be regarded as the first.

- The rule transforming the third fixed-term contract into a permanent contract does not concern employees replacing an absent person or employees recruited for seasonal or cyclical activities. It rests with the Supreme Court to define what is understood by seasonal or cyclical activities.

- The maximum duration for fixed-term contracts has not been defined.

For many of the employers we talked to (before and after 1 May 2004), the above reform of the Labour Code is a serious problem and all of them confirmed that they were seeking ways of bypassing this new regulation. They were considering several possibilities: the signing of an appendix to the contract of employment in order to postpone the problem (mentioned by the human resource director of a large public transport company), the signing of longer fixed-term contracts (the director of a construction firm envisages extending it from one year to three or even five years). Others envisage the possibility of circumventing the problem by using methods tested before the reform of 2002 which had ‘frozen’ Article 25 of the Labour Code until EU accession: the principal way of bypassing the rule transforming short-term contracts into permanent contracts in the case of two successive renewals is to insert a period longer than 31 days before signing a new fixed-term contract. If a new short-term contract is signed more than one month after the end of a first short-term contract, the law considers that it is not a renewal and the employer will not be forced to sign a permanent contract with an employee he would like to keep. This does not entail an interruption in employment for a month or so. As one employer (construction sector) explained, it is enough to sign a civil contract for the month in question, or simply to employ the person without registering them, or one can offer this period as a holiday (often paid ‘under the table’ and corresponding to a delay in paid leave) in order to protect oneself in case of a visit from the Labour Inspectorate (employer in light industry).

All the employers we interviewed made very developed use of the short-term contract. All, obviously, use it for the probationary period of 3 to 6 months. However, recourse to the short-term contract far exceeds this framework, and is based on a ‘triple logic’:

1. The first use, which one could describe as ‘traditional’, fulfils the requirements of external flexibility. It is the form of contract generally used for seasonal activities, for example in construction.
2. The second use aims at bypassing the term of dismissal notice, since employees on a permanent contract benefit in Poland from a rather long notice period: for employees whose period of service is less than six months, notice is two weeks; between six months and three years it is one month; and for three years or more it is three months. The short-term contract, whatever its duration, reduces notice to two weeks. In case of a replacement contract, notice is only three working days. Many contractors confirmed that they regarded the short-term contract as a way of reducing the time during which an employee could harm the company after notice of dismissal has been served. This last explanation was mentioned by a significant number of our interlocutors, indicating the bitterness of industrial relations in some companies (particularly in trade).

The human resources director of a large chain of Polish supermarkets explains the need for playing on fears to push employees to put themselves in work: ‘the Poles under Communism did not work; now it is necessary that they understand that they must work. If they do not understand it quickly, they should be helped. It is necessary to frighten them, and for that the short-term contract is the total weapon. With a three-month contract, as of the end of the first month they start to think of the end of the contract, and then they do not stop working.’ This use of insecurity of working status in order to mobilise employees is far from being restricted to basic employees; it is also a reality for top executives. Thus, a manufacturer of radiotelephones in the Gdansk area decided, four years ago, to transform the permanent contracts of all departmental directors into short-term contracts ‘in order to make them feel in danger’.

The director of a company producing leather cleaning products (suburbs of Warsaw – 19 employees) says: ‘until the end of 2002, I offered only permanent contracts. It was a principle. In 2003, I still signed some permanent contracts, but I started to consider the situation because it seemed that the short-term contract was a good method of control employees … He evaluates the situation when the expiry of the contract is approaching. He even carried out a progress report on himself and raises the question: Am I working well? Regardless of whether I take someone on in January or in August, I try to make sure that the contract finishes on 31 December because at the end of the year there is an annual interview, for evaluation, to analyse the situation and the employee must make a self-evaluation. It is thus always a good moment: Am I really essential to this company? Or better stop there and just keep a contact on a simple friendly basis? It is a really good way of doing things and today I always try to arrange things that way.’
3. Finally, employers use fixed-term contracts to mobilise the workforce by playing on their uncertainty. The short-term contract thus becomes a way of managing human relations.

**Employees forced into self-employment?**

The concept of self-employment embraces a number of situations which have little in common with one another. As already noted, in 2003 (LFS-IV), 2,957,000 people were working on their own account, including 1,347,000 in agriculture. However, among these so-called self-employed it is necessary to distinguish self-employed persons who are also employers from self-employed persons who are simply workers installed on their own account and not employing anyone (82.5 per cent of companies are owned by a sole proprietor – in agriculture the figure is 65.8 per cent). Another must be drawn between people who operate a real company and those for whom it is just a

**Table 2 ‘Self-Employment’ by Economic Sector, 2002, Poland**

<table>
<thead>
<tr>
<th>Sector</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forestry</td>
<td>3,583</td>
<td>0.65</td>
</tr>
<tr>
<td>Fishing</td>
<td>224</td>
<td>0.04</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>255</td>
<td>0.05</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>67,129</td>
<td>12.16</td>
</tr>
<tr>
<td>Electricity, gas and water production and supply</td>
<td>623</td>
<td>0.11</td>
</tr>
<tr>
<td>Construction</td>
<td>64,448</td>
<td>11.68</td>
</tr>
<tr>
<td>Trade and repairs</td>
<td>141,164</td>
<td>25.57</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>13,769</td>
<td>2.49</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>37,997</td>
<td>6.88</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>24,763</td>
<td>4.49</td>
</tr>
<tr>
<td>Real estate, business activities and science</td>
<td>112,202</td>
<td>20.33</td>
</tr>
<tr>
<td>Education</td>
<td>13,798</td>
<td>2.50</td>
</tr>
<tr>
<td>Health and social work</td>
<td>47,160</td>
<td>8.54</td>
</tr>
<tr>
<td>Other community and personal service activities</td>
<td>24,851</td>
<td>4.50</td>
</tr>
<tr>
<td>Total</td>
<td>551,966</td>
<td>100.00</td>
</tr>
</tbody>
</table>

*Source: GUS, 2003, Działalność gospodarcza przedsiębiorstw o liczbie pracujących do 9 osób w 2002.*
Box 1  Self-Employment Instead of a Labour Contract

In Poland there are half a million self-employed people. In Polish, ‘self employed’ (samozatrudnieni) has become a common way of designating those who have a stable labour relation with one firm but who instead of having a labour contract, work within the framework of a civil contract. Some workers themselves decide to work on that basis but some were pressured by the employer to do so. In order to avoid social contributions, employers sometimes ask their employees to give up their work contract and to sign a civil contract. In 2001, the Central Statistical Office reported that 21,971 persons running a private firm were still working for their former employer. This figure profoundly underestimates the extent of the phenomenon because it takes into account only people who have registered their own company, not the many more who work on the basis of a civil contract without registering a firm. The social partners are aware of the crisis of ‘self-employment’. Zbigniew Żurek, vice president of one of the representative employers’ organisations (Business Center Club), recognised that ‘employers forced employees into self-employment’ and that ‘this pathology takes place more and more frequently’ (Interview in Gazeta Wyborcza, 15 November 2002).

The new Labour Code gives the Labour Inspectorate more scope to monitor unfair conduct by employers by setting out the criteria which define a labour relationship regardless of the type of contract signed between employer and employee. However, it remains difficult to prove that civil contracts are being unfairly used in place of a proper work contract. In court, workers typically side with their employer and their job. A recent Higher Court decision underlined the difficulty of enforcing workers’ rights. The City Transport Company of Legnica (MPK – Legnica) employed hundreds of drivers on fixed-term contracts. At the end of 1999, MPK transformed these work contracts into civil contracts, providing for a two-week dismissal notice. Some workers rejected the new rules and asked the Labour Inspectorate to investigate the legality of the employer’s decision. The Labour Inspectorate, and subsequently the Labour Court, confirmed that drivers should work on the basis of a work contract. However, before the Court was able to examine the case, MPK decided to end the complainants’ contracts using the shorter notice period provided in the civil contracts. Thus, although the Court recognised the right of workers to a labour contract, they could not be considered as unfairly dismissed since, working on a civil contract, they could not legally be considered employees. The Higher Court decision confirming this judgment (akt I PK 393/03) showed that a ‘self-employed’ person who questions the legality of his situation has little chance of asserting his rights and a high probability of losing his job.
legal fiction disguising an employment relation. We do not have statistics on this last phenomenon but we shall try to estimate its extent by various means.

In 2003 there were 885,000 individual entrepreneurs in agriculture not employing anybody. However, a great number of them do not work on their own account. Many are in fact workers who go every morning to work for a ‘boss’. However, unlike regular employees they are not working on the basis of a contract of employment but on a civil contract. Data collected by the Central Statistical Office (GUS) on companies with less than nine employees give us some idea of the extent of ‘disguised’ employment. In 2002, 478,666 ‘companies’ declared that they did not employ anybody, regarded their operations as a secondary activity and whose owner had another, principal activity – 551,966 people worked within the framework of such companies. This figure, the only one available, underpins the reliability of the generally cited figure of 500,000 ‘self-employed’ (in Polish the term ‘self-employment’ (samozatrudnienie) has become the official designation of this phenomenon of maintaining a wage relationship on the basis of a civil contract). It is of course a minimum estimate.

Polish law provides for several types of contract which may replace the contract of employment. For example, there are various types of civil contract:

- **Umowa zlecenie** (contract of mandate). This type of contract is regulated by Articles 734–751 of the Civil Code. The contract of mandate is normally aimed at regulating activities with a legal dimension (such as legal consulting), but by means of Article 750 of the Civil Code it can be used for all activities not regulated by other legal frameworks – it then becomes a ‘contract for a service’. The contract of mandate can be signed between a legal entity (non-natural person) and a natural person; between two natural persons; or between two legal entities. The contract of mandate implies an obligation of means and not an obligation of success. Unless the opposite is envisaged, the person in charge of carrying out the contract of mandate can entrust a third person with the task. However, the contractor must conform to the instructions of the client in the manner of carrying out the task. This contract can be given a duration or duration can be left unspecified. It can be established in writing, but also verbally in the case of a contract lower than PLN 2,000. Finally, this contract does not give an obligatory workplace to the financial counterpart.

- **Umowa o dzieło** (contract for a task, that is, a contract to perform a specified task or job). This type of contract is governed by Articles 627–646 of the Civil Code. The differences between this contract and the contract of mandate are as follows:
Circumventing the Law or Fully Deregulating?

The contract for a task is a contract implying an obligation of success; within the framework of a contract for a task, the contractor decides by himself the mode of realising the task.

- Contract for managers. This contract is not specifically regulated and is part of the category of undefined contracts for which the Civil Code lays out only the broad outline. This contract is a management agreement by which a person is appointed to manage a company for a third person.
- Contract of agency. This is a particular form of contract adapted to people working for an agency, for example, door to door selling.

The contract for managers and the contract of agency are very specific types of contract and we will be interested here only in the first two types of contract (the contract of mandate and the contract for a task) because they enter into direct competition with the contract of employment as regards definition of the legal framework of the employment relationship.

Table 3 Differences between the Various Types of Contract

<table>
<thead>
<tr>
<th></th>
<th>Contract of Employment</th>
<th>Contract of Mandate</th>
<th>Contract for a Task</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulated by</td>
<td>Labour Code</td>
<td>Civil Code</td>
<td>Civil Code</td>
</tr>
<tr>
<td>Employee has an</td>
<td></td>
<td>Contractor has an</td>
<td>Contractor has an</td>
</tr>
<tr>
<td>obligation of means</td>
<td></td>
<td>obligation of means</td>
<td>obligation of results</td>
</tr>
<tr>
<td>Must be confirmed in</td>
<td></td>
<td>Can be confirmed</td>
<td>Can be confirmed</td>
</tr>
<tr>
<td>writing at the latest</td>
<td></td>
<td>verbally if the sum</td>
<td>verbally if the sum</td>
</tr>
<tr>
<td>7 days after start of work</td>
<td></td>
<td>concerned is lower</td>
<td>concerned is lower</td>
</tr>
<tr>
<td>Worker can only be</td>
<td></td>
<td>than PLN 2,000</td>
<td>than PLN 2,000</td>
</tr>
<tr>
<td>one individual</td>
<td></td>
<td>Contractor can be</td>
<td>Contractor can be</td>
</tr>
<tr>
<td>The worker must be at</td>
<td></td>
<td>natural or</td>
<td>natural or</td>
</tr>
<tr>
<td>least 15 years old</td>
<td></td>
<td>non-natural person</td>
<td>non-natural person</td>
</tr>
<tr>
<td>The employee must carry out</td>
<td></td>
<td>The contractor must</td>
<td>The contractor must</td>
</tr>
<tr>
<td>the task personally</td>
<td></td>
<td>be at least 18 years</td>
<td>be at least 18 years</td>
</tr>
<tr>
<td>The employment relation</td>
<td></td>
<td>old. It is possible,</td>
<td>It is possible,</td>
</tr>
<tr>
<td>always implies a financial</td>
<td></td>
<td>however, to enter</td>
<td>however, to enter</td>
</tr>
<tr>
<td>counterpart and the employee</td>
<td></td>
<td>into a contract with</td>
<td>into a contract with</td>
</tr>
<tr>
<td>cannot alienate his right to</td>
<td></td>
<td>a contractor of more</td>
<td>a contractor of more</td>
</tr>
<tr>
<td>wages</td>
<td></td>
<td>than 13 years on</td>
<td>than 13 years on</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the basis of</td>
<td>the basis of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>parental authorisation</td>
<td>parental authorisation</td>
</tr>
<tr>
<td>The contractor can entrust</td>
<td></td>
<td>The contractor can</td>
<td>The contractor can</td>
</tr>
<tr>
<td>a third person with the task</td>
<td></td>
<td>entrust a third</td>
<td>entrust a third</td>
</tr>
<tr>
<td></td>
<td></td>
<td>person with task</td>
<td>person with task</td>
</tr>
<tr>
<td>The task can be carried out</td>
<td></td>
<td>The task can be</td>
<td>The task always</td>
</tr>
<tr>
<td>without financial counterpart</td>
<td></td>
<td>carried out</td>
<td>implies a financial</td>
</tr>
<tr>
<td>(ex exchange of services)</td>
<td></td>
<td>without financial</td>
<td>counterpart</td>
</tr>
<tr>
<td></td>
<td></td>
<td>counterpart</td>
<td>(ex exchange of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(ex exchange of</td>
<td>services)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>services)</td>
<td></td>
</tr>
<tr>
<td>Remuneration must comply with the rules of the Labour Code and internal rules of company</td>
<td>Remuneration depends on the free agreement of the contractors</td>
<td>Remuneration depends on the free agreement of the contractors</td>
<td></td>
</tr>
<tr>
<td>Place of work must be defined in the contract of employment</td>
<td>Place of work does not have to be specified</td>
<td>Place of work does not have to be specified</td>
<td></td>
</tr>
<tr>
<td>Employee is entitled to paid sick leave</td>
<td>In the event of non-realization of the task, the contractor loses the right to any remuneration and can be forced to pay damages to the client</td>
<td>In the event of non-realization of the task, the contractor loses the right to any remuneration and can be forced to pay damages to the client</td>
<td></td>
</tr>
<tr>
<td>Employee must conform to the directions of the employer as regards working time, place of work, methods</td>
<td>The contractor has greater freedom, but he must conform to the directions of the client</td>
<td>The contractor has total freedom in the way he achieves the task</td>
<td></td>
</tr>
<tr>
<td>Employer must provide the employee with materials and tools necessary to his work</td>
<td>Provision of the tools and materials necessary to realisation of the task is up to the contractors</td>
<td>Provision of the tools and materials necessary to realisation of the task is up to the contractors</td>
<td></td>
</tr>
<tr>
<td>Rights and duties of employer and employee are regulated by the Labour Code</td>
<td>Rights and duties of contractor and client are at their discretion concerning obligation of means and payment for the service</td>
<td>Rights and duties of contractor and client are at their discretion for what does not relate to obligation of means and results and payment for the service</td>
<td></td>
</tr>
<tr>
<td>The Labour Code provides for a maximum working time and paid overtime</td>
<td>Working time is at the discretion of contractors. Overtime is not subject to a premium</td>
<td>Working time is at the discretion of contractors. Overtime is not subject to a premium</td>
<td></td>
</tr>
<tr>
<td>The Labour Code regulates paid leave</td>
<td>Contractor is not entitled to paid leave, but it can be decided by contract</td>
<td>Contractor not entitled to paid leave, but it can be decided by contract</td>
<td></td>
</tr>
<tr>
<td>The Labour Code regulates working conditions of pregnant women, teenagers and parents with children</td>
<td>No specific protection</td>
<td>No specific protection</td>
<td></td>
</tr>
<tr>
<td>Employees have the right to trade union membership and their representatives may have a voice in negotiations</td>
<td>Not being employees, contractors do not have the right to trade union membership and do not benefit from collective agreements</td>
<td>Not being employees, contractors do not have the right to trade union membership and do not benefit from collective agreements</td>
<td></td>
</tr>
</tbody>
</table>
Civil contracts thus make it possible for the employer to avoid the majority of the rules of the Labour Code and in particular, those aimed at defining decent working conditions. The legislator, conscious of this drift, sought in 2002 to halt it by integrating into the Labour Code an article according to which an employment relationship is not defined on the basis of the type of contract signed, but on objective criteria. Article 22 of the Labour Code provides that:

§ 1 By means of a working relationship, the worker is committed to achieving a task of a given type on behalf of the employer, under his supervision and in a place and a time defined by the employer. The employer has to engage the worker for wages.  
§ 11 Employment as defined in § 1 is a working relationship (contract of employment), whatever the type of contract signed between the parties.  
§ 12 It is forbidden to replace a contract of employment with a civil contract while preserving the conditions of achievement of the task such as defined under § 1.

This new regulation has been in force since 29 November 2002 and aims not only to limit use of civil contracts instead of contracts of employment, but also to restrict the practice by which employers make employees redundant and then ‘re-employ them’ on the basis of a civil contract, or circumvent the legislation on overtime by signing a civil contract with their employee for overtime work.
It is the responsibility of the Labour Inspectorate and the Labour Relations Tribunal to punish abuses of civil contracts. The reform of 2002 has without doubt made it more difficult for employers to use this type of contract, but the managers with whom we discussed it did not seem worried: ‘We will just have to give the matter little thought’, said one of them. There are a number of rules which the employer must respect in order to avoid trouble and ensure that a civil contract is not regarded as a kind of disguised employment.

### Some Ways of Disguising the Fact that a Civil Contract Is Being Used as a Substitute for an Employment Contract, or, The Tricks of a Human Resources Director (industrial cleaning, Warsaw)

- Use a contract for a task rather than a contract of mandate because one can argue that the obligation of results distinguishes this contract from a contract of employment.
- Do not fix a precise place of work and to take care to define only time ranges and not precise working hours.
- Favour the very short-term (one-month) contracts so as not to give credence to the permanence of the working relationship.
- To ask employees to create their own firm in order to avoid signing a contract with a natural person.
- In case of the recruitment of a former employee on the basis of a civil contract, take care not to maintain the rights they enjoyed under the employment contract (paid leave, bonuses) and increase the wages.
- Do not give particular entitlements to pregnant women or women with children because that would be tantamount to recognising that they are an employee.
- Mention the possibility that the task could be done by a third person (while specifying informally to the employee that it will not in fact be accepted).

Despite the new obstacles presented by the amendments to the Labour Code, it appears relatively easy to confuse the issue and to shelter from a visit by the Labour Inspectorate.

This rush into self-employment expresses the switch from the ‘contract of service’ to the ‘contract for service’, two central concepts of British labour law. One might indeed say that it is with a very British logic that Poland is diversifying its forms of employment by replacing the contract of employment with a whole series of atypical employment forms rather than by multiplying the types of contract of employment following the French model. Use of the civil contract is mainly based on a desire to circumvent the law.

By using this form of employment, the employer frees himself, in the majority of cases, from the payment of social security contributions (approximately 36 per cent of the basic wage). He is also liberated from the legislative framework regulating working time (maximum time, higher rates for overtime, paid leaves, breaks) and above all does not establish a long-term relationship with the employee. Civil contracts are understandably the rule in certain professions, such as translator or consultant, but they are now developing well beyond traditional sectors and uses.

Beyond the demand for flexibility, it seems that it is financial logic which is behind the development of civil contracts, particularly in relation to social security contributions.

The financial interest for an employer is obvious: by employing a student or a person entitled to social insurance in relation to another activity, the employer is able to save more than 35 per cent of labour costs. The ingenuity of employers in this respect is sometimes surprising, as in the case of a cleaning lady working for a cleaning contractor in Warsaw. She was remunerated on the basis of a ‘contract for a specific task’, but in the name of her daughter. Seeing that we were puzzled, our interlocutor explained that because her daughter was a student the employer was not obliged to pay social security contributions. Thus, if a court finds that the contract linking our cleaning lady to her employer is in fact a contract of employment, it would not be able to reproach the employer for not paying social security contributions, since the task can be carried out by a third person.

This helps us to understand why civil contracts generally fit into a strategy of multiple employment.

In a firm producing radiotelephones in Gdansk (see Part II), any newly engaged person is offered a private contract (contract for a specific task) for three months before a trial contract for three months, then a first short-term contract of nine months. The reason for this strategy of human resource management is simple; it is linked to the notice required in the event of a breach of contract. Under a probationary contract, the minimum notice is two weeks, while in the case of a private contract the company can lay off somebody within a minute.

For employees whose incomes are higher than 75 per cent of average wages it is more beneficial to work on their own account than to remain bound to a contract of employment. Indeed, people who have their own business are not bound to pay social security contributions on the basis of their total income, but on a basis equivalent to 75 per cent of average wages. Thus for a person
earning PLN 3,000 net per month within the framework of a relation of employment, including social security contributions paid by employer and employee will be PLN 4,399.2. If the employer instead was to pay the latter sum to, say, a former employee with his own firm, net pay would be PLN 3,734.44. Indeed, people working on their own account are free to determine the amount of their social security contributions beyond a compulsory minimum of PLN 677 (EUR 170) as of February 2005. The majority of the people we met paid a minimal contribution, but often made additional payments into private health insurance and pension funds. The advantage given to 'self-employment' in terms of social security contributions is even greater when one takes into account the tax deductions which are far more numerous for the 'self-employed' than for employees and also the lower level of income tax for the self-employed (19 per cent, the bottom rate for employees).

The case of Ania, a student of agronomy, 24 years old, Warsaw.

Ania’s family has financial problems, and although a full-time student, Ania is forced to work. She combines activities in order to earn approximately PLN 1,000 a month. Ania works for a security company. Until November 2003, Ania worked for the company as a receptionist for a large Polish newspaper, 4 days per week, 12 hours a day. For this job, she signed a contract for a specific task immediately before starting work. The contract did not mention a precise place of work and a sum of only PLN 5 gross per hour. According to Ania, the fact that she was a student and thus exempt from social contributions was a significant element in her recruitment. In addition to working for the security company, Ania worked in a pet shop on the days when she did not work as a receptionist, 12 and a half hours a day (8.30 to 21.00, without any breaks). After a three-month short-term contract, Ania signed a six-month short-term contract. According to Ania, this contract, which cannot be broken before expiry, was a trap because she had to wait until it came to an end before leaving and she would have liked to leave earlier. All the employees at this store were students. At the pet shop, Ania was officially paid PLN 800 (the minimum gross wage) but in fact she was paid per hour with no right to paid overtime. At weekends, she worked as a cosmetician. Today, Ania no longer works for the pet shop. She changed positions within the security company and she is now a receptionist at a hotel where she works a 24-hour stretch on average three times a month for PLN 5 gross per hour for day and night on the basis of a contract for a specific task. She was also engaged for two and a half hours per day for administrative tasks in a faculty also with a contract for a specific task, in relation to which being a student was also a determining factor in her recruitment. And she still works as a cosmetician at weekends.
Thus, while there is no doubt that many ‘self-employed’ workers have no choice other than working on the basis of a civil contract, one should not neglect the share of the self-employed who make a deliberate choice aimed at increasing their income. Thus in a company selling photographic materials and employing five people, two of whom are ‘self-employed’, the director told us that the form of contract depended on the employee alone. He simply pays the wages he can afford and leaves the choice of form of employment to the employee; contract of employment, ‘self-employment’, even moonlighting (see below). This obviously applies only to employees on higher than average incomes. For the others, ‘self-employment’ is above all imposed by employers wishing to pay less, while circumventing the provisions of the Labour Code, particularly regarding overtime and working time.

Ewa is a cleaning lady for a large company in the cleaning contractors sector. She works from 6 am to 2 pm for this company, cleaning the corridors of an institute at the University of Warsaw. She signed a contract for a specific task. She earns PLN 4.20 per hour. She has a second contract for a specific task with the same firm for 4 hours a day to clean the test-tubes used by the researchers at the institute, paid at the same level. Thus, the cleaning company employs Ewa 12 hours a day, 5 days a week, without having to pay her the 20 hours’ overtime she usually does and instead pays her the minimum wage.

In the cleaning sector, as in all sectors dominated by low skilled jobs, civil contracts are in competition with a form of employment which is even more flexible, moonlighting.

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<thead>
<tr>
<th>Wholesale store, 460 employees, Warsaw.</th>
</tr>
</thead>
<tbody>
<tr>
<td>At this company, the employees’ responsibilities include stocking shelves. Because of a chronic staff shortage, the products soon needed to be replaced. The firm’s suppliers, whose quasi-monopolistic situation on this market puts them in a strong position, started to employ the firm’s employees on the basis of contract for a specific task so that they would ensure that their product was displayed. Thus, an employee could work from 10 am to 4 pm, for example, putting the products on shelves within the framework of their employment contract with the wholesale store and then from 4 pm to 8 pm do the same work, but on behalf of the supplier on the basis of contract for a specific task. Taking into account the fact that the hours under a civil contract were not subject to social security contributions, the employees often earned more in their additional employment than in their main employment. The management of the wholesale store has recently forbidden its employees to take on such additional activity so that they can maintain the temporal availability which must be the rule for any employee of this company.</td>
</tr>
</tbody>
</table>

Thus, while there is no doubt that many ‘self-employed’ workers have no choice other than working on the basis of a civil contract, one should not neglect the share of the self-employed who make a deliberate choice aimed at increasing their income. Thus in a company selling photographic materials and employing five people, two of whom are ‘self-employed’, the director told us that the form of contract depended on the employee alone. He simply pays the wages he can afford and leaves the choice of form of employment to the employee; contract of employment, ‘self-employment’, even moonlighting (see below). This obviously applies only to employees on higher than average incomes. For the others, ‘self-employment’ is above all imposed by employers wishing to pay less, while circumventing the provisions of the Labour Code, particularly regarding overtime and working time.

Ewa is a cleaning lady for a large company in the cleaning contractors sector. She works from 6 am to 2 pm for this company, cleaning the corridors of an institute at the University of Warsaw. She signed a contract for a specific task. She earns PLN 4.20 per hour. She has a second contract for a specific task with the same firm for 4 hours a day to clean the test-tubes used by the researchers at the institute, paid at the same level. Thus, the cleaning company employs Ewa 12 hours a day, 5 days a week, without having to pay her the 20 hours’ overtime she usually does and instead pays her the minimum wage.

In the cleaning sector, as in all sectors dominated by low skilled jobs, civil contracts are in competition with a form of employment which is even more flexible, moonlighting.
The case of Beata and Jacek

Beata is 43 years old and Jacek 44 years old. They are married and have two children aged 14 and 10. Beata teaches in a state school for three quarters of her time and in a private school the rest of the time. Beata formed a graphic design company and occasionally did piece work for private individuals or companies. However, she recently decided to put an end to this activity because she is now insured on the basis of her work at the state school. Because she was insured as part of her first employment Beata proposed to the second school that she be employed on the basis of a contract for a specific task in order to increase her net income which hitherto had been reduced by social security contributions. The principal rejected this solution, explaining that he could not leave children under the care of a person linked to the school only by a civil contract. Although she no longer has her own firm, Beata still does some small subcontracted graphics work, either undeclared or in her husband’s name. Since 1990, Jacek has had several changes in employment. He finally found employment in a printing company as graphic designer. He worked on the basis of a contract of employment for six months, then on his wife’s and his friends’ advice he decided to set up his own firm. It was agreed that he would continue to work for his former employer, that is, they both entered into a commitment with each other. He went on holiday for one month, registered his firm and started to work for his former company. He was paid each month on the basis of invoices. His net income thus increased from PLN 2,000 to PLN 3,000. His former employer paid half of his social security contributions on the minimum basis. They agreed everything on the basis of a verbal contract, nothing in writing. All was fine until there was a change of director. Jacek is currently unemployed, but obviously without unemployment benefit as his former status makes him ineligible.

A cleaning company working in one of the institutes of the University of Warsaw won a tender based on a price of PLN 1.26 per square metre per month. The accountant at the institute calculated that if she had had to engage somebody on the basis of the minimum wage, adding in the cost of cleaning products, it would have been difficult to go below PLN 1.5 per square metre. It is therefore clear that this firm does not pay its employees the minimum wage and almost certainly does not pay the obligatory social contributions.
Moonlighting or ‘black’ work
Moonlighting is estimated to be practiced by 15 to 30 per cent of the labour force. A survey carried out in 2002 by the Polish Confederation of Private Employers (PKPP) covering 1,181 companies employing between 2 and 250 persons gives a figure of 18.5 per cent for unregistered employment. In certain sectors moonlighting seems to be the rule, for example, in cleaning (domestic and industrial). Competition in this sector is particularly tough and rates are very low, certainly below the cost which would be possible if the companies employed their workers legally. The tender principle, which dominates here, in the opinion of all actors in the sector, constitutes a powerful incentive to moonlighting.

If companies employing unregistered workers are still only a minority, the situation is quite different when it comes to ‘grey work’. This term describes a widespread practice consisting of declaring wages which represent only a part of total remuneration, the difference being given ‘under the table’ and not subject to social security contributions or tax. A large number of employees we interviewed in the private sector mentioned this practice.

If short-term contracts and civil contracts constitute forms of ‘legal circumvention of the law’, ‘grey work’ and ‘moonlighting’ are major processes delegalising the wage relation.

1.3 Working Time: Beyond Legal Regulations

Legal regulations
Polish working time legislation currently provides for a normal working day of eight hours and a normal working week of 40 hours across five days (Art. 129, Labour Code). The normal working week has been reduced progressively in recent years; from 42 hours in 2001 to 41 hours in 2002 and 40 hours in 2003. These norms should be respected on average within a reference period of four months. In some sectors (agriculture, security) the average period could be extended to six months and if legitimated by ‘atypical work or technical conditions’ this period could be extended to 12 months (for instance, this is the case in the construction industry).

The maximum weekly working time (including supplementary hours) is 48 hours and there must be a pause of 11 hours between two working days. A rest of 35 hours must be observed once a week, usually on Sunday (Art. 132–133).

If the working day exceeds six hours, the worker has the right to a break of 15 minutes included in working time (Art. 134).

The Polish Labour Code regulates several types of working time organisation:
Flexible (equivalent) working time: must be legitimated by specific needs in terms of work organisation. In this case, an employee can work longer with a limit of 12 hours a day and in compensation the employee will work some shorter days or get more free days. Average working time must not exceed 40 hours a month (Art. 135) but this period can be extended to four months in relation to seasonal activities.

Work ‘on call’ (Art. 136): in the case of work concerning control and maintenance of machines, daily working time can be extended to 16 hours. The average working time on this basis must not exceed 40 hours in a month. After longer working hours, the employee must obtain equivalent free time.

Security work: for workers in charge of security (guards, firemen, and so on), daily working time can be extended to 24 hours (Art. 137). Average working time on this basis must not exceed 40 hours a month. After longer working hours, the employee must obtain equivalent free time.

Continuous work: weekly working time can be extended to 43 hours on average within a reference period of four weeks (Art. 138). The maximum daily working time can be extended to 12 hours once a week. Each hour worked over 8 hours a day should be paid as a supplementary hour. The Labour Code provides for a limit of four supplementary hours a week.

Interrupted working day (Art. 139): the normal working day consists of an uninterrupted period of 8 hours with a pause of 15 min. counted as working time. The new Labour Code allows the organisation of work with a break of a maximum of five hours between two periods of work. This break is not counted as working time, but during the pause workers are entitled to be paid half the amount they normally receive but only if this is provided for in the labour contract. The use of an interrupted working day must be regulated by collective agreement. In the agricultural sector, payment of a break can be regulated within the work contract and so there may be no payment for breaks.

Shortened weekly working time (Art. 143): at the employee’s request a shortened weekly working time can be provided (less than five days a week). The employee can work a maximum of 12 hours a day with a reference period of one month providing an average working time of 40 hours a week.

Weekend work (Art. 144): at the employee’s request, working time can be concentrated on Fridays, Saturdays and Sundays. The employee can work a maximum of 12 hours a day with a reference period of one month providing an average working time of 40 hours a week.
Shift work can be used without any restriction in terms of working time organisation.

**Restrictions:** working time for workers subjected to hazardous working conditions and work for pregnant women must not exceed 8 hours a day. An employee in charge of a child under 4 years old should not work more than 8 hours a day without their agreement. Disabled people may not work more than 8 hours a day and 40 hours a week. In case of severe disability limits are 7 hours a day and 35 hours a week. Employees whose working time has been shortened because they are classified as disabled may not have their remuneration reduced.

These regulations indicate the great flexibility of working time in Poland. In reality, working time can be adjusted as long as the average norms are not exceeded – legal regulations allow working time to exceed 48 hours a week, which is normally regarded as the limit above which workers would be exposed to potential health risks. For instance, in the case of continuous work, an employee could work 52 hours a week.

For all workers not affected by these specific regulations the rule is quite simple: a maximum working day of 13 hours (11 hours of uninterrupted rest) and 48 hours a week (Art. 131), with a reference period usually of 4 months.

**Supplementary hours: are there limits?**

In general, any hours worked over 8 hours a day and 40 hours a week with a reference period of 4 months are regarded as supplementary hours and are subjected to a bonus pay rate of 50 per cent for all supplementary hours (under the previous rules, before January 2003, the first two hours attracted a premium of 50 per cent and 100 per cent thereafter) and a 100 per cent premium for overtime at night, and on Sundays and public holidays.

The Labour Code provides for a maximum yearly overtime limit of 150 hours (Art. 151). Until 1 January 2004, the daily limit was 4 hours but this
regulation has been removed from the Labour Code and a new limit of 5 hours
has been introduced. However, the same Labour Code provides that with the
permission of the employee, the employer can extend this limit. So, the only
real limits are 13 hours a day and 48 hours a week, and maximum working
time can reach 2,304 hours a year (48 hours x 48 weeks), which legal over-
time of 384 hours. Also, the weekly maximum limit could be up to 91 hours
(13 x 7) taking into account the fact that the maximum limit of 48 hours is an
average.

This number (384) is exactly the number a small building contractor, Mr
Janusz P. from Warsaw, has included in each new work contract he has
signed over the last year. Under the new legislation of 29 November 2002,
the employer may demand more than 150 supplementary hours a year from
the employee (Art. 151.4), if such a demand is written in a collective agree-
ment, the firm’s internal work regulations or simply in the work contract. As
the number of maximum supplementary hours a worker is able to do within
a year is calculated on the worker base, a worker who worked more than 150
hours during a previous period on behalf of his former employer would not
be able to work overtime for his new employer if a new higher limit of over-
time is not defined. According to Mr Janusz P., including a higher limit of
384 hours in each new work contract allows him to employ workers who reg-
ularly worked overtime in their former employment, and these workers are
precisely the ones Mr Janusz P. wants to join his team. Mr Janusz P., has been
sanctioned by the National Labour Inspectorate in a previous activity and
now he wants his situation to be as ‘clean’ as possible.

Long working hours: at a record level in Poland
At the end of the 1980s Poland had the longest legal working time of all
socialist countries. Only in 2003 did the 40-hour, 5-day week come into
force. This decrease in legal working time was not followed by a decrease in
effective working time. Average working time was 40.9 hours per week in the
third quarter of 2004, comparable with the third quarter of 2000 but at this
time the legal weekly working time was 42 hours. If one only takes into
account the working time of full-time employees, the average weekly work-
ing time was 42 hours per week in 2002. Annual working time in Poland is
1,984 hours, the longest of any OECD country, just after Korea.

In 2001, among full-time employees, 14 per cent of men and 5.4 per cent
of women worked more than 48 hours per week. To that one should add the

3. PKPP (2003), Kondycja MSP u progu 2003 r. [Condition of SMEs at the beginning of 2003],
Warsaw: PKPP.

4. In 1984, it abandoned its pre-war standard of 46 hours per week in favour of 42 hours per
week.
effects of multi-activity. In 2001, 9.1 per cent of employees had one or more additional activities. The average total working time of this category of the population reaches 49.9 hours per week. In 2001, 30.2 per cent of Polish workers had weekly work schedules higher than 49 hours and 45 per cent a weekly schedule of more than 45 hours.

Disintegration of the temporal norm
This persistence of a relatively long working time is coupled with a very deep disintegration of the temporal norm. In contrast to the majority of European countries in which flexible forms of part-time work play a central role in restructuring working time, in Poland, it is at the heart of full-time employment that the most significant developments are taking place. An approach in terms of average time worked hides the recombination of the distribution of employees according to volume of work. A more precise analysis shows that, since 1992, the number of people working between 40 and 42 hours has tended to decrease, whereas jobs less than 40 hours per week and above all more than 48 hours are increasing.

Table 4 Distribution of Employees by Effective Weekly Working Time in 1992 and 2001 (%), Poland

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>2001</th>
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<tbody>
<tr>
<td></td>
<td>Total employees</td>
<td>Full-time employees</td>
</tr>
<tr>
<td>Less than 40h/week</td>
<td>18.7</td>
<td>9.7</td>
</tr>
<tr>
<td>Between 40h and 42h</td>
<td>60.3</td>
<td>67.1</td>
</tr>
<tr>
<td>42h and more</td>
<td>21</td>
<td>23.2</td>
</tr>
<tr>
<td>48h and more</td>
<td>6.1</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Source: Author’s calculation on the basis of LFS data 1992 and 2001 (IV quarter)

The working time of the self-employed reaches 55.8 hours per week in the case of the self-employed not employing any employees. This category mainly includes what could be qualified as a disguised labour relationship.

Working time dynamics in Poland are thus diverse, but there is also clearly an increase in the number of employees subjected to very strong temporal pressure.

This extension of working time is due to the massive use of overtime. A survey carried out in 2000 by Helena Strzemin ska among 512 employees in 24 companies and 281 students with a job confirms impressions gained from

other research conducted in the field. Only 34.3 per cent of employees never have to work overtime; 17.3 per cent of employees do so regularly (20 per cent of men and 16 per cent of women); 18.4 per cent of employees had experienced overtime higher than 4 hours per day (23.5 per cent of men and 15.8 per cent of women) and 14.5 per cent had more than 150 hours’ annual overtime (18.8 per cent of men and 12.4 per cent of women); 55.1 per cent of employees say they are forced to work overtime. Finally, while only 16.7 per cent of employees in the public sector do not receive any compensation for overtime, it is totally different in the private sector (except for industry): in many sectors 40 to 50 per cent of employees do not receive any compensation; 34.3 per cent of employees as a whole do not receive any compensation whatsoever.6

Working time also more intense
Working hours are longer, but work is also intensified. The increase in labour productivity shows the significance of this process. Between 1989 and 2002, the rise in hourly labour productivity was on average 4.6 per cent per annum, that is, an accumulated increase of 71.5 per cent. Admittedly, the intensity of work in Poland does not reach the level of the majority of the European countries, but the process of intensification is undeniable. Thus, 50.8 per cent of employees are subjected to permanently high rates and Poland belongs among the countries in which employees have very limited control of their working time. Stress, unknown before 1989 for the majority of employees, has become an inherent part of the wage relation. This is attested by the frequent demand for workers who have a ‘strong resistance to stress’ in job offers. This intensification of work is obviously the product of the rationalization of production, ‘just-in-time’ organisation, but field research showed that it also results from weaknesses in work organisation. Also relevant here is that there is chronic underemployment in the private sector and in particular in SMEs.

Full temporal availability requested
Human resource management on the basis of temporal flexibility is particularly characteristic of Polish companies: 40.9 per cent of employees in foreign firms never work overtime, whereas this is the case for only 28 per cent of employees in Polish companies.7 This more frequent use of overtime in Polish companies seems to result from a lower development of human resource departments in these firms, and above all from a short-term approach to development of the company and its activities. ‘Market time’8 puts workers under

7. Similar figures are given by CBOS, Prestrzeganie praw pracowniczych w zakładach pracy i skuteczność zwiszków zawodowych w ich egzekowaniu- Komunikat z badan – Marzec 2003.
pressure and temporal availability constitutes an essential condition of production.

To have employees available is one of the most frequently expressed desires of our interlocutors. Only 20 per cent of employers think that readiness to work overtime is not a significant factor when choosing new employees and that this is not a factor in relation to possible wage increases. Availability for work is an essential requirement on the part of employers, as shown by the contents of job offers (see Box 2). We screened 2,528 job offers: 247 advertisements referred to characteristics (age, physical appearance, honesty, and so on) on top of qualifications and experience, 40.1 per cent required candidates to be ‘available’, 20.4 per cent to have a ‘commitment to work’ and 11.5 per cent ‘motivation’. This represents a major change from 1999, when only 19 per cent of advertisements required possible candidates to be available.

**Box 2 What a Candidate Should Have ... Employers’ Demands in Job Advertisements**

Job advertisements are a good source of information on employers’ selection criteria for job candidates. Among 2,773 job advertisements published in Gazeta Praca on 8 March 2004, all advertisements mentioning expectations in terms of a candidate’s characteristics beyond training, experience, age and technical skills were selected. Thus, 239 advertisements have been analysed scrupulously. Temporal availability is one of the main employers’ expectations. This demand for temporal availability is formulated directly by mentioning in job advertisements ‘temporal availability expected’ (41 per cent of advertisements selected) and sometimes ‘full temporal availability expected’ (2 per cent), but also by mentioning ‘frequent travel expected’ (19 per cent); 11 per cent of advertisements ask for a ‘resistance to stress’; 5.4 per cent of advertisements ask simultaneously for ‘temporal availability’ and ‘resistance to stress’.

Availability is certainly a value in vogue. For certain professions, it is often the only pre-requisite. For low skilled jobs, availability becomes even a competence, a kind of know-how. This approach to availability was one of the major topics of our interviews with managers. What do they mean by availability? And available for what? To this second question the answers were rel-

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atively similar and can be summarised in the words of a human resources
director at a chain of Polish supermarkets: ‘If I ask a candidate if he is avail-
able, I want above all to know to what extent he is ready to accept that work-
ing hours will change; if he is, let me say, flexible, if he is ready to change
store if we require it, if he is ready to come on Sundays or to work overtime’.
To be available is thus to agree to put one’s personal time at the disposal of
the employer, but to an extent which will exceed legal working time. It is also
a way of asking the candidate whether he is ready for other social times, and
in particular family time or study time, to be subordinated to working time.
Availability also measures ‘the place which work occupies in the employee’s
set of values’, as explained by a director in the construction sector.
Availability assesses the employee’s motivation, his commitment, his view of
work.

Failure to observe labour legislation
Since 2001, the Labour Inspectorate has published a detailed activity report
for the Polish Parliament. This constitutes a major source of information as
The Polish Labour Inspectorate functions at the national and regional level
(16 regional offices) and has 42 local offices. In 2003 the Labour Inspectorate

Figure 1 Demanded workers’ availability, Poland
### Table 5 Inspections Carried Out by the Labour Inspectorate, 2000–2003, Poland

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of controls</td>
<td>85 400</td>
<td>93 600</td>
<td>94 982</td>
<td>100 718</td>
</tr>
<tr>
<td>Number of controlled employers</td>
<td>–</td>
<td>73 900</td>
<td>73 761</td>
<td>68 459</td>
</tr>
<tr>
<td>Number of employees working for controlled firms (in thousands)</td>
<td>–</td>
<td>–</td>
<td>4 900</td>
<td>4 300</td>
</tr>
</tbody>
</table>

### Table 6 Non-observance of Working Time Regulations (% of controlled firms where law was not respected), Poland

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Overtime higher than accepted daily limit</td>
<td>22</td>
<td>21</td>
<td>27</td>
<td>30</td>
</tr>
<tr>
<td>Overtime higher than accepted annual limit</td>
<td>20</td>
<td>20</td>
<td>22</td>
<td>30</td>
</tr>
<tr>
<td>Working time over daily limit</td>
<td>22</td>
<td>14</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>Working time over weekly limit</td>
<td>38</td>
<td>13</td>
<td>16</td>
<td>26</td>
</tr>
<tr>
<td>Employment on Sundays and bank holidays without free day compensation</td>
<td>23</td>
<td>20</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Employment on Sundays and bank holidays without premiums</td>
<td>6</td>
<td>10</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>Employment on Sundays without each third Sunday free</td>
<td>18</td>
<td>19</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>Failure to observe five-day week</td>
<td>46</td>
<td>29</td>
<td>13</td>
<td>30</td>
</tr>
<tr>
<td>No compensation for failure to observe five-day week</td>
<td>33</td>
<td>21</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Lack of working time report</td>
<td>17</td>
<td>18</td>
<td>21</td>
<td>26</td>
</tr>
<tr>
<td>Falsified working time report</td>
<td>39</td>
<td>34</td>
<td>34</td>
<td>31</td>
</tr>
</tbody>
</table>
employed 2,405 people, including 91 part-time workers. Among these employees there are 1,435 inspectors and 34 training inspectors. This means an average of one controller for 2,416 companies (in 2002). Table 4 shows the proportion of controlled enterprises and Table 5 shows many abuses in terms of working time and overtime, and also reports the huge figure of nearly 40 per cent of controlled companies falsifying working time reports!

The report of the Polish Labour Inspectorate is a source of significant information on the reality of working conditions.

In May 2003, a study on the ‘economic awareness of Poles and its correlates’ was carried out by a team from the Faculty of Economic Sociology at the Warsaw School of Economics (based on a survey conducted by the Public Opinion Research Centre (Centrum Badania Opinii Publicznej) among a sample of 1,077 adult Poles selected at random).  

When asked whether wages are always paid on time, 89.6 per cent of the employees surveyed replied in the affirmative, 8.8 per cent in the negative, and 1.6 per cent said that, while late payments have occurred on occasion, they are not the rule.

The survey also examined social security contribution and other payroll tax evasion by employers, finding that only 83 per cent of employees have their contributions paid in full.

Synthesising the various answers given to these two questions – about timely/late wage payments and full/incomplete payment of social insurance contributions/payroll taxes by employers – the research indicates that:

- 76.7 per cent of employees receive their wages on time and all due contributions/payroll taxes are paid with respect to them;
- 12.5 per cent receive their wages on time, but contributions/payroll taxes due on them are not paid or are paid only in part;
- 5.9 per cent receive their wages on an irregular basis but, when they are paid, all the contributions/payroll taxes are duly remitted; and
- 5.0 per cent receive their wages on an irregular basis and, when they are paid, contributions/payroll taxes due on them are not paid or are paid only in part.

The research examined the factors influencing untimely payment of wages and social security contribution/payroll tax evasion, considering: the size of the employing organisation; its ownership form; the sector of the economy in which it operates; and the presence of institutions representing employee interests (that is, trade unions).

The size of the employing organisation is a significant influence. The situ-

Table 7 Non-observance of Wage Provisions of Labour Law (% of controlled firms where law was not respected), Poland

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>No respect for wage regulations</td>
<td>62</td>
<td>68</td>
<td>62</td>
<td>46.6</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum wage</td>
<td>3.1</td>
<td>2.3</td>
<td>2.5</td>
<td>3.7</td>
</tr>
<tr>
<td>Premium</td>
<td>15.3</td>
<td>12.2</td>
<td>4.3</td>
<td>9.6</td>
</tr>
<tr>
<td>Payment of holidays</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and compensation for</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>unused right to holidays</td>
<td>54.8</td>
<td>48.5</td>
<td>42.8</td>
<td>40.6</td>
</tr>
<tr>
<td>Compensation in case of lay-offs</td>
<td>24.7</td>
<td>23.2</td>
<td>20.5</td>
<td>15.8</td>
</tr>
<tr>
<td>Non-payment of overtime, night work</td>
<td>36.8</td>
<td>40.3</td>
<td>41.3</td>
<td>40.5</td>
</tr>
<tr>
<td>and Sunday work</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

% of workers affected by failure to observe the law

<table>
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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>No respect for wage regulations</td>
<td>47.7</td>
<td>48.7</td>
<td>43.1</td>
<td>32.9</td>
</tr>
<tr>
<td>Premium</td>
<td>8.3</td>
<td>7</td>
<td>6.6</td>
<td>15.4</td>
</tr>
<tr>
<td>Payment of holidays</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and compensation for</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>unused right to holidays</td>
<td>7.3</td>
<td>6.8</td>
<td>6.3</td>
<td>4.8</td>
</tr>
<tr>
<td>Compensation in case of lay-off</td>
<td>2.9</td>
<td>3.2</td>
<td>4.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Non-payment of overtime, night work</td>
<td>8.6</td>
<td>12.1</td>
<td>12.5</td>
<td>16.1</td>
</tr>
<tr>
<td>and Sunday work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ation is evidently the worst in micro-enterprises and the best in large enterprises, though medium-sized enterprises are worse offenders than small ones.

As regards ownership structure, the worst situation prevails in privately owned Polish enterprises, in which 72.3 per cent of employees have their social contributions paid in full and 83.6 per cent receive their wages on time.

A moderate situation applies in enterprises operated by employee companies/partnerships; however, while social security contributions are generally paid correctly, it is here that the greatest problems with timely payment of wages occur (75.6 per cent of the workers are not paid on time). The situation is best in enterprises owned in whole or predominantly by foreign investors: 96.7 per cent of the workforce have their contributions covered and all wages
are paid on time. The situation is also quite good in state-owned enterprises, where 92.9 per cent of employees have their social security contributions covered and 94.4 per cent receive their wages on time.

In Poland, the size of the employing enterprise and the form of its ownership are closely linked to the presence of trade unions (that is, unions are much more likely to operate in larger and state-owned firms). Thus, 99.2 per cent of employees working in employing entities in which unions operate have their social insurance contributions fully covered, while for entities without trade unions this figure is 75.1 per cent.

1.4 Working Conditions

As regards working conditions, we have quite detailed data collected by the Central Statistical Office. The most recent data relate to 2002. These data are not detailed by sex and type of contract of employment.

Industrial accidents

At a global level, the number of industrial accidents has been falling year after year. In 2002, the Central Statistical Office registered 80,494 industrial accidents, that is, 5.6 per cent fewer than in 2001.

Table 8 Industrial Accidents

<table>
<thead>
<tr>
<th></th>
<th>Fatal accidents/1000 employees</th>
<th>Serious accidents/1000 employees</th>
<th>Accidents/1000 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>0.06</td>
<td>0.17</td>
<td>10.33</td>
</tr>
<tr>
<td>1998</td>
<td>0.055</td>
<td>0.16</td>
<td>9.86</td>
</tr>
<tr>
<td>1999</td>
<td>0.045</td>
<td>0.12</td>
<td>8.42</td>
</tr>
<tr>
<td>2000</td>
<td>0.052</td>
<td>0.12</td>
<td>8.37</td>
</tr>
<tr>
<td>2001</td>
<td>0.051</td>
<td>0.11</td>
<td>7.84</td>
</tr>
<tr>
<td>2002</td>
<td>0.049</td>
<td>0.10</td>
<td>7.57</td>
</tr>
</tbody>
</table>

In 2002, the Central Statistical Office registered 520 fatal accidents, that is, 6.1 per cent less than in 2001; and 1,037 serious accidents, that is, 9.8 per cent less than in 2001.

In 2002 the Labour Inspectorate investigated the precise causes of 2,480 industrial accidents involving 3,245 people.

Eighty-eight per cent of people injured at work are men and 94 per cent of fatal accidents concern men. The shorter the seniority in employment the more frequent the industrial accidents.
Table 9 Causes of Industrial Accidents, Poland

<table>
<thead>
<tr>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shock with machine, tool, means of transport</td>
</tr>
<tr>
<td>Road accident</td>
</tr>
<tr>
<td>Fall from a height</td>
</tr>
<tr>
<td>Shock following fall of an object</td>
</tr>
<tr>
<td>Shock with a moving element</td>
</tr>
<tr>
<td>Fall on the ground, slip</td>
</tr>
<tr>
<td>Physiological problem (heart failure, etc.)</td>
</tr>
<tr>
<td>Fire, explosion</td>
</tr>
</tbody>
</table>

Source: Labour Inspectorate.

Table 10 Industrial Accidents by Occupation (% of Total Accidents), Poland

<table>
<thead>
<tr>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drivers</td>
</tr>
<tr>
<td>Building trade – Shell</td>
</tr>
<tr>
<td>Blacksmith and iron industry</td>
</tr>
<tr>
<td>Electricians</td>
</tr>
<tr>
<td>Building trade – Finishing</td>
</tr>
<tr>
<td>Unskilled workers – Construction and Mines</td>
</tr>
<tr>
<td>Joiners</td>
</tr>
<tr>
<td>Masons, Carpenters, Assemblers</td>
</tr>
<tr>
<td>Mechanics</td>
</tr>
<tr>
<td>Miners</td>
</tr>
<tr>
<td>Doorkeepers, guards</td>
</tr>
</tbody>
</table>

Source: Labour Inspectorate.

Dangerous working conditions

In 2002 the Central Statistical Office carried out a survey of 59,000 companies with more than 9 employees and employing in total 4,734,000 worker. This represents a sample of 44.5 per cent of total employment in the non-agricultural sector; 13.5 per cent of the surveyed population worked in dangerous conditions.

In 2002, the most frequently highlighted dangerous conditions related to the working environment (83/1000 employees), factors related to the harshness of work undertaken (37.8/1000) and mechanical factors (14.1/1000).

As regards factors relating to the work environment: 43.5 per cent of employees declaring hard working conditions mention noise, 8.8 per cent light, 12.6 per cent dust, and 6.4 per cent chemical substances. This hierarchy is similar in the case of occupational diseases. Data collected by the Polish
Table 11 Percentage of Workers Exposed to Conditions Dangerous to Health, Poland

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>15.76</td>
</tr>
<tr>
<td>1998</td>
<td>14.93</td>
</tr>
<tr>
<td>1999</td>
<td>14.34</td>
</tr>
<tr>
<td>2000</td>
<td>13.99</td>
</tr>
<tr>
<td>2001</td>
<td>14.38</td>
</tr>
<tr>
<td>2002</td>
<td>13.47</td>
</tr>
</tbody>
</table>

Source: Labour Inspectorate.

Occupational Health Bureau show that of illnesses caused as a result of working conditions 13.5 per cent are temporary loss of voice, 10 per cent diminution of hearing capacity, 7.5 per cent pulmonary problems, 7.5 per cent infections and 3.5 per cent skin problems.

1.5 Social Dialogue and Worker’s Participation

Social dialogue in Poland is relatively poor. The new departure in 2002 of a tripartite commission joining together employers’ organisations, trade unions and government representatives hides a very low level of collective bargaining. In 2004, there were 163 branch or sectoral agreements among 4,350 companies and 1 million employees (Source: Ministry for the Economy and Social Affairs). At the end of 2002, there were 155 national agreements, but 138 of them concerned non-teaching personnel in schools managed by local authorities. Only 17 agreements related to the private sector.13

Trade union presence is relatively small. According to a survey conducted by the CBOS Institute there are no trade union organisations in 53 per cent of companies.14 It is rather difficult to know the number of unionised workers although union dues are perceived by the employer to give an accurate representation of the state of the union in a given company. We will thus base our analysis on a survey carried out by the CBOS Institute to give an overview of unionisation.

For the purposes of this report we met several trade unionists (8) belonging to Solidarity and Konfederacja Pracy – OPZZ, active in a sector known to be difficult (hypermarkets). In many cases, the creation of a trade union requires a long period of clandestine work. To be recognised, a trade union

14. Source: J. Stelina (2003), Collective bargaining in Poland, CASE.
organisation must gather a minimum of 10 people which excludes any autonomous activity in very small companies. According to trade unionists, the most difficult aspect is establishing a trade union. At this time, unionised employees operate out in the open without being entitled to the protection that the existence of a trade union organisation should grant them. Many cases of the dismissal of trade union activists precisely at the time of establishment were reported. This was the case, for example, with the hypermarket OBI in Warsaw, where activists of Konfederacja Pracy were laid off; or in Cracow in December 2000 when 11 members of the new trade union organisation Solidarity ‘Carrefour’ were laid-off; or in ‘Leclerc’ where Solidarity did not manage to establish a trade union. Despite such problems, we became aware of the development of trade union activity in several chains in the retail sector. Thus in Carrefour, Solidarity managed to organise social dialogue with several local branches and in December 2002 a ‘partnership’ agreement was signed guaranteeing trade union rights. Thanks to the action of a group of organisers, Solidarity established trade union organisations in REAL (1,500 members), Auchan (300 members), Carrefour (100), Tesco (100), Makro Cash and Carry (110) and Geant (500). Very often, one of the first actions of new trade union organisations is to change the management of social funds by ensuring that they achieve the goals they are suppose to pursue. Sometimes, more ambitiously, as in the security sector (Konfederacja Pracy) or in Real, the employees try to impose a collective agreement.

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult total</td>
<td>7.9</td>
<td>7.5</td>
</tr>
<tr>
<td>Workers (including self-employed in agricultural sector)</td>
<td>15.3</td>
<td>14.8</td>
</tr>
<tr>
<td>Employees</td>
<td>18.3</td>
<td>18.2</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time employees</td>
<td>18.9</td>
<td>20.4</td>
</tr>
<tr>
<td>Part-time employees</td>
<td>7.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Occasional employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(short-term contract, civil contract)</td>
<td>5.9</td>
<td>8.2</td>
</tr>
<tr>
<td>Pensioners</td>
<td>3.8</td>
<td>2.5</td>
</tr>
<tr>
<td>Unemployed</td>
<td>0.0</td>
<td>0.4</td>
</tr>
</tbody>
</table>

*Source: CBOS.*
Box 3 Bill on Works Councils, Poland

The law on the consultation and information of employees, transposing directive 2002/14/ECONOMIC, had to be introduced in the Trade Unions Act before 23 March 2005.

The first version of the text was given for consultation to trade unions and employers' organisations at the beginning of August 2004 within the framework of the Tripartite Commission. In the absence of consensus, on 19 January 2005 the government presented a bill to Parliament. The bill was rejected by the Parliamentary Committee. The trade unions also proposed a bill inspired by the Czech solution where a works council has to be created only in firms where there is no trade union.

Initially, until 23 March 2007, the law relates to all companies of more than 100 employees (then 50 until 23 March 2008, then 20). This law relates to all private companies except companies in which an agreement on information and consultation was signed before the law's entry into force.

The government bill provides that representatives will be selected from a list proposed by the organisations representative at company level or, in the absence of a trade union organisation, from a list of people who must be supported by at least 10 employees.

The employer must give the works council information relating to:

1. the activity and economic situation of the company, as well as changes envisaged at this level;
2. state, structure and changes envisaged in relation to employment;
3. significant changes in work organisation and employment conditions.

For the realisation of these tasks, the works council can ask 'people possessing specific knowledge' for help (to be supplied free of charge). These experts and members of the works council are subject to a confidentiality obligation. If the employer refuses to provide certain information, the works council can then go to the regional court which deals with economic issues.

Members of the works council are protected from dismissal during their term of office and thereafter for a period equivalent to half that term. If an employee representative is not a trade union member, authorization from the Labour Inspectorate is necessary for dismissal.

If they do not receive free hours for other representational activities, members of the works council are entitled to free hours to carry out consultation and information.
1.6 Work and Family: Two Incompatible Worlds?

Women in the labour market

The first characteristic of women’s situation in the Polish labour market is the decrease in the rate of activity from 57 per cent in 1988 to 49.8 per cent by the second half of 2004. This fall in the activity rate is coupled with a very high rate of unemployment (19 per cent in December 2004). Women are more often unemployed than men: whereas women account for only 46 per cent of the working population, they count for 52.4 per cent of the unemployed (GUS, 2003; MGPiPS, 2003). In particular, they constitute a very significant share of long-term unemployment (57.7 per cent) and especially very long-term unemployment (more than two years), 62.45 per cent of which is due to women.

Part from the fact that active unemployment policies are few and far between, those that there are, are more oriented to men than to women. Active unemployment policies run by labour offices in August 2003 involved 153,710 people, 59,073 of them women (38.4 per cent). The same applies to passive policies. In August 2003, only 14.5 per cent of the unemployed (12 per cent of unemployed women and 17.2 per cent of unemployed men) were given the right to unemployment benefit for 6 months, in amounts varying from EUR 90 to 134 per month, according to employment seniority.

Gender segmentation of employment

Unemployment and the fall in the activity rate are central topics of analyses of and public policies directed towards the Polish labour market. One question seems to have been neglected by the authorities, however, the gender segmentation of employment. Admittedly, the National Action Plan for Women adopted by the Council of Ministers on 19 August 2003 criticised the deep gender segmentation of employment and its corollary, the low wages of women who are trapped in badly paid employment (see Figure 1). However, in the chapter of planned policy measures the proposals are limited simply to actions against stereotyping.

The communist heritage constitutes a heavy burden. Employment segregation was completely institutionalised with lists of job offers presented in labour offices on two different panels according to gender, but also with prohibitions on women relating to nearly a 100 professions in the name of protecting the health of mothers and future mothers.

In our interviews with Polish female workers we measured the significance of maternity in job choices. This is relevant not only to women with children

15. CBOS, Prestrzeganie praw pracowniczych w zakladach pracy i skuteczność zwiazkow zawodowych w ich egzekowaniu- Komunikat z badan – Marzec 2003.
but also to those who do not. All bore in mind the constraints which being a mother (actual or expected) imposes on them. Two elements enter into consideration: job security and limitations on working time. The term ‘job security’ encompasses a whole set of concerns: being laid off, not being entitled to minimum social security insurance. Without a permanent contract of employment, social entitlements are very limited. In the case of a short-term contract, the law protects the mother until the end of maternity leave, but the employer often refuses to renew the contract afterwards. Having children is naturally not compatible with the extended availability required by many employers. In the case of a civil contract, maternity usually leads to contract termination. This is often coupled with a lack of social and financial support in the event of a difficult pregnancy (therapeutic leave), and more broadly with low access to social rights related to maternity.16

The second factor in relation to career choice is without doubt working time. The very low development of childcare facilities forces women to juggle timetables.17 The increasing demands of employers for temporal availability conflict with availability requirements in the domestic sphere. Women tend to privilege employment whose temporal pressures are less onerous and which they think will be more compatible with childcare needs. Interviewed women often emphasised their ‘luck’ in finding an employer who accepted parental leave or absences to care for a sick child. However, many more reported difficulties, such as the need to change jobs or the impossibility of even contemplating maternity. The situation is particularly difficult for women working in the private sector, and in particular in SMEs. That partly explains why 52.1 per cent of women work in the public sector compared to only 38.4 per cent of men. The public sector offers greater possibilities in relation to the various social benefits related to maternity leave and children’s education, but above all fewer and regular working hours.

The temporal dimension of employment is an essential factor in the sex segregation of the Polish labour market. Seven professions18 account for the employment of more than 50 per cent of women, whereas the same percentage of men is distributed between 11 professions. These seven female profes-


17. That partly explains the fall in the fertility rate in Poland, from 2.039 in 1990 to 1.288 in 2001. A survey carried out in 2001 among 503 active women shows that 38.8 per cent of women aged 25–29 postponed having a child because of their employment. This rate is only 9.3 per cent for women aged 35–39, that is, those aged 23–27 in 1989. Sources: Bożena Balcerzak-Paradowska (ed.) (2003), Pracakobiet w sektorze prywatnym - Szanse i Bariery, Warsaw: IpISS.

18. Only 32.1 per cent of children aged 3–5 and 5 per cent under 3 are in collective childcare.
Sectors predominantly have shorter working-time schedules and a lower commitment to overtime. Since 1997, the horizontal segregation of employment has tended to increase. In 1997, the index of dissimilarity (Duncan’s Index $D$) was 45 per cent; in 2001 it was 50 per cent.

The weak development of part-time work

Part-time work is engaged in by 10.3 per cent of the working population: 13.1 per cent of women and 7.9 per cent of men (GUS 2003, LFS III). Although feminisation is increasing (58.2 per cent), it remains very low, not only in European comparison, but also compared with the situation characterising the most advanced Eastern European countries.

Financial insecurity

More than one million people in Poland engage in part-time work. Seniority in the employment of part-time employees is relatively high. The average

Figure 2 Wage Structure by Gender (Lorenz Curve), 2001, Poland

Source: Author’s calculation on the basis of LFS IV/2001.

19. ISCO-88 third level.
20. Unless stated otherwise the source of data for the point 6.3 is LFS November 2001.
21. We take account here only of part-time work as principal employment: 7.7 per cent of Polish workers (9.2 per cent of men and 5.9 per cent of women) have an additional activity, in 90% of cases part-time and in 70 per cent below 20 hours.
seniority of part-time employees is 4.86 years and 50 per cent of them have been working at the same place for more than two years. However, this stability hides a real precariousness in terms of contract of employment, incomes and, especially, significant underemployment.

While 89.6 per cent of Polish employees have a permanent contract, only 56.7 per cent of part-timers are in this situation. At that level, men are in a significantly more precarious situation than women: 62.8 per cent of women and 49.1 per cent of men working part-time have a permanent contract.

Part-time employees are less likely to work at night, in the evening and in flexible shift-work than full-time employees. Part-timers are more likely to work exclusively on Saturdays and Sundays than full-time employees, but the difference between the two groups is not particularly significant.

Precariousness is above all financial. Part-time workers tend to have incomes which are little above the social minimum, particularly unemployment benefit.

A full-time worker on average earns wages 3.1 times higher than the social minimum, but part-time workers only 1.52 (1.28 in the case of women). A part-time woman worker earns on average PLN 15 per day, below the poverty line defined by the WHO for Poland. Full-time employees work on average 41.72 hours a week and part-time employees 23.73 hours. Full-time employees are paid on average PLN 6.21 per hour, but part-time employees are only paid an average of PLN 5.34 per hour, a gap of almost 14 per cent.

Financially, part-time work is generally insufficient to cover elementary needs. This is the most frequently reported reason given by employees, but also by human resources directors and the unemployed for the low popularity of this form of employment in Poland.

During our interviews, the cost of engaging in a particular job compared to wages appeared crucial. Quite apart from the cost of childcare, it is enough to mention the price of a monthly season ticket for public transport in Warsaw (PLN 63, that is, 15 per cent of part-time net average wages) to gauge the financial constraints on part-time activity. For people living alone, part-time employment is not sufficient for the most elementary expenditure, and in the case of couples it is rare for secondary wages which are not necessary part of household income. Part-time earnings are not regarded as secondary wages but as supplementary and necessary income for people with other sources of income, particularly social benefits. Disabled people, pensioners and invalids account for 40 per cent of part-time workers, unemployed receiving benefits 8.1 per cent, people on other welfare benefits 3.5 per cent, and dependents 4.4 per cent.

22. Such seniority is the sum of years spent in the same employment, full-time or part-time.
### Table 13 Net Wages, October 2001 (PLN), Poland

<table>
<thead>
<tr>
<th></th>
<th>Full-time and part-time</th>
<th>Full-time</th>
<th>Part-time</th>
<th>Full-time and part-time</th>
<th>Full-time</th>
<th>Part-time</th>
<th>Full-time and part-time</th>
<th>Full-time</th>
<th>Part-time</th>
<th>Full-time and part-time</th>
<th>Full-time</th>
<th>Part-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average income</td>
<td>1084</td>
<td>1122</td>
<td>549.53</td>
<td>1192</td>
<td>1228</td>
<td>578.19</td>
<td>962</td>
<td>1000</td>
<td>527.23</td>
<td>527.23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median income</td>
<td>980</td>
<td>1000</td>
<td>500</td>
<td>1000</td>
<td>1000</td>
<td>500</td>
<td>820</td>
<td>880</td>
<td>461.19</td>
<td>461.19</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s calculation based on LFS November 2001.
Generally speaking, work incomes represent the principal income source (but non-exclusive) for only 55 per cent of part-time workers (45.3 per cent of men and 62 per cent of women). Nobody in the sample of the part-time population we analysed (3,024 persons in LFS IV 2001) had exclusively work incomes. In such a situation, one can understand why part-time work remains undeveloped. This type of employment is taken on by those who are ill-served by social policy and welfare services. Before being a sex marker, part-time work tends to correlate with financial dependence on the state, family, charity, solidarity, but also to the ones who from time to time offer a little more or less legal work. Only 3 per cent of part-time workers declare having an additional job, but we assume that this is underreported and that figures far from correspond to the reality of the grey economy in which part-time workers, according to our field work, seem active agents.

Nobody wants part-time work?

Part-time work is unpopular among both human resources directors and workers themselves.

Thirty-eight per cent of part-time employees wish to work more: 35.9 per cent of men and 39.6 per cent of women. Polish part-time work is not voluntary. The lower a person’s income, the greater the desire for more work: 52.3 per cent of part-time employees earning between PLN 300 and PLN 500 per month would like to work more. However, the desire to work full-time is especially strong amongst people working between 30 and 39 hours: 21.4 per cent of them want to work full-time, but almost as many want to reduce their working time. Under-employment is particularly apparent amongst young people: 67.7 per cent of male part-timers aged 25–34 and 59.3 per cent of the 35–44 age group express the desire to work longer hours. For women, the desire to work longer hours is most acute among those in the 35–44 age group: 48.5 per cent compared to 46.2 per cent in the 25–35 age group. This under-employment is coupled with relatively low rates of part-time work (10.4 per cent for women aged 25–34 and 8.3 per cent for the group aged 35–44) which underlines the involuntary character of part-time work.

During discussions with human resources directors and managers from various sectors, we measured the absence of part-time work in their strategies. Part-time work has negative connotations. It is synonymous with lack of work commitment, even laziness.

Human resources directors take the individual, not working time as their frame of reference, in contrast to many Western European companies. This reference to the individual is linked to low labour costs, particularly in the case of unskilled work, but also the significant effects of headcount thresholds in Polish legislation, which do not distinguish between part-time and full-time workers in calculating the number of workers at a given firm. Part-time work
is not attractive financially and our interlocutor often emphasised the cost of additional job positions, regardless of number of hours worked. Part-time work is evaluated positively only in relation to particular situations or tasks: for example, one might mention the case of a female manager who although on parental leave was needed by the company (computer sector) or services which are needed by a company only from time to time, such as translation or accountancy.

HRD prefer other modes of human resource management, such as overtime, short-term contracts, task flexibility and outsourcing. Part-time work generally does not appear to serve as a major source of flexibility even in sectors where that is certainly the case in Western Europe. Thus, while 23 per cent of cashiers work part-time, only 10.3 per cent work less than 38 hours, whereas 26 per cent work more than 46 hours per week. Only 3.6 per cent of nurses and midwives work part-time. We could list a great number of professions in which part-time work is often the standard in Western Europe, but almost non-existent in Poland. In fact, only three occupations account for more than 50 per cent of female part-time workers and five professions concentrate 50 per cent of male part-time workers.

**Part-time work is not a way of reconciling work and family life**

Analysis of the situation of women aged 25–34 with at least one child under 6 years (N=483) highlights the correlation between increased part-time work and number of children, but this remains limited: 10.1 per cent of active women with a child work part-time, compared with 12.3 per cent with two children, and 16 per cent with three or more children. Women 'solve' their childcare problems above all through inactivity or unemployment. Thus, whereas more than 75 per cent of women aged 25–39 are employed, only 60.5 per cent of those with one child are employed, 47.1 per cent of those with two children, and 51 per cent of those with three or more children (Sources LFS 2001/IV).

**Table 14  Principal Professions in Terms of Part-Time Work, Poland**

<table>
<thead>
<tr>
<th></th>
<th>% of part-time workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
</tr>
<tr>
<td>Farmers and skilled workers in agriculture (breeding)</td>
<td>31.3</td>
</tr>
<tr>
<td>Farmers and workers in fishing and agriculture</td>
<td>6.7</td>
</tr>
<tr>
<td>Messengers, carriers, guards, doorkeepers</td>
<td>4.9</td>
</tr>
<tr>
<td>Farmers and skilled workers in oriented cultures market</td>
<td>3.8</td>
</tr>
<tr>
<td>Salesmen and demonstrators in stores</td>
<td>–</td>
</tr>
<tr>
<td>Domestic services, cleaners</td>
<td>–</td>
</tr>
<tr>
<td>Drivers of motor vehicles</td>
<td>3.3</td>
</tr>
</tbody>
</table>

*Source: Author’s calculations based on LFS November 2001.*
'Role reconciliation', in relation to which part-time work appears to be one of the main tools, has been a topic of political debate in Poland for many years. However, it finds little resonance among those whom one might expect to want to work part-time above all, women with children. Part-time work, in fact, is rarely used for the purpose of 'work–life reconciliation'. Fewer than 10 per cent of part-time workers mentioned family obligations as reason for their 'choice'. As in the 1980s, women still prefer parental leave, even if allowances are very low.24 If there was a real child care allowance, 72 per cent of women aged 20–29 declare that they would stop working.25 Part-time work also clashes with a maternity culture within the framework of which the mother devotes her time to the child for its first three years. For those who are not able to stop working, part-time work is not regarded as a satisfactory solution. Part-time employment does not make it possible to afford childcare. Moreover, according to our interlocutors, it is difficult to find trustworthy persons to take care of a child only on a part-time basis. Part-time work would thus combine all the negative aspects of work, while reducing the positive aspects in terms of improvement of standard of living and career opportunities.

1.7 Health and Safety

The Report of the Polish Labour Inspectorate for 200326 stresses the progress made as regards respect for the Labour Code. The Labour Inspectorate repeats checks at companies which have been found guilty of neglecting the law. In 2003, labour inspectors noted an improvement in this respect. The most significant progress has been in terms of health and safety. The number of people working in conditions dangerous to health in 2003 was the lowest for 13 years. Progress in working conditions is above all characteristic of the largest companies. In companies employing fewer than 20 workers, problems remain: the inspectors reported non-observance of safety conditions in nearly 50 per cent of companies with less than 20 employees. We drew the same conclusions from our fieldwork.

Most large companies have made significant efforts as regards safety conditions, as employees agree. However, in some sectors safety conditions have deteriorated. In railway transport, for example, the Labour Inspectorate's Report denounces rapid deterioration in terms of safety (see Part II). In order to cut costs, a number of Labour Inspectorate injunctions were not followed.

24. Polish part-time employment is relatively long: more than 30 per cent of part-time employees work more than 30 hours a week; 50 per cent more than 20 hours; and only 10 per cent work fewer than 12 hours a week.
25. As of 1 January 2004, parental leave allowances were PLN 318.1 (EUR 66) and were reserved for households whose income per capita did not exceed 25 per cent of average income.
The Labour Inspectorate also notes an increase in the violation of safety rules in the energy sector. As for railway transport, it stresses that the weakness of financial resources and the employment shortage have led to a situation in which activities are not in accordance with elementary rules of safety. Between 2001 and 2003, the number of companies where the Labour Inspectorate noted non-conformity in the technical condition of workspaces increased from 22 per cent to 52 per cent. Unfortunately, we do not have case studies in the energy sector. We carried out a series of interviews (7) with employees – nurses (5), head nurse (1), intern (1) – in the health sector. All testified to a general non-observance of safety requirements. Two respondents were employed in relatively new private hospitals. In these establishments the situation seems better than in the public hospitals, mainly because of the better material condition of the buildings and a higher level of investment. In the two types of hospital, employees mentioned their concerns regarding the treatment of medical waste and the related risk of spreading infection. These impressions are congruent with the conclusions of the Labour Inspectorate. It notes in addition that 64 per cent of public hospitals, 50 per cent of private hospitals at the communal level, 74 per cent of hospitals managed by departments and 81 per cent of hospitals managed regionally do not carry out analyses of potential risks, contrary to their legal obligations.

In hypermarkets, the principal problem relates to the transport of produce inside stores: 65 per cent of supermarkets inspected in 2003 did not have a transport system which conforms to standards. In hypermarkets, it is a particularly significant problem.
Piotr, 30 years old, full-time trade union official, former employee of a large French chain of building material markets in Warsaw.

I can tell you about O. By working there you risk your life every day. Work in hypermarkets, like this one, in the construction sector involves working often 3 or 4 meters from the ground. The larger products and the heavy products are stored on racks. To pick up a product one needs a ladder with a platform to which the worker is hung, or a forklift truck. But at O. there was only one ladder of this type and only one forklift. On Saturdays and Sundays, when there are many customers, it may be necessary to go to the other part of the store for the ladder or the forklift, the customer gets irritated, starts shouting, then the worker is expected to put pallets on a normal elevator and to go up without any protection. When I set up the trade union I asked for such practices to be prohibited.
PART II REALITY AT ENTERPRISE LEVEL: CASE STUDIES

In Part I, we presented an overview of working conditions in Poland. In Part II we would like to complement this macro analysis with an analysis of concrete practices within companies. For this purpose we carried out a series of case studies in various sectors of the economy, within companies of all sizes. These case studies are based on semi-structured interviews carried out with employees, trade unionists, chairmen and directors of human resources.

The conditions, sometimes difficult for this kind of research, did not enable us to follow the operational plan we had opted for previously. Indeed, in an ideal situation we would have liked to interview both employees and management of each company. However, that was possible only in a limited number of cases. In the companies where we first had contact with the employees, they were hostile to the idea of their testimony being followed by a discussion with members of the board of directors. With some of our interlocutors an agreement not to meet directors was one of the conditions of holding an interview. We encountered this mainly in small companies where labour relations are often difficult. When first contact took place with employers, it was usually very difficult to meet the employees of our choice. As a result, there is a weakness in terms of the symmetrical and contradictory character of our collected information and we regard this as the principal bias of our research. We carried out 72 interviews, distributed as follows: 47 employees or self-employed workers, 21 managers or directors of human resources, four trade unionists (Solidarity and OPZZ).

2.1 Presentation of Main Findings

Part I was based mainly on general statistical data and analysis of the legal framework. With this chapter we would like to complement this approach in terms of practices, good and bad.

On the basis of the conclusions of Part I, we decided to focus the interviews on a particular set of ‘hot topics’ in the Polish labour market:

1. health and safety risks;
2. employment contracts, and in particular recourse to the civil contract instead of a labour contract, illegal work;
3. working time, in particular part-time work and overtime;
4. other relevant practices at firm level, such as ‘envelope pay’.

2.1.1 Health and Safety Risks at Enterprises

In general the employees we spoke to emphasised the progress made regarding safety equipment and compliance with technical rules, except in public
companies undergoing restructuring, where the decrease in investment often results in a deterioration in health and safety conditions. However, if the work environment, machines and tools provided apparently tend to be improving, the same does not apply to general safety conditions. Indeed, in many of the companies we visited, underemployment is manifest. This results in a rather high workload, a requirement for productivity which is not always compatible with compliance to all safety requirements. Such is the case in many hypermarkets, the railway sector, the health sector and the construction sector. In the construction sector we met three employers and eight employees, small enterprises of between three and eight employees generally working on the construction of dwelling houses or small stores. According to the employers, very tough competition regarding price and completion forces them to maintain structural underemployment and to neglect safety requirements in order to ‘go more quickly’.

In most firms, employers knew what their obligations were but stressed that they did not have the financial means to improve working conditions. It was sometimes difficult to believe this: take the example of a cleaning lady who had to pay for plastic gloves out of her own pocket after she had asked her employers (one of the big cleaning companies in Warsaw) several times in vain. In 2004, cases of deplorable working conditions reached the front pages of the national press. A symbolic case was that of Biedronka, a Portuguese-owned network of 700 supermarkets employing almost 10,000 people in Poland. In May 2004, the Labour Inspectorate checked 229 Biedronka locations in reaction to press articles about poor working conditions. According to their findings, female employees routinely lifted weights exceeding the health and safety norms; one of them had a miscarriage. Several cases were referred to the public prosecution service. In November 2004, Biedronka was found guilty of organisation breaking the law. Improvements were noted soon after the inspections. Biedronka’s management acquired equipment for moving heavy loads around the stores, and an electronic working time metering system was implemented. In Biedronka, employees worked 12 hours and more per day with no overtime, and had their pay cut by various irregular means. The leader of worker protests in Biedronka demanded to be paid for 3,600 unpaid supplementary hours. She won her case.

The Biedronka case brought the debate on working conditions, and also conditions of employment, out into the open. However, while working conditions in terms of health and safety seem to be improving, that is not the case for work contracts, particularly in relation to level of working hours and contract of employment.

With regard to health and safety, the principal motivations of employers are:
• fear of industrial accidents;
• fear of company closure after a labour inspection;
• production quality checks (ISO standards in particular) which support the disappearance of the most obsolete production processes;
• fear of the media, especially on the part of foreign companies.

2.1.2 Employment Contracts: Recourse to Civil Contracts Confirmed By Micro Evidence?

Concerning work contracts, companies whose conduct is completely satisfactory are exceptional. In all the companies we surveyed and in all the interviews with employees we were informed of practices which, while not illegal, are far removed from a decent working relationship. We can distinguish three types of practice: those which exploit legal loopholes; those which bypass the law while trying to give the employment contract a legal framework; and those which are quite simply illegal. In general, one can say that these three situations could be found in all the companies which we analysed except for those where clandestine work is the general rule (two of the three companies in the construction sector). Companies which have a developed human resources department are characterised by a more inventive approach and especially try to seek legal solutions which ensure the greatest flexibility in the working relationship and most reduce labour costs.

Fixed-term contracts

In Part I we underlined the massive use of short-term contracts. This is one of the trends confirmed by our case studies. Companies offering their employees permanent contracts are far from numerous and there is a tendency in many companies to transform a permanent contract into a short-term contract. The motivations behind recourse to a short-term contract are multiple. As already mentioned, they include:

• the need for external flexibility;
• the desire to reduce the notice period;
• the wish to exploit uncertainty and insecurity to mobilise employees.

In Part I we mentioned different examples of short-term contracts being used in several companies (a hypermarket in Warsaw, a small chemicals company in Warsaw, a company producing radiotelephones in Gdansk, a wholesaler in Warsaw). Since then, Poland has become an EU member state and according to the European directive the number of consecutive short-term contracts is limited to two. This has forced employers to find new solutions:

• Solution 1: Sign an appendix to the contract before 1 May 2004
Solution 2: Insert a one-month break between two fixed-term contracts

A small company selling chemical products for the food processing sector (17 employees, Polish capital, Warsaw, interview with the employer). All the salesmen (12 persons) were employed on the basis of a short-term contract. They were offered an appendix to their contract before 1 May with a general term of three years. According to the employers, the main reason was to increase the term of fixed-term contracts which were generally of six months in order to postpone the end of the first fixed-term contract and hence to postpone the moment when the employer would be forced to offer a permanent contract. For this employer the main reason for using a short-term contract is the shorter notice period.

Furthermore, breaks are shorter than required by the Labour Code. Finding solutions to bypass new regulations seems to be a hot topic among the employers we interviewed after 1 May 2004. It is too soon to obtain a real idea of how employers will cope. Most explained to us that it would be better if they could continue to employ their staff on the basis of a short-term contract, as they did previously. Some of them thought that they would offer their employees a one-month break paid ‘under the table’ as a way of regulating unpaid overtime and delays in paid holidays. Others explained to us that they would sign a civil contract during the one-month break, but according to the law that could be regarded as a consecutive contract. Most employers said that they would reach agreement with their employees: ‘they would rather work even with a fixed-term contract than be unemployed; together we will find a solution’, a director of a firm producing boot polish in Warsaw (19 employees) told me.
Civil contracts instead of labour contracts
As already explained, the use of civil contracts as opposed to labour contracts is very developed in Poland despite the fact that the new regulation which entered into force in 2004 was supposed to have hindered this phenomenon. We illustrated several cases in Part I where civil contracts were given instead of labour contracts. The main reason for using civil contracts is the employer’s desire to reduce social security contributions.

The Labour Inspectorate does not indicate changes in trends concerning this practice. However, in its last report it denounced the fact that the courts generally recognised the free choice of the contracting parties when the

Rafal is the owner of a small camera shop (4 employees), in a suburb of Warsaw, which also sells on the Internet. One employee has a labour contract, one is working illegally and two are employed on the basis of a civil contract, but according to Rafal ‘if we take into account the reorganisation of the firm, we do not know if these two people would be better off working with an employment contract. They have their own registered firms, but a new regulation limits their opportunities to earn without paying VAT. It’s a question of earning a sum which must not exceed a defined amount. In the current situation they are over the limit and we have to find a solution because it doesn’t pay. We have to work it out. One should bear in mind that in the case of a firm, tax is only 19 per cent, which is less than for a worker on a good wage. Of course, they would be employed on the basis of a minimum wage, but what they would really earn is another question. There’s no link between what is written in the contract and real wages.’

Four thousand of the 16,000 office workers employed by Polish labour offices work on a short-term contract. These workers are employed within the framework of the programme of subsidised public jobs and are paid by the Fund for Work (Funduszpracy). Some have been in this situation for 10 years. We conducted an interview with an employee who has been in this situation for six years. The fixed-term contracts are of a maximum duration of six months. To avoid employing them on a permanent contract employees are compelled to take a two-day break at the end of the contract. Then the person is registered as unemployed and again has a right to this subsidised public employment which is reserved for the unemployed. The wages are very low. Our respondent earns PLN 650 per month (EUR 150) in Warsaw. In case of dismissal these employees are not entitled to any benefits. According to figures from the Ministry of the Economy, in Lodz, out of 235 workers at office no. 1, 110 are in this situation; in Gdansk 30 out of 170 people have a short-term contract. The reason for this is the lack of financial resources to employ people on a permanent contract.
Labour Inspectorate brings a case itself. Cases brought before the court by employees are very rare because of the fear of losing their job. Sometimes the Labour Inspectorate even advises workers not to go to court and to wait until new employment is found before submitting the case (interview with Mrs E, cleaning lady, Warsaw).

A significant number of the employees we interviewed had agreed to work on the basis of a civil contract. In some cases the use of a civil contract resulted from a common calculation by employer and employee in order to find the best solution in terms of wages.

Illegal work
Apart from the construction and cleaning sectors we did not find sectors where illegal work was the rule, although illegal practices here and there seem to be widespread.

Part-time work
Part-time work is not very developed in Poland but in the retail sector it is used extensively. In the foreign hypermarkets cashiers are usually employed on a part-time basis (1/4, ½ and ¾ of a full time job). There are four reasons for this:

1. Part-time jobs are a way of adjusting workload to production needs, sometimes in a very harsh way. Workers are informed of their work schedule the day before they are due to work (hypermarket in Warsaw).
2. Part-time jobs allow employers to avoid paid overtime. The limit at which a part-time employee is supposed to have a right to paid overtime must be indicated in the labour contract. This limit is generally equivalent to a full-time job.
3. Part-time work implies wages lower than minimum wages on a monthly basis. In such cases employers do not pay a special contribution (Fund for Work) of 2.4 per cent of the gross wage.
4. Part-time work is the most attractive form of work for students and, in the case of students under 26, employers do not pay social contributions. This is the reason why a gas distribution company employs only students in its service stations (Warsaw, interview with the human resources director).

Working hours: a favourite instrument of flexibility
According to the last Labour Inspectorate Report, the working time situation is getting increasingly worse. In 2003, 52 per cent of inspected companies did not comply with the five-day working-week rule (37 per cent in 2002; 23 per cent in 2001): 38 per cent of companies used working times higher than the
maximum allowed by law (13 per cent in 2002; 16 per cent in 2001); 22 per cent of companies exceed the weekly overtime limit, 20 per cent the annual limit; 17 per cent of companies do not keep a register of working hours, and 39 per cent presented erroneous registers; 50 per cent of companies do not have a working time report. One should take the poor documentation into account when analysing the figures given by the Labour Inspectorate concerning working-time infringements, which are relatively underestimated. This point will be developed later.

In 2003, increases in rule breaches concerning working time were linked to economic growth as total employment remained stable. Part of the explanation is based on productivity gains, the other on the increase in working hours. For 2004, this trend should be even more noticeable.

In Part I we provided several illustrations of the overrunning of maximum overtime. Here we refer to one practice which has not yet been mentioned. As we found in a retail company in Warsaw, the human resources director employs people who have reached their maximum overtime on a supplementary civil contract in order to bypass the limit defined by law. Civil contracts are sometimes used simply to avoid paying overtime. Instead of paying overtime, some employers offer their employees jobs on condition they work on a civil contract. This practice was widespread during the communist period in which firms used to need more overtime than permitted by the Labour Code.

Unpaid overtime is very widespread. In 2003, 36.8 per cent of firms checked by the Labour Inspectorate did not pay (in full or in part) overtime to their employees (40.3 per cent in 2002 and 41.3 per cent in 2001). The improvement can be explained by a decrease in the additional cost of overtime under the law and the development of computer-assisted working time control (this was the case in all the hypermarkets we studied).

In several firms we noticed that some workers had a manager’s contract without any right to paid overtime even if their job did not really have any managerial responsibilities.

Envelope pay: a widespread phenomenon
Envelope pay seems to be widespread, especially in small firms. Most employees we interviewed acquiesced. In the case of civil contracts this seems less developed. It results from the fact that firms do not always pay social contributions for these kind of contracts (the self-employed, students, people already employed by another firm paying their social contribution), so they do not benefit in decreasing the level of real wages. On the other hand, sometimes civil contracts appear as a cost which can be subtracted from the firm’s income and so reduce corporation tax.
Table 15  Case Studies: Main Features of Enterprises under Study

<table>
<thead>
<tr>
<th></th>
<th>PKP27</th>
<th>Domino</th>
<th>Radioprod</th>
<th>Alto</th>
<th>Mis</th>
<th>Napole</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main features:</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector</td>
<td>Railway</td>
<td>Production and distribution of polish for leather</td>
<td>Electronics</td>
<td>Hypermarket</td>
<td>Supermarket</td>
<td>Hypermarket</td>
</tr>
<tr>
<td>Number of employees</td>
<td>136 000</td>
<td>19</td>
<td>415</td>
<td>+ 400</td>
<td>41</td>
<td>460</td>
</tr>
<tr>
<td>Ownership</td>
<td>National</td>
<td>National</td>
<td>National</td>
<td>French</td>
<td>Polish</td>
<td>German</td>
</tr>
<tr>
<td><strong>Main trends:</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Employment contracts</td>
<td>+ self-employment</td>
<td>++ self-employment</td>
<td>++ self-employment</td>
<td>+ temporary work</td>
<td>+ temporary work</td>
<td>+ temporary work</td>
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<tr>
<td>Working time</td>
<td>+ weekend work</td>
<td>++ temporary work</td>
<td>+ weekend work</td>
<td>+ weekend work</td>
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<td></td>
<td>++ overtime</td>
<td>++ overtime</td>
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<td>++ overtime</td>
<td>+ overtime</td>
<td>++ overtime</td>
</tr>
<tr>
<td>Health and safety and other conditions</td>
<td>— poor and worsening safety at work</td>
<td>+ better than average</td>
<td>— flexible working time</td>
<td>— flexible working time</td>
<td>— flexible working time</td>
<td>— flexible working time</td>
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27. Apart from the PKP the other names are made up.
<table>
<thead>
<tr>
<th>PKP</th>
<th>Domino</th>
<th>Radioprod</th>
<th>Alto</th>
<th>Mis</th>
<th>Napole</th>
</tr>
</thead>
<tbody>
<tr>
<td>— Flexible working time</td>
<td>+Premiums a significant part of wages</td>
<td>— Flexible working time</td>
<td>+Unpaid overtime</td>
<td>+Premiums a significant part of wages</td>
<td>— Flexible working time</td>
</tr>
<tr>
<td>Wages</td>
<td>— Flexible working time</td>
<td>+Premiums a significant part of wages</td>
<td>— Flexible working time</td>
<td>+Premiums a significant part of wages</td>
<td>— Flexible working time</td>
</tr>
<tr>
<td>Social dialogue and workers' participation</td>
<td>++ Active works committee</td>
<td>+ Social committee</td>
<td>++Trade unions (20 members)</td>
<td>+Social committee</td>
<td>- No trade unions</td>
</tr>
<tr>
<td>— Collective agreement</td>
<td>— No collective agreement</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Notes:
+ Good; ++ very good; – bad; — very bad.
2.2 Railway Company PKP: Profitability versus Working Conditions?

A company group involved in significant reorganisation

PKP is one of the biggest railway companies in Europe. In 2003, it employed 138,230 people. In 2001, the old public company PKP became the ‘PKP Group’ made up of 25 autonomous entities according to type of activity (passenger transport, freight, national lines, regional lines, infrastructure, and so on). From 1999, the company began a significant process of financial reorganisation accompanied by major workforce reductions. When PKP started reorganisation it had 193,000 employees, so in the course of three years more than 50,000 jobs were shed. It is also worth noting that in 1989 the company employed as many as 341,000 people. The reorganisation plan was accompanied by a social plan based on early retirements and voluntary dismissals, supplemented with a dismissal allowance and a placement plan. Employees wishing to obtain the allowance had to leave their job voluntarily before November 2003. By 30 September 2003, 28,550 people had chosen this option out of 37,700 job losses since 1999. Payment of allowances amounts to PLN 796 million, that is, an average of PLN 27,880 per person. Furthermore, 1,300 people took advantage of paid leave, which applies to people who were three years from retirement age, and amounts to 60 per cent of the final wage. Also, 5,800 people opted for early retirement. The total cost of employment reorganisation was PLN 1 billion. Employment reorganisation was done primarily on the basis of a reduction in the number of employees. Working time reduction, even if accompanied by a wage decrease, and also part-time work were not envisaged. As a human resources director of one group company says, ‘We want to reduce the cost of employment and we cannot lower this cost by keeping all the employees ... if we give everyone three-quarter time or part-time jobs ... it would [still] be necessary to organise a place of work, an office ... only a reduction in the number of employees makes possible a decrease in the cost of employment’. Reorganisation led to a drop in the average age of employees and an increase in the average level of qualifications. Between 2000 and 2003, the share of employees having a higher education increased from 4.14 per cent to 6.7 per cent; those having a secondary education from 41.12 per cent to 45.8 per cent.

The firm is committed to a very broad process of European harmonisation and the implementation of service and production norms constitutes one of principal concerns for company managements at the group. Poland is complying little by little with European standards, particularly those established within the framework of the CER consortium (Community of European Railway).

At the same time, the state has been relieved of a large part of its burden.
The budgetary allocation of PKP decreased from 0.4 per cent GDP in 1990 to 0.08 per cent in 2003 (compared to 0.38 per cent in Czech Republic and 0.48 per cent in Hungary). PKP has started a privatisation process and improvements in profitability are the first goal. Structural reform of PKP was supported at the beginning by all trade union organizations and in particular by Solidarity and the federation of the trade unions representing PKP workers (member of FZZ). About 30 trade unions operate at PKP. They are divided. PKP has a branch collective agreement and the majority of group companies have company collective agreements. The collective agreement sets standards more favourable than those of the Labour Code, particularly with regard to paid leaves and bonuses.

In recent months, the majority of trade unions have become increasingly sceptical regarding privatisation and have reproached the Polish state for not devoting the promised sums to reorganisation. Beyond the reduction in employment and the rise in productivity, employees also lost part of their privileges with the closing of some company hospitals, the end of free medicine, and the closure of childcare centres and holiday centres. The trade unions accepted this, in particular Solidarity, in view of the need to improve profitability.

**Negative impact of reorganisation on working conditions**

Productivity improvements were achieved mainly on the basis of workforce reductions without real investment in production. Working conditions have suffered. For example, the job of train drivers has changed profoundly. Drivers on long lines usually did only part of it and returned home by the train on the opposite line. But the system changed and drivers on certain lines cross the country, sleep in the station hotel and return with the same train but hotels are missing.

Wages at PKP are not among the highest but they start at a level higher than the minimum wage in the majority of group companies.

One of the principal problems of PKP Group is the accumulation of paid leaves not used by employees. In 2002, according to the Labour Inspectorate 63 per cent of inspected firms had not given their employees all the paid leaves they were entitled to. According to the human resources director of one group firm, this is because the employees prefer to accumulate days off in order to be able to take longer paid leaves in the future. Struggling against this phenomenon is one of her priorities. The employees with whom we carried out interviews explained that it is more and more difficult to use all paid leaves because of the pressure caused by workforce reductions. Employment reduction has also had a negative impact on the development of overtime, part of which, according to interviewed employees, is not paid. The Labour Inspectorate Report for 2003 emphasises this problem. A director of one of the
group companies says ‘Here, we do not have overtime. It doesn’t mean that there are not periods of intense work. But in that case employees take additional days off. The company does not pay overtime in order to save on labour costs’. Suppression of the payment of overtime provoked a dispute with the trade unions and a compromise was found on the basis of a small basic wage increase.

In 2002, 19 per cent of inspected companies had not presented a report on the real working hours of their employees. A figure below the national average (52 per cent) but still rather significant taking into account the level of unionisation in the company. The Labour Inspectorate, like the interviewed employees, underlines the existence of delays in the payment of bonuses (seniority bonus, bonus for work under dangerous conditions). Bonuses are paid only after court judgments require it. One of the reasons for non-payment of bonuses and sometimes of overtime is the difficult financial situation of the company and the search for savings by all possible means.

This search for savings has more serious effects, as emphasised by the employees and condemned by the Labour Inspectorate: deterioration of health and safety. The investment level of the majority of group companies does not make it possible to maintain production equipment in good condition. The Labour Inspectorate reports ‘significant decapitalisation’. Working conditions have suffered. The buildings are degraded and are sometimes without heating, with broken windows, without hot water, even without water at all, or without toilets. One employee reported work going on at a building site in winter without any shelter or even any toilets. More seriously, working tools themselves are sometimes dangerous. In Warsaw, industrial accidents at PKP increased from 45 in 2001 to 76 in 2002.

Use of flexible forms of employment and subcontracting
Part-time work is far from widespread at the company. Only a few women with young children and people whose activity does not require full-time work, work part-time. Group companies do not have a particular policy on part-time work and it is not even mentioned in the collective agreement. One human resources director at a group company also recognises that women tend to use only the minimum maternity leave because they are afraid of losing their job.

PKP Group sometimes uses civil contracts but in specific cases and, according to a member of the management, never to replace a contract of employment. Civil contracts concern primarily specialists (lawyers, translators). Civil contracts are not used as probationary contracts, either. A contract of employment is normally the rule. Employees are hired on the basis of a probationary contract, followed by two short-term contracts over one or two years (three short-term contracts before the reform of 2004) before signing a
permanent contract. For the best employees, a permanent contract is proposed at the end of the first year. The management affirms that it does not want ‘to benefit from the situation according to which, after a one-month pause, one can again sign a short-term contract. One should not overuse the opportunities offered by the law and thus act against the employees. It is necessary that the employees can identify with the company.’

In the administrative sector, subcontracting is not very widespread. It is much more developed, but limited, in the logistics and exploitation sector as the company tends to focus only on rail transport.

2.3 Enterprise Domino: Everything That Is Allowed …

Domino was created in 1996 by a young woman graduate of the Warsaw School of Economics (SGH). It packages and sells products for treating leather (shoe polish, and so on). Domino’s new buildings are about 30 kilometres from Warsaw, in a rural area. The employees are mainly sales agents but also less qualified people employed for packing, logistics and dispatch. The firm employs 18 or 19 persons (the director of the company herself did not know exactly), although it has employed more than 20 persons in the past. Having thus exceeded the legal threshold of 20 employees it had to implement a number of legal provisions, including a salary scale and a Social Committee run by employees. Nowadays, the head of the company ensures that this threshold is never reached by limiting the number of employees working on the basis of a contract of employment. Generally speaking Domino management tries to respect the law, and its fear of the Labour Inspectorate is real. However, this does not prevent it from using every possibility offered by the law and especially legal loopholes. ‘To play with the law while remaining within the legal framework’ is the motto of Domino’s management.

From permanent to short-term contracts

The attitude mentioned at the end of the previous section is manifest in relation to contracts of employment. The company uses permanent contracts, short-term contracts and civil contracts. Until 2003, Domino offered primarily permanent contracts. Its principal problem being to achieve significant turnover, the director wanted to motivate employees, to get them to identify with a company which could offer good prospects. The permanent contract was even ‘a matter of principle’. But principles changed and the director now offers new employees only a short-term contract: ‘until the end of 2002, I offered only permanent contracts. It was a principle. In 2003, I still signed some permanent contracts, but I started to consider the situation because it seemed that the short-term contract was a good method of control employees
… He evaluates the situation when the expiry of the contract is approaching. He even carried out a progress report on himself and raises the question: Am I working well? Regardless of whether I take someone on in January or in August, I try to make sure that the contract finishes on 31 December because at the end of the year there is an annual interview, for evaluation, to analyse the situation and the employee must make a self-evaluation. It is thus always a good moment: Am I really essential to this company? Or better stop there and just keep a contact on a simple friendly basis? It is a really good way of doing things and today I always try to arrange things that way.’

Until 2002, the permanent contract could be regarded as counterbalancing the poor wages offered by the company (just above the minimum wage), but with increasing unemployment and falling wage expectations among new employees it is no longer necessary.

**Work contract: a means of improving work commitment**

Sales agents are generally hired on the basis of a minimum wage to which a percentage of sales is added. While at the beginning the company required sales agents to use their own car, today it gives them a car. Some sales agents work on the basis of a civil contract and have their own company. These sales agents generally have a monthly income higher than PLN 2,500. As they pay the social security contributions themselves, they have a higher net income than with a contract of employment. Some sales agents have incomes of PLN 12,000 during peak months. However, the majority of sales agents work on a contract of employment. The director does not encourage sales agents to work with a civil contract. Sales agents themselves often prefer the security of a contract of employment to the precariousness of a higher income with a civil contract. For the director, the contract of employment makes it possible to bind the employee to the company, but also to have greater confidence in employees. New sales agents are hired on three-month, short-term contracts, ‘enabling better control than civil contracts’. It thus appears that contracts of employment are a means of securing an employee’s long-term commitment.

The same explanation applies to the absence of part-time workers. The director regards people who want to work part-time as persons basically unwilling to make a commitment to their work. Work commitment and availability are essential for the company management. One factor underlying the demand for commitment to work is the conviction that Communism destroyed the work ethos: ‘the mentality of Poles is as follows: ‘Give me work as long as I live’. During the last 50 years the attitude was ‘I am entitled to work, I am entitled to an income because I exist, because I was born’… and for the last 13 years the children of these people have been thinking the same … it is on production lines that we have the most significant turnover. They give up work because they do not want to work.’ Also behind the demand for commitment
from employees is the fact that a large part of production is seasonal and takes place during the winter. As a lot of work is done in teams and on the basis of just-in-time organisation, one person’s absence can have significant repercussions and in the event of delays lead to the loss of a market. On this point the management seems intransigent and regardless of the law the director does not hesitate to lay off people who miss two days in a row or repeatedly during peak periods. The demand for commitment and availability has led to numerous dismissals. All lapses are punished. The director has almost never had problems getting fired employees to accept an informal agreement: ‘they do not make trouble … They do not know [their rights], simply. And I will not voluntarily enlighten them …’ (the director).

How to cope with the seasonal character of the activity: civil contracts

The director’s main problem is not laying off but finding ‘good workers’. Job candidates are plenty and because of unemployment wage expectations have fallen but time spent selecting candidates seems to weigh enormously on the company’s top executives because growth is multiplying recruitment. Reducing staff turnover is perceived as a way of improving quality but also profitability. However, the desire to stabilise the workforce is not compatible with the seasonal character of the work. To deal with production fluctuations the company hires employees on civil contracts. They are always students because in that case the company does not have to pay social security contributions. During our discussion with the director of the company it turned out that she had engaged even a young mother on parental leave on a quarter-time basis for administrative work. However, the same person also does graphic and design work as a subcontractor within the framework of a contract of cooperation. Every month she invoices Domino, but also receives wages for her administrative duties.

Between local agreements and fear of the Labour Inspectorate

Short-term contracts, permanent contracts, civil contracts, contracts of employment coupled with a civil contract, students on civil contracts … Domino is thus characterised by a multitude of employment statuses dependent on the needs of the firm and the requirements of employees. For this reason, Domino is quite representative of the other Polish companies which we studied, particularly in relation to the development dynamics of short-term contracts.

Domino is also fairly representative as regards its availability requirement which is often coupled with a demand for work commitment. As the director of Domino says, ‘if I need somebody it is totally’. This demand for availability is very strong in the case of sales agents. It is mentioned in all the firm’s job offers. ‘If a customer phones a sales agents on Saturday, they must imme-
diately go to the customer ... I do not monitor the working time of sales agents, they work when they want to but they must be available for the customer 24 hours a day’. For administrative matters things are different. Working time is normalised at eight hours a day, although it happens that it is sometimes longer. When production is delayed everyone must roll up their sleeves: ‘it has happened that we all finished at 22.00 because an order had to be prepared, everyone in the office worked on production, sticking on labels. In such cases the children come, the husbands, and it’s a bit like an evening with friends...’. This well characterises the paternalism which reigns in this company. This paternalism is manifest in the director’s very direct relationship with her staff; everything is negotiated with her and many things are negotiable. Such is the case in relation to overtime. While the top executives do not have a definite work schedule, it is naturally different for production-line employees. Overtime is an integral part of remuneration and often negotiated at recruitment time. ‘They’re a contract... I want to earn more so I want to work more’. Overtime can be accumulated for future free days but generally employees prefer to be paid. When they take free time rather it is because they have an opportunity to earn a little extra money in a supplementary job. However, the company generally tries to respect the legal limits on overtime. There is always the fear of a labour inspection, although the other companies we looked at were less afraid. Many managers stressed that the fines are far from crippling.

2.4 Radioprod: From Socialism to Ruthless Flexibility

Radioprod has many years of tradition and significant achievements going back to 1947. Radioprod has been designing, manufacturing, selling and servicing its equipment for about 55 years. It is a company with Polish capital (100% of shares held by the state treasury). Radiprod is the largest manufacturer of mobile VHF/UHF radio communications equipment in Poland. It produces handheld, mobile and stationary radiotelephones; retransmission stations; radio modems and data transmission modules; and military radio communication systems, including handheld, manpack and vehicle radiostations.

**Safeguarding jobs has a cost …**

Radioprod employs 415 workers and is operating successfully (annual growth of 10 per cent) in a sector undergoing deep reorganisation (military). Belonging to the State Treasury, operating in a key sector and located in an area with an above-average unemployment rate (21.5 per cent in December 2004) and facing restructuring, it is understandable that job preservation is an essential objective of Radioprod, and one shared by management and trade
unions. Solidarity is the most influential trade union organisation. The employees have several representatives on the management board. The firm is not under immediate threat of privatisation. Cost cutting is another priority. It is not strictly a requirement for profitability but rather for a cost reduction. The company produces primarily for the domestic market and exports only to the old CMEA countries (Lithuania, Slovakia and the Czech Republic) and some African countries.

A long tradition can hinder innovation
On the basis of this description the company might appear to be a socialist-era company still just about hanging on. This is not the case. Admittedly, some elements reminded the researchers of the origins of the firm, for example when the personnel director presented the company’s employment structure in terms of the old categories of intellectuals (54 per cent) and workers (46 per cent), while distinguishing between directly productive workers (31 per cent) and the others. Furthermore, most employees joined the company during the Communist era (82 per cent have seniority of more than 16 years). Also when the same director explained the very weak development of part-time work (10 paid, 50 per cent of the workforce are women) in terms of weight of tradition and emphasises that with so long a history it is not always easy to innovate. However, the company is very ‘innovative’ as regards contracts of employment and the management of production flows. In order to preserve employment, the management, in agreement with the trade unions, opted for a reduction in labour costs. Civil contracts are at the heart of this strategy. For four years, the directors of the mechanical and the galvanisation departments have not had a contract of employment but a management contract. For this purpose they set up their own firm and started to subcontract with Radioprod. Previously, these two departments had faced significant problems and many dismissals were planned. The solution found after negotiations with the trade unions was to give these two entities more autonomy, for example to subcontract with other firms. The directors took on the management of the two departments, as well as the human resource management. Workers in these departments also have their own firms and work on the basis of a contract of mandate; they are regarded as subcontractors, although they continue to work on Radioprod’s machines. These workers have fixed wages and bonuses depending on results. According to management and trade unions, the operation is viewed positively: ‘There were no mass redundancies; on the contrary, orders increased and there is even a need for overtime’. The system has been extended to the marketing department. However, beyond job preservation this change was made above all in order to reduce labour costs through greatly diminished social security contributions.
Widespread recourse to civil contracts

Civil contracts are used in a range of circumstances. They are the rule for all new workers. The latter are hired on a three-month civil contract, and then a three-month probationary contract, followed by a nine-month short-term contract. Recourse to short-term contracts is regulated by the company collective agreement which is based on the sectoral collective agreement. These documents prohibit short-term contracts of more than nine months. According to the management, a civil contract at the time of first recruitment is preferred because it can be broken without a long notice period. This procedure is negotiated with the trade unions and does not seem to raise any criticisms. Civil contracts are also used in case of retired employees who continue to work for the company. This applies to employees whose retirement starting date falls before the end of the project they are currently involved in.

Priority to internal flexibility

Generally speaking, civil contracts, particularly in the departments where they are the rule, make it possible to adapt labour costs to production needs. Activities fluctuate significantly and depend upon large public markets. Employment is therefore sometimes significantly higher than production needs warrant, and the management does not hesitate to talk about ‘disguised unemployment’ at certain periods of the year. When orders melt away the company limits its costs by suppressing bonuses. On the other hand, the company does not make use of another rather widespread method of reducing labour costs, forcing employees to take unpaid leave during periods of low activity. Overtime is limited – 6,840 hours in 2003 – but it is necessary to keep in mind that this figure relates only to employees with a contract of employment and that the working time of 40 hours a week is calculated on average over a two-month period. The trade unions are opposed to new recruitments on short-term contracts when production needs require it. Quantitative flexibility is thus primarily internal flexibility.

Since basic wages are rather low, overtime and additional civil contracts are generally accepted by employees. Some have an additional activity, such as many employees in the development department who provide studies for other firms after working hours. Many employees have their own firm in addition to their contract of employment. The management tried to limit this by imposing a ‘contract of honesty’ but this attempt was strongly criticised by employees and for the moment no legal proceedings for unfair competition will be brought.

What comes next …

Radioprod seems fairly characteristic of public companies under financial constraints and which are far from completely flexible but which must still
address strategic demands as regards production but also job preservation. The logic of reducing costs has led to the development of rather radical forms of flexibility in the name of job preservation. Recently, the company seems to have taken on board the possibility of one day having to massively reduce its manpower and so avoids multiplying permanent contracts which in the event of dismissal, especially within the framework of a public company, would imply significant costs. Recourse to civil contracts but also the development of short-term contracts imply less commitment to the employees. Freshly recruited workers are not the only ones affected by this new trend. In 2000, the permanent contracts of all top executives, including heads of department, were transformed into short-term contracts. The reason for this was not directly to save money, however, but to inject a new culture. As the director of human resources says, ‘this way they feel the danger’. Radioprod seems indeed at a crossroads, even if its perenniality is not challenged, even if it does not face future privatisation it must change to meet the requirements of the market and in particular European standards and consequently the strategic requirements of the Polish government as regards defence. In 2002 it started a broad programme of improving the company’s age structure and of training. This change, largely supported by the trade unions, implies the construction of a new form of wage relation one of the keys of which, according to the management, is greater labour flexibility. The job preservation pact is likely to cease to be effective little by little...

2.5 Alto, Mis and Napole: Are Hypermarkets ‘Forced Labour camps’?

A sector under control
Supermarkets, in particular hypermarkets belonging to large multinational chains, are often criticised for their bad working conditions. The media has published numerous articles on working conditions in what some do not hesitate to call ‘forced labour camps’ (term used by TVN journalists about Biedronka, 25 April 2004). Since 2001, the Labour Inspectorate has monitored this sector and is currently undertaking deeper inspections of certain chains, such as Biedronka, Lidl and Kaufland. On 15 February 2005, the Labour Inspectorate submitted to Parliament the results of inspections for 2004: 67 per cent of inspected companies did not comply with the rules on paid leaves; 52.5 per cent did not keep a reliable working time report; 30 per cent did not comply with the five-day working week; 47.5 per cent did not pay overtime in full; and the majority of companies did not comply with health and safety rules. Trade union representation is rather weak: only 4,500 of the 100,000 employees in the sector are unionised. After years of fierce struggle
against the trade unions it seems that the management of these companies are
today more open. The most active trade union in the sector is Solidarity which
has local unions at Real, Auchan, Carrefour, Metro (Makro), Geant,
Biedronka and Kaufland. Agreements allowing the exercise of trade union
rights have been signed with certain chains (Tesco, Carrefour, Real, Geant,
Makro). Solidarity received the assistance of the German trade union Ver.di.
In some companies the situation is more difficult and dismissals of trade
unionists are rather frequent. The presence of trade unions supports an
improvement in working conditions, as illustrated by Real where the trade
union Solidarity has 1,500 members in 12 establishments out of the 27
belonging to the chain in Poland. Talks are in progress to sign a collective
agreement. At Real, trade unions are particularly active in pursuing payment
of overtime work. Working time is indeed the principal problem of workers in
hypermarkets.

The main problem: long and flexible working time
We chose to describe three hypermarkets in Warsaw. The first, Napole belongs
to a French group; the second, Alto, to a German group; and the third, Mis, to
a Polish chain. The first two are very large establishments employing more
than 400 people; the last is more modest and employs only 40 people. There
is a trade union only in Alto, although in Napole there is an agreement on
trade union rights between Solidarity and the management at national level.
Mis is open every day from 7.00 to 21.00; Alto every day from 5.00 to 22.00,
Monday to Saturday and on Sunday from 8.00 to 20.00; Napole from 8.00 to
22.00, Monday to Saturday, and from 9.00 to 20.00 on Sunday. Work on
Sunday is the subject of a significant public debate but for the moment it is
not prohibited. In each hypermarket the rather weak wages are generally
based on the minimum wage for unskilled workers, storekeepers and cashiers.
At Napole and Alto, employment is well defined and each employee has one
type of task to perform. At Mis, task flexibility is the rule: a cashier can stock
shelves and also sweep the floor. In each supermarket, the employees work
three shifts. At Mis, work is full-time; at Alto and Napole it is generally three-
quarter time or half-time. However, in all hypermarkets workers work longer
than what is legal: 10-hour days are frequent, not to mention middle manage-
ment which often reaches 16 hours. The period of calculation of working time
is on average three months. Sometimes employees work overtime at other
establishments in the chain (Mis) to avoid the legal limit. In all hypermarkets
the principal problem is the fluctuation of work schedules. When employees
arrive at work they never know when they will finish. Having worked the
evening shift the employee is sometimes forced to go back to work in the
morning at the opening of the store. For Alto, once the store closes (22.00) the
cashiers must still work another hour and when work begins again at 5.00
there is little time to sleep, especially as the majority of employees, because
of their poor wages, in general live far away. To this flexibility one should add
the problem of overtime.

**Creative accountancy in the working time report**
The directors keep up-to-date working time reports in compliance with the
law. They are generally falsified but workers agree to sign them. The employ-
ees talk about the ‘creative accountancy of the working time report’. At Alto,
overtime is paid, perhaps on the basis of a civil contract to reduce social con-
tributions or days off are given in lieu. At Napole overtime is not always paid
but abuses are limited. It is different at Mis where overtime does not seem to
be paid. Breaks are also a significant problem. At Alto, breaks are controlled
by an electronic system and employees are entitled to 15 minutes every six
hours. The case of cashiers is more complex. At Napole, cashiers on the morn-
ing shift must take their break during the first hour while the store is empty
and then they must work seven hours (or more) in a row without any pause.

**Wages are not incomes**
Another significant problem is bonuses. In all three hypermarkets they can
account for more than 30 per cent of the total wage at the end of the month.
However, these bonuses also often ‘disappear’. At Alto, if one is absent for
one day the bonus drops by 50 per cent and on the third day of absence in a
month the bonus cancelled. Employees go to work even when they are sick.
At Mis, the bonus is cancelled on the very first day of absence. At Napole, the
cashiers’ bonus depends on a number of parameters: contact with customers,
speed of scanning (an average of 19 products per minute is required), absence
of cash errors and the general results of the store. It seems very difficult to
earn a full bonus. According to the personnel director at Mis, the bonus is an
essential means of motivating employees. As Polish employers do not seem to
play with working time to motivate their employees (by increasing working
time and thus the wages of ‘good’ workers), as is the case in many establish-
ments in Western Europe, bonuses are rather significant for employers and
employees alike.

**Short-term contracts again and again**
In order to ‘motivate’ their employees, employers thus maintain them under
the uncertainty of possible sanctions. That applies to both wages and contracts
of employment. All the employees we met had a contract of employment to
which, in the case of Alto, in a marginal way, civil contracts could be coupled.
However, the short-term contract is the rule. A three-month short-term con-
tract at the time of recruitment, then a one-year (Mis, Napole) or two-year
(Alto) short-term contract. Only employees with long seniority (several years)
and responsibilities are entitled to a permanent contract. For the employers, the principal merit of the short-term contract is that it reduces the notice period to two weeks.

‘At least in the hypermarkets there is a minimum’
All the hypermarkets have a human resources department, whose staff know the Labour Code well and try to comply with the rules, at least on paper. Working conditions in hypermarkets are difficult particularly because of the tasks to be carried out, the monotonous work rhythm, the permanent monitoring, the precariousness of the contracts and the poor wages. This is the case in Poland, as it is in France or Germany. In Poland, despite the frequent attacks in the media and in political debate, hypermarkets are no ‘harder’ than many other firms and in particular SMEs where moonlighting is significantly developed. As a unionist in the sector says about working conditions in hypermarkets: ‘They are something new [hypermarkets], which employ many people and there are indeed lots of problems. But on the other side in small stores it is often worse … people work illegally – that does not happen in the large stores – … At least in the hypermarkets there is a minimum, the wages are not high but they are paid on time, and there is a certain respect for the Labour Code…’. The main problem with hypermarkets belonging to foreign chains is that among foreign investors they offer the worst working conditions. At the same time, they are subjected to strong political pressure from the advocates of small stores, and significant monitoring by the Labour Inspectorate and, especially, the media. Press campaigns have forced them to improve working conditions, to be more open towards trade unions. In fact, the presence of trade unions seems to be the best means of improving working conditions, which, if they are far from satisfactory, are in line with prevalent norms in Poland.

2.6 Conclusions from the Fieldwork

On the basis of the case studies it seems that:

- The improvement of health and safety conditions is a priority amongst employers within the framework of improving the global working conditions of their employees.
- The improvement of conditions of employment such as regulation of working time, stabilisation of work relations, wage rises, trade union rights, gender equality, seem to be less valued.
- Improvements in health and safety are not always accompanied by improvements in the work relationship.
- The worst situations in terms of work relations were encountered in companies where health and safety are particularly neglected.
The most ‘inventive’ arrangements of work schedules and forms of contract appeared in companies with greater respect for health and safety standards.

Foreign firms tend to respect the law more than Polish firms. This is the case in the retail sector where there are French, Danish, Swedish and Polish firms. The fact that foreign firms are more fearful of the media undoubtedly plays a large role, a fact which was even noted in the last Labour Inspectorate Report. Secondly, foreign firms usually have a more developed human resources department which promotes higher acquaintance with the legal requirements.

In terms of overtime we did not notice a great difference between workers on fixed-term contracts and workers on a permanent contract. On the other hand, workers on a civil contract seem to work longer hours and never get paid overtime.

Delays in wage payments seem particularly high in the case of civil contracts and illegal work, but also in the public sector (especially in the health sector).

With regard to improvements in conditions of employment, the employers often underlined the relatively low fines from the Labour Inspectorate and the rarity of employees’ complaints.
8. Slovenia: Rigidity or ‘Negotiated’ Flexibility?

Miroslav Stanojevic

INTRODUCTION

According to the main macroeconomic indicators the Slovenian economy has been relatively successful during the transition period. It entered the transition as the most developed among the former ‘communist’ economies and has maintained its leading position (WIIW 1999; Eurostat 2003).

From the beginning the Slovenian transition diverged strongly from the prevailing ‘big bang’ or ‘shock therapy’ approach, the rapid and radical separation from ‘communism’ which was implemented in other transitional environments. The Slovenian transition involved privatisation that strongly accentuated internal buyouts – allowing workers to become owners – quite highly regulated capital and labour markets, and corresponding strong social policy measures (Simoneti, Rojec and Gregorič, 2004; Mramor and Jašovič, 2004; Vodopivec, 2004; Stanovnik, 2004; Philips and Ferfila, 2002). In practice, it was more gradualist ‘than the most enthusiastic gradualists had suggested’ (Mencinger, 2004: 79); it showed that the former Yugoslav system of ‘social ownership and self-management (was) capable of being reformed’ (Gligorov, 2004: 26).

Most of the above cited economists evaluate the results of the Slovenian gradualist transformation positively so far, but both implicitly and explicitly they also mention its (recently reached) limits. In the form of a more or less moderate critique, almost all of them suggest that the model of the Slovenian transition is historically exhausted and that it needs reform, that is, deregulatory reconstruction at all levels (from the pension system to corporate governance). The critique from the ‘big bang’ camp is more radical. In terms of this approach the Slovenian transition has so far been a prisoner of inherited rigidities at all levels. The implicit presumption of the radicals is that Slovenia missed the ‘big bang’ opportunity. Had it been suitably shocked at the beginning of the transition, its development would have been (even) faster and the limitations Slovenia is now facing would not have occurred at all (Mrkaic, 2004).
These critiques of the Slovenian transition are based on the thesis that a highly regulated, ‘rigid’ economy and developmental success (that is, successful transformation into a market economy) are incompatible. The common denominator of both approaches is the ‘rigidity diagnosis’ of the Slovenian transition.

It must be emphasised, however, that, in contrast to many countries in the region, social inequality did not increase dramatically in Slovenia. Stanovnik, for instance, reports that the Gini coefficient for Slovenia fell from 0.2696 in 1993 to 0.2356 in 1997–1999 (Stanovnik, 2004: 320); according to the WHO regional office, living standards and health conditions of the population have improved during the same period (Highlights on Health in Slovenia, 2001). At the same time, Slovenia has managed its transition successfully. If we follow the ‘big bang’ approach, it would seem that ‘rigidity’ was the very foundation of this good economic and social performance.

In this chapter I will try to show that the assumption of a lack of flexibility in the recent Slovenian approach is simply wrong. The system has been highly regulated, to be sure, but not inflexible at all, certainly not at enterprise level. I will provide evidence showing that a specific pattern of work and employment flexibilisation has formed in Slovenia during its transformation into a market economy. This different flexibilisation, which was congruent with a highly institutionally regulated environment, enabled (ensured) a relatively efficient response on the part of the Slovenian economy to competitive pressures on international markets.

If the evidence confirms the existence of a different type of flexibilisation in Slovenia, then the foundation of its relative economic success during the transition is not rigidity, but a form of flexibility. We shall explain how this flexibility may be assessed as different from the ‘classic’ forms of flexibility, also in non-economic terms and from a qualitative perspective.

More specifically, if a different flexibility was established in Slovenia, what was its influence on working and employment conditions and on quality of life? Do the problems concerning the reconciliation of work and family and corresponding health risks occur in Slovenia in forms and intensities similar to systems based on more ‘normal’ work and employment flexibilisation?

PART I NATIONAL ASSESSMENT

1.1 Context: Work-Centrism, Interest Organisations and Institutions

1.1.1 Work and Family the First Priorities

According to public opinion surveys Slovenians’ two basic values are work and family. Among the six categories offered (work, family, leisure time,
friends, politics and religion) Slovenian respondents systematically put work and family at the top of the list. Work as the highest value is in particular strongly accentuated among older, less educated and lower-income segments of the population (HDR 2000/2001). Furthermore, the values promoted in the education system make it clear that in the respondents’ work-centred life, success, achievement and competition are the most important things. Cooperation and imagination are less important (HDR 2000/2001: 48).

The prevailing value orientation of the Slovenian population is traditionally materialistic, although so-called post-materialistic values are growing (Inglehart, 1995; 1997). Democratic culture is relatively undeveloped; tolerance towards (different) others is comparatively weak, but ‘people’s views on the majority of issues are moving towards tolerance. Estimated as most tolerable by Slovenians are: divorce, abortion and sex below the legal age of consent (18)’ (HDR 2000/2001: 58). Ethnocentrism is strongly emphasised. Given the level of ethnocentrism measured by the ethnocentrism index, Slovenia is in the top third of 43 countries measured (HDR 2000/2001: 66). The authors of the Human Development Report 2000/2001 from the Government Institute for Macroeconomic Analysis identify positive developments but make the highly critical assessment that ‘Slovenia remains [a] distinctly intolerant [country]’ (HDR 2000/2001, 46).

In respect of level of trust in interpersonal relations, Slovenia was 13 per cent below the world average and 23 per cent below the EU-15 average in 1999 (Inglehart, 1995: 54). In the 1990s trust in different institutions (from the government to the church) was relatively low. In accordance with the priorities of work and family life, Slovenians systematically trust only family members, and to some extent the economy and the education system.

The analysis from the above cited report reveals statistically significant correlations between strong materialistic orientation, relatively weak democratisation, intolerance and ethnocentrism on the one hand, and dissatisfaction with the quality of life in Slovenia on the other (HDR 2000/2001, 42).

In this work-centred society permanent and stable employment is the highest ranking value. During the transition this traditional/central value was, because very specific inter-class and political constellations (Stanojevic, 2003), highly cherished in Slovenia. As workers, being involved in the ‘great coalition’ (Zupanov, 1983; 1989) with the (transitional) political elite, were relatively well organised from the beginning of the transition, both the political and the economic elite had to respect this central value.

1.1.2 Interest Organisations

Trade union density in Slovenia is 40 per cent (PORC 1998, 2001, 2003). In accordance with this relatively high rate, collective interest representation at
company level is relatively well developed. Among representative bodies, trade unions have a leading role. In comparative terms, they cover an unusually high proportion of employees.

**Table 1** Proportion of EU-15, CEE ‘Transitional’ and Slovenian Organisations with Less than 50 Per Cent and More than 51 Per Cent of Employees Who Are Members of a Trade Union (%), Slovenia

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<th></th>
<th>Less than 50%</th>
<th>More than 51%</th>
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<tbody>
<tr>
<td>EU-15</td>
<td>45.4</td>
<td>39.7</td>
</tr>
<tr>
<td>CEE ‘transitional’</td>
<td>56.0</td>
<td>31.2</td>
</tr>
<tr>
<td>Slovenia</td>
<td><strong>23.3</strong></td>
<td><strong>74.2</strong></td>
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*Source: Cranet-E and Slovenian survey from 2001.*

Along with strong trade unionisation, additional peculiarities of Slovenian industrial relations are centralised employers’ organisations and a centralised collective bargaining system covering almost the whole workforce.

**Box 1 Collective Bargaining in Slovenia**

In Slovenia the elements of macro policies which form the compulsory basis for bipartite dialogue (collective bargaining) are defined at the level of tripartite concertation. The connection between these different levels is hierarchical. Signed collective agreements have general validity and are enforced by law. The coverage rate is extremely high; practically the whole workforce is covered, at least in terms of the lowest standards defined in general agreements. With the exception of enterprise collective agreements, all others are valid upon registration at the Ministry of Labour, Family and Social Affairs. Thirty-eight branch collective agreements have been registered at the Ministry. Every year amendments to these agreements are also registered.

Branch collective bargaining is focused on payments, working hours, leave and legal protection of employees. The differences between branch collective agreements are significant. Some are very developed and precise (for instance, in the metal industry). The agreement for the textile industry, however, only repeats the main points of the general collective agreement. In the private sector, collective agreements are concluded for 28 branches. Usually they remain in force for four years, with the exception of wage rates, which are usually valid for one year. If there are no changes or cancellations of agreements, they are automatically prolonged.
Collective agreements at company level are usually concluded in large, successful companies. Agreements also occur in companies experiencing problems. In such cases agreements are a means of forming internal coalitions, supporting survival efforts and/or restructuring the company. In small companies collective agreements do not exist; they are substituted by the management’s unilateral decrees.

According to data provided by the major trade unions, there is a declining trend concerning company collective agreements. Recently in some large companies the management has cancelled collective agreements and substituted them by decrees.

1.2 Employment Patterns towards More Flexibility

General statistical data concerning the shares of different forms of employment in Slovenia during the period 1991–2001 show slow, incremental changes.

Table 2  Shares of Different Forms of Employment, 1991–2001, Slovenia

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-employed</td>
<td>14.1</td>
<td>12.8</td>
<td>12.1</td>
<td>12.2</td>
<td>12.2</td>
<td>11.9</td>
<td>12.5</td>
<td>11.7</td>
<td>10.4</td>
<td>11.1</td>
<td></td>
</tr>
<tr>
<td>Temporary work</td>
<td>4.8</td>
<td>5.9</td>
<td>6.3</td>
<td>7.1</td>
<td>7.5</td>
<td>8.4</td>
<td>18.9</td>
<td>11.7</td>
<td>10.9</td>
<td>10.7</td>
<td>10.5</td>
</tr>
<tr>
<td>Part-time work</td>
<td>5.8</td>
<td>4.8</td>
<td>5.3</td>
<td>5.5</td>
<td>5.7</td>
<td>6.8</td>
<td>8.3</td>
<td>7.8</td>
<td>6.6</td>
<td>6.5</td>
<td>6.6</td>
</tr>
<tr>
<td>Contract work</td>
<td>–</td>
<td>1.9</td>
<td>2.9</td>
<td>2.3</td>
<td>2.3</td>
<td>3</td>
<td>3.1</td>
<td>2.4</td>
<td>1.9</td>
<td>2.3</td>
<td></td>
</tr>
</tbody>
</table>


The proportions of full-time, open-ended employment and flexible forms (presented in Table 2) have not changed significantly. In 2001, similarly to 1991, more than 70 per cent of employed persons were in full-time open-ended employment. Among flexible forms of employment, temporary work has grown most intensively (from 4.8 per cent in 1991 to 10.5 per cent in 2001).

The results of the Slovenian part of the CRANET surveys (UČV, 2001), which included organisations with 200 and more employees, indicate employment flexibilisation at the organisational level quite precisely. I will present data from this survey and combine them with broader statistical comparisons derived from Eurostat surveys.
1.3 Flexible Working Time: Escalating Overtime, Shift and Weekend Work

Comparison based on Eurostat data on the weekly working time of full-time employees indicates that Slovenia is one of a relatively small group of countries in which weekly working time exceeds the EU-25 average (Eurostat, 1997: 2003).

Along with the relatively long weekly working time, a significant proportion of Slovenian organisations also make significant use of overtime, shift work and weekend work for their full-time workforce.

According to the CRANET survey, during a three-year period (from 1998 to 2000) extra working hours increased in one-third (34.3 per cent) of Slovenian organisations and decreased in one-fifth (22.7 per cent) of them. The highest increase occurred in large export-oriented organisations from manufacturing industry (37.9 per cent) with a poorly educated workforce. The share of those with a high increase in extra working hours is highest (57.9 per cent) in organisations formed after 1990.

Shift work occurred in almost all Slovenian organisations (85.5 per cent). In half of them, (51.1 per cent) more than 20 per cent of employees are engaged in shift work.

In large organisations (with over 500 employees) shift work is more widespread than in medium-sized organisations (from 200 to 500 employees). In organisations with a poorly educated workforce the share of those with


Figure 1 Share of Organisations with Less than 20 Per Cent and More than 21 Per Cent of Employees Engaged in Shift Work
more than 20 per cent of employees engaged in shift work is 60.4 per cent. This is significantly more than in organisations with a better education structure: the same level of shift work occurs in only 40.3 per cent of them. Shift work is used more often in export-oriented organisations (61.9 per cent).

During a three-year period (1998–2000) shift work remained unchanged in more than half of Slovenian organisations (54.1 per cent). It increased in 23.0 per cent of them, mostly those established after 1990. The share of organisations with increased shift work (when compared with other categories) is higher in export-oriented organisations (32.5 per cent).

In addition to the abovementioned forms of working time extension, Slovenian organisations also very frequently use weekend work. This mostly occurs in large (29.5 per cent) export-oriented industrial organisations (31.8 per cent) established after 1990.

In almost half of the organisations (48.4 per cent) use of weekend work did not change between 1998 and 2001. Within the same period one-quarter of organisations (24.7 per cent) increased weekend work, whereas another quarter reduced it.¹

1.4 Impressive Growth of Temporary Employment

Temporary employment, which enables cost reductions through less expensive employment contracts in case of decreased demand on product/commodity markets, is an important source of flexibility for companies. Figure 2 shows that this form of employment is already above the EU-25 average in Slovenia. Among new member states the share of temporary employment is higher only in Poland, where the unemployment rate is approximately three times higher than in Slovenia (Eurostat, 1997, 1993).

CRANET data confirm that temporary employment is used in virtually all Slovenian companies (98.5 per cent). The absolute majority (52.4 per cent) do not use this form of employment intensively (less than 5 per cent of employees). One third (35.3 per cent) of companies reveal a higher share of temporary working – between 6 per cent and 20 per cent of employees. In 10 per cent of companies, temporary employment covers more than 20 per cent of employees. According to these data, temporary employment is an important

¹ In 2003 weekend work in the retail trade was the subject of a bitter public dispute between unions and employers. Opening hours, according to the legislation, are within managerial competence, but this was challenged by the unions. In particular, wages for extra working hours (weekends and bank holidays) was a highly controversial collective bargaining issue. Government involvement focused on preparation of legal amendments, but that did not resolve the issue. In June and July 2003 the Trade Union of Commerce petitioned for a referendum on working hours (especially Sunday work) within the sector. The referendum took place later in 2003 and the unions won. The main purpose of the referendum was a significant reduction of weekend and bank holiday work, but it has not been implemented yet (a new draft law is before parliament).
form of flexible work in approximately 40 per cent of Slovenian companies, and extremely important in a quarter of them.

In manufacturing, 15.7 per cent of companies have more than 21 per cent temporary employment. Most of these organisations are medium-sized to large (between 200 and 500 employees) with a relatively low workforce educational level (compared to other companies from the sample) and were established during the ‘communist’ period (between 1945 and 1990).

During the three-year period (from 1998 to 2000) the share of temporary employment grew in 36.6 per cent of all Slovenian organisations, most intensively in large, export-oriented organisations (with more than 500 employees) in manufacturing (40 per cent).

In almost all organisations (88.9 per cent) women are involved in temporary employment. Female participation in this form of employment in Slovenian organisations is relatively high, reaching up to 40 per cent in two thirds of organisations, and over 41 per cent in two fifths of organisations (with more than 61 per cent temporary employed females in 10 per cent of organisations). Female participation in these forms of flexible working is accentuated (more than 41 per cent) in market (retail) and public services.

1.5 Role of Social Dialogue in Work Patterns

Relatively strong union density rates (see Table 1) imply that collective articulation and expression of social demands is strong in Slovenian organisations.


**Figure 2 Proportion of Temporary Employment in Slovenian Companies (<5 per cent, 6–20 per cent, and >20 per cent)**
This type of micro-constellation determines the nature of social dialogue at the company level. Evidence suggests that classic ‘them-and-us’ relations between employees and managers developed spontaneously within the majority of Slovenian organisations in the 1990s (Stanojevic, 2001; 2003).

During the last 10 to 15 years these relationships have framed a ‘social dialogue’ manifested in numerous micro-political exchanges between unions and managers within organisations.

In the first part of this chapter, data from the CRANET survey were presented suggesting that increasing working hours on the part of the full-time employed (mostly in the form of shift work, overtime and weekend work) and intensive use of temporary employment are significant (also in comparative terms) forms of work and employment flexibilisation in many Slovenian organisations. The key finding of the analysis conducted by the Institute for Social Sciences (Razpoke v zgodbi o usplohu, 2004) is that in the 1990s the success of the Slovenian transitional pattern was strongly ‘supported’ by a significant increase in the amount of working time accepted by employees (that is, the trade unions) and managers of Slovenian companies: in exchange for wage and job stability, workers and their trade unions were ready to put in additional hours (Stanojevic, 2003: 106).

Table 3 confirms that these tradeoffs are present in Slovenian companies. Between strongly and weakly trade unionised companies there are systematic differences (trends) concerning the use of different methods of working time extension. The share of companies using shift work increased more quickly among weakly trade-unionised companies. Similarly, the share of organisations using overtime increased more in less unionised and decreased significantly more in strongly unionised companies. The differences are similar as regards weekend work and flexi-time. As the majority (three-quarters) of organisations are strongly unionised, it is clear that the different forms of working time flexibilisation and also the amount of temporary employment are the result of bargaining between managers and unions.

How do we interpret this finding? Does the existence of systematic tradeoffs between social partners at micro level mean that the majority of Slovenian organisations are rigid, that is, inflexible in principle? It seems that an affirmative answer is self-evident: in highly unionised organisations flexibility is subject to bargaining and thus, one might assume, to systematic limitation. The natural result should thus be more rigidity.

1.6 ‘Selective’ or ‘Negotiated’ Flexibility

This interpretation is persuasive only at first sight, and in fact is rather misleading. The problem is that strongly unionised organisations have been exposed to the same market pressures as weakly unionised ones and that both
Table 3  Trade Unions, Employment and Working Time in Slovenian Organisations

<table>
<thead>
<tr>
<th>Trade union density</th>
<th>Fixed-term employment</th>
<th>Overtime</th>
<th>Shift work</th>
<th>Weekend work</th>
<th>Flexi-time</th>
<th>Annual hours</th>
<th>Job sharing</th>
<th>Compulsory redundancy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+ -</td>
<td>+ -</td>
<td>+ -</td>
<td>+ -</td>
<td>+ -</td>
<td>+ -</td>
<td>+ -</td>
<td>+ -</td>
</tr>
<tr>
<td>0–50</td>
<td>48.9 8.5</td>
<td>34.8 13.0</td>
<td>26.1 8.7</td>
<td>28.3 4.3</td>
<td>31.1 0</td>
<td>9.5 4.8</td>
<td>4.7 4.7</td>
<td>13.6</td>
</tr>
<tr>
<td>51–100</td>
<td>34.7 21.8</td>
<td>32.6 26.4</td>
<td>22.4 8.4</td>
<td>23.0 10.8</td>
<td>26.8 0.5</td>
<td>4.8 11.4</td>
<td>7.4 3.7</td>
<td>16.3</td>
</tr>
</tbody>
</table>

Notes:
+ = increased
- = decreased

have been approximately equally successful. A similar competitive environment and similar results suggest that in highly unionised organisations micro-political exchanges – that is, bargaining – do not limit their internal flexibility at all. It appears that the tradeoffs at micro level (that is, the systematic differences in the dynamics of flexibilisation presented in Table 3) do not mean that all the above-mentioned flexibilisation methods (focused on increasing working hours) are less present in highly unionised organisations, but that the combination of these methods within these organisations is different. It is true that in strongly unionised companies all methods of work and employment flexibilisation are negotiated, selected and accommodated to the interests of the fully employed workforce. However, that does not mean that fully employed workers in these organisations are rigid. On the contrary, they are extremely flexible because they are interested in getting more work (through overtime, weekend work, shift work, and so on). They are not rigid, but selectively flexible.

Selective flexibility on the part of the fully employed workforce in strongly unionised Slovenian organisations is a result of worker interest in additional work. At the core of this interest is a need to increase low basic wages (that correspond to the eight-hour working day, that is, a 40-hour working week). These basic wages do not make possible normal (socially and culturally expected) family life. That is why the average fully employed person in a Slovenian organisation is strongly inclined towards (some form of) additional work. This is a way of increasing income and reaching expected living standards. In the majority of Slovenian organisations such employee interest in additional work is collectivised, that is, articulated in terms of (unions') collective demands.

Under pressure from this, it is in both managers' and workers' representatives' interests to enable employees to work more than eight hours per day (as overtime, weekend work, and so on) and/or let them be included in shifts that pay better. If the pressure was not articulated, the management would fulfil organisational needs for increasing work output by engaging temporary workers. For managers in strongly unionised organisations additional work by fully employed workers is a better solution. If they opposed employees' collective interest, they would, first, increase the risk of possible conflict and, second, trigger employee interest in additional work in the informal sector. The result would be employee demotivation and erosion of quality.

1.7 Temporary Work: Complementing Selective Flexibility

The selective flexibility of the fully employed workforce in strongly unionised Slovenian firms is one side of the Slovenian flexibility story. The other, complementary side is temporary employment.
Data presented in Table 3 reveal strong mutual interconnections between selective flexibility and temporary employment in Slovenian firms. During the three-year period (1998–2000) the share of weakly unionised organisations that used temporary employment increased by half (48.9 per cent), while in barely 8.5 per cent of them did it decrease. Within the strongly unionised group of organisations this kind of linear growth of temporary employment did not occur. In one-third of these organisations temporary employment increased, but decreased in one-fifth of them (see Table 6).

What is the main cause of these differences? In both cases managers resort to temporary employment in order to reduce costs and improve profitability. As they are not faced with the employees’ collectively articulated interest in weakly unionised organisations, they do not negotiate on flexibilisation and fulfil the organisation’s needs for additional work unilaterally, through temporary employment. In contrast, in strongly unionised organisations there are implicit and explicit negotiations/exchanges, enabling consensual growth in the amount and/or intensity of the fully employed workforce’s working time. In these firms the negotiations are an important source of additional legitimisation for management and, simultaneously, the main mechanism securing the occupation of better (paid) additional jobs by the fully employed workforce. Less attractive jobs are left to temporary workers.

It appears that in strongly unionised firms differentiation and redistribution of flexibility to different categories of employees occur. Higher job security and selective flexibility of the fully employed is complemented by the specialisation of temporary employees in poor jobs. Monopolisation of better-paid jobs and corresponding additional work by fully employed workers implies a shift of poor jobs and uncertainty towards temporary workers. This division of flexible work explains the greater variations of temporary employment – which both increase and decrease significantly – in strongly unionised organisations (see Table 3). In case of heavier demand, these companies increase only the number of temporary employees and, if needed, the number of overtime hours for the fully employed; in case of decreasing demand the number of temporary employees is immediately reduced, but the position of the fully employed remains stable, including their agreed number of additional working hours. Only in case of a huge decrease in demand would the additional hours of fully employed workers be jeopardised. In accordance with that, fully employed workers are extremely committed to their companies. Because of the redistribution of flexibility to different groups – that is, the strongly accentuated division of flexible work – reductions in temporary employment in strongly unionised companies are more intensive than in less or non-unionised organisations.

In less unionised organisations such an intensive reduction in temporary employment does not occur because redistribution of flexibility to the differ-
ent groups – that is, the cleavage between the fully and the temporarily employed – does not happen. In these organisations massive usage of temporary employment undermines standards and working conditions among weakly unionised fully employed workers. In such cases the high flexibility of temporary employees is extended to the fully employed workers, creating significant short-term advantages for these organisations.

To summarise, during the transition to a market economy, a specific pattern of work and employment flexibility was formed in Slovenia. It was a combination of high, but selective flexibility on the part of the fully employed on the one hand – regarding working time, weekend work, shift work, and so on – and massive temporary employment on the other. This combination developed in a Slovenian institutional environment – dominated by social dialogue and workers’ participation, but also legal regulations – facing strong competitive pressures from abroad. The organisational response (negotiated flexibility) has ensured the survival of many Slovenian organisations over the last 10 to 15 years.

The presented data on working conditions and employment suggest that employees in Slovenia work harder than previously. Paid work occupies a huge amount of their time in comparative terms (compared to both East and West), certainly above the EU average, a trend that is increasingly threatening the work–life balance.

1.8 Some ‘Adverse’ Implications of the New Work Patterns

The flexibility patterns identified have had various effects in different areas.

1.8.1 Inter-Generational Cleavage

Table 4 shows that the share of temporary employment among the young active population (between 15 and 24 years) is more than three times higher than among the labour force as a whole. Temporary employment occurs as a functional substitute filling the gaps not filled by the selective flexibility of the unionised, fully employed workforce. As temporary employment, which

<table>
<thead>
<tr>
<th>Temporary employed*</th>
<th>15–24</th>
<th>25–49</th>
<th>50–64</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>36.1</td>
<td>8.6</td>
<td>1.7</td>
<td>9.8</td>
</tr>
<tr>
<td>Unemployed**</td>
<td>18.1</td>
<td>5.8</td>
<td>4.8</td>
<td>6.8</td>
</tr>
<tr>
<td>Total</td>
<td>54.2</td>
<td>14.4</td>
<td>6.5</td>
<td>16.6</td>
</tr>
</tbody>
</table>

Source: SORS, LFS 2003*, 2004/1**.
is predominantly oriented towards poor jobs, is mostly 'reserved' for young people, the side effect of this type of division of (flexible) labour is deprivation among significant parts of the young population. In this case, young people are ghettoised into insecure and poor jobs.

In organisations with a weakly unionised workforce, temporary young workers inadvertently acquire the role of spreading bad working conditions, fostering the deterioration of full-time employment into other, more flexible forms of employment (for instance, self-employment). The result is a deterioration of working and employment conditions for all categories of workers.

The above clear division of the (different forms of) flexible work and employment between different generations is, in combination with high unemployment rates among young people (see Table 4), a factor that is causing huge generation gaps in Slovenian society. Inter-generational 'misunderstandings' occur at different levels of society, and are manifested in radically different approaches to work and leisure time and in correspondingly radically different lifestyles. The ideology of 'market liberation', the 'big-bang' – that is, the 'shock therapy' that was relatively successfully watered down by the gradualist approach to the transition during the 1990s – are increasingly going hand in hand with that side effect of gradualism, 'post-modern' mass youth 'individualism' which is spontaneously eroding the coordinated market economy and the welfare state of the middle-aged and older generations.

1.8.2 Low Fertility Rate

The second problem facing Slovenian society which is strongly influenced by young peoples' temporary employment, as well as their visible and invisible unemployment, is the low fertility rate. Similar to other 'post-communist' societies this problem clearly overlaps with (the beginning of) the transition to a market economy. Up to 1991, the natural population growth rate in Slovenia was above the EU-15 average; in the first half of the 1990s, however, it stood at zero, and by 1997 it had fallen well below the EU-15 average (Highlights on Health in Slovenia, 2001: 4).

1.8.3 Poor Quality of Life

The majority of middle-aged and older people are fully employed, in relatively stable employment relations and relatively developed social security networks. This privileged position enables them to take a regular approach to (selected) additional work and income. For many of them, however, this priv-
ilege is not a choice, but a necessity. As argued above, they have to add night shifts and overtime to the ‘normal’ eight-hour working day in order to keep family living standards at a relatively acceptable level. These parts of the population are trapped in hard work. The additional work that should enable them to enjoy a higher quality of life instead destroys it.

This additional working implies a work–life imbalance – conflicts between work and parental roles, work and family life, and so on, and a corresponding frequent occurrence of chronic stress and psychosomatic disorders.

1.8.4 Health Conditions Deteriorating

This process also clearly increases workers’ health risks, with problems being accumulated particularly intensively in the parts of the population exposed to the strongest pressures of work.

According to *Highlights on Health in Slovenia*, the report by the WHO Regional Office for Europe (Highlights on Health in Slovenia, 2001), which presents a comparative overview of Slovenian health is presented, Slovenia’s position is roughly between the ‘post-communist’ average on the one hand, and the EU-15 average on the other. Longitudinal data (for the 1980s and 1990s) reveal a general improvement in Slovenia, but within this prevailing trend there are a number of quite specific and even sharp deviations. The frequency of some illnesses is still relatively high and, moreover, there is even some deterioration that clearly overlaps with the beginning of the transition. These problems are briefly summarised below.

Slovenian life expectancy at birth in 1999 was 71.8 years for males and 79.5 for females. These figures are higher than the selected ‘post-communist’ societies, but still below the EU-15 average by three years for males and two years for females (Highlights on Health in Slovenia, 2001: 8).

Analysis of the data collected by the Public Opinion Research Centre (Malnar, 2002) reveals strong correlations between the frequency of psychosomatic problems and self-ranking in a particular social class. Among respondents that mostly rank themselves as middle (52 per cent) or working (38 per cent) class, a high proportion have sleeping disorders or feel restless or sad/dissatisfied. Two-fifths (42 per cent) of self-declared working class people have sleeping disorders and feel restless, one-third (33 per cent) have feelings of sadness/dissatisfaction and suffer from a strong heartbeat (30 per cent). Vertigo and nausea are mentioned by every fifth (23 per cent and 22 per cent) of self-declared working class people.

The intensity of psychosomatic problems is lower among the middle class, but a high proportion of those reporting sleeping disorders (30 per cent), restlessness (40 per cent) and feelings of sadness/dissatisfaction (22 per cent) still indicate that this population is also under considerable pressure.
The most unfavourable data for Slovenia concern death rates attributed to external causes. In spite of the important reduction in these rates over the last 20 years, they are still high and are close to the other ‘post-communist’ societies’ average. The level of self-inflicted injuries (suicides) is traditionally high in Slovenia, as is the death rate related to motor accidents (Highlights on Health in Slovenia, 2001: 12–13).

**Box 2 External Causes of Death**

‘Slovenia’s rates of death from self-inflicted injury (suicide) and motor vehicle accidents are close to the CIS (15 states of the former Soviet Union) average or even exceed it in certain years between 1991 and 1999’. Furthermore, ‘in the countries of Central and Eastern Europe ... the death rates from injuries dropped from 82.7 in 1991 to 66.3 in 1999 ... Hungary ... Slovenia and Poland ranked worst among the ten countries in the 1991–1998/1999 period. In the subgroup of self-inflicted injuries, Slovenia ranks just after Hungary, which has the highest death rate, and before Croatia’. Also, ‘the share of injuries among causes of death for young people is in fact an issue that raises the most concern. Unlike tumours, cardio-vascular diseases and other chronic illnesses, injuries affect mostly younger people. In Slovenia, they represent the main cause of death of people aged between 1 and 44 and result in a 27.4 per cent loss of potential years of life’. ‘The most common injuries in the group between 15 and 19 years of age arise from transport accidents’ and ‘for people between 20 and 64 years of age, from self-inflicted injury’. (HDR 2003/2003: 58–61)

A traditionally high level of alcohol consumption (‘one of the highest among the reference countries’) has increased during the transition, ‘promoting’ Slovenia to the very top of the list of reference countries in 1997. Slovenian standardised death rates for cirrhosis and other liver diseases are still almost twice as high as in the EU-15 and are among highest within the group of reference countries (Highlights on Health in Slovenia, 2001: 20).

Mortality from cancer among Slovenian males is 20 per cent higher than the EU-15 rate (Highlights on Health in Slovenia, 2001: 11). Compared to the reference countries, in terms of respiratory and digestive system diseases, Slovenia is in the poorly performing group. In spite of the decreasing number of digestive system diseases since the mid 1980s, the number is still high. In the same period, respiratory system diseases have increased rapidly (Highlights on Health in Slovenia, 2001: 1).

3. In the 1990s the number of smokers decreased, but the proportion of female smokers was comparatively high. In accordance with this the standard death rates among the female population for trachea, bronchitis and lung cancer surpassed the EU-15 rate in the mid-1990s.
To summarise, despite the high level of economic development to which they have contributed, the working and life patterns imposed by the transition and intended to successfully bring about a shift to a market economy without major social costs have worryingly deteriorated, with serious effects on the quality of life of Slovenian workers and their families.
PART II REALITY AT ENTERPRISE LEVEL: CASE STUDIES

The five companies to be described in the following part of the report are relatively successful examples from key sectors of the Slovenian economy. Three (A, B and C) are pure suppliers in the automobile industry, one (D) is prevalently located in this industry but also connected to other branches, and one is from a labour intensive sector (E). In accordance with the important role of automobile industry suppliers in Slovenian industry, their strong integration in foreign markets and exceptional exposure to competitive pressures, the selected cases enable us to form a rough picture not only of automobile suppliers, but more generally of the main employment trends in Slovenian ‘transitional’ industry, which has had to overcome both internal (collapse of production in the early 1990s) and external shocks (full exposure to growing competitive pressures). As a result, working rhythms are often very intense and recourse to weekend and overtime is systematic, conditions which managers generally try to compensate – with the trade unions’ agreement – through higher wages and relative employment stability. The majority of these case studies also confirm the extensive recourse to temporary work contracts and diversification of work practices in Slovenian enterprises.

2.1 Firm A: Towards 24-Hour, 7-Day Production?

From privatisation to foreign ownership
Company A was established in 1989. Before that it was part of a large company with more than 2,000 employees, but it disintegrated at the end of the 1980s due to the radical market shrinkage. At the beginning of the transition it was privatised and restructured and the tool-making and foundry part was separated off. As a company in its own right, A faced major problems and in 1992 its ownership was transferred to the Development Fund of the Republic of Slovenia. This was part of a large nation-wide company rehabilitation scheme in which approximately 100 companies agreed to transfer their ownership to the Fund. The Fund, in turn, assumed responsibility for the companies’ financial and production rehabilitation and restructuring. In 1994, the Fund sold A to an Austrian multinational which was acquired by a UK venture fund four years later.

* The case studies are the result of team work. The author would like to thank Martina Trbanc and Matija Rojec for their contributions.
### Table 5 Case Studies: Main Features of Enterprises under Study

<table>
<thead>
<tr>
<th></th>
<th>Firm A</th>
<th>Firm B</th>
<th>Firm C</th>
<th>Firm D</th>
<th>Firm E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main features:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector</td>
<td>Metal (DK)</td>
<td>Electrical (DL)</td>
<td>Electrical (DL)</td>
<td>Chemical (DG)</td>
<td>Textiles (DB)</td>
</tr>
<tr>
<td>Number of employees</td>
<td>1 200 (large)</td>
<td>900 (large)</td>
<td>930 (large)</td>
<td>920 (large)</td>
<td>560 (medium)</td>
</tr>
<tr>
<td>Ownership</td>
<td>Majority foreign</td>
<td>Majority foreign</td>
<td>National (with emp. ownership)</td>
<td>Majority foreign</td>
<td>State-owned</td>
</tr>
<tr>
<td><strong>Main trends:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment contracts</td>
<td>Open ended stable (approx. 700) + temporary</td>
<td>Open ended stable (600) + temporary fixed-term workers, students, leased workers</td>
<td>Open ended stable temporary fixed term workers (130 i.e. 14%)</td>
<td>Open ended stable temporary work (10%)</td>
<td>+ Open ended stable</td>
</tr>
<tr>
<td>Working time</td>
<td>+ four shifts + weekend work</td>
<td>+ shift work + overtime + weekend work</td>
<td>+ three or four shifts + weekend work</td>
<td>+ shift work + overtime</td>
<td>Morning shift + intensive seasonal work</td>
</tr>
<tr>
<td>Health and safety and other conditions</td>
<td>Average</td>
<td>Average</td>
<td>Average</td>
<td>+ better than average?</td>
<td>Disabled workers' unit</td>
</tr>
<tr>
<td>Work and Family</td>
<td>Stressful</td>
<td>Stressful</td>
<td>Hard work culture, tradition, strongly integrated workforce</td>
<td>Extended families, additional domestic work on gardens and fields</td>
<td>Hard seasonal work, 'putting out'</td>
</tr>
<tr>
<td>Wages</td>
<td>above average</td>
<td>+ above average</td>
<td>++ above average</td>
<td>++ above average</td>
<td>below average</td>
</tr>
<tr>
<td>Social dialogue and workers' participation</td>
<td>Company trade union + Collective agreement</td>
<td>+ Active trade union + Collective agreement</td>
<td>- Weak trade union Collective agreement</td>
<td>+Trade unions ++Works council Collective agreement</td>
<td>- Declining trade unions Works council Collective agreement</td>
</tr>
</tbody>
</table>

**Notes:**

+ : very developed ++: on the increase - : poorly developed --: worsening
Sectoral context
The example of company A shows clearly the strengths but also the weaknesses of enterprises in the metal sector: while it remains the strongest manufacturing sector – with 20 per cent of industrial employment (50,000 employees) and contributing significantly to economic growth – it has been shaken by international competition. Not only did it have to open itself up – on average, 60 per cent of production is directed towards exports, main external markets being Germany, France, Italy and Austria – and thus restructure its production, but it has also been penetrated by foreign investors. Indeed, some important producers in this sector are now foreign-owned, the main one being the well- and long-established Renault-Revoz plant in Novo Mesto.

Restructuring and employment cuts
Enterprise A also had to go through difficult restructuring. After a two-year ‘rehabilitation’ within the Development Fund, when the company was sold to the Austrian MNC, modernisation of production followed, resulting in rapid employment reduction. In one year, the workforce was reduced by almost 40 per cent, from 442 to 278 employees.

During this dramatic period our approach to work, work organisation and the whole culture changed. I remember an authorised controller from headquarters walking around, being quite upset with the situation. He came in my office and said to me: ‘People are sitting around on the shop-floor. I really don’t know what to do’. He was desperate. Today this situation is not possible. We really started to work hard. It is now part of our flesh and blood. The lowest number of employees was 278 persons. It was the bottom. After that the growth started. We reached a certain productivity level, which allowed us to start with new employment. At the beginning employment growth was slow, but later it accelerated. (Human resource manager)

At the end of 2004, as a result of economic recovery, A employed 1,274 persons. The core workforce of 721 employees was engaged on unlimited-time contracts, others were on temporary contracts (333) or lease contracts (220).

Working conditions in a ‘non-stop’ production process
Under competitive pressure, the work process became more and more intense, and was organised in four shifts. The plant operates continuously, without any breaks, day and night, weekends and holidays. ‘Shop-floor workers are divided into four groups. The first group works from six in the morning until two o’clock in the afternoon, the second from two to ten, etc. The fourth shift basically enables two free days in a week for every employee. The free days only occasionally overlap with weekends’ (Human resource manager).

The HR manager emphasises that this work system strongly impacts employees’ family life and social environment. The essential precondition for the system’s successful operation is the recruitment of a suitable workforce.
In addition, it is very important to explain the grounds for four-shift work to people and to put it into a clearly formalised frame. In the small town where the main plant is located, the system works well, but in a workshop in Ljubljana there are problems with implementation. Complementary to four-shift work is a regime of permanent workforce readiness to join the production process at any time if needed. Every employee has to be available at all times and is obliged to work when the company needs him, ‘irrespective of time, day, or holiday’ (Human resource manager).

In terms of wages, there is a company collective agreement which lays down wages and conditions surpassing the standards laid down in the sectoral agreement. In order to keep and motivate a skilled labour force, wages are above the national average.

Social dialogue
There are no works councils in A. When asked about the European Works Council, the respondents from both the managerial and the workers’ sides simply failed to recognise the term.

Nevertheless, there is a single trade union organisation in A, which is formally connected to the wider metalworkers’ union (part of ZSSS, the major Slovenian Free Trade Union Confederation). According to the HR manager, the company’s trade union is a strong organisation and its density is high, at about 70 per cent. The trade union president explained that the union is strongly connected to the company, being basically a company union. He said that they pay fees to the umbrella organisation but do not get any services or advice from them, and do not feel part of the wider organisation.

Since A was formed in 1992, open collective disputes have not occurred. Before that, under socialism, strikes occurred occasionally. Some of those in the late 1980s were massive.

We don’t know what a strike is in this company. We have had no protests or any kind of forced meetings. This situation has not changed since the beginning of the 1990s. But the period before 1991 was different. During socialism we had strikes, the two in 1985 and 1987 were large. Recently, when the sectoral union invited workers to join a wider warning strike there was not a single person from this company who supported them. (Human resource manager)

This tends to show the limits of trade union action when the employees – and with them the company’s trade union – are afraid of unemployment and so accept working continuously without hesitation.

Overall evaluation: no signs of rigidity at firm level
Despite the presence of trade unions – enjoying significant membership – the management of enterprise A does not seem to have encountered any obstacles to the progressive imposition of continuous production in the face of
increased international competition. It is also true that more intense working rhythms have been accepted by employees and also trade unions as a way of achieving restructuring and limiting employment cuts. Although such trends obviously have implications for working conditions, one may wonder whether this was the only way of adapting to the changing context. It indicates good adaptability on the part of Slovenian companies, but with adverse effects for working conditions and quality of life.

2.2 Firm B: Unlimited Working Time with the Trade Unions’ Blessing

An ‘exporter’ profile
Enterprise B is a manufacturer in the electrical industry producing motor vehicle lighting equipment. It is 100 per cent owned by a German MNC. In 2001, its net sales exceeded EUR 40 million, of which almost 100 per cent was exported. Before becoming part of the German MNC, B was a competitor, but it is now strongly integrated.

Sectoral context
The electrical appliances sector – mostly producing electrical household appliances, electrical machines and appliances, but also telecommunication equipment, and electrical components for the automotive industry – has also turned into a very competitive sector.

Approximately 1,700 companies employ more than 30,000 people and generate 16–17 per cent of the total manufacturing revenue. Approximately 80 per cent of employees in the sector are concentrated in less than 100 medium-sized and large companies and two-thirds of them in 30 large companies (SORs, CCIS, 2003). The sector is mostly based on capital intensive production, reaching productivity significantly surpassing the manufacturing average. Similar to the metal sector, some large, capital intensive companies from the electrical appliances sector are foreign owned, but the main exporter, Gorenje (household appliances), is Slovenian-owned.

Strong recourse to temporary employment
Firm B is also large, currently employing around 900 people. Two-thirds are on unlimited work contracts, while the others are on different temporary work contracts. B hires mostly temporary workers from agencies specialised in leasing workers. Currently, there are 140 leased workers at B. In addition, B contracts students; on average 80 students are employed daily. Most new employment is first offered for a fixed (probation) period (from a few months for production workers to one year for technical experts, engineers, man-
agers), later (if the probation period is successful) the contract becomes permanent. About 50 people in this group are fixed-term (probation) workers.

**Working conditions: dominated by overtime and weekend work**

Production is organised in two shifts (from 6.00 to 14.00 and from 14.00 to 22.00). There is also a night shift (from 22.00 to 6.00) when and where needed. Overtime and additional shift work is common, especially in production. This is mostly due to production pressures and last-minute orders. Individual workers work from 20 to as many as 80 additional working hours per month (prolonging the shifts and work during weekends and holidays). The payment of overtime is standard: normal working-hour pay plus 50 per cent. Although high overtime is seen as problematic by all interviewees, there is obviously a silent agreement between workers and management. The most problematic aspect (and the only one the unions protest about) of overtime is the fact that often additional or weekend shifts are organised at the very last moment, and workers are notified only a few hours beforehand. The workers regard that as poor work organisation and the unions demand notice of at least one day. However, orders for additional or urgent work often do come in at the last moment.

Headquarters appreciate our relatively highly motivated workforce and especially its flexibility. They recognise that we are flexible. Sometimes there is work that has to be done during Saturday and Sunday or on a bank holiday, but it is absolutely impossible to do it in Germany. If I am properly informed one day in advance, I am able to organise work on New Year’s Day if they require it, and our people (from B) will work. Frequently, we take over urgent orders to be fulfilled during the weekend. They know that we can do this and in this respect we are quite similar to the Czechs. The Czechs will do the same: if they are asked to do Sunday work, they will do it.

I think this kind of work is not possible in Germany at all. Our people are willing to do Sunday work because they feel a really strong commitment to the company. It is the legacy of socialism. It will vanish with new generations, but for the time being our workers consider B their plant and if the manager says that something has to be done during the weekend, they will do it. Payment is an additional factor. Because of the economic situation, they find additional work very amenable. They need the extra money. One reason is the economic motive, the other comes from socialism. The latter will disappear and we will be left with the economic one: the additional payment. (General Manager)

Workers hardly have a say, if any, in task organisation, which is determined by technologists. However, if they feel the production norms are set too high, they can complain and the norms are reconsidered.

The problem of misuse of sick leave was quite high in the past. Formerly, an agency was contracted to monitor workers on sick leave by occasional unexpected home visits. Also, a bonus was introduced (as part of the wage) to
motivate workers who have not been on sick leave for a long time. As a result, B managed to reduce sick leave from the previous 14–15 per cent a month to the current 6–7 per cent. This is a good result in Slovenia where sick leave rates are traditionally high. However, compared to the mother company (5 per cent per month), it is still significant.

Working conditions and health and safety regulations are comparable to those in the mother company. B closely follows health and safety standards at the workplace (the standards are set by Slovenian legislation and introduced by the MNC, including environmental standards). Workers annually undertake short training courses on safety at work.

Occupational health problems are connected with working conditions enforced by production technology and are often the consequence of previous technologies that were more physically exhausting (relatively high numbers of disability pensions among older workers).

Compensating with higher wages
Payments at B are approximately 10 per cent above those foreseen by the branch collective agreement. Wages comprise fixed and variable (so-called ‘incentive’) parts, the second ranging from 20 per cent (for production workers) to as high as 70 per cent (for others). Since these criteria are highly subjective, it comes as no surprise that workers often view the incentive system as unclear and even unjust, although no formal complaints have been filed.

Leaving aside individual employment contracts (for top management), wage differentiation between the lowest and the highest levels is not great, the ratio being approximately 1 to 3.5, less than in the mother company and partially attributable to the self-management legacy and the specific culture at B.

Social dialogue and participation: no opposition to management policy
There are two trade unions at B: ZSSS (the Free Trade Union) and KNSS (Independent). According to the HRM, both have approximately 400 members (close to 50 per cent of the total workforce). The Free Trade Union has more members (about 250). In both organisations, membership decreased slightly after the 1997 acquisition, but the change of ownership is not the real cause of the decline. The HRM says that trade union influence used to be stronger. Trade unions tend to come into their own when serious problems occur, but at B there have been no major problems for a quite long time, so the trade unions’ real strength is rather difficult to evaluate.

Unions are important for the company: ‘You have to hear the workers’ side. Also, at the individual level the role of workers’ representatives is important. When problems appear, they warn us and help us to resolve the problem and it is absolutely positive’ (HRM).

Employees have two representatives on the supervisory board. Both are managers, so they are able to communicate competently at the board’s meet-
ings. There is also a works council, but it is quite passive, convening only occasionally. Interviewees had no any information about an EWC and even if one exists at MNC level, they do not have a representative on it.

Workers’ representatives are systematically informed about management decision-making. There are regular meetings (one meeting every one or two months) between workers’ representatives (trade union and works council presidents) and the general manager at which the general manager informs the representatives about strategic issues, the financial situation and other important issues concerning the company. Workers’ representatives inform the manager about the main human resource problems and demands.

In addition to these regular meetings, occasionally an assembly of all employees is organised.

The last assembly was held one day before [the general warning strike organised by ZSSS]. It was organised to avoid the strike … The decision was the result of negotiations between trade union leaders and the general manager. Trade unions insisted on a kind of solidarity action to support workers from other Slovenian factories, but the general manager simply explained that there is no good reason for this type of action at B. There are some minor problems like occasional long working hours (overtime longer than laid down in the law), but serious problems do not occur here. The negotiations resulted in the assembly, but it was not conducted during the strike (from 10 to 11 am), but a few hours later. The general manager spoke about the plans for the coming year, he explained the financial situation and possible changes in pay, and so on. (HRM)

Overall evaluation: conditions more flexible than in home country

The case of enterprise B, which also serves as an example of a successful company, would seem to confirm the existence of a consensus at company level between management and workers and their representatives concerning rather intense and long working hours in exchange for higher wages and relative employment stability. This allows the German company to implement in Slovenia – and this indeed indicates greater flexibility – working rhythms and unsocial hours (especially the use of weekend work and overtime) that would be unimaginable in Germany and that German trade unions would immediately resist, in order to maintain competitiveness in a production process entirely oriented towards external markets.

2.3 Firm C: Employee-ownership Giving Priority to Employment Stability

A peculiar route: foreign investment and employee ownership

C is also a major producer in the Slovenian electrical equipment sector, manufacturing parts for electro-motors that are used in the production of cars, electric power tools, household appliances and special machinery. These parts
are technologically sophisticated products, which require major investments in research and development in relation to the product itself, as well as in relation to the production process. At the beginning of the 1990s, C had 950 employees and an annual turnover of EUR 30 million. Today, it has a similar number of employees and an annual turnover of EUR 170 million (General Manager).

For most of its life C has been minority and then majority foreign-owned, first by a German and then by a US strategic investor. In 2002, the Slovenian partners bought out the US parent company, and at the same time bought the former German parent company CC, which became a subsidiary of C. The majority owners of the company are the employees: 14 per cent of the employees’ share is owned by the management.

**Low numerical flexibility**

The employment situation at C is stable; currently (April 2004), it employs 930 persons. Numerical flexibility is very low: the majority of employees have permanent contracts and the ones on temporary (fixed-term) contracts are mostly new employees – C’s approach to new employment is that first a temporary employment contract is offered and afterwards (when the performance and commitment of the new employee have been assessed positively) it is transformed into a permanent contract. However, according to the HRM, it is rare that the performance and commitment of a new employee are not assessed positively and so a permanent employment contract is not offered. Currently, there are approximately 130 employees on temporary (fixed-term) contracts (about 14 per cent of all employees). C’s low numerical flexibility and the emphasis on functional flexibility among employees and their high commitment and loyalty to the company can be seen as a logical choice, given the specific location of the company and the fact that local labour supply is relatively limited (C is located in a small town and in the surrounding area there are no larger settlements; also, labour mobility in Slovenia is low). Not surprisingly, annual turnover of employees is very low: in the last ten years it has hardly ever exceeded 2 per cent (in 2003 it was 1.07 per cent).

**Continuous work**

Work is organised in three and even four shifts and frequently includes weekends. Work in four shifts which includes weekends is labelled ‘continuous work’ and is used if demand is high. Periodically, 60 to 70 per cent of production is organised in this form, but in April/May 2004 (interviews) only 10 to 15 per cent of production took this most intensive form. Continuous work means that workers work for five days, followed by two days off, which are not necessarily weekend days. This way, production can go on without interruption. Overtime is a natural part of the process and is paid ‘adequately’ (50
per cent on top of regular payments); alternatively, accumulated overtime hours can be used as free days when demand is slack.

Overtime and work in continuous shifts are done in agreement with workers. It often happens that notice concerning weekend shifts comes as late as one day beforehand, but there does not seem to be any resistance from the workers’ side; they regard this as an integral part of the work.

Good worker motivation
Enterprise C enjoys good worker motivation, which is also reflected in the figures on sick leave and absenteeism. The number of sick leave days has decreased over in the last ten years, from 4.8 per cent in 1995 to 2.5 per cent in 2002 (in 2003 it was 2.9 per cent). Employees are encouraged to avoid sick leave by variable pay: if they take sick leave or go on holiday they do not receive the variable part of their pay, only basic pay.

According to the production manager, on average there are one or two work accidents a year (finger, palm or hand injuries). Mostly, such accidents happen because workers fail to adhere to safety procedures (for example, trying to speed up the work).

Company gender structure is mixed, although there are many more men in production than women (due to the nature of production and the technical vocational skills needed). Often, several members of the same family are employed (both partners; parents and children). Despite the shift work, women with young children can take advantage of an arrangement to work only morning shifts. The company has no policy on equal opportunities in recruitment, promotion and pay; however, this is not perceived as a problem.

Higher pay with a variable component
At C there is a company collective agreement that sets the wage level, approximately 10 per cent above the standard defined in the branch agreement. In fact, average pay at C is even higher due to the variable part of pay and in 2003 it was 20 per cent higher than average pay in the branch. The pay is also somewhat higher compared to other companies in the local community.

The variable part of workers’ pay can amount to 20 per cent on top of basic. In individual, exceptional cases, the general manager can (on the proposal of the unit head and the production manager) add another 20 per cent to this.

Share ownership a substitute for social dialogue
There is no works council at C, and the trade union is rather weak. The general manager thinks that C’s union is disconnected from the union confederations. When asked about the number of trade union members at C, he said that he did not know and that he was really not interested. ‘I have been at C for more than 30 years. During this period we only had one workers’ strike in the
machine tools shop some 25 years ago’ (General Manager). ‘Workers have shares here and they are absolutely aware that here in [our town] they have to work. The people around here are hard-working. They are happy to have jobs in this company. There are some youngsters around with their own ideas, but otherwise people are really diligent here’ (General Manager).

The trade union president explains that the company’s union is part of SKEI, a major metal union organisation, which in turn is part of ZSSS (Confederation of Free Trade Unions of Slovenia). Trade union density at C is 30 per cent, significantly below the average in Slovenia (well above 50 per cent). According to the president, all union members are older workers. Younger workers are totally uninterested and passive (trade union president).

The general manager says that he meets ‘trade unionists’ once or twice a year. ‘So far it has worked: we have had peace here. The boys are paid quite well’.

Overall evaluation: employee ownership and flexibility
At enterprise C, while employee ownership seems to have resulted in good worker motivation towards keeping the firm profitable, higher wages – especially through its variable component – and relative employment stability have allowed the company to impose high flexibility in working hours and very intense production without worker opposition. It is also significant that employee ownership – often presented as another institutional rigidity of the Slovenian system by World Bank specialists – does not seem to have impeded flexibility at company level.

2.4 Firm D: Workers’ Eagerness to Work More

Ownership mixture
D’s main product is a specific part used in car seats. Its main product characteristics place it in the chemical sector of Slovenian industry. It has an annual turnover of approximately EUR 93 million. Production is mostly exported.

D is 60 per cent owned by a US based MNC and 40 per cent by Slovenian partner X. Shareholders of X are also employees of D, who got their shares within the framework of mass privatisation. D’s foreign parent company is one of the largest world suppliers of automobile components. It has 650 plants around the world, of which 90 are in Europe.

Sectoral context
The chemical, pharmaceuticals and rubber sector (producing pharmaceuticals, but also tires and air-tubes for vehicles, paints, printing inks, putties and man-made fibres) seems to be the most capital intensive and most productive sector in the Slovenian economy, as shown by its 20 per cent share in total manufacturing revenues.
According to CCIS data, the sector employed 25,000 persons and generated revenues of EUR 3.3 billion in 2003. The sector’s share of total employment (in manufacturing) is 10.8 per cent. The sector is strongly export-oriented, and accounts for 20 per cent of total Slovenian exports. According to SORS data for 2003, 20 large and 64 medium-sized companies employed 90 per cent those working in chemicals (NACE DG) and rubber (NACE DH) manufacturing. Foreign investors are strongly present. Among major exporters in the sector, some are still in domestic ownership (Krka d.d., Novo Mesto), but a significant proportion are foreign owned. The main foreign investors are well known multinational companies like Goodyear, Novartis, Johnson Controls, Henkel, and so on. The main export markets are Germany, Croatia, Russia, Poland, Italy and Austria.

An educated and motivated labour force
D employs 920 people, mostly with a secondary education. It is difficult to find highly educated people because they are reluctant to work in a small peripheral town. Work motivation of D’s employees is high: they continuously come up with ideas on how to improve things. They are self-starters. This is a big advantage for D compared to other companies in the MNC system. Such a positive attitude can hardly be found in Germany or in the USA.

Young people on temporary contracts
The majority of employees have unlimited contracts. The share of temporary employment reserved for young people is about 10 per cent. The best of them – who have been in temporary employment for more than two years – have some possibility of obtaining an open-ended contract with the company. According to the union president, about 40 workers have been on temporary employment for more than two years. They had all been promised unlimited contracts, but a fall in demand had delayed this (trade union president). One young worker, who has been in temporary employment for more than two years, was informally told that D needed young workers. He therefore wrote an application letter and was immediately included in the production process. So far, his temporary contract has been prolonged every sixth months and now he hopes to conclude an open-ended contract in the New Year. (The worker said that on his shop floor there are about 30 employees. Five or six of them are temporary. The best have a chance of more secure employment.)

Looking for additional work
The work process is organised in two, and on the biggest shop floor three, shifts. The first is from 6.00 to 14.00, the second from 14.00 to 22.00 and the night shift starts at 22.00 and finishes at 6.00 the next morning. Workers have
a 30-minute lunch break and two 10-minute technical breaks, all included in the eight hours’ paid work. Afternoon work pays 10 per cent better than the morning shift. For night work workers are paid 50 per cent more than for the morning shift. (Thanks to trade union intervention, afternoon and night shift workers receive 10 plus 50 per cent additional payments; previously, only 50 per cent more was paid for the night shift).

Periodically, there is a need for additional work in order to fill gaps in response to suppliers’ needs, delays or increased demand. In such cases the problem cannot be solved by additional employment or night shifts. The only solution is overtime. “It may happen that we receive a fax in the evening concerning a significantly higher number of the pieces for the next day. We have an agreement with the company about these issues and so we do not object’ (Trade union president).

The trade union president said that workers need money and so they do not complain about additional work. The works council president confirms this and also mentioned the dissatisfaction caused by the reduction of night shift work. Workers pressed the management for additional work (works council president). According to the trade union president, young workers in particular are ready to work night shifts because ‘50 per cent extra pay means a lot to them’. They are young and unaware of the fact that it is not worth the health risks generated by night work. ‘Young male workers have to work 40 and females 38 years. They should pace their work so that in the future they will be able to enjoy retirement.’

The female worker agreed that the night shift work is well paid. Together with overtime it significantly improves wages. However, ‘it is hard work. After a week of night-shifts you can’t sleep normally at night in the following week, when you are back on the morning shift again. When you are young it is easier, but now it is a problem for me’ (she is about 40 years old).

**Poor sick leave protection**

An external controller hired by the company monitors’ sick leave. The controller has a list of the people on sick leave and occasionally visits them at home. If a worker is not at home and does not have a doctor’s permission to leave home, he is considered in violation of disciplinary rules and will be cautioned and/or sanctioned. Workers said that in case of illness, if it is not very serious, they prefer to work rather than stay at home. If they are seriously ill and, say, have a high fever, they frequently use free (holiday) days because the use of sick leave has a significant impact on wages (female worker) The MNC’s motivation as regards safety at work is the fact that any absence costs the company. The number of accidents at work at D is 0.7 per month. D has 4 per cent absenteeism, compared to the MNC’s benchmark of 3.4 per cent.
Lack of a work and family policy

Three interviewees work on the shop floor supervised by a foreman (first line manager) who is also works council president. The young male worker finished elementary school; he married a woman employed as a shop assistant. They have two pre-school children. The family lives in the same household with the mother-in-law, who looks after the children and does everyday household chores. The female worker is about 40 years old. Her husband works the morning shift at another company. Two children finished high school; the son is a university student, about to finish his degree. The female cleaner is 50 years old; she used to work as a machine operator, then left her job and devoted ten years to bringing up her children as a housewife. Later on she took up employment at D and started work as a cleaner because of health problems.

All of them agreed that workers who are engaged in shift work often do not see their family at all. ‘The biggest problems are with children. You are not able to keep an eye on them and their schooling’ (female worker). The female worker emphasises that in their family they have separate meals every day. ‘It is most difficult when I am on the morning shift. When I work in the afternoon, I cook lunch before I go to work and when there is a night shift I cook it before they arrive. Today I haven’t fixed lunch yet, but I am going to do it now, after this interview’. The male worker said that in his family everything was in the hands of his mother-in-law. ‘My wife only occasionally peels a potato.’

Overtime and night-shifts to get decent wages

There is a company collective agreement at D which lays down wages (2 per cent higher than those in the branch agreement). The company is covered by the branch collective agreement for chemicals, which significantly exceeds the standards laid down in the general agreement. In addition to basic pay, employees also receive variable payments (about one-third of basic pay).

The works council president said that workers from his shop floor could earn SIT 150,000–160,000 (EUR 620 to 670) take-home pay per month, if they are willing to work overtime and night shifts. ‘I think it is relatively good pay compared to others in this valley’ (4). The female worker said that workers at D are paid ‘about average’.

Work is quite exacting and it should be paid more. ‘You can’t do much with this pay. With only one income at this level a family can’t survive … But you have to be satisfied with the pay you get.’ We must add, however, that these wages remain below the national average – and far below wage standards in the US – so that workers can obtain decent wages only through excessive overtime and weekend work.
Wages and employment the trade union’s priorities

A works council has existed for more than 10 years. At the beginning of the 1990s when the former workers’ council was abolished, for one year only the trade union represented workers, then they initiated the formation of the works council.

The works council has 13 members. One represents the management, all others are employees from different shop floors and departments. With the exception of the president, all are trade union members. The council concluded a participatory agreement with the management defining conditions and its main areas of work. The councilors meet monthly and discuss annual business reports, health and safety issues and workers’ initiatives. Workers periodically complain about working norms and appraisals. The council discusses these complaints and mediates suggestions/proposals to the management.

The trade union president said that there is no clear division of tasks between the works council and the trade unions at D. The works council has a number of responsibilities, but the trade union usually ends up doing things. ‘For trade unions the first task is pay, its regularity in accordance with the collective agreement. The union’s ‘mission’ is completed when pay is fixed. All other matters concerning information, consultation, and so on, should be done by the works council’ (trade unionist).

The works council president said that in Germany works councils are more important representative bodies than in Slovenia. In Slovenia, workers have unions and works councils. ‘Workers will never understand the difference between them. It is theoretically clearly defined, but people simply do not understand it’ (works council president).

There are two trade union organisations at D. The Free Trade Union (ZSSS) has 770, and the smaller Independence (KNSS) 80 members. The unions do not cooperate with each other.

The president of the major union (a technologist who is a full-time union official) attributes the exceptionally high trade union density rate at D (unusual even by Slovenian ‘standards’) to the quality of the trade union’s activities. Wages are regularly (without any delays) received and so are compensation/holiday benefits. When a shop floor was closed and moved to Portugal 100 people were made redundant. All were relocated to other units – nobody lost their job. In the regional union’s office legal assistance is free of charge for union members. At the branch level, the union runs a solidarity fund, which is used in case of accidents. There is a workers’ savings bank within the union offering advantageous loans to union members. ‘A worker just fills in a simple form which I sign and stamp and he/she can draw SIT 1,500,000 immediately. It is big money for people who receive SIT 80,000 or 90,000 per month’ (trade unionist).
The oppositional trade union

The smaller trade union is quite radical. The president of the works council said that this union had not joined the participatory agreement. The leader of the union stated that cooperation with the works council is impossible because the council is totally under the managers’/employers’ control. ‘The president of this union came to our shop floor saying to the workers that they are not allowed to work overtime. The problem is that workers want to work, they need overtime and they are paid for that. But this man came and said: It is not allowed, you don’t need to work. But it is our reality, we depend on Western markets. There are constant changes in demand and you can’t simply cancel occasional large orders. Thank God we have orders’ (work council president).

Among the interviewed workers, the cleaner is not a trade union member. The temporary worker said that he joined the union because it offered ‘good opportunities for sport and recreation’. The female worker explained that she was thinking about leaving the union, but finally decided to remain a member. ‘The most important thing is the feeling that the union really is able to help workers if they are about to lose their job’ (female worker).

Workers see unions and works council as their representative bodies negotiating for higher wages. They keep asking the works council president, who is a line manager on their shop floor, about additional payments and coupons. ‘We are quite annoying, we are always demanding more’ (female worker).

The company has not been affected by strike action. Workers’ representatives participated in two picketing actions in front of the Chamber building in Ljubljana, when employers refused to sign a new branch collective agreement (later the Chamber signed it). The company’s managers did not interfere because they knew that the action was directed against the Chamber.

Overall evaluation: working conditions dominated by employers

Firm D illustrates ‘selected’ or ‘negotiated’ flexibility in some Slovenian enterprises. As workers are eager to earn more and thus to work more, trade unions and the work council seem to have adopted wages and preservation of employment as their main priorities. There has thus been no opposition to shift work, night work and excessive overtime, especially since the management has made them the only way of obtaining decent wages. It is also possible that poor cooperation among trade unions and between trade unions and the works council may have contributed to putting the employer into a dominant position. In any case, the employer has been able to penalise sick leave, make workers totally dependent on the company’s production schedules and has significantly increase temporary work contracts. For the foreign owner, it is obviously a unique opportunity to overcome increased competition and to feed international markets at lower labour costs. One may wonder about the alleged rigidities of the Slovenian labour market if foreign investors from
‘less rigid’ labour markets have understood that Slovenian ‘rigidity’ or its special type of flexibility – internal rather than external, moreover agreed to by the workers and their representatives – is definitely paying off.

2.5 Firm E: Poor Working Conditions in Textiles

Sectoral context
Enterprise E is located in a small industrial town in the north of Slovenia. It is a footwear producer specialising in high quality and fashion shoe production. It is part of a textile, clothing and leather processing industry which is predominantly labour-intensive, facing problems and fierce competition from regions of the world with a cheaper labour force, relocations already having taken place to other parts of the former Yugoslavia.

The sector employs 30,000 people, approximately half employed in around 20 large companies and a quarter in medium to-large companies. However, its share in total manufacturing revenue is significantly lower than that of the other sectors presented.

Compared to capital intensive sectors the textile industry is also less export-oriented, but still primarily an export industry: more than half its products are sold on foreign markets. There are some foreign companies within the sector (Gruppo Bonazzi, Boxmark Leather, and so on) and some companies are almost pure exporters, selling 90 per cent of production on foreign markets. The main export markets are Germany and Italy.

Downsizing
Company E used to be one of the largest footwear producers in the former Yugoslavia, selling most of its products on Yugoslav and, partly, Russian markets. After the Yugoslav market disintegrated, the company suffered a severe crisis, involving a series of realignments focusing on radical employment and production reductions. The company was state-owned from the beginning of the restructuring process and the state is still majority owner.

After ten years of downsizing and occasional threats of bankruptcy, the company stabilised production and employment at a level significantly – more than five times – lower than that of the late 1980s. The general manager (a 40-year-old female chemical engineer) explains that the company’s recent positive results have been achieved in a way which has secured regular wages and job stability for employees, but that E is definitely not a ‘social’ enterprise (General Manager).

Lower value added inputs produced in other countries
The company has practiced some relocation: it now supplies large quantities
of simple production inputs, such as footwear uppers, from suppliers in other
countries, but the final assembly that assures quality takes place in the
Slovenian plant. ‘We constantly monitor our business environment; we com-
pare our performance in order to find out which part of the production pro-
cess can still take place in Slovenia, perhaps after some technological mod-
erisation, and what is no longer possible in Slovenia. If we find that a new
technology makes it possible to keep the work in Slovenia and an analysis
reveals that the investment would pay off within a two-year period, then we go
for it. We have already done this: at the beginning of the latest, relatively suc-
cessful period we bought a few new machines’ General Manager).

A restructuring policy agreed by workers’ representatives
According to December 2004 data, the company employs 564 people. A large
majority – over 80 per cent – are women. At the end of the 1980s, the com-
pany employed approximately 4,500 people in different parts of the Yugoslav
Federation. The majority of employees, almost 3,000 of them, were located in
a small town where the company still has production facilities.

During a 10-year-long downsizing process, social plans have been contin-
uously prepared in cooperation with workers’ representatives, but only after
the last realignment in 2001 did all redundant workers, without exception,
receive the compensation laid down by law. In a number of earlier cases, compen-
sation was not secured for all dismissed workers. Recently, after a long
judicial procedure, the company has been faced with a series of judgments
obliging it to compensate its former employees. These costs represent a unex-
pected additional pressure on company performance.

During the company’s crisis in 1998 all employees were put on temporary
employment. This was followed by an evaluation procedure which gradually
returned permanent employment status to carefully selected employees. After
the last realignment, when 180 employees were dismissed, practically all
employees who did not lose their jobs were engaged on full-time, unlimited
contracts. All these processes were coordinated with trade union and works
council representatives. The president of the company’s major trade union
explains that workers representatives were pushed into these developments.
‘Now when I walk the streets of the town, after all these dismissals, some for-
er employees simply ignore me. It is quite annoying, you know, I am not
guilty, I am not responsible for these events. It was hard unpaid work I did and
with an easy conscience, not just because that was my role and I was pushed
into it, but also because as a result the company still exists. If we hadn’t taken
action nobody would have a job here any more; the company wouldn’t
exist’ (trade unionist).

New employment is exceptional and focused on qualified, highly educated
workers. The employees’ age structure is unfavourable. The average employ-
ee is over 40 years old. Approximately two-fifths of all employees are older than 46 years. The number of employees is gradually decreasing because of retirement, which are not balanced by scarce new employment. Over the next five years, the number of employees will drop by 50 and 30 per cent in the sewing workshop and final assembly production, respectively, both due to retirement. ‘Last year our performance was good and we finished the year with positive results. We will achieve the same results this year, so that all our people are secured a normal passage to retirement.’ (General Manager)

A hard and female-dominated work process

The production process is divided into three parts; leather cutting, sewing, and final assembly. In the first part, men and women are equally represented, but in the second and third female workers account for almost 90 per cent of the workforce. Work is organised in one (morning) shift, from 6.00 to 14.00. Working time is adapted to the seasonal nature of footwear production. During two- or three-month cycles in spring and autumn, working time is extended to 48 hours per week. In these periods employees work twelve hours on Tuesdays and Thursdays, or eight hours on Saturdays. The trade union representative said that, at the time of the interview, employees from the assembly-shop-floor had two long shifts per week plus a working Saturday. The plant was closed on Sunday.

Our major achievement is that we have adapted the work rhythm to the seasonal character of the production … During the last four years the company’s technical staff, together with works council representatives and trade unions, have harmonised annual work plans, which were confirmed by the works council … These plans precisely define the amount and timing of additional seasonal work for production workers every year. It means that every worker knows when more than eight hours per day will be worked. Employees can use accumulated hours/days as days off during periods when production is less intensive. (General Manager)

Some employees work additional hours in the afternoons, in a fashion strongly resembling the British pre-industrial ‘putting-out’ system: workers are given the necessary materials and work at home during their ‘free time’. The general manager explains that this was an unavoidable exit option for the company when faced with the bankruptcy of its main suppliers in the middle of the season when other suppliers were unavailable. That is why the company offered additional work to employees, some of whom accepted it. Other respondents explained that ‘putting out’ has a long tradition in the factory and that it was used intensively in the ‘old communist times’, especially in periods of excessive demand. The latest experience with this form of work is, according to the general manager, positive. Not only do the employees have the relevant skills and are interested in additional pay, but the company uses this form of work to reduce contingences, using it to secure stable and quality supply.
Production work is relatively hard. The spine and hands are especially strained and after long service occupational illness may occur. Within the company one production unit employs disabled workers only. Most are older workers from the company, but there are also young workers from schools for disadvantaged students.

‘Despite a relatively large number of disabled workers, and some of them are seriously sick, using long leaves, the proportion of absence due to sick leave is relatively low in our company. It reached 15 per cent in 2001, but last year it was only about 5 per cent’ (General Manager, 9). This result can be attributed to a strategy of financial support for those who are continuously – without breaks, such as sick leave – present at work. If this continuous presence exceeds nine months, the employee earns an additional payment of approximately EUR 40. In fact, there have been very few cases of workers declaring sick leave, but working informally. These cases were discovered by an agency hired to monitor workers. Instead of sick leave, the majority of workers use days accumulated during more intensive work periods.

Overburdened family life
Workers’ representatives said that the ‘normal’ eight-hour working day is not particularly tiring. However, 12-hour shifts twice a week during the relevant season are extremely tiring. As already mentioned, half the employees are 45 years old or more and most are women, who traditionally also have household duties. In addition to that, production is becoming more complicated and there are a lot of very different models; large batches of uniform products have vanished. Today, a worker must adapt constantly to changes in production, which is a burden in itself.

It is the woman who supports three corners of the house. She works from six to six, and when she finally gets home there is housework waiting for her. The general manager (a woman) was not very open to these arguments. When she came here, she thought that men would help with domestic work during women’s long hours. At the beginning women were really under pressure, we couldn’t persuade the manager that the woman is the key worker both here and there (at home). Finally, it seems that she is beginning to understand, but still not completely. (trade union president)

Payment delays to secure jobs
In 2001, when the current manager was appointed, the company faced the possibility of bankruptcy. All employees had to choose between two options: use the last of the company’s money to pay off the workers and close the company forever, or use this money to buy raw materials to continue with production. All the employees, together with the new manager, agreed to work practically without wages for three months. After this, all sides concluded a social contract in which they laid down a payment schedule. After signing the
contract, payments have been regular and without delay. ‘I told them: my duty is to secure the money for payments and your duty is not to ask me if they will be paid or not’ (General Manager).

Miserable wages
At E, there is a company collective agreement. In the textile sector, the main problem is large categories of poorly paid (below the minimum wage) workers. In the collective agreement the two worst paid categories of employees – below the minimum wage – were integrated into one category which is now paid at the level of the minimum wage. Average pay in the company is below the sector average, but it exceeds average wages in comparable Slovenian footwear companies. Relatively low average wages are partially the result of the reduction in administrative employment in the company. Production workers, when compared to workers from similar companies, are better paid at company E.

Work appraisal is based on group norms. All employees receive a basic payment, which is supplemented with small additional payments for attendance. Payments do not change during the year and are not connected to the seasonal character of the work. According to workers’ representatives, this system fails to motivate good workers, and employees have problems understanding a work regime in which they are paid the same for extremely hard and relatively undemanding work.

Employees receive SIT 90,000–110,000 (EUR 375–460) take-home wages per month. ‘It is money which enables you to survive but only if you have mum and dad to add a substantial additional sum to it. Your bank account is always in the red. Generally speaking, it is impossible to survive here or anywhere else even if a couple works here, but has two children at school’ (trade union member, 5–6). The difference between wages at E and unemployment benefit is insignificant. In light of this, some unemployed persons choose unemployment rather than employment because in that case they have the possibility of working in the informal economy.

Social dialogue
There are two trade unions and a works council at E. Trade union density exceeds 50 per cent but was higher in the 1990s. When the company stabilised, trade union membership started to fall gradually. Membership fees are relatively high for employees who feel relatively secure after the upheavals of the 1990s. The presidents of both trade unions have confirmed that trade union membership is declining, but are not willing to present current membership figures, saying that it is ‘a military secret’.

The trade union presidents have regular meetings with the general manager every three months, but in case of problems meetings can be more frequent.
In the mid-1990s there were strikes at the company. The main causes of the protests were payment delays and extreme job insecurity. ‘The last time we went on strike was 2001. Since that time we have had order here’ (worker, 10). ‘In spite of the wages which are so low that it is practically impossible to survive on them, people feel some security; they know that at least they have something. Trust exists here, we know that on pay day we will get the money’ (trade union president).

**Overall evaluation: securing jobs in a declining industry**

The example of enterprise E shows how poor wages can be – with payment delays into the bargain – at one textile enterprise, moreover with very intense working rhythms and overtime, and a labour force dominated by female workers who have no chance of reconciling work and family life. Nevertheless, workers and trade unions seem to accept such conditions in order to secure their jobs, with the hope of achieving a better retirement and/or better working conditions in the future.

**CONCLUSION**

Slovenian society is traditionally strongly oriented towards both work and family. For the majority of Slovenians, work ‘makes life meaningful’, and the growing materialism within families further emphasises the importance of (hard) work. This centrality of work, which holds job security to be the highest value, is – in combination with other important factors – the main determinant of the institutional heritage that seems, since the early 1990s, to have ensured relatively high social and job security for the majority of Slovenian workers. Our enterprise case studies confirmed this priority given to job preservation, to the detriment of working conditions, working hours and, indirectly, family life. We obtained the same findings whatever the ownership form, whether foreign-owned, state-owned or employee-owned, and whatever the sector – capital intensive like chemicals or labour-intensive like textiles – and finally whatever the trade union presence – although trade unions do seem to contribute further to protecting employment.

This feature of the Slovenian transition has been strongly criticised by different sets of domestic economists, international advisers and key international institutions. According to the critique, the main obstacle to Slovenian development is its (inherited) rigidity. Recently, this critique – originating with the World Bank – escalated into the thesis that overregulated, rigid and inflexible transitional patterns in Slovenia would prove to be historically exhausted.

These criticisms appear to be totally inconsistent with the good results
achieved by the Slovenian transition, however. How could Slovenian ‘rigidity’ have generated one of the most successful transitions to a market economy in the 1990s? The implicit thesis of the most radical critics is that the transition would have been even more successful if it had been radically flexibilised, that is, imposed in the form of ‘shock therapy’ at the beginning of the process.

The main finding of this chapter, in contrast, is that Slovenian transitional patterns have not been inflexible at all. It is true that the system – and especially the labour market – has been highly regulated, but it has made possible great internal flexibility, with the blessing of the trade unions and other workers’ representatives. Trade unions have also allowed temporary work to become widespread for newcomers (for instance, young workers), while this form of contract expanded even more in non-unionised enterprises. These developments point to the presence in Slovenia of a rather unique form of flexibility, which we have called ‘selective’ or ‘negotiated flexibility’.

The case studies enable a better understanding of such tradeoffs at enterprise level. They suggest that Slovenian companies, when faced with fierce competition, are able to achieve quite exceptional internal labour force mobilisation. Trade unions, sometimes in cooperation with works councils, have influenced the formation of flexible work patterns, something that has been rendered even more necessary by the difficult situation of local labour markets. When a labour market enables massive use of temporary work, companies include it in the production process, and when it is not possible (which is the case in relatively closed, isolated small-town areas), they substitute it with more intensive internal functional flexibility. In both cases, Slovenian trade unions have not fundamentally opposed these practices, but have tried instead to adapt them to the interests of their members. The basic determinant of the unions’ micro policies is the interest of employees, that is, ensuring employment stability and improving low wages. Trade unions work in close cooperation with management to attain such objectives.

Although company C with its weak unions may appear atypical since it did not highlight, as expected, the excessive use of temporary employment in weakly unionised companies (with an expected strong correlation between high share of temporary employment and weakly unionised companies), this result could be due to the presence of employee ownership which may have acted as a substitute for trade unions and social dialogue in limiting temporary work to secure internal integration and workforce mobilisation – the relatively sophisticated production of the enterprise may also have played a role – with an ultimate outcome very similar to the one reached in highly unionised companies.

Generally speaking, the statistical evidence presented in Part One, together with the selected case studies, reveals that, at least in the Slovenian case,
Trade unions are rigid only at first glance, and that it is on the contrary their flexibility – imposed by external conditions which are themselves very rigid – which has made possible economic success.

However, this Slovenian peculiarity – generalised divided/multiplied flexibility within ‘rigidity’ – has brought its own problems. The social structure is already characterised by an extremely strong generation gap and problems with natural reproduction of the population (low birth rate and natural growth rate) that have been aggravated by working rhythms, overtime and weekend work, as well as by the prolonged retention of the young in temporary employment. The effects on the Slovenian population’s health are also bad, as witnessed by the significant number of deaths due to external causes and specific diseases, another sign of critical imbalances between work and family life in Slovenian society. Moreover, all these symptoms of imbalance (Malnar, 2002; HDE 2002/2003) seem to be concentrated in the lower parts of the social structure, with the lowest social groups being particularly exposed to extreme pressures and trapped in living conditions which remain, despite relatively strong policy interventions, exceptionally hard.

Finally, one might wonder why Slovenia should drop its innovative strategy of ‘negotiated flexibility’ given that it appears to have been so successful? Would it not be better if all employees became more flexible, with more temporary employment? Another question is whether the Slovenian trade unions would consider such an objective as attainable, and even more importantly, as humanly acceptable? After all, is not the balance that seems to have been struck in many Slovenian enterprises – of course, with imperfections, especially with regard to working conditions – not the one being pursued by most European policy-makers between ‘flexibility’ (requested by employers) and ‘security’ (demanded by employees)? Is this not what the whole debate about ‘flexicurity’ is about?

In this context, the policy target, instead of being to remove alleged sources of rigidity, should probably rather consist in identifying means of progressively extending – and not reducing – such ‘negotiated flexibility’ to young, temporary workers.
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