The Characteristic Features of Social Dialogue in the Baltics

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Abstract. This article analyzes the characteristic features of social dialogue in the Baltic states. The methodology of the current research is based on an intensive analysis of literature and statistical data. The aim of the present research is to address some gaps that were identified during the literature review. Firstly, why does the social dialogue develop so slowly in the Baltic states? Secondly, what was the role of social partners in that process? We find that the main achievement in social dialogue have been reached by social partners on the national level and, despite the painful austerity measures, the Baltic states showed the benchmark of advanced crisis management.

Keywords: Baltic states, industrial relations, financial crisis, social dialogue, trade unions.

Introduction

Comparative research in the European Union convincingly shows that social dialogue differs country by country. It is assumed that there are principal differences between social dialogue systems and problems in Western European countries (WECs) and Central and Eastern European countries (CEECs). The Baltic states are unique regarding the social dialogue, because they were
the part of the Soviet Union, where there were less democracy elements than in other CEECs (with exception of Albania).

The CEECs are characterized by weaker trade unions and a faster erosion of trade union density, the lack of established employers’ associations and a tradition of bipartite, multi-employer, collective bargaining, a lower bargaining coverage and a strong formal tripartism that partly replaces the underdeveloped collective bargaining systems at the sectoral level (Mailand, Due 2004; Woolfson, Sommers 2006; Meardi 2007; Mrozowicki, Van Hootegem 2008; Gonser 2011; Guogis 2014; Mrozowicki 2014). Nevertheless, the tripartism was developed through the pressure of international actors, who had required labor market reforms (Croucher, Rizov 2012). Given the limited role of the government, Marginson and Traxler (2005) suggested that the cause lies in the different bargaining system across Europe.

Due to the fact that the research object is the transitional society, which means that it is constantly changing (some elements disappear, whereas others newly evolve), it is still not clear enough for researchers worldwide why generally, in Central and Eastern European countries and particularly in the Baltic states, the social dialogue is developing so slowly and memberships in employee organizations are declining. The Baltic states have an interesting experience of rapidly increasing its GDP, enduring a deep economic crisis and swiftly withdrawing from it. What was the role of social partners in all these processes, how does social dialogue look like and what are its main features? The authors, when posing this question, differentiate and generalize in their analysis and draw the characteristic features of social dialogue in the Baltics in the broader context of CEECs and the way out of the crisis.

The aim of this article is to identify the main characteristic features that distinguish social dialogue in the CEECs in general and in the Baltic states in particular regarding: 1) The background of the social dialogue systems; 2) The participation right in the social dialogue organizations; 3) The representativeness of the social dialogue organizations; 4) The methods of the social dialogue; 5) The power of the social dialogue, 6) Future trends.

Limitations of research: During the current research, authors did not try to find out the role of the social dialogue for the elimination of the outcomes of the financial crisis. The financial crisis brought a lot of uncertainty to the relations of social partners and the development of social dialogue in the Baltic states. Indeed, our research idea is not new. However, we try to find out actual, universal, local and specific features of the development of the social dialogue in the context of the transitional period.

Background of the Social Dialogue Systems

The first characteristic feature is the duration of the social dialogue practice. Social dialogue systems in the CEECs were established in the beginning of 1990s, whereas in the WEC, they appeared much earlier. In France, the law recognized the freedom of association in 1884, and the first laws relating to collective bargaining were passed in 1919. The basic structures of the German industrial relations system were introduced after the Second World War. Social dialogue in Belgium is rooted in the Law of December 5, 1968. In Lithuania, Latvia and Estonia, the first social dialogue institutions were built in the beginning of the nineties. According Mailand and Due (2004): “social dialogue is an opposition to forms of state regulations […] that avoid
conflicts or help to solve them.” Hence, there is less experience of implementing social dialogue in the CEECs than in the WECs, but, on the other hand, they have less routine and are more enthusiastic and dynamic. Indeed, that gives foreign investors more freedom than at in their home states (Sippola 2009), which has earned some Baltic states the title of being neoliberal (Woolfson 2008).

The second characteristic feature is the mode of the establishing of social dialogue systems. The institutional setting of the social dialogue in CEECs was created anew. The creation of the social dialogue in the CEECs was voluntary, still directed “from the top down” by the wish and necessity to similarize their democratic institutions with the core EU countries. In result, the CEECs established social dialogue systems at about the same time, and the first models were rather similar (they changed later in some countries). In the WEC, social dialogue systems were created independently, adjusted to the country’s needs, in a way of natural evolution of industrial relations.

The third characteristic feature is the specific role of trade unions. Before the transition to the market economy, trade unions existed in all the CEECs and the coverage rate was high. They fulfilled their traditional trade union functions – conducted collective bargaining, concluded collective agreements, protected employee rights and assisted employees from the social funds (Croucher, Rizov 2012; Morrison et al. 2012). They were organized in easy, manageable, centralized systems, which were based on sector organizations. Trade unions were rich and politically influential organizations because they were engaged in the distribution of social and material benefits and possessed properties and financial resources (Croucher, Rizov 2012).

Still, trade unions were not truly independent. In the Baltic states, trade unions were part of the Soviet Union trade union system and closely connected with the party in the state. Industrial actions were not a part of their activities. Despite the fact that trade unions were those who initiated and assisted the transition to the market economy (in Poland as well as in the Baltic states (Krzywdzinski 2010)) and that they possessed the capacity and traditions of trade unions’ work, they were considered as parts of the “old” system, not privy to the new state order. This could be a reason why the establishing of the social dialogue in the Baltic states was led by enthusiasts from the employers’ side rather than by the trade unions. At this point, Sippola (2011) suggested that Nordic manufacturing investors in the Baltic states import the set of values that are common for their industrial relations.

The role of employers’ organizations could be mentioned as the fourth characteristic feature. Employers’ organizations were not typical in socialist states. At least in Latvia, the employers established the first organizations as late as in the early 1990s. These were separate organizations taking care of their members’ business interests but not engaged in the social dialogue. As a consequence, a new partner had to appear from the side of the employers.

To conclude, social dialogue in the CEECs and even more in the Baltic states was introduced in an unprepared environment and its future development depended, to a great extent, from the personal capacity of its leaders. It was successful in Latvia and less successful in the other Baltic states, but not so in all the CEECs.

A characteristic feature of the Baltic states is the simplicity of the social dialogue system. In Latvia, there is a single national level partner from the employers’ side – the Employers’ Confederation of Latvia (LDDK) – and a single national level partner from the employee side –
the Free Trade Union Confederation of Latvia (LBAS) – and one national level tripartite negotiation organization – the NTSP (Eurofound 2010). In Estonia, employers are represented by two organizations – the Confederation of Estonian Industry and Employers (CEIE) and the Confederation of Estonian Employers’ Organizations (ECEO) as well as two tripartite trade union organizations – the Estonian Trade Union Confederation (EAKL) and the Estonian Professional Employees’ Unions Association (TALO) (Fulton 2015). In Lithuania, the social dialogue is well functioning at the national level; however, “it is virtually non-existent in the majority sectors” (Blažienė, Gruževskis 2017). In 2017, the new Labor code was approved. According to the new Labor code, the Tripartite Council consists of 21 members: seven representatives of the national level operating trade unions, seven delegates from national employers’ organizations and seven representatives delegated by the Lithuanian government (LR Seimas 2016). There are three national employers’ organizations in operation, all of them are part of the Tripartite Council: the Lithuanian Confederation of Industrialists (LPK), the Lithuanian Employers’ Confederation (LEC) and the Lithuanian Business Confederation (LVK). In addition, the association Investors’ Forum, which represents the main foreign investors, has its delegate at the council. There are two major national trade union confederations in Lithuania: the Lithuanian Trade Union Confederation (LPSK), Lithuanian Trade Union “Solidarumas” (“Solidarity”) (LPS “Solidarumas”). In Lithuania, there are also several trade union associations (mostly regional ones) that do not function at the national level. There are independent sectoral trade unions, which are not belonging to any national confederation: the Lithuanian Education Employees’ Trade Union, the National Association of Officers’ Trade Unions. The split of both the employers and the trade unions is specific to Lithuania. In practice, it often turns out into an unnecessary, surplus competition, which reduces the authority of the associations and does not help in attracting new members (Guogis 2016).

Similarly, to the other CEECs, in the Baltic states, the core principles of the social dialogue are stipulated by the Constitutions. The Constitutions ensure the freedom for the establishment and the operation of voluntary organizations, or, more specifically, of the trade unions and set forth the general living and working conditions to be provided to anyone in the country. These norms are further specified in the labor legislations. In the Baltic states, the main normative regulations providing for social dialogue are incorporated in the general Labor Law and are specified in special legislative acts.

**Determinants of the Social Dialogue System**

In this section, we investigate the determinants of the social dialogue system in detail: participation rights in the social dialogue organizations; the representativeness of the social dialogue organizations; the methods of social dialogue; the power of social dialogue.

**Participation rights in the social dialogue organizations.** Traditionally, the participation rights in social dialogue organizations (trade unions and employers organizations) is voluntary. However, the eligibility to membership differs not only in the CEECs but even among the Baltic states. The principal distinction is whether non-working individuals may be members of trade union or not. In some CEECs, only working people (Lithuania, Bulgaria) or working people and self-employed (Poland) are eligible for membership, while in other countries, it is free to join trade unions regardless of one’s occupation, employment status or other conditions (Latvia).
Similarly to the WECs, in the CEECs, employee groups in the public sector (usually state officials and civil servants in some sectors critical to national security, such as defence, police and justice) are eligible for affiliating organizations, including the right to establish trade unions, but have limited possibilities for collective bargaining (Bulgaria) or do not have the right for industrial actions (Hungary) or strikes (Latvia). In some countries, only trade union members are entitled unrestrictedly to benefits provided by collective agreements (Bulgaria, Poland, Lithuania), while in Latvia, the extension rules are more liberal.

In Latvia, the Law on Trade Unions stipulates that a person may not only freely and without any discrimination establish a trade union and is eligible for membership but also is eligible to reject membership. The conditions for joining employers’ organizations (the scale of a business entity, the membership fee and similar) differ from country to country. Kallaste and Woolfson (2009), in generalizing research conducted by other authors, argue that membership in a trade union is more attractive for the employees and that the benefits are higher than the associated costs. The membership means more additional work for the members and requires specific trainings. In Latvia, for example, the membership is restricted by the size of an enterprise and the membership fees are rather high. The status of the employers’ organizations is defined by law.

**The representativeness of the social dialogue organizations.** In the Baltic states, the aspects of representativeness are not strictly regulated by means of legislation – they are based mainly on traditions and/or supported by just some legal norms or agreements on a mutual recognition of the partners (Lithuania, Latvia). In the WECs and other CEECs, strong criteria and even a kind of competition is established for the justification of representativeness (Bulgaria, France, Poland, Hungary) (Guogis 2014).

In the Baltic states, a poor match between the parties is the reason for weak social dialogue at the sectoral level. This problem was identified in other CEECs, too. In larger CEECs (Poland, Hungary), regional and sectoral social dialogue is meaningful, while in the Baltic states, the main negotiations are at the national level. According Yildirim and Calis (2008), there is no common social dialogue model across the EU. However, the strongest collective bargaining activities are found on the company level. Romele (2017) argues that in the Latvian case, there are two reasons for that: low union membership and trade union existence on the company level.

**The methods of social dialogue.** In all CEECs, the main methods of social dialogue is negotiations at the national level as well as regional and sectoral social dialogue organizations. It is characteristic for all the CEECs, and even more for the Baltic states, that public actions, such as strikes and demonstrations, are rarely used. However, in the beginning of the financial crisis, some rehabilitation efforts were done. The protests were organized in all three capitals of the Baltic states (Gonser 2011). Due to their simple structures and the limited numbers of participants in the Baltic states, the negotiations are regular, and consensus is being achieved.

**The power of social dialogue.** Within the project “An Attempt to Revitalize Social Dialogue and National Industrial Relations Systems in Some of the CEECs – Lessons Learnt and Best Practices in the Way out of the Crisis,” experts and social partners pointed to the low impact of social dialogue in their countries. It is likely that the impact is larger in the Baltic states. In Latvia, the participation of social partners in the decision-making process is provided by law. The utopian case that all proposals of social partners are incorporated into the official decisions cannot be reported, but some success has been achieved.
Still, the Estonian experience, when “in recent years social partners have quite often expressed their dissatisfaction as they are not included in the political decision-making process as often as they would like, or they are included only in the later stages of the process. There have also been cases where a tripartite agreement was reached but later changed unilaterally by the state, regardless of the social partners’ opinions,” (Eurofound 2015) can be expanded to all the Baltic states.

Unexpected results occur, too. The financial crisis had showed a curious situation in Latvia, when social partners were involved in negotiations on austerity measures and they had to support decisions that made worse life for the working people and pensioners (Aslund, Dombrovskis 2011). An almost similar situation had developed in Lithuania.

In several CEECs, the crisis has triggered institutional changes leading to a reduction of the power of social dialogue: expanding the scope of participants, shifting from negotiations to consultations, lowering the level of responsibility for the operation of social dialogue institutions so that they are not able to achieve implementable decisions (Hungary, Bulgaria) (Guogis 2014).

However, an expanding of the scope of partners may be seen from the positive angle also (Poland). In the Baltic states, the expanding of the scope of organizations participating in the negotiations is considered a positive measure – as an accumulation of power rather than a reduction of power of social dialogue. However, Nordic practice teaches us that the power of trade unions depends on the high density of the followers (Larsson 2014). As to now, the governments in all the Baltic states respect the principles of social dialogue and there are no signs that this might change in the near future. In some countries, there are attempts to reduce the national representation of the social partners by tightening the criteria of national representativeness, but this is not characteristic of the Baltic states.

Financial Crisis and Future Trends:
Exploring the Quality of Social Dialogue

Impact of the Economic Crisis and the Way Out of It. In 2001–2007, the Baltic states have been rapidly catching up with other EU countries in terms of gross domestic product (GDP) per capita and foreign direct investments. However, they were particularly hit hard by the economic crisis between 2008 and 2009, when GDP dipped by approximately 15 percentage points (Gruževskis, Blažienė 2011) (Figure No. 1). On the other hand, Groenendijk and Jaansoo (2015) insist that “Estonia was hit earlier and recovered earlier.” According to Kattel and Raudla (2013), the causes of the crisis were neoliberal policy choices made by politicians in the Baltic states. How do the choices of politicians affect the unemployment rate?

The rapid decline in production was followed by increasing unemployment. Recent studies have confirmed that trade unions in the Baltic states were incapable of negotiating on real benefits or influencing employers during the crisis (Blažienė, Gruževskis 2017; Aslund, Dombrovskis 2011; Kall 2017). The output decline particularly affected labor-intensive sectors, such as construction, manufacturing and retail services. This effect was initially dampened somewhat, as some companies kept excess staff on the payroll until the depth of the crisis became evident. In the fourth quarter of 2009, the unemployment rate among 15–74-year-olds had risen to 18.2 percent in Estonia, 21.3 percent in Latvia and 17.4 percent in Lithuania (Staehr 2013). Emigration soared
in Lithuania and Latvia, while in Estonia, it remained at a much lower level. However, scientists involved in the matter found that the migration argument may strengthen trade unions (Korkut et al. 2017). Despite the better economic and social situation considering many macroeconomic and macrosocial indicators in Estonia, namely the level of wages, social benefits, public debt etc. (Simelyte, Antanaviciene 2014), the reasons of the much lower emigration from Estonia than from Lithuania and Latvia still remain difficult to explain, and it is difficult to derive any clear conclusions even for experienced researchers. Regarding the authors’ opinion, other variables than pure economic have to be taken into account considering the situation in every Baltic state.

In general, the Baltic states, despite all the painful austerity measures, are usually shown in the world as good examples of crisis management. However, for which interests such measures had served in the context of social dialogue? Sippola (2009) found that “employee protection legislation in Baltic states is close to the EU average and far from that of the US.” Special attention has to be drawn to the Lithuanian case, where the new social model (including the new Labor Code) was adopted in 2017. The new social model was for several months in the stage of consideration by both the society and social partners in the Tripartite Council. In its initial version, the new social model was greatly influenced by neoliberalism and the American-style labor market, the “flexicurity” features of which were much more influenced by the aspects of flexibility rather than of employee security. These initiatives promote outsourcing, the intensification of work, negotiations of flexible wage contracts etc. All those means are a common base for the in-work poverty.

It is worthwhile to mention that firm government actions in 2009 allowed Estonia and Lithuania to maintain their confidence in global financial institutions, which allowed them to continue borrowing in international markets, but mainly only the Lithuanian government used it.

Figure No. 1. GDP dynamics in the Baltic states.
The Estonian public debt remained at a very low level, while the Lithuanian debt had increased to a medium. Therefore, it is worthwhile to ask whether the independent exit of Lithuania from the crisis, even though it showed the abilities of the government, was sufficiently practical. For example, Latvia received a loan for a significantly smaller percentage from the International Monetary Fund and incurred smaller losses in the social area than in Lithuania, where the salaries of public employees and pensions were diminished substantially. Who did benefit from that and who was harmed?

**Future Trends.** It is obvious that social dialogue has to be revived amid the impact of the changing labor market. In the Baltic states, the most influential are the changes of economic structure (an increasing share of the services sector and small enterprises where trade unions do not exist), the employment mode (self-employment, distance work and other forms of employment that alienate workers from trade unions) and low income.

After 1990, trade unions have experienced a rapid loss of membership and economic power, while employers’ organizations increased both in power and membership (Table No. 1). This course confirmed what was already noted by Crouch (2004) in the case of Western democracies, where employers’ organizations engaged in attacks and assaults against the working class. The decline of membership was a common trend for the post-Communist states and advanced capitalist countries (Waddington 2005; Sippola 2009; Krzywdzinski 2010; Peters 2011). The globalization, the structural shifts in the economy, the raising of new forms of employment and path-dependancy are the main explanatory factors for the decline (Kallaste, Woolfson 2009; Krzywdzinski 2010). The growing asymmetry between both parties impairs the entity of social dialogue.

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Source: Visser database (2013); Statistika andmebaas (2018), Lietuvos statistikos departamentas (2018); Free Trade Union Confederation of Latvia and the Trade Union’s organizations records.

Loss of membership is seen as a serious problem of trade unions regarding the aspect of representativeness (Mailand, Due 2004) (Table No. 2). Low financial and organizational capacity caused by the declining membership adds to the problem of interest definition, aggregation and protection in negotiations with employers’ and state organizations. The difference even exists in the way of the organization of the trade unions and their density (Kallaste, Woolfson 2009). Starting from 2008, union density slightly decreased in Latvia and Lithuania. In the case of Estonia, this indicator is lower than in Latvia and Lithuania but stays at a stable average of 7 percent from the total number of employment.
Table No. 2 Union density. Net union membership as a proportion to wage and salary earners in employment

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It is expected that due to the fast declining membership of trade unions, the opening of doors for a wider scope of participants and a creative approach for recruiting members will be crucial in the future. Moreover, new forms of trade union work and funding will be necessary in order to be able to maintain social dialogue.

Conclusions

It is assumed that there are principal differences between social dialogue systems and problems in the Western European countries and the Central and Eastern European countries. The CEECs and the Baltic states are characterized by weaker trade unions and a faster erosion of trade union density, the lack of established employers’ associations and a tradition of bipartite, multi-employer, collective bargaining, a lower bargaining coverage and a strong formal tripartism that partly replaces the underdeveloped collective bargaining systems at the sectoral level.

The greatest achievements in social dialogue of the Baltic states have been reached by the social partners on the national level, and the smaller ones – on the level of the local companies, and the least has been achieved in the middle, i.e., on the sectoral level.

It is characteristic for all the CEEC, and even more for the Baltic states, that public actions, such as strikes and demonstrations, are rarely used. The impact on the Baltic states of the 2008–2009 economic crisis was substantial; however, despite all the painful austerity measures and at the expense of the deteriorating social conditions, the Baltic states, in the global context, are usually put forward as good examples of crisis management.

The analysis of social dialogue development of the Baltic states confirms that there is a lack of experiences among the Baltic nations. It becomes clear that social dialogue sides are crucial for the convergence of the labor market and, due to the weak ties in-between, there exist very strict regulations. Amidst the social dialogue found between employer organizations and trade unions, the financial crisis has demonstrated a lack of partnership and a particular scarcity of “win-win” situations. Such circumstances do not contribute positively to the quality of jobs, the increase of productivity and inclusive growth.

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