

# Employee welfare and restructuring in the public sector: Evidence from Poland and Serbia

European Journal of  
Industrial Relations

17(4) 365–380

© The Author(s) 2011

Reprints and permission: sagepub.

co.uk/journalsPermissions.nav

DOI: 10.1177/0959680111420697

ejd.sagepub.com



**Magdalena Bernaciak, Anil Duman  
and Vera Šćepanović**

Central European University, Budapest, Hungary

## Abstract

Labour in Central-Eastern Europe is widely regarded as a uniformly weak actor. We challenge this view, and explore the conditions under which CEE labour can play an active role in the welfare reform process. We draw on evidence from education and health care in Poland and Serbia, and show that public sector unions have largely retained their ability to prevent major restructuring and to defend employment-related privileges of their constituencies. The unions' resilience is explained by the fact that the public sector in these countries remains sheltered from competitive pressures by delayed privatization, and by the extensive structural and associational power enjoyed by public sector employees.

## Keywords

Central-Eastern Europe, public sector, trade unions, welfare state restructuring

## Introduction

Post-communist transition presented countries in Central-Eastern Europe (CEE) with grave socio-economic imbalances, requiring them simultaneously to address multiple and novel issues such as privatization and restructuring, pension reforms, poverty and unemployment. Much of the literature (Bohle and Greskovits, 2004; Ost and Crowley, 2001) has argued that neither the new institutional environment nor the legacy of socialism offered a fertile ground for union inclusion in policy formulation or for the development of Western-style social partnerships, such as those depicted in this issue in the case of Western Europe. Similarly, newly instituted tripartite bodies have been but a window-dress to legitimize top-down policy choices (Avdagic, 2005; Ost, 2000). In the light of

---

## Corresponding author:

Vera Šćepanović, Political Science Department, Central European University, Nádor utca 9, 1051 Budapest, Hungary.

Email: [scepanovic\\_vera@ceu-budapest.edu](mailto:scepanovic_vera@ceu-budapest.edu)

these claims, one could expect that CEE unions will find it hard to actively shape the welfare state restructuring agenda.

In this article, we challenge the view of CEE labour as a uniformly weak actor and explore under what conditions it can play an active role in the welfare reform process. To address this issue, we analyse activities of labour organizations in the public sector, which retain considerable influence on the course and the degree of restructuring. We find union leverage to be particularly high in preserving employment-related privileges, with the majority of 'politically constructed property rights' (Schwartz, 2001) largely intact 20 years after the systemic transformation. We argue that the strength of public sector unions comes in part from the very nature of these sectors, as their employees derive their income streams mainly from regulations enforced by the government and are thus not subject to the disciplining forces of the market. Moreover, they enjoy a high degree of structural power, stemming from their ability to withhold the provision of essential services, as well as associational power, derived from relatively high unionization rates (Silver, 2005). However, we also observe that the effectiveness of these prerogatives can be limited by government decisions and a negative public response to union actions.

We demonstrate the above logic with empirical evidence from the health care and education sectors in Poland and Serbia. The two countries differ significantly in terms of their trade unionism legacies. *Solidarność* was among the key reformist forces in Poland and participated in the re-shaping of the country's social and industrial policy after the former regime collapsed, even if the outcomes of these reforms were often perceived as undermining workers' welfare. Only in the second half of the 2000s did the union turn to rebuilding its membership base (Ost, 2005). By contrast, in Serbia the post-communist government under Milošević postponed reforms at the expense of deteriorating living standards, and continued the tradition of transmission-belt unionism from the socialist era. In the 2000s, when the country finally set on the path of democratization and reform, it inherited an overblown, under-funded public sector, with the major trade union confederation tainted by the legacy of nationalism and the 'oppositional' union having little experience in dealing with the government. The countries' post-transition paths consequently diverged along similar lines. Poland was a CEE forerunner in privatization; it also attracted large amounts of foreign direct investment (FDI) both before and after EU accession in 2004. The Serbian economy suffered heavily during the Balkan wars of 1990–1999, and subsequent privatization and efforts to attract FDI have so far yielded modest results. However, our studies show that despite the past and present differences, both Polish and Serbian public sector unions have been capable of defending their constituencies' privileges and preventing large-scale restructuring.

Our findings are based mainly on the analysis of press releases and union materials. We also conducted eight interviews with health care and education union representatives in the two countries. In addition, we reviewed sectoral collective agreements concluded in Serbian health care and education since 1999, tracing their evolution over time and comparing their terms to those of the Labour Code and collective agreements in other sectors.

Our article first outlines broad patterns of welfare state restructuring in Poland and Serbia and discusses past reforms in health care and education. Against this background,

we present unions' efforts to influence policy in the two sectors. The last section accounts for their resilience to restructuring processes and discusses long-term implications for union mobilization patterns in CEE.

## **Welfare states in transition: Polish and Serbian experiences**

Welfare provisions existed in both Poland and Serbia well before the 1990s. Under socialism, formal employment was the main channel of access to social services (Szalai, 2003), and as the system was premised upon full employment, most of the population had access to basic benefits. Education, health care, pensions, social security and child benefits were centrally administered. After 1989, most areas of social protection underwent substantial changes. The transformation of CEE welfare states was much more extensive than the changes that took place in Western Europe during the same period, as entire new areas of social policy had to be introduced, while others had to be modified to meet new challenges.

All transition countries faced severe financial and fiscal pressures that put tough constraints on welfare spending (Huber and Stephens, 2001). The severity varied across CEE countries: at one extreme, Slovenia maintained spending levels comparable to those of some West European countries; at the other, the Baltic states imposed drastic cutbacks (Bohle and Greskovits, 2007). The Polish 'shock therapy', an austerity package involving stabilization and liberalization measures and extensive privatization, initially reduced Poland's GDP by almost 20 percent, but the economy rebounded by 1995 (Kolodko, 2000). By contrast, reforms in Serbia proceeded at a much slower pace, with frequent changes and policy reversals. Privatization was caught in a stop-go pattern and in 2000, publicly owned enterprises still accounted for more than 50 percent of all employment and around 30 percent of GDP (Lukić, 2002). Wars and international sanctions added to the economic difficulties and Serbia's GDP shrunk to 50 percent of the 1989 levels, with very slow recovery starting in mid-2000s (WDI, 2004).

Developments in both countries were marked by the changing nature of social needs. Unemployment in Poland peaked in July 1994 at 16.9 percent; after a slight decline at the end of 1990s, it stood over 10 percent throughout most of the 2000s (GUS, 2010). The situation was even worse in Serbia, where the official unemployment rate reached 30 percent in the mid-2000s (UNECE, 2005) – though Labour Force Survey figures show a lower rate, around 20 percent for most of the 2000s decreasing to 15 percent in 2008, which is a reflection of the extent of the 'grey economy'. Initially, unemployment benefits in both countries were generous and paid for a relatively extended time; but they were soon cut back, and the replacement rates were significantly reduced. Social assistance in both countries is means-tested. While in Poland these benefits are administered locally, in Serbia they are managed centrally and subject to complicated eligibility criteria. The rates are low in both countries, and a large part of population is reportedly left out (Horibayashi, 2004). In Serbia, less than 2 percent of GDP is spent on social assistance, and a recent World Bank report highlighted a worryingly low coverage rate, with only 7.5 percent in the poorest quintile of the income distribution and 27 percent of the extreme poor receiving benefits (World Bank, 2009).

But open unemployment was not the only way in which the plummeting employment levels weighed on the public finances. Part of the problem spilled over into the area of pensions, as large numbers of laid-off workers withdrew from the labour market. In Poland, the indexation of pensions to wages was introduced as early as in 1990 (Muller, 1999), and the eligibility conditions for disability and old-age pensions were loosened, encouraging the excess workforce to retire. By the mid-1990s, more than one million Poles retired 'abnormally', before reaching the retirement age (Vanhuyssse, 2006). Consequently, the pension system became financially unviable and the country's policy-makers partially privatized it in 1999 by introducing an obligatory second and a voluntary third pillar managed by private pension funds (Góra, 2001).

Like Poland, Serbia also offered generous disability benefits and had a generally low retirement age. Given high unemployment rates and a swelling population of pensioners, the contributory pay-as-you-go system is sorely underfunded (Sansier, 2006). Several rounds of reforms (in 2001, 2003 and 2005) were introduced to make the system more stringent by raising the retirement age and enforcing restrictions on disability criteria. In 2006, the government also considered the introduction of a private pension scheme, but the option remained voluntary for fear of diverting resources from public funds. Despite the reforms, the system remains unaffordable and the World Bank and the IMF have called for further cuts, criticizing the benefit rates set at 60 percent of the average wage as 'too generous' (World Bank, 2009).

## **Restructuring health care and education**

While pensions account for about a third of all government expenditure in Serbia and Poland, health care and education comprise the next biggest spending items (20–25% in both countries for the two services combined; Szpringer, 2005; World Bank, 2009). However, they are particularly problematic as any down-scaling affects not only the beneficiaries, but also the sectors' employees. Poland's health care went through several reforms prior to the transition, moving towards decentralized provision by gradually reducing the power of the Ministry of Health and Social Welfare (Girourard and Imai, 2000). Post-1990 reforms continued in the same direction and since 1999, health care services had been administered by medical entities and professionals contracted by regional health care funds, replaced in 2004 by the centrally managed National Health Fund. Poland introduced mandatory universal health insurance (Filinson et al., 2003), but health-related spending has declined in relative terms since 1995. The system suffers from low public approval because of limited access, perceived low quality and a high share of private financing. The health care employees' salaries continue to be relatively low and thus they are largely dissatisfied with the reforms (Domagala et al., 1999).

In Serbia, the health care system is under severe fiscal constraints. Although public spending on health reached 7 percent of GDP, the services require additional investment (WHO, 2009). Especially during the years of economic hardship and sanctions, the quality of health care significantly deteriorated and reforms were delayed. Subsequent reforms in 2002 and 2004–05 modernized the legal framework, allowed private participation in some services (secondary insurance), downsized the package of basic health care and introduced extensive co-payments, especially for pharmaceuticals (World

Bank, 2009). The latest round of reforms reduced the head count in the sector by almost 15,000, and in 2008 the public *Zavod za Zdravstveno Osiguranje* (Health Insurance Fund, ZZO) even posted a surplus. Although a third of health care spending in Serbia is in the private sector, these are largely out-of-pocket payments, and while voluntary health insurance exists, the bulk of financing goes through ZZO (World Bank, 2009). However, these funds are distributed to medical providers on the basis of inputs (number of employees, number of beds), which encourages over-staffing despite periodic job cuts. Negotiations to change the system to a 'capitation' basis, where the providers are paid according to the actual number of patients, are still under way. Currently, personnel costs in health care account for between 60 and 70 percent of total costs in the sector (Gajić-Stevanović, 2008).

In Poland, the education system under the former regime was heavily centralized, and decentralization featured high on the transitional reform agenda. As a result of the 1999 reform, municipalities and counties took over the financing of public schools (Herbst, 2008). In addition, the structure of the education system and the curricula changed due to the creation of *gimnazja*, a new type of secondary school. Already in 1989, private education entities were opened in Poland, but their share is miniscule compared to public schools. Spending on education was stable throughout the 2000s and accounted for around 5.7 percent of GDP, with 0.5 percent coming from private sources (UNESCO, 2010).

Serbian education reforms went in the opposite direction in the initial transition period: financing was centralized and the central government's responsibility extended even to pre-school training (World Bank, 2009). Population decline and a steady employment level over the last 15 years caused substantial over-staffing in the sector. The same is true of the financing system, which is input-based, and the teachers' union has estimated that a shift to per-student financing suggested by the international institutions might render 15–20,000 teachers redundant (GSPRS, 2009). Currently, the wage bill takes up more than 80 percent of total expenditures in the sector, which amounts to some 5 percent of GDP.

As the above accounts suggest, the extent of welfare state restructuring in Poland and Serbia varies in particular areas. While some underwent liberalization and privatization, others featured a strong path dependency (Inglot, 2008), with the pattern following the distribution of strong interest groups and pre-existing programmes. Unemployment benefits and social assistance schemes were quickly streamlined and represent a minor item in the public budgets, despite persistently high unemployment and low employment rates in both countries. In the meantime, pensions have remained relatively generous by international standards, and health care and education have, to various degrees, resisted pressures for thorough reform, in spite of repeated efforts on the part of governments and extensive pressures by international organizations.

These developments seem consistent with the claim in the literature on West European welfare states that the main opposition to welfare state retrenchment comes from stable pro-welfare constituencies. Social entitlements generate groups that have vested interests in preserving established distribution patterns (Pierson, 1994), whereas welfare state legacies generate politically constructed privileges and a feeling of entitlement to benefits (Schwartz, 2001). Such privileges might encompass a wide range of non-wage issues

having direct bearing on the formulation of welfare state policies, such as employment flexibility, employment-related benefits, modes of restructuring and retirement programmes. In the CEE context, many of these issues are informed by the legacies of the previous regime: socialism was a wage-earners' welfare state par excellence, in the sense that employment was a primary guarantee of social status, giving access to rights and benefits both within and outside the workplace (Castel, 2003). This provided for a fairly rigid formulation of employment relations, with tight, seniority-based hierarchies, restrictive provisions for deployment of labour in terms of task allocation and a wide range of social benefits linked to the workplace. As we show in the next part of the article, public sector unions in post-communist Europe have been singularly well positioned to defend such privileges enjoyed by their constituencies and prevent large-scale restructuring of their sectors. Below we give details of their involvement in shaping the pace and direction of reforms in education and health care in Poland and Serbia.

## Reform attempts and union responses

### Poland

In 2004, the public sector in Poland employed 26.9 percent of the country's workforce and comprised branches financed directly from tax revenues, such as public administration (national and local), health care and education, as well as state-owned enterprises (Polarczyk, 2005). As of 2009, 978,900 people worked in education and 618,800 in health care, with public sector employment accounting for 87.6 percent and 95.8 percent of their respective workforces (GUS, 2009). Trade union density in the two sectors is much higher than in the rest of the economy: while national estimates range from 12.7 percent (EC, 2008) to 16 percent (CBOS, 2009), unions are active in 68 percent of health care and education entities and organize nearly 25 percent of their employees (CBOS, 2009).

In the health care sector, there exist a plethora of small unions targeting particular professional groups, which tend to be affiliated with one of three major trade union confederations: *Forum ZZ* (Trade Union Forum), which in 2009 accounted for 33 percent of unionized employees in the sector, *Ogólnopolskie Porozumienie Związków Zawodowych* (All-Poland Alliance of Trade Unions, OPZZ), with 14.3 percent of union members and the *Solidarność* Health-care Branch (8%) (Towalski, 2003). The biggest union operating in education is the left-wing *Związek Nauczycielstwa Polskiego* (Polish Teachers' Union, ZNP), affiliated with OPZZ and organizing approximately 300,000 teachers at public schools and nurseries (ZNP, 2010), while the second biggest organization is the *Solidarność* Education Branch.

In the light of the persistent gap between remuneration levels in public and private sectors, it is a small wonder that Poland's health care and education unions put much emphasis on wage bargaining. When their demands are not met, they often resort to protest actions. One of the most prominent examples of a sustained, coordinated protest was an occupational strike of medical personnel in late spring 2007, which for a few weeks transformed the area adjacent to the President's chancellery into a 'white village' of nurses demanding pay increases. Similar claims were repeatedly formulated by education trade unions. Importantly, labour organizations not only pushed for pay increases



for particular occupational groups, but also lobbied the government to increase spending for the whole sector. In health care, for instance, unions regularly called for financial relief for indebted hospitals, as well as for higher sums for servicing individual patients within the system of contracts concluded between medical entities and the National Health Fund. In education, unions asked for more money for the public schools and nurseries. Finally, public sector unionists resolutely defended their rights to participate in regular consultations over pay increases with responsible governmental bodies. A 2009 attempt to deprive education unions of this facility provoked fierce opposition, which made the government abandon the plans.

Outside the wage realm, a number of issues raised by public sector unions affected the welfare of other stakeholders. For example, education and health care unions actively participated in a debate over the government's plans to privatize the two branches. Throughout the 2000s, health care unions staged regular strikes against the transformation of public health care institutions into entities governed by commercial law (*komercjalizacja*). According to labour activists, this would not only jeopardize the future of indebted hospitals and restrict poorer citizens' access to medical services, but would also deprive medical personnel at the commercialized entities of rights and benefits enjoyed under public management. After five years of recurring struggles and waves of medical personnel protests both at national and local levels, in May 2008 President Kaczyński vetoed the commercialization bill. But following the July 2010 victory of the presidential candidate Komorowski, the liberal governing party Civic Platform passed a law allowing local government bodies to turn heavily indebted hospitals into commercial entities, thereby permitting them to declare bankruptcy. Although the law entered into force in July 2011, its effects will be known only in 2013, i.e. when the commercialization begins.

A similar privatization debate took place in education. Although unions failed to halt the establishment of private schools, they continued to view private education entities as competitors that could potentially undermine public school teachers' wages and working conditions. In public debates, however, they expressed concerns over allegedly low teaching standards in private schools, hoping to win citizens' support. The 'quality argument' was also used in discussions on the EU Services Directive, an initial version of which applied to the so-called services of general interest, such as healthcare or education. ZNP participated in a Europe-wide demonstration against the draft EU Directive, seeking to prevent foreign education entities from entering the Polish market and emphasizing the merits of publicly managed schools (ZNP, 2006a, 2006b). In late 2007, the union boycotted a government bill envisaging the transformation of public schools into commercial entities. ZNP repeated its quality argument, but also pointed to the potential loss of teachers' benefits following the move. After protracted negotiations, in February 2008 the government changed its initial proposal. In line with the revised draft, only entities with fewer than seventy pupils could be subject to commercialization and only if the respective regional education administration (*kuratorium oświaty*) approved the plan.

Another issue that triggered widespread teachers' protests was the government's plan to phase out early retirement schemes enjoyed in the education sector. A law enacted in 1998 envisaged that teachers would be able to take up early retirement only until the end

of 2008. After a wave of country-wide protests in the first half of 2009, the government and ZNP agreed to prolong teachers' retirement privileges until 2032; each year, however, a certain age group of teachers would be deprived of the early retirement option. The solution, known as the 'compensatory bill', was not accepted by other unions representing the education sector, most notably *Solidarność*, which demanded the unconditional and unlimited preservation of teachers' special pension rights. In the eyes of a ZNP official, however, the bill represented 'the only solution' that could be negotiated in view of the centre-liberal government's offensive against early retirement programmes (interview, deputy chair of ZNP, 17 August 2009).

Last but not least, working time became an important item on public sector unions' bargaining agenda. In the 2000s, the government intensified efforts to increase the number of working hours of health care and education employees, but the unions opposed the plans. In education, for instance, unions convinced the Education Ministry that the debate concerning the possible extension of working hours should be preceded by an in-depth examination of actual time spent by teachers in preparing courses and classes. As a result of the negotiations, in September 2009 an extra hour a week was added to teachers' obligatory 18 teaching hours. The extra hours could be cumulated, however, and worked at any time during a semester-long reference period.

Apart from their considerable mobilization potential, public sector unions were particularly apt at politicizing negotiations, and used their political access to gain advantage during the bargaining process. In an interview, the deputy chair of the left-wing ZNP admitted that his union found it easier to push through its demands when its representatives sat in the Parliament among MPs of the Democratic Left Alliance (SLD). In a similar vein, the deputy chair of the right-wing *Solidarność* Health-care Branch said the best climate for talks emerged during the conservative-right government's rule, in 2005–07, when health care employees won particularly high pay rises. He blamed the current centre-liberal government for the failure of the so-called 'white summit', extended consultations between the government and the social partners over healthcare reform, which took place in 2007–08 (interview, 7 July 2010).

At the same time, however, unions' political affiliation is a double-edged sword. While it makes it easier to build political alliances with 'friendly' governments, it impedes union–government communication at times when political parties representing a different ideological stance are in power. For instance, our ZNP interviewee said that social dialogue with the Education Minister Giertych from the conservative government was 'non-existent'. It is also more difficult for trade unions siding with opposing political parties to come up with a common bargaining agenda, which is why the stances of the two most powerful education unions, the left-wing ZNP and the right-wing *Solidarność* Education Branch, often diverged in recent years. In order to avoid shaky political alliances and ideological cleavages, newly emerging labour organizations often choose to concentrate solely on direct action in defence of employment-related rights. The All-Poland Trade Union of Nurses and Midwives (*Ogólnopolski Związek Zawodowy Pielęgniarek i Położnych*, OZZPiP), affiliated to the *Forum ZZ* confederation, is an interesting example of a strong, independent union created in response to persistent financial problems of medical personnel and the health care sector as a whole, which favours mobilization over political lobbying.



## Serbia

In spite of a difficult transition, Serbia's public sectors have been characterized by remarkable employment stability. While employment in other branches of the economy plummeted, sometimes by up to 40 percent, health care, education and public administration retained relatively stable workforces. Between 2000 and 2008, their share in the total employment even increased slightly, from 31 to 33 percent. Out of this, around 20 percent belongs to the public administration, education and health care, with the rest employed by the remaining state-owned enterprises (ZSRS, 2009).

The Serbian public sector is traditionally well organized. Although there are no data on sector-specific unionization levels, it is estimated that in 2007 union density in the public sector was around 46 percent, compared to 12 percent in the private sector (Stojiljković, 2008). Unions in health care and education are also less fragmented than in other branches. Branch organizations of the two main confederations (*Saveza Samostalnih Sindikata Srbije*, SSS Srbije) and *Nezavisnost*) represent the majority of workers in both health care and education. *Sindikat zdravstva i socijalne zaštite* (Autonomous Trade Union of Healthcare Workers, SZSZ) and *Sindikat obrazovanja Srbije* (Autonomous Trade Union for Education in Serbia, SOS) are part of SSS Srbije, while *Granski sindikat zdravstva i socijalne zaštite* (Branch Union for Health Care and Social Protection, GSZSZ) and *Granski sindikat prosvetnih radnika Srbije* (Branch Union of Education Workers of Serbia, GSPRS) are part of *Nezavisnost*. Additionally, in each sector there are one or two large independent unions at national level: in education, *Unija sindikata prosvetnih radnika Srbije* (Union of Trade Unions of Education Workers, USPRS) acts as the third partner in sectoral negotiations and since 2005 a union representing higher education has split away from SOS within SSS Srbije. Nevertheless, unions in education have shown certain readiness to cooperate and have on occasion forged alliances in critical moments. In health care, by contrast, there is greater fragmentation along the lines of professional status. Over the last five to six years, new national unions have been established for doctors and pharmacists, nurses, and in certain institutions even for non-medical personnel.

The relative employment stability in the public realm allowed the unions to focus on other issues, and indeed most union demands over the last decade centred on wages. This is especially true of health care and education, where wages are among the lowest in the public sector, and about the average of the rest of the economy. Because of severe indebtedness and the fiscal pressures that the Serbian state has been facing over the last decade, such union demands met opposition from the government, and frequently resulted in strikes and protests.

In education, strikes or threats of strikes have become a regular occurrence at the beginning of every school year and towards the end of the first semester, when the budget is being defined for the coming year. Although industrial actions have kept wage increases in education stable and above the level of inflation, they also have contributed to entrenchment of a pattern of weakly institutionalized social dialogue, where the government only agrees to work with unions when forced. This is even more evident in the case of health care, where unions have not been able to exert sustained pressure on the government, and the wage growth pattern has been much less regular. In December 2002, about a hundred health care workers organized by the health branch

of *Nezavisnost* came to Belgrade on foot from many parts of Serbia and camped in front of the Ministry of Health for over two weeks, eventually forcing the government to negotiate a substantial wage increase. A similar action occurred in 2007, when some 10,000 union members protested outside the government buildings. On other occasions, however, when no public protests accompanied negotiations, wages in this sector failed to compensate for inflation.

Part of the reason why teachers' unions seem to have a greater capacity to force the government into negotiation is structural. Health-care workers have a much smaller recourse to strike, as their right to strike is regulated not only by the Law on Strikes, which prescribes an extensive 'minimum work process' while undertaking protests, but also by a special government decree on strikes in the health care sector, which makes work stoppages nearly impossible. The government refused to repeal it despite repeated union demands. Unlike teachers, health care unions are also more cautious of alienating the public if they withdraw essential services, and their actions have thus been mostly limited to symbolic protests.

Another part of the explanation probably lies with unions themselves. In education, after some initial bickering mainly on political grounds, the three representative trade unions have been very successful in coordinating their demands. In health care, however, there has been some division over time along occupational lines, with separate unions being formed for doctors, nurses and non-medical personnel. Although the two central and most numerous confederations have tried to preserve unity and distribute the benefits across occupations, both doctors and non-medical personnel have staged separate campaigns to improve their lot, the former managing to persuade the unions to demand partial decompression of wages to allow greater gains for the top earners. Nevertheless, even though wage growth has been less regular, there is a clear trend towards the convergence of wage levels in health care and education, as well as some evidence of 'competitive benchmarking' between the two sectors, with wage demands in one sector being staged in response to increases in the other (interview, president SZSS, 18 January 2009).

As wages in the public sector are negotiated separately, as part of the budget settlement, collective bargaining serves almost exclusively to set working conditions and other non-wage issues. These, however, are remarkably generous: compared to the private sector they provide for much longer holidays and other periods of time off (paid leave), often provide 'recreation and rehabilitation funds' for collective use, and have greater training opportunities and strict protections of employment status (limiting inter-firm mobility, restrictions on the use of working-time accounts), as well as provisions for government-sponsored housing schemes. Here it is important to stress that even though health care employees were not covered by a sectoral agreement throughout this period, company agreements remained in place, and they even succeeded in negotiating substantial non-wage issues, such as housing schemes, and even some smaller perks outside of the framework of collective bargaining. For instance, the 'New Year bonus for employees' ceased to be an optional gesture to be agreed on the firm level and was moved onto the list of 'budgetary issues', amounting to a hefty sum of up to one-third of the average wage in the sector. In a sense, even though the scope of bargaining in the public sector is much broader, there is a notable trend towards monetization of non-wage items. In many cases, unions showed willingness, and even initiative, to exchange certain

work-related benefits (overtime restrictions or even time off on account of union work) for a wage increase.

In addition to wage demands, the main bone of contention between the government and public sector unions over the last few years has been efforts to 'rationalize' the public sector, and, to a lesser degree, the demand for institutionalization of collective bargaining. Under pressure from the IMF, since 2005 the government has attempted to streamline employment in the public sector. The programme offered by the government relied on voluntary redundancies, offering 'motivational' severance payments about 20 percent higher than prescribed by the law, and unions were involved in the selection process. The reform caused surprisingly little protest in the health-care sector, and around 15,000 employees left the hospitals in the next three years. Although it is true that health care workers have more opportunities to withdraw to the private sector, unions still maintain that this was a great sacrifice and insist that they will not cooperate on any further efforts to reduce employment (interview, president SZZS). In education, however, unions chose to ignore the programme. They maintained that the severance payments were not attractive enough and tried instead to limit new hires, forcing management to administer work-sharing schemes, and instead of hiring through public advertisement accept transfers of workers being made redundant in other educational institutions. In the summer of 2009, the government again proposed a reform of the education system, entailing an increased number of students per class and curbs on employment, but agreed to amend certain provisions as teachers threatened that the school year would not begin until their objections were accepted. The reform was eventually approved, but only after unions insisted that all the money saved through employment cuts be channelled into wage increases for the remaining teachers (SOS/USPRS/GSPRS, 2010).

## Discussion and conclusion

This article has shown that public sector unions in Serbia and Poland still wield a significant potential to influence welfare reforms, at least those bearing directly on their own sectors. It is particularly surprising to find such extensive evidence of union resilience in countries under substantial fiscal constraints and often under pressure by powerful external actors to curb public expenditure. In this respect, our findings runs counter to the literature that has emphasized the weakness of labour in CEE and its limited ability to shape the reform agenda.

Moreover, there is evidence that unions in other CEE countries have also preserved their strongholds in the public sector and have sometimes been able to influence the direction of welfare reforms. Even in the Baltic states, where the union density is otherwise exceptionally low even by regional standards, labour organizations in health care and education have remained remarkably vocal. A 2003 strike staged by an Estonian teachers' union was the first in that country since independence in 1990, and they continue to be the most active union in the country (Philips and Eamets, 2003). In Lithuania, a wave of protests by teachers demanding comprehensive pay increases led to resignation of the Education Minister in early 2008, and in Latvia, education trade unions were actively involved in negotiating budgetary cuts after the country had been hard hit by the 2009 crisis, in an effort to secure funding for the sector. Latvian health care workers also

remained militant throughout the downturn, staging several strikes in 2008–09 to protect their wages and even initiating a campaign to legalize the so-called ‘thank-you payments’, thus effectively leading to the institutionalization of co-payments in the Latvian health care (Karnite, 2008).

By contrast, in 2008 Hungarian unions joined the initiative of the then opposition party to amend the socialist government’s plans to extend co-payments for visits to the doctors, and pushed for a referendum to prevent the introduction of a multi-insurer system. Moreover, both main unions in the health care sector, as well as the Hungarian Chamber of Physicians, have been locked in a long-term dispute with the government over the privatization of hospitals, ever since the 2003 law to allow a partial sale of hospital shares to private investors. Most recently, in 2009, the employees of a hospital in the city of Eger, where a private company took over management rights, collectively handed in resignation notices in protest against the change in their status (from civil servants to ‘entrepreneurs’), harnessing the support from municipal governments, local citizens’ groups and unions to forestall the hospital’s privatization (Edelényi and Neumann, 2009). In the Czech Republic, the government’s efforts to reform public finances led to large-scale protests by public sector unions, culminating in the ‘month of civil unrest’ in the spring of 2008, which brought hundreds of thousands of demonstrators in front of the government buildings to protest against low wages in the public branches of the economy, partial privatization of health care institutions and the introduction of co-payments (Dolezelova, 2008).

What, then, explains this resilience of the post-communist public sector unions, as well as their ability to resist reforms, defend their status and at times even improve their welfare and wages? We have argued in the introduction that part of their strength comes from the relatively sheltered nature of these sectors, preserving certain prerogatives of union strength which are under threat everywhere else in the economy (Crouch, 1993; Franzese, 2002; Traxler and Brandl, 2009). This characterization can be further specified in terms of what Silver (2005), building upon the categorization of labour strength by Wright (2000), calls *associational* and *structural power* of labour. While workers’ associational power emanates from sheer numbers, that is, the organizational strength of the union, structural power is derived from their position in the economy. This can mean either the economy as a whole (the tightness of the labour markets), or *workplace bargaining power*, that is, workers’ ability significantly to obstruct the production process or withdraw essential services (Silver, 2005).

In the public sector, both these conditions are fulfilled to a greater extent than in other areas. The slow pace of privatization guaranteed employment and status security to health care and education workers, and therefore preserved higher membership rates. Similarly, although public sector employees are scattered throughout the country, their associational power is enhanced by the fact that they share the same employer – the state. Where services have not been decentralized, as in Serbia, it is even easier for the unions to mobilize their constituencies and channel their demands up to the highest level. Consequently, the degree of fragmentation among public sector unions is much smaller than in the rest of the economy, although variation exists. Even more importantly, public sector unions are uniquely well positioned in structural terms to ‘blackmail’ the governments into cooperation because of their capacity to obstruct the provision of basic

services. Somewhat counterintuitively, however, the relationship between ‘obstructive power’ and union strength is not linear. As we have seen in the case of the Serbian health care employees, this advantage can backfire if the government deems the risks to be too high and introduces pre-emptive restrictions on strikes. Similarly, the fear of a hostile reaction from the public makes unions in health care more cautious, limiting their protests to symbolic actions.

But this explanation leads us to a somewhat disappointing conclusion regarding the ability of CEE unions to reassert their relevance in the public arena or to expand their agenda to new challenges. Whatever their achievements in forestalling the reforms and defending their constituencies’ privileges, these have ensued from very traditional prerogatives of labour strength, and not from innovative strategies. In other words, Serbian and Polish unions have fought the attempts at welfare state restructuring not as social partners in a broader sense but as employees of particular sectors defending their ‘property rights’ to employment and work-related benefits. In this respect, their strategies contrast with the broader agenda of social risk collectivization adopted by Dutch, Italian or Greek labour organizations, and with their French and Dutch counterparts’ involvement in administering labour market activation policies (Johnston et al. and Clegg and van Wijnbergen, this issue). To some extent, of course, CEE unions have tried to couch their demands in more encompassing terms in order to mobilize public support. Thus Polish unions opposed privatization in education by warning against low standards in the less regulated private sector, and Serbian education workers derided the World Bank’s recommendation to increase class size and reduce the number of teachers by pointing to the best practices from Western Europe with their emphasis on small, interactive classes. More often than not, however, such arguments have been of marginal importance in the bargaining process, as evidenced by unions’ readiness to trade in their resistance to reforms for an increase in material benefits. In the Serbian case, for instance, the concern about the quality of education took a back seat as soon as the government proved willing to direct the savings from restructuring into increased benefits for the remaining teachers.

This points to the limitations of union strategies that rely almost solely on their position as veto players within the system. First, public support for their activities is on the decline, as citizens perceive their achievements as private gains which, in the long run, can be detrimental to the quality of welfare services overall. Second, such strategies entail a trade-off between wages and employment: even though unions may be able both to maintain employment and improve wages in good times, in times of hard fiscal constraints, like the 2008-09 crisis, governments are more likely to take counter-measures and freeze wages in the sector. Should this mean long-term wage restraint, it is likely that union solidarity will falter and that employees will agree to reform to improve their material standing. To some extent, this is already evident, especially in health care where certain categories of employees, such as doctors, have more to gain from partial privatization than from continued wage restraint and pay compression in the public sector.

Finally, union activity targeting specific, employment-related segments of the welfare state can also lead to skewed restructuring patterns. We have already seen that those segments of welfare provision where such constituencies do not exist (unemployment benefits and social assistance) are much more likely to be subject to extensive restructuring.

In this sense, the ability of CEE public sector unions to resist reforms is a hangover from the past rather than a sign of union revival in this region.

### Acknowledgements

The authors would like to thank Waltraud Schelkle and members of the Political Economy Research Group (PERG) at Central European University for their valuable comments on earlier versions of this article. The usual caveats apply. Research funding was provided by the RECOWE network of excellence.

### References

- Avdagic S (2005) State-labour relations in East Central Europe: Explaining variations in union effectiveness. *Socio-Economic Review* 3(1): 25–53.
- Bohle D and Greskovits B (2004) Capital, labor and the prospects of the European social model in the East. Central and Eastern European Working Paper 58, Centre for European Studies, Harvard University, Cambridge, MA.
- Bohle D and Greskovits B (2007) Neoliberalism, embedded neoliberalism and neocorporatism: Towards transnational capitalism in Central-Eastern Europe. *West European Politics* 30(3): 443–466.
- Castel R (2003) *From Manual Workers to Wage Laborers: Transformation of the Social Question*. New Brunswick, NJ: Transaction Publishers.
- CBOS (Centrum Badania Opinii Społecznej) (2009) Członkostwo w związkach zawodowych, naruszenia praw pracowniczych i „szara strefa” w zatrudnieniu. Komunikat CBOS. Available at: [http://www.cbos.pl/SPISKOM.POL/2005/K\\_003\\_05.PDF](http://www.cbos.pl/SPISKOM.POL/2005/K_003_05.PDF) (accessed 10 January 2010).
- Crouch C (1993) *Industrial Relations and European State Traditions*. Oxford: Clarendon Press.
- Dolezelova H (2008) Large-scale strike in protest at public finance reform. Available at: <http://www.eurofound.europa.eu/eiro/2008/06/articles/cz0806039i.htm> (accessed 2 February 2010).
- Domagała A, Pomykalska E, Rys A and Zajic M (1999) Public sector reforms and their impact on health sector personnel in Poland. University Public Health Foundation, Cracow.
- EC (2008) *Industrial Relations in Europe 2008*. Available at: [http://ec.europa.eu/employment\\_social/social\\_dialogue/docs/industrial\\_relations\\_report\\_2008\\_en.pdf](http://ec.europa.eu/employment_social/social_dialogue/docs/industrial_relations_report_2008_en.pdf). (accessed 4 March 2009).
- Edelényi M and Neumann L (2009) Controversy over privatization of a regional hospital. Available at: <http://www.eurofound.europa.eu/eiro/2008/12/articles/hu0812019i.htm> (accessed 2 February 2010).
- Filinson R, Chmielewski P and Niklas P (2003) Back to the future: Polish health care reform. *Communist and Post-Communist Studies* 36(4): 385–403.
- Franzese RJ (2002) *Macroeconomic Policies of Developed Democracies*. Cambridge: Cambridge University Press.
- Gajić-Stevanović M (2008) Health care system and spending in Serbia. Country report for the Health Systems 20/20 project, USAID.
- Girourard N and Imai Y (2000) The Health Care System in Poland. OECD Economics Department Working Paper 257, Paris.
- Góra M (2001) Polish approach to pension reform. In: *OECD Private Pension Conference 2000 No.3*. Paris: OECD Publications Series, 227–237.
- GSPRS (Granski Sindikat Prosvetnih Radnika Srbije) (2009) *Za kim će zvona zvoniti?* Press release of GSPRS, 18 August.
- GUS (Główny Urząd Statystyczny) (2009) Zatrudnienie i wynagrodzenia w gospodarce narodowej w I kwartale 2009r. Available at: [http://www.stat.gov.pl/cps/rde/xbcr/gus/PUBL\\_pw\\_zatrudnienie\\_wynagrodzenia\\_Ikw\\_2009.pdf](http://www.stat.gov.pl/cps/rde/xbcr/gus/PUBL_pw_zatrudnienie_wynagrodzenia_Ikw_2009.pdf) (accessed 20 November 2009).



- GUS (2010) Stopa bezrobocia w latach 1990–2010. Available at: [http://www.stat.gov.pl/gus/5840\\_677\\_PLK\\_HTML.htm](http://www.stat.gov.pl/gus/5840_677_PLK_HTML.htm) (accessed 2 May 2010).
- Herbst M (2008) Bottlenecks in the decentralization of education funding in Poland. MPRA Paper 9291, Munich.
- Horibayashi T (2004) Central European welfare system: The present characteristics. Unpublished mimeo.
- Huber E and Stephens JD (2001) *Development and Crisis of the Welfare State*. Chicago, IL: University of Chicago Press.
- Inglot T (2008) *Welfare States in East Central Europe, 1919–2004*. Cambridge: Cambridge University Press.
- Karnite R (2008) Healthcare workers prepare to strike again. Available at: <http://www.eurofound.europa.eu/eiro/2008/06/articles/lv0806029i.htm> (accessed 2 February 2010).
- Kolodko G (2000) *From Shock to Therapy: The Political Economy of Postsocialist Transformation*. Oxford: Oxford University Press.
- Lukić R (2002) Kreiranje optimalne vlasničke structure – bitan preduslov harmoničnog funkcionisanja nacionalne ekonomije. *Privredna izgradnja* 45(1–2): 103–123.
- Muller K (1999) *The Political Economy of Pension Reform in Central-Eastern Europe*. Cheltenham: Edward Elgar.
- Ost D (2000) Illusory corporatism in Eastern Europe: Neoliberal tripartism and postcommunist class identities. *Politics and Society* 28(4): 503–530.
- Ost D (2005) *The Defeat of Solidarity: Anger and Politics in Postcommunist Europe*. Ithaca, NY: Cornell University Press.
- Ost D and Crowley S (2001) *Workers after Workers' States. Labour and Politics in Postcommunist Eastern Europe*. Lanham, MD: Rowman and Littlefield.
- Philips K and Eamets R (2003) TALO organises Estonia's first strike. Available at: <http://www.eurofound.europa.eu/eiro/2003/12/feature/ee0312103f.htm> (accessed 2 February 2010).
- Pierson P (1994) *Dismantling the Welfare State*. Cambridge: Cambridge University Press.
- Polarczyk K (2005) Zatrudnienie w sektorze publicznym i administracji publicznej w Polsce na tle innych krajów. Kancelaria Sejmu, Biuro Studiów i Ekspertyz Kancelarii Sejmu, Raport 237. Available at: [http://biurosej.sejm.gov.pl/teksty\\_pdf\\_05/r-237.pdf](http://biurosej.sejm.gov.pl/teksty_pdf_05/r-237.pdf) (accessed 15 May 2010).
- Sansier F (2006) Regional assessment report on social security financing issues. Social Institutions Support Program.
- Schwartz H (2001) Round up the usual suspects! Globalization, domestic change and welfare state change. In: Pierson P (ed.) *The New Politics of the Welfare State*. Oxford: Oxford University Press, 17–44.
- Silver B (2005) *Forces of Labor*. Cambridge: Cambridge University Press.
- SOS, USPRS and GSPRS (*Sindikata obrazovanja Srbije, Unija sindikata prosvetnih radnika Srbije, Granski sindikat prosvetnih radnika Srbije*) (2010) Predlog kriterijuma i rokova za racionalizaciju broja zaposlenih u osnovnim i srednjim školama. Letter to the Education Ministry, 13 January.
- Stojiljković Z (2008) *Konflikt i/ili dijalog: Ogledi o sindikatima, tranziciji i demokratiji*. Belgrade: Swiss Labour Assistance.
- Szalai J (2003) Conflicting struggles for recognition: Clashing interests of gender and ethnicity in contemporary Hungary. In: Hobson B (ed.) *Recognition Struggles and Social Movements*. New York: Cambridge University Press, 188–214.
- Szpringer Z (2005) Wydatki budżetu państwa. Available at: [http://biurosej.sejm.gov.pl/teksty\\_pdf\\_05/i-1161.pdf](http://biurosej.sejm.gov.pl/teksty_pdf_05/i-1161.pdf) (accessed 15 May 2010).
- Towalski R (2003) Kształtowanie się wynagrodzeń w sektorze publicznym. Available at: [www.eurofound.europa.eu/eiro/2003/11/feature/pl0311107fpl.doc](http://www.eurofound.europa.eu/eiro/2003/11/feature/pl0311107fpl.doc) (accessed 10 May 2010).

- Traxler F and Brandl B (2009) Collective bargaining, macroeconomic performance, and the sectoral composition of trade unions. *Industrial Relations* 49(1): 91–115.
- UNECE (2005) Data retrieved 13 May 2010, from United Nations Economic Commission for Europe (UNECE) database.
- UNESCO (2010) Data retrieved 15 May 2010, from United Nations Educational, Scientific and Cultural Organization (UNESCO) database.
- Vanhuyse P (2006) *Divide and Pacify: Strategic Social Policies and Political Protests in Post-Communist Democracies*. Budapest: Central European University Press.
- WDI (2004) Data retrieved 12 May 2010, from World Development Indicators Online (WDI) database.
- WHO (2009) Environment and Health Performance Review: Serbia. Report for World Health Organization, Copenhagen.
- World Bank (2009) Serbia: Doing More with Less. Addressing the Fiscal Crisis by Increasing Public Sector Productivity', Report 48620-YF, Washington, DC.
- Wright EO (2000) Working class power, capitalist interests and class compromise. *American Journal of Sociology* 105(4): 957–1002.
- ZNP (Związek Nauczycielstwa Polskiego) (2006a) Apel do posłów Parlamentu Europejskiego o głosowanie na rzecz całkowitego wyłączenia edukacji z dyrektywy o usługach na rynku wewnętrznym. Available at: <http://www.znp.edu.pl/text.php?action=view&id=468&cat=20> (accessed 15 March 2007).
- ZNP (2006b) Stop Bolkestein. Available at: [http://www.glos.pl/art\\_t.php?id=508&pkt=2&act=fa&nr=59&PHPSESSID=04e78b2b1fe0b1aaab47f95bfb34ef26](http://www.glos.pl/art_t.php?id=508&pkt=2&act=fa&nr=59&PHPSESSID=04e78b2b1fe0b1aaab47f95bfb34ef26) (accessed 11 December 2006).
- ZNP (2010) Official trade union webpage. Available at: [www.znp.edu.pl](http://www.znp.edu.pl) (accessed 17 May 2010).
- ZSRS (Zavod za statistiku Republike Srpske) (2009) *Statistički godšnjak Srbije*. Available at: <http://webzrs.stat.gov.rs/axd/god.htm> (accessed 1 May 2010).

### Author biography

Anil Duman is Assistant Professor, and Magdalena Bernaciak and Vera Šćepanović are PhD candidates in Political Science at Central European University in Budapest.