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Aleksandra Sznajder Lee and Vera Trappmann

Overcoming Postcommunist Labour Weakness: Attritional and Enabling Effects of MNCs in Central and Eastern Europe

Abstract

Based on micro-level analysis of the developments in the steel sector in Poland, Romania and Slovakia, this paper examines the effects of multinational corporations (MNCs) on labour unions in Central and Eastern Europe. It makes a three-fold argument. First, it shows that union weakness can be attributed to unions' strategies during the restructuring and privatization processes of postcommunist transition. Consequently, tactics used for union regeneration in the West are less applicable to CEE. Rather, the overcoming of postcommunist legacy is linked to the power of transnational capital. Through attritional and enabling effects, ownership by MNCs forces the unions to focus their efforts on articulating workers' interests. The paper examines the emerging system of industrial relations in the sector and explores the development of the capabilities needed to overcome postcommunist legacies.

Keywords

Labour revitalization, multinational corporations, postcommunism, privatization, trade unions

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Introduction

The weakening of trade unions in Western Europe has in large part been attributed to the consequences of globalization and neoliberal policies (Urban, 2008). Faced with shrinking union membership, scholars and practitioners alike have turned their attention to the question of whether a labour movement renewal can be expected, and what variables might affect this process. As revitalization research expands to Central and Eastern Europe (CEE), it is important to keep in mind that the unions in the region face an additional obstacle, namely the need to overcome the crippling legacies of the transition process.

In this article, we examine the relationship between globalization, epitomised by multinational corporations (MNCs), and the overcoming of the legacies of transition in CEE - a precondition to union revitalization in the region. Our argument is three-fold. First, we argue that union weakness in postcommunist countries has various origins, stemming from variable experiences during the transition process. Even though domestically, the unions shared numerous communist legacies, and, externally, they were exposed to similar pressures of marketization and globalization, union leaders were also faced with specific, politically-underpinned choices during the transition process. These choices, in turn, led to different forms of marginalization.

The second part of our argument holds that unlike unions in Western Europe, which face the imperative of revitalization following far-reaching market liberalization policies, the unions in CEE additionally need to overcome the specific challenges connected to the legacies of the transition process. In other words, to the extent that the postcommunist union marginalization resulted from poor representation of workers' interests during transition, unions first need to establish their legitimacy as the representatives of workers.

Third, we argue that privatization through sale to multinational corporations (MNCs)—the epitome of marketization and globalization—serves as an impulse for overcoming postcommunist legacies. The entry of MNCs has a dual effect: attritional and enabling. On the one hand, as in the West, it increases competition among subsidiaries and strengthens the bargaining power of the employers (attritional effect). However, the establishment of new capital-labour relations clearly delineates separate roles for the two actors and forces the unions to start acting as workers' representatives, a precondition for regeneration. At the same time, the entry of MNCs provides opportunities for the exercise of international solidarity and exposure to coordinated sharing of information and practices, as through the institutionalized vehicles of the European Works Councils (EWCs), which helps empower unions (enabling effect). How the unions in CEE respond to the challenge of representing workers' interests has implications for their ability to revitalize in the future. We find that in our cases, analysed unions have made significant progress in terms of adjusting themselves to the new role. However, the postcommunist past continues to cast shadow over the extent to which the unions are able to adapt to the new reality.

We examine these claims by taking a comparative, micro-level approach, and we study the steel sector in three new EU member states: Poland, Romania, and Slovakia. We look at the steel industry because this was a sector where the unions were particularly strong under planned economy, lost a lot of legitimacy during the transition period, and did not seem well prepared to counterbalance the power of new, private, multinational owners. If unions were able to overcome postcommunist legacies, it would be a good sign of union renewal prospects in these countries. We carried out the research from 2003 to 2010 and conducted about 150 interviews with trade union representatives, workers, employers, and state officials.

The article is divided into five sections. In the next section, we discuss the theoretical framework of our study and embed it within the literature. In the subsequent sections, we present the micro-level empirical data. In section three, we discuss the progressive weakening of the unions in the three cases and in section four we turn to the signs of overcoming postcommunist legacies following the sale of these companies to MNCs. In the last section, we conclude and discuss the implications that the shedding of the postcommunist legacies has for union regeneration in the long term.

Labour Decline and Revitalization in Comparative Perspective

The degree of power to influence other relevant actors—such as employers or the state—is one of the key differences between a union movement that is experiencing decline and revitalization (Frege and Kelly, 2004, 32). According to Wright, labour power can be divided into associational and structural power. Associational power results from the collective organizations of workers including not just unions, but also political parties, works councils or even forms of institutional representation on boards of directors. Structural power flows from workers' strategic location within a key industrial sector or from an advantageous position due to tight labour markets (Wright, 2000, 962). Workers' loss of structural power has negative implications for their associational strength. The prevalence of neoliberal policies and globalization, entailing market liberalization and global sourcing, contracting and subcontracting, have everywhere led to decreased structural power of the workers due to subsidiary competition. The increasing bargaining power of employers also led to declining membership numbers of workers and to overall decline in labour's associational power.

The unions in CEE have faced other pressures, in addition to those of globalization, which contributed to their weakness. The literature on the causes of union weakness in CEE has focused on the macro-level factors that can be divided into external and internal. External causes include the legacies of socialism and etatism (Crowley, 2004; Ost and Crowley, 2001; Bluhm, 2006), high unemployment levels (Greskovits, 1998), and the free-market-promoting EU (Kutter and Trappmann, 2010; Bohle and Greskovits, 2006; Kubicek, 2004). Internal causes emphasize the lack of cooperation and coordination (Meardi, 2006) or of class consciousness (Ost, 2000). Building on the class consciousness argument, Ost has advanced the claim that the main challenge facing unions in CEE is the legacy of postcommunism, whereby unions weakened themselves by giving into the neoliberal reforms (Ost, 2009).

The end of the transition period—or of postcommunism—marked by the entry of CEE countries into the European Union's single market calls for a new assessment of the state of organized labour. As in the West, analyses of labour's decline are slowly giving way to the examination of the prospects for labour revitalization. The relatively young literature on labour revitalization has developed a set of conditions influencing the process but its focus is on the Western experience, and its applicability as a framework for postcommunist CEE is limited. More fundamentally, it does not address a crucial source of weakness for existing union organizations, namely the legacies of the transition process.

According to Behrens, Hamann and Hurd (2004) labour revitalization depends on unions' bargaining power, political power, membership density, and institutional vitality. Most prominently, Frege and Kelly (2004: 33f) distinguish six different *strategies* of labour revitalization in Western Europe, intended to increase union power on the four aforementioned dimensions: union restructuring, organizing, coalition building, social partnership, political action, and international union action. The usefulness and success of the various strategies is context dependent and is influenced by the country setting as well as the industry and type of unions (Frege and Kelly, 2004: 33).

Union restructuring entails organizational reform to increase efficiency, stimulate rank-and-file mobilization, expand democratic participation, and improve service provision, and is often considered a precondition for further revitalization (compare Turner, 2005: 386). Often, it includes mergers between individual unions or closer cooperation among union confederations.

Organizing mainly intends to increase the associational power of labour by attempting to raise union membership. The problem of recruitment has been linked to path dependency of old-style strategies, which do not work in the new sectors, as well as to the weariness of elder union representatives. New forms of recruiting and new forms of unionism seem necessary to increase organizational power. Potentially fruitful avenues for organizing are closely related to coalition building with civil society and following a political mandate (Voss and Sherman, 2000). They include social movement unionism, and comprehensive campaigns and coalition building in an attempt to broaden the scope of union actions beyond the factory gates (Hurd, Milkman, and Turner, 2003). Social coalitions, in turn, can also enhance the potential for labour to exert political power, which can either result in more labour-friendly legislation or even in corporatist institutional structure (Frege and Kelly, 2004: 34).

Social partnership with employers has strengths but also pitfalls as it can increase concession bargaining whereby workers surrender previously negotiated rights and benefits in exchange for greater job security. In the end, workers' perception of too much concession on the part of the unions may undermine trust in union leadership. Finally, international unionism has increased with European integration thanks to the European Works Councils.

Out of the six strategies outlined by Frege and Kelly, two are of yet limited applicability in the postcommunist world. First, coalition building is challenging given the current weakness of civil society in the region (Howard, 2003; Mrozowicki 2011; also compare Ost, 2005). Second, social partnerships are difficult in economies dominated by MNCs, where social partnership already lacked institutional entrenchment prior to MNCs' entry.¹ Perhaps not surprisingly, given our argument concerning the need to overcome postcommunist legacies, union restructuring has not yet received scholarly attention.

Thus, the nascent literature on labour revitalization in CEE focuses on the other three elements presented in Frege and Kelly's framework, namely organizing, international union action, and, increasingly, political action. As for organizing, Krzywdzinski documents that Polish unions have initiated a new organizing strategy, with Solidarity employing and training professional organizers (Krzywdzinski, 2010).

In terms of international union cooperation, Gajewska has detected some positive examples. Based on an examination of EWC at GM, the Service Directive, and the Laval case, she finds that path dependencies and legacies do not mean *per se* an obstacle to cooperation but that its emergence depends on actions of actors, and not on attitudes. Thus, situational interactions among unions foster solidarity. Embeddedness in the European trade union organizations, she argues, is particularly important for the long-term process of building international union solidarity (Gajewska, 2009). Unlike Gajewska (2009), who finds that unions differentiate between areas of competition and those of solidarity, Bernaciak (2010) finds that cross-border unions cooperate only if they see that they can benefit more from cross-border coordination than from local negotiations and concessions.

As far as political action is concerned, particularly with the recent crisis, scholars have noted more radical union involvement than seen previously. Examples include demonstrating and campaigning for general welfare issues such as the rise of minimum wage, pension reform, and a cutback of flexibilization in Poland (Trappmann, 2011, 2012) or calls for a referendum in Slovenia (Stanojevic, 2013).

The cited studies representing the nascent literature on labour revitalization in CEE point to different manifestations of union regeneration in the face of neoliberal policies and globalization, but they do not address what we argue is the critical precondition for union revitalization: overcoming of the postcommunist legacy of not representing workers' interests. Unless the mechanisms, and the degree of success, of overcoming the postcommunist legacy are addressed explicitly, existing union organizations may simply be unable to contend with the root cause of their weakness, and fail to regenerate successfully.

Unlike Ost, who links postcommunist legacies to the lack of class identity, we show that union weakness resulted from context-dependent decisions union leaders made during the transition period. Consequently, as a precondition to union regeneration, union leaders must first overcome the context-dependent legacy of not representing worker interests. In order to do so, they must develop a set of capabilities that will enable them to adjust to new, post-transition scenario, in which MNCs dominate the economic fabric. In discussing the determinants of union capacity, Levesque and Murray make a distinction between power resources and actor capabilities (Levesque and Murray, 2010: 336). Whereas power resources, such as those discussed by Frege and Kelly, are necessary, they are not sufficient to counteract external pressures affecting unions. In a scenario analogous to union revitalization, the new, post-transition context challenges 'ways that union leaders and activists think about and develop their resources and organizational routines' (Levesque and Murray, 2010: 336). Thus, union leaders need new capabilities. These include framing (such as defining a proactive and autonomous agenda); learning; articulating between different levels of action; and, perhaps most importantly: intermediating.

The latter entails the ability to mediate between contending interests, foster collaborative action,

and access and create salient social networks (Levesque and Murray, 2010: 335). For our purposes, learning and intermediating are the two most significant capabilities that need to be developed by union leaders in CEE in order to alter their strategies and reconcile any lasting hostilities that transpired during the transition period. These capabilities, in turn, manifest themselves in two specific aspects of union restructuring that are a precondition to further revitalization: union mergers and closer cooperation among confederations.

The key question, then, pertains to the mechanism of developing these capabilities. We argue that the entry of MNCs completely changes the rules of the game and therefore provides a structural break in the unions' postcommunist trajectory. In short, although the rise of MNCs is generally associated with the weakening of union power, in CEE MNCs contribute to the overcoming of the legacies of postcommunism, which is a prerequisite for union regeneration.

MNCs affect union power in the region in two ways that seem to work at cross-purposes, and which can be called attritional and enabling. Attritional effect refers to the tremendous pressure MNC presence puts on the workers. By introducing the threat of lay-offs or relocation, it strengthens the hand of the employers vis-à-vis the unions, making social partnership more difficult, and also complicates the potential for organizing. Political action, too, becomes more challenging as the government can deem involvement in the affairs of an enterprise as antithetical to economic reform. The lack of political efficacy might, in turn, lower the potential for coalition building. In essence, the MNCs force the unions into an adjust-or-perish scenario in which change of attitudes and behaviour by union leaders becomes a matter of organizational survival.

At the same time, MNC presence also has an enabling effect in that it is associated with resources that both incentivize and reinforce changed behaviour: international solidarity and, especially, the European Works Councils (EWCs). External resources notwithstanding, however, the impulse for change must originate within the union itself.

In the following sections, we examine our argument empirically. We employ a comparative framework to examine the origins of labour weakness and to analyse the existing signs of labour regeneration in CEE. Our analysis is based on micro-level analysis, which is best suited for analysing intra- and inter-union dynamics over time. We chose the steel sector based on its importance during the communist period. Thus, the more established unions in the respective sectors' biggest plants, rather than the new start-ups, provide a good lens through which to examine the challenges connected to the communist past and postcommunist transformation.

Careful not to generalize based on shared communist legacies (but see Crowley and Ost, 2001), we selected the country cases based on the differences in the political economy of transition, even if all three aimed at eventual EU membership and were constrained by accession obligations. After all, the transition period may have established path dependencies (Stark and Bruszt, 1998). Poland, as the transition leader, was on the forefront of economic and political reforms. In what foreshadowed the eventual loss of union credibility, social dialogue was initially deemed unnecessary as Solidarity's participation in a series of reformist governments was seen by the reformers as sufficient protection of worker interests. Despite alternation of parties in power, subsequent governments remained committed to both economic and political reform, with social dialogue eventually evolving into a consultative function, its efficacy lowered by peak-level splintering of unions along political lines.

Slovakia at first also exhibited radical economic reform record, albeit the privatization process quickly became extremely politicized. After prime minister Vladimír Mečiar's coming to power in 1994, privatization became the basis for establishing clientelistic relations between the government and its clients, including renegade trade unions, which were skilfully plied off the main labour confederation. Romania served as the most problematic case as far as both political and economic reform was concerned in that the Romanian transition process was marked by stop-and-go policies that featured economic and political reform non-starters and reversals. Organized labour was often used to fight political battles, with strategic splintering and exploitation of unions by political operatives.

Although the developments in the three countries differed considerably, a common feature during the 1990s was that industrial relations at the national level were tripartite, i.e., the state consulted the

unions and employer federations on questions of economic and social policy in order to ensure a peaceful transformation. Despite this, actual union influence through tripartite bodies was scant (Pollert, 2000: 201; Ost, 2000). Their initially relatively high membership rates notwithstanding, the unions were not able to ensure implementation of the general agreements concluded at the national level (Myant et al., 2000; Kohl and Platzer, 2003).

Even though the steel industry was one of the few cases where social dialogue took place at the sectoral level, the main negotiations pertaining to work conditions and wages took place at the individual enterprises. As this section demonstrates, the developments at the enterprise level had a feedback effect that influenced the legitimacy of trade unions in the three countries.

Three companies are central to our analysis: VSŽ – Východoslovenské Železiarne (East-Slovak Steelworks), Sidex Galați, and PHS – Polskie Huty Stali (Polish Steelworks), all of which are the biggest steelworks in the respective countries. Today, as a result of privatization, they are the subsidiaries of multinational enterprises. Slovak VSŽ was sold in 2000 to U.S. Steel and is now called U.S. Steel Košice; Romanian Sidex Galați was sold in 2001 to Lakshmi Mittal's LNM Holdings and is now part of the ArcelorMittal concern as ArcelorMittal Galați. PHS was also sold to LNM Holdings in 2003, and, together with Arcelor Huta Warszawa, is today integrated into the parent concern ArcelorMittal as ArcelorMittal Poland.

Postcommunist Legacies of Company-level Representation

Before we turn to the effects of MNC ownership on unions within these enterprises, let us first examine the dissimilar postcommunist pathways into weakness. These pathways were not only a byproduct of communist legacies, but also of the context-dependent decisions union leaders made in the course of transition from communism. As the following cases illustrate, whereas in Slovakia and Romania the loss of legitimacy stemmed from facilitating rent-seeking activities of patrimonial-style management, in Poland, the unions lost legitimacy after taking on the role of co-managers in the process of market-oriented restructuring. Since we analysed these processes in depth elsewhere, in what follows, we summarize the main events and the implications they had for union restructuring in the post-sale-to-MNCs period (Sznajder Lee and Trappmann, 2010).

VSŽ, founded in 1965, was one of the most important enterprises in Slovakia, earning nearly 10 per cent of the Slovak GDP, and employing 20,000 workers. Clientelistic relations with the Mečiar government ensured the management as well as the representatives of the enterprise-level union organization large stakes in the enterprise during its initial privatization in the 1990s. Soon thereafter, relations between the enterprise-level union organization and the politically independent sectoral union organization—O.Z. KOVO—deteriorated. In 1996, Mečiar's popularity among the local union representatives of VSŽ prompted the union committee to leave O.Z. KOVO to found its own organization—Metalurg (Sznajder Lee, 2010). The move represented the government's strategic attempt to weaken O.Z. KOVO, which was the strongest sectoral union within the Slovak Confederation of Trade Unions (Konfederácia Odborových Zväzov – KOZ SR). The ultimate goal was the weakening of KOZ, which was very critical of Mečiar's policies (Myant et al., 2000: 734).

The management, with Metalurg representatives' knowledge subsequently found different ways of tunnelling money out of the enterprise. Growing dissatisfaction of the workers with the management, and the politics of personal enrichment of union representatives, were silenced with higher-than-usual pay for the workers (Sznajder Lee, 2010). At this time, VSŽ was a good example of the kleptocratic political capitalism of old boy networks (see Eyal et al. 1998), with informal meetings between politicians, management and Metalurg deciding the company's destiny.

The moment of crisis came in 1998, shortly after the election that ousted Mečiar's coalition, when foreign lenders declared cross default and the enterprise found itself on the brink of bankruptcy. The solution was an agreement with the banks followed by reprivatization to a strategic investor who would

appease the foreign lenders. Throughout the negotiation process, the behaviour of Metalurg and its leader was clearly hostile, including an attempt to fire the new CEO. Nonetheless, the influence of Metalurg was diminishing, and it did not help to forge the final privatization agreement. The latter was positive for the employees in that it stipulated that the privatized enterprise, U.S. Steel Košice, would retain full employment for the following ten years, with employment restructuring only via natural attrition. Metalurg, as accomplice of the old management, had in the words of a company insider, ‘become irrelevant for the workers,’ whose main concern was the survival of the enterprise and the retention of workplaces (Sznajder Lee, 2010).

The story of Sidex Galați shares significant similarities with the Slovak case. The enterprise, with 37,000 employees, was a symbol of communist modernization, producing 80 per cent of Romanian steel and earning 4 per cent of Romanian GDP. Union politics within Sidex were also similar to VSŽ. Seeking to stifle the awakening civil society and independent union movement at an early stage, the illiberal National Salvation Front government convinced powerful union leaders to split their organizations away from the new union confederation structures. As early as 1991 local union leaders in Sidex founded their own organization, the Galați Ferrous Metallurgy Workers’ Trade Union Federation, which the government recognized as an equal negotiating partner at the national level besides Metarom, the new federation representing metalworkers (Sznajder Lee, 2010: 48).

The 2001 privatization of Sidex Galați became the object of hard competition between the Romanian government, unions, and management on the one side, and external actors like the World Bank, the International Monetary Fund, and the EU, on the other. Since the company was a significant loss maker and contributor to Romania’s budget deficit, international financial institutions (IFIs), especially the World Bank, pushed for privatization (Sznajder 2006). The government was reluctant, and the management and unions were opposed to privatization because they benefited from the status quo. Sidex Galați was encircled by hundreds of politically-connected asset-stripping companies, almost 1400 in 2001, according to the Romanian prime minister (Sznajder Lee, 2010). Also, the employees enjoyed high wages and employment security. The management used militant workforce as a convenient excuse to solicit additional financial resources from the government for salaries and working capital and to resist privatization.

As a result of theft and mismanagement by the management and its allies, Sidex’s debt exceeded one billion dollars by 2000. Under pressure from the IFIs, the Romanian government decided to privatize Sidex and changed the management to one more open to privatization. The enterprise-level union tried hard to stall the process, formulating different conditions for its consent to privatization, and threatened militant actions if these conditions were not met. The union eventually resigned itself to privatization, and the government chose Lakshmi Mittal’s LNM Holdings as the strategic investor in July 2001. Most importantly from the workers’ perspective, the deal provided for employment restructuring using only natural attrition for the first five years. However, similarly to the case of Slovakia, this guarantee was not so much a result of union activities as it was of the government’s concern for a region plagued by an already high unemployment (Sznajder Lee, 2010).

Restructuring in Poland proceeded quite differently from the Slovak and Romanian cases. First of all, the political context was different in that the Polish unions were not used instrumentally by the government to reach political objectives. Second, unlike the Slovak and Romanian cases, enterprise-level unions took an active part in enterprise restructuring. Considering employment cuts inevitable, they tried to cushion them with sectoral employment restructuring agreements. When—under massive pressure from the EU—PHS was eventually put up for sale, it had already been in large part restructured with the unions’ help. This included the 1999 sectoral employment restructuring agreement, called the Metalworkers’ Social Package, which provided for the departure of 57,000 workers from the sector.

The unions also founded subsidiaries to provide employees with a positive example of how private economic initiatives can operate successfully. Understanding themselves as co-managers concerned with preserving the parent enterprise and believing in the success of the entrepreneurial initiative, they advised employees to become entrepreneurs. Instead of advocating for the protection of the employment contract, the unions preferred to negotiate a suitable severance pay that would later allow the

workers to become self-employed, and they even offered special courses on 'How to start your own business' (Trappmann, 2013). In particular, Solidarity's orientation to the free market economy (see also Ost, 2000) and the strong belief in the virtues of free entrepreneurship caused the unions to follow a radically market-driven strategy.

Finally, the unions also considered privatization to a foreign investor the key to the survival of the companies, and thus, in 2003, they pressed for privatization even when the government was stalling. The unions' almost pro-active participation in restructuring had distanced them from the rank-and-file membership. Even numerous union members in leadership position in the companies expressed criticism, as the following quotes illustrate: '[t]he unions have sold out. They're not even unions any more. They teamed up with those who just wanted to sell the company. The workers were of no interest to them;' 'The unions have failed. They've completely lost their power. They can't do anything more for the workers. They simply don't have any role now' (Trappmann, 2013).

Thus, the weakening of the unions in the Polish steel industry is strongly related to the role they chose in privatization and restructuring. Their attempt to save the enterprises, and their exaggerated view of free entrepreneurship permitted them to take on the role of co-managers. However, it was not a matter of positive forms of co-determination or co-management. Rather, in their claim to represent the employees, the unions followed a radical market position, which disillusioned the employees.

To summarize, even though Poland on the one hand and Slovakia and Romania on the other followed different pathways, both sets of unions suffered from a self-inflicted wound and weakness prior to their enterprises' privatization to foreign investors. They entered the post-privatization period with the dire need to develop new capabilities and strategies.

Attritional and Enabling Effects of MNCs and Overcoming Postcommunist Legacies

By completely changing the rules of the game, privatization to foreign investors represents a structural break in the unions' postcommunist trajectory. The unions can no longer use their ties to the management, either as rent-seeking allies or co-managers feeling responsible for the enterprise. Rather, they face the need to alter their behaviour because of the attritional effect of MNCs: high bargaining power of the employers, increasing flexibilization of work and employment relations, competition among subsidiaries within MNCs, and resulting uncertainty about the future of entire groups of workers.

Attritional Effects: Social Dialogue and Implications for Social Partnership and Political Action

Changes in social dialogue in the three sectors and enterprises reflect the power of employers following privatization to MNCs. Although the negotiations with the new owners take place more regularly, employers are much better prepared to defend their interests. They tend to focus on company-level negotiations, and even at the sectoral level, they try to speak with one voice.

In Poland, in 2008, the Polish Steel Association representing employers in the sector declared the sectoral agreement void and proposed the negotiation of a new one. Given the heterogeneous economic performance of enterprises in the sector, the new proposed agreement strives to be more flexible and lowers the provisions to the lowest common denominator. Reluctantly, the bigger sectoral federations accepted the new arrangement and proceeded to focus their energies on the enterprise level. However, the adoption of the new, watered-down agreement has been blocked by a small federation, the All-Poland Association of Continuous Operation Employees.

In Slovakia, the sectoral agreement had also been a source of friction with the union leaders. After the 2005-2007 collective agreement for the sector expired, the unionists proceeded to negotiate a

new one, but they refused to sign the agreement in 2008 and 2009 due to the ‘low level of commitment and entitlements’ proposed by the employers. They were afraid that the lowered standards would negatively impact future negotiations at the enterprise level (O.Z. KOVO union leader, 2010, electronic communication). Eventually, in 2010, the unions and the employers agreed upon a sectoral agreement.

Romania’s developments followed a similar pattern. After the 2004-2008 sectoral-level collective agreement expired, it was only renewed in July 2010 because the employers and the unions could not come to an agreement. However, the union leaders seemed satisfied with the sectoral agreement they were able to negotiate, which represented an improvement over what amounted to a non-existent social dialogue during the years 2005 to 2009 (interview, Metarom leader, 14 July 2010). In all three cases, the tendency to loosen or avoid sectoral agreements altogether has grown stronger as employers try to relegate social dialogue to the level of the enterprise. This trend makes the prospects of establishing robust social partnership much more difficult.

The key developments take place at the level of the enterprise, with social dialogue becoming much more adversarial. Even in Slovakia, where labour relations seem to proceed more smoothly, compared with the previous (Slovak) management, according to the interviewed union leader, ‘the current negotiations are much more demanding.’ However, contrary to the situation under the Slovak management, the provisions agreed upon are also implemented (interview, O.Z. KOVO union leader, 10 October 2010).

In Poland, social dialogue at the level of the enterprise entailed much tension and mutual mistrust in the initial post-privatization period. The unions continue to perceive the new management as a tough negotiating partner and it took both sides five years to negotiate a new enterprise-level collective agreement that was to follow the privatization pact that expired at the end of 2009.ⁱⁱ Solidarity and OPZZ both emphasize the necessity of dialogue but reject strikes as a relatively useless tool that would only serve managerial interests.ⁱⁱⁱ Rather, union leaders see rational negotiation based on facts and figures as the key tool of social dialogue. However, the more the tensions increase, the more willing they are to protest, as recently happened at ArcelorMittal Poland sites.

The relationship between the unions and the management is the worst in Romania where unions perceive the management as obstructionist and uncooperative. Negotiations surrounding collective labour agreements are tough, with the unions characterizing the social dialogue between 2005 and 2009 as amounting to ‘zero’ (interview, Metarom leader, 14 July 2010). Moreover, the management claims that the unions lack ‘any strategy for workers’ representation’ (interview, ArcelorMittal Galați human resources management, 14 July 2010).

In addition to poor prospects for establishing robust social partnership with employers, a factor notable for its absence in the context of changed social dialogue in the examined enterprises is the perceived lack of institutional support by the state. In Poland, union leaders bitterly quoted the minister of the economy as saying that ‘the government is not interested in a private company’ (interview, Solidarity leaders, 9 July 2010). In Slovakia, the union leader said that ‘employers supported by the liberal government try to weaken us...They think unions are an obstacle for further development’ (interview, O.Z. KOVO leader, 10 October 2010). The Romanian leaders went even further, claiming that ‘we have powerful enemies in Romania: the government and the management’ (interview, Metarom leader, 14 July 2010). Especially in Romania, the unions have witnessed a significant loss of influence, with the government cutting back labour law and union rights (Trif, 2013).

Although the perception of the state’s dismissive attitude took on different intensities in the three countries, in all of them the unions made it clear that they were left to their own devices. At the same time, even though the state has withdrawn from the sector, foreign owners have not hesitated to use their political channels to help lobby the national governments.^{iv} Thus, state withdrawal and perceived abandonment of the sector in all three cases has made it more difficult to use political action as a strategy for union revitalization.

Enabling Effects of MNCs: International Union Action and European Works Councils

In addition to its crippling attritional effects, the entry of MNCs explicitly promotes a specific aspect of union capability, namely learning, by facilitating participation in international unionism. EU membership, in particular, incentivizes and reinforces the development of union capabilities through Directive 94/45/EU establishing European Works Councils (EWCs).

The new structures of EWCs contribute to the union representatives' understanding and assertion of their role as representatives of workers' interests through several means. As documented in the literature, the positive effects include gains in information and legitimacy through the integration into the transnational employee representation body (Meardi 2004). With the exception of U.S. Steel Košice, the enterprises examined here can put forward members for the EWCs. Because of the still comparatively high employment figures in the Polish and Romanian plants, these countries are well represented in the ArcelorMittal EWC, with each country having nine members out of a total membership of fifty four.

Although the overall power and influence of the EWC is limited and also considered marginal by its members from Poland and Romania, it has two important implications for the unions. First, the enterprise-level unions at ArcelorMittal Poland see an improvement in the internal cooperation among unions because of the EWC pressure for coordination. Second, according to their own estimation, it helps in rationalizing unions' thinking and improves their situation vis-à-vis local management. Because they often gain information via the EWC that they would not have otherwise obtained from the management, they are better informed about the fate and the future plans for their companies and can plan their strategy accordingly (interview, Solidarity leaders, 7 July 2010; interview, leader of Independent, Self-Governing Labour Union of Workers of ArcelorMittal Poland S.A., 9 July 2010).

The union leaders also claim other positive effects, even if unintended. For example, the Romanian union leaders stated that the exchanges in the EWC enabled them to learn from the unions in other countries about their reactions to the crisis. The experience helped them produce proposals for government anti-crisis measures. Self-critically, the Romanian leaders claimed that they should become more active in the EWC (interview, Metarom leader, 14 July 2010).

Linked to the effects of EWCs, yet analytically separate, is the question of emerging international solidarity that has the potential to spur union regeneration. For example, Western European unionists assist their counterparts from CEE in labour organizing efforts, especially as far as greenfields and the service sector are concerned (Ost 2009: 21-22; Trappmann, 2011). International labour solidarity is a work in progress, as labour leaders learn to overcome significant obstacles stemming from differences in short-term interests. In our cases, one such disagreement pertained to whether the size of the delegation to the EWC should be determined by production output or by the workforce size, given that the latter seemed overstuffed to the Western unionists.^v

Nonetheless, international labour solidarity is growing and collaboration as part of the EWCs facilitates the development of mutual trust; Polish unionists point to united protests by unionists against layoffs across ArcelorMittal as a sign of solidarity developing across borders. We also find increased cooperation at the sectoral level, where unions participate in joint projects on qualification and training as well as on social dialogue. However, while solidarity across union lines in Europe may be emerging, the ability of workers to act collectively across borders remains inferior to that of employers from transnational corporations.

Overcoming Postcommunist Legacies: Union Mergers and Cooperation

MNC entry encourages the development of two capabilities that are crucial for overcoming postcommunist legacies: learning and intermediation. Participation in international unionism fosters learning and helps change the way unions perceive their role. The adjust-or-perish scenario brought about by the attritional effects of MNCs, on the other hand, creates the need to develop intermediation

capability, whereby union leaders learn to mediate between contending interests and foster collaborative action. If they are successful at developing intermediation skills, union leaders are able to undertake internal restructuring that takes the organizational form of mergers and increased cooperation aimed at overcoming the transition-era weakness and divisions.

By far the most obvious change that occurred under the new ownership was the tendency of the unions to merge and overcome the politically-inspired divisions that took place during the early and intermediate years of transition. These developments were closely tied to generational change and to the retirement of individuals who had a personal stake in the divisive status quo. In Slovakia, Metalurg and O.Z. KOVO merged at the end of 2009, once all the union leaders who favoured the 1996 split had retired. Realizing that unity was required to represent workers effectively in economically difficult times, union leaders left the political turbulence of the Mečiar era behind. Notably, the persisting political differences among union leaders did not stand in the way of the merger which strengthened the position of the unions (interview, O.Z. KOVO leader, 10 October 2010). In the words of O.Z. KOVO's president: 'Integration is intended for us to become stronger, more professional, to have better economic resources and greater opportunity to influence what happens in enterprises throughout the sector.'^{vi}

A similar phenomenon took place in Romania, although the Romanian case cautions us that it takes intermediating skills, not just mere generational change, to guarantee union cooperation. In 2006 the Galați Ferrous Metallurgy Workers' Trade Union Federation joined Metarom to form the steelworker union FSS Metarom (Federația Sindicatelor din Siderurgie Metarom, FSS Metarom) (Chivu, 2009). The reasons for the merger were similar to the Slovak case: after privatization, the close relationship between the unions and the management was eradicated and the leaders who had a stake in the old system retired. Faced with the new economic reality, new, younger union leaders realized the need for a stronger voice and recognized the obsolescence of the old arrangements. In fact, not only was the young leader of the Galați-based federation welcomed at Metarom, he was subsequently elected as Metarom leader in December 2006 (interview, Metarom leader, 14 July 2010).

Generational and organizational change, however, was not sufficient for effective representation of workers. ArcelorMittal Galați also presents lingering postcommunist legacies in terms of the approach to worker representation. Shortly after the merger, a new force emerged within the enterprise: Solidarity Union of Steelworkers at Arcelor Mittal Galați (Sindicatul Solidaritatea Siderurgistilor din Arcelor Mittal Galați). The latter is a militant organization whose recognition was resisted by the management and which very quickly proceeded to organize a large proportion of the workers, demand higher wages, and call for strikes.^{vii} The new union organization is led by a lawyer who advised the Galați Ferrous Metallurgy Workers' Trade Union Federation in the mid-1990s and who returned to the enterprise to lead the new union. Solidaritatea finds itself in tough competition with Metarom, which it accuses of having been co-opted by the management, an accusation Metarom reciprocates.^{viii} The strikes called by Solidaritatea have not been recognized by the Romanian courts and overall, the tactics have proven futile, as the management, in the words of the unions 'does not negotiate with terrorists' (interview, Metarom leader, 14 July 2010). Putting it more mildly, the management claims that 'It is not the company's policy to raise wages as a result of a strike' (interview, ArcelorMittal Galați human resources management, 14 July 2010). The union conflict and competition hinders union effectiveness in representing workers and has led other union leaders in Romania to compare the situation in the Galați plant to union competition Romania faced in the mid-1990s (interview, Cartel Alfa leader, 15 July 2010).

Problems with intermediation also hinder the opportunities offered by EWCs. According to Solidaritatea representatives, EWC membership application requires prior European Metalworkers Federation (EMF) membership, which in the case of Solidaritatea is blocked by FSS Metarom (interview, Solidaritatea leader, 15 July 2010). Thus, postcommunist legacies still cast a shadow that prevents taking advantage of coordinating mechanisms at the supranational level.

In the case of the Polish steel sector, because unions were not split by political machinations, there was no need for a post-transition reconciliation and mergers. However, greater capacity for intermediation is exemplified by tightening mutual cooperation unions established before privatization.

According to the interviewed leaders, unions now cooperate better under pressure even though political differences persist between them at the peak level (interview, leader of Independent, Self-Governing Labour Union of Workers of ArcelorMittal Poland S.A. (OPZZ-affiliated), 9 July 2010). Since most union leaders are in their late fifties and sixties, this greater cooperation is not yet facilitated by generational change within union leadership, but rather, by the development of new capabilities.^{ix}

With the increased downsizing of the workforce, partially in response to the economic crisis, union organizations at the plant level now focus both on the increase of employability of the remaining highly trained workforce and put forth demands for increased pay as the productivity of these plants approaches those in the West. Thus, as David Ost predicted, even in Poland, where the unions have shown much understanding for the managerial concerns for workplace productivity during the economic crisis, the unions have underscored that their patience is over. With the workforce cut and productivity rising, bringing about wage parity with Western European colleagues will be the priority (Ost, 2009).^x

Moreover, in addition to overcoming the legacy of co-managerialism, the unions in Poland have also shown signs of revitalization, with Solidarity actively using new strategies to organize agency workers. These activities, not surprisingly, are resisted by the management of the agencies supplying the workers (interview, Solidarity leader, 9 July 2010).

Conclusion

As attention turns from the analysis of the sources of union weakness to union regeneration in CEE, it is important to keep in mind that the application of the strategies of union regeneration used in the West needs to take into account the unique challenges faced by the unions in the region. Thus, unless scholars and practitioners pay attention to the degree to which unions have been able to overcome the different legacies of the transition process, they run the risk of overestimating the degree to which the unions are able to regenerate. Consequently, greater attention needs to be paid to the mechanisms through which unions overcome their postcommunist legacies. In this piece, we discussed one major—if surprising—force, namely the presence of MNCs in the region.

Our research has shown that despite shared communist legacies and challenges of transition, the weakness of postcommunist labour, especially at the enterprise level, resulted from different trajectories. These trajectories were a product of the internal political dynamics of the countries in question and personal decisions of union leadership, often resulting from incentives offered by the transition governments. However, for all the differences between the Romanian and Slovak trajectories on the one hand, and the Polish one on the other, the challenge the unions faced was the same: the loss of legitimacy in representing workers.

Sales of enterprises to MNCs represent a structural break in the unions' trajectories. Having arrived in the capitalist world, the unions have faced the need to redefine or reinterpret their mandate. With the entry of transnational investors, the informal management-union relations gave way to increasingly formal structures. This meant that whatever activities the unions were engaged in, be it rent seeking or active management role, had to be adapted to the new, formalized capitalist conditions. In order to adjust to the new conditions, the union leaders have faced the need to change their capabilities, and to overcome their postcommunist past, which is a *sine qua non* of union regeneration.

The advent of globalization in the form of sales to MNCs thus has a dual effect. On the one hand, as everywhere in the world, MNCs make union regeneration more difficult given the increased structural power of employers. At the same time, the harsh new conditions force unions to come to terms with their postcommunist legacies. Moreover, the entry of MNCs also facilitates some tactics, which might spur future union regeneration, such as union cooperation, international union action, and, in the case of the EU, the informative effects of EWCs. However, the process of overcoming the postcommunist past is certainly not automatic, as the Romanian case illustrates. Despite some headway being made, the shadow of postcommunist relations still affects the capabilities of the new actors. Not only does it affect internal

union restructuring, but it also affects the unions' ability to take advantage of the benefits of EWCs.

Even though MNC entry promotes the overcoming of postcommunist legacies, the unions still face very challenging conditions as far as revitalization is concerned. However, these are now far more similar—if more intense—to those faced by their Western counterparts. Going forward, unions face an enormous organizational task at all three levels: enterprise, sectoral, and national, and it seems that more transnational cooperation on the unions' side would offer a promising impulse for further union revitalization. Based on the evidence in the three enterprises, we believe that the unions, successfully in Poland and Slovakia, and less successfully in Romania, have taken significant steps to overcome their postcommunist legacies, an important prerequisite to revitalization. Contrary to the claims that globalization undermines labour in the East as well as in the West, we find more evidence that globalization in the East has a counterintuitive effect of improved representation of workers' interests by the unions.

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ⁱ Although there is an ongoing debate about the nature and type of change in social dialogue (whether towards or away from social partnerships), the prevailing view is that the present bipartite and tripartite structures are not effective (Ost 2011).

ⁱⁱ *Polska Agencja Prasowa* (2010) Nowy układ zbiorowy w ArcelorMittal Poland, January 8.

ⁱⁱⁱ OPZZ (*Ogólnopolskie Porozumienie Związków Zawodowych*), or All-Poland Trade Union Alliance, is the successor to the official, communist-era unions and second biggest labour confederation in Poland.

^{iv} In Romania, interviewed union leader mentioned that ambassadors step in to facilitate negotiations (interview, Cartel Alfa leader, 13 July 2010).

^v According to our Polish and Romanian interviewees, the Western unionists, especially from Germany, were apprehensive of sizeable delegations from both countries participating in the same organization, where, by the virtue of their size, they would have a significant voice.

^{vi} [Hnonline.sk](http://hnonline.sk) (2009) Odborári sa idú zlučovať. Available at: <http://hnonline.sk/ekonomika/c1-39057070-odborari-sa-idu-zlucovat> (accessed 10 December 2011).

^{vii} Mediafax (2008) ArcelorMittal Galați, obligat de tribunal să recunoască sindicatul Solidaritatea. Available at: www.mediafax.ro/justitie/arcelormittal-Galati-obligat-de-tribunal-sa-recunosc-a-sindicatul-solidaritatea-2419398 (accessed 3 March 2010).

viii www.wall-street.ro (2007) Dispute între sindicatele de la combinatul Arcelor Mittal Galați, Available at: www.wall-street.ro/articol/Companii/26340/Dispute-intre-sindicatete-de-la-combinatul-Arcelor-Mittal-Galați.html (accessed 3 March 2010).

ix This stands in marked contrast to some of the areas of greenfield investment where the factory union committees are formed from scratch (Krzywdzinski 2009).

x See also *Wolny Związkowiec* (2010) “Komisja Koordynacyjna “S” wzywa Zarząd AMP do rozmów.” 18 January.