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**Change and continuity in the role of industrial relations  
actors in Romania: case study evidence**

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# **Change and continuity in the role of industrial relations actors in Romania: case study evidence**

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## **Abstract**

*The process of accession of the former communist countries into the EU was expected to facilitate the emergence of industrial relations (IR) actors with roles similar to those of their counterparts in continental Western Europe. Examining the role of the state, employers (and their representatives) and trade unions, this paper shows the extent to which such comparable functions among IR actors can be observed in Romania. It also explores whether or not privatization has led to deeper changes in the role of IR actors at the company level. The paper focuses on the functions of the IR actors in four large chemical companies (two private and two state-owned enterprises) and investigates the impact of IR practices at higher levels of developments at the company level. In order to highlight and contrast the developments in the Romanian cases, brief comparisons with other Eastern European countries are presented. The findings indicate that while the three main actors have started to function similarly to their Western European counterparts, there is considerable continuity from pre-1989 era, indicating that institutional changes are path dependent. Overall, evidence does not show substantial differences between private companies and state-owned firms. This paper contributes towards a deeper understanding of the role of endogenous actors during the transformation from a centrally planned economy towards a market-based economy.*

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## 1 Introduction

The process of accession of the former communist countries into the EU was expected to facilitate the emergence of industrial relations (IR) actors with roles similar to those of their counterparts in continental Western Europe. Several studies indicate that industrial relations (including the actors) in most Eastern European countries resemble the Anglo-Saxon model rather than the continental Western European types (Lado, 2002; Crowley, 2004). Nevertheless, there is very limited case study research on the actual role played by the industrial relations actors. This paper examines the role of the state, employers and their representatives, and trade unions in industrial relations practices in Romania. The study has two main aims. First, it investigates the extent to which IR actors in Romania have comparable functions to those of their counterparts in continental Western Europe. Secondly, it explores whether or not privatization led to deeper changes in the role of the IR actors at the company level. The paper focuses on the functions of IR actors at the company level, and it investigates the impact of IR practices at higher levels of developments at the company level. In order to highlight the developments in Romania, brief comparisons with other Eastern European countries are presented.

In contrast to most studies, this paper presents primary data on the perception of workers on the roles of the three IR actors beside interviews with key informants. The study is based on 107 semi-structured interviews (seven officials from national institutions, nine officials from the chemical sector and 91 employees). Apart from interviews, a survey was conducted in four case studies.<sup>1</sup> 125 questionnaires were distributed in each company via the personnel department, which led to a very high rate of responses (over 70%). Two of the case studies, namely S1 and S2, were privatised companies and two of them, P1 and P2, were state-owned enterprises (SOEs) in 2001. Company S1 was profitable, while the other three were making losses for several years. Each company had at least a union to which more than 85% of the labour force was affiliated. Thus, this study examines qualitative and quantitative data on the actual role played by the main IR actors in employment practices in Romania.

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<sup>1</sup> 18 interviews were carried out in company S1, 16 in companies S2 and P1, and 15 in P2.

The paper has three main parts. Section 2 examines the state intervention in IR. Section 3 analyses the development of employers' associations in the chemical sector and their functions. Additionally, the influence of top management in IR at company level is investigated. Section 4 assesses trade union development, their functions and influence in IR after 1989. It was expected that the adoption of a pluralist legislation after 1989 that allows trade unions and employers to negotiate voluntary collective agreements, would lead to a decrease of the role of the statutory legislation, while the influence of employers and trade unions would increase. These changes were expected to be deeper in the two private companies as compared to the two SOEs. There is partial support for these theoretical propositions, but sometimes the largest variation is between the two privatised companies (e.g. on the role of trade unions). The paper concludes with a summary of the main findings.

## **2 The role of the state**

### **2.1 *The setting***

There is large variation in the role and structure of IR actors across countries, but there are some basic common characteristics specific to a politico-economic system or region. A synopsis of the basic functions of the state in IR in a centrally planned economy and a market economy is presented in table 1. Whilst in a centrally planned economy the state is the dominant actor which determines nearly all terms and conditions of employment (Hethy, 1991: 124-139; Dunlop, 1993: 25), in a market-based economy, it acts generally as legislator, as a third party in tripartite institutions and/or in settling industrial conflicts, and as employer in the public sector (Dunlop, 1993). The transformation process in Central and Eastern European countries (CEECs) was expected to change the autocratic state controlled labour relations system into a democratic one, where trade unions and employers could freely negotiate the terms and conditions of employment, while the state would have similar functions as in market-based economy (Swiatkowski, 1994: 17).

As Table 1 shows, published studies indicate that after 1989, the state established minimum employment standards, and acted as a third party in the tripartite institutions and as employer in the public sector in CEECs (Casale, 1997; Pollert, 2000; Clarke et al,

2003). Nevertheless, the establishment of a new legislative framework has resulted in high state intervention in IR, particularly in a context where new social partners had to develop and their experience of free collective bargaining was very limited (if any) (Hethy, 1991). Additionally, tripartite bodies have been established across CEECs (later in Romania than in the other CEECs), but the state has been the dominant player (Draus, 2001: 20; Thirkell and Vickerstaff, 2002). In contrast to Western Europe, tripartite institutions are financed by the state and the functioning of tripartism depends on the goodwill and on the political interests of the government in power (Thirkell and Vickerstaff, 2002). The role of the state as employer dramatically diminished with the privatization of the SOEs, but the state has had an important role in the privatization process. Moreover, as Romania started with a very centralised labour relations system and adopted a gradualist approach to the transformation process, state intervention in IR appears to be higher than in the other CEECs. Therefore, published studies suggest that the state has similar roles in IR in CEECs as in Western Europe, but its intervention is more extensive. Nonetheless, the perceptions of employees with regard to the role of the state in the transformation of IR at company level have rarely been investigated.

**Table 1. The role of the state in IR**

	<b>Centrally planned economy</b>	<b>Market economy</b> (continental Western Europe)	<b>CEECs after 1989</b>
<b>Legislator</b>	Virtually all terms and conditions of employment	<ul style="list-style-type: none"> <li>• Minimum standards</li> <li>• Enforcement of the legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Established pluralist legislation</li> <li>• Minimum standards</li> <li>• Weak capacity of enforcement of the legislation</li> </ul>
<b>Third party</b>	Authoritarian control	Roughly equal party in tripartite institutions (if they exist)	<ul style="list-style-type: none"> <li>• Third party, but still dominant player</li> </ul>
<b>Employer</b>	Predominant owner	Public sector smaller than the private sector	<ul style="list-style-type: none"> <li>• Major owner, but public sector smaller than the private sector</li> <li>• Important role in privatization</li> </ul>

## ***2.2 Analysis and discussion of the empirical findings***

Based on interviews and surveys in the four case studies, this study examines changes and continuity in the main roles of the state and its degree of influence in IR at company level in Romania after 1989. It was expected that:

- State influence over terms and conditions of employment would decrease with progressive adoption of pluralist legislation.
- The state would have higher influence over terms and conditions of employment in SOEs as compared to private enterprises.

The research attempts to verify these two theoretical propositions.

### *Strong influence of the state on the transformation of IR at company level*

Evidence suggests that the state plays a major role in IR as legislator. Apart from establishing the basic rules for interaction between the representatives of the employer and employees, respondents indicated that the legislation regarding environmental protection and health and safety has improved and it has been monitored more strictly. Interviewees revealed that these changes have been part of the harmonization process of Romanian legislation with EU requirements. Nevertheless, respondents reported that they were not content with this legislation (passed in 2001), because it has allowed employers to reduce wages.<sup>2</sup> Also, interviewees indicated that there has not been a substantial improvement of the work environment, particularly in the company S2. Thus, findings suggest that the EU requirements have influenced the labour laws, but the legislation is not always implemented, substantiating previous studies in other CEECs (Pollert, 2000).

As in Western Europe, the Romanian state establishes the minimum employment standards, such as the national minimum wage, working hours, pensions, maternity leave, and health and safety regulations. Interviewees revealed that at the beginning of the 1990s, the state intervened in favour of labour, by decreasing the working hours from 48 to 40 per week, increasing maternity leave from one to two years and ensuring higher

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<sup>2</sup> Before 2001, employees who worked in a toxic environment and high-risk conditions were legally entitled to a bonus of up to 25% of their wages and to retire earlier.

wages, in order to gain legitimacy and to get political support. Subsequently, the levels of pensions, minimum wage and other legal allowances have drastically decreased due to inflation. Furthermore, respondents indicated that the government usually increases the level of pensions prior to elections, to achieve the political support of the older people. Additionally, the legislation entitles employees from particular sectors (e.g. mining) to receive higher severance pay than others (e.g. the chemical sector), because the miners put pressure on the government via strikes which have threatened the government. Therefore, evidence suggests that certain labour laws are based on short-term pragmatic interests of the government.

The findings indicate that the state had an important influence on the transformation of IR after 1989. Survey data – in table 2 - show that, on average, around half of the respondents consider that the state had a high (or very high) influence over changes that have occurred in their company after 1989. From the evidence it appears that the state has had lower effect on IR in the private enterprises than in the SOEs (table 2). Thus, evidence suggests that the state has strongly influenced changes that have occurred in IR in large companies, particularly in the SOEs.

**Table 2. The state influence on changes in IR since 1989** (percentage of respondents)

<b>Company</b>	<b>Very high</b>	<b>High</b>	<b>Little</b>	<b>Very little</b>	<b>Not at all</b>
<b>S1</b>	27.4	24.5	22.6	11.3	14.2
<b>S2</b>	19.1	17.0	16.0	14.9	33.0
<b>P1</b>	22.0	32.9	32.9	7.3	4.9
<b>P2</b>	36.9	20.4	16.5	10.7	15.2
<b>Unweighted average</b>	<b>26.8</b>	<b>23.4</b>	<b>21.6</b>	<b>11.2</b>	<b>17.1</b>
<b>Independent t-test</b>	Difference between the private companies and - SOEs		<i>t =2.867; p&lt;0.005</i>		

Considering that the state established the terms and conditions of employment before 1989, it was expected that its influence on IR would decrease. Surprisingly, survey data indicates that influence of statutory legislation on terms and conditions of employment increased in the opinion of 43% respondents on average in the four companies investigated, while only 12% considered that it decreased (table 3). Apart from



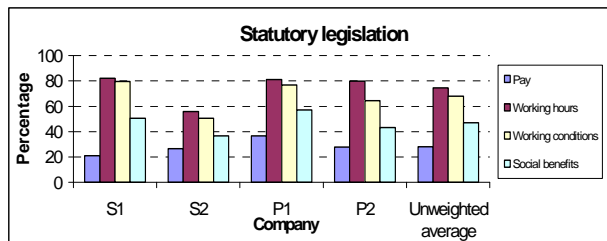
contradicting the theoretical proposition, findings show that even the state has more freedom to intervene in IR than before 1989.

**Table 3. Changes in *statutory legislation* influence on terms and conditions of employment after 1989 (percentage of respondents)**

Company	Increased	The same	Decreased	I do not know	I did not work before 1989
S1	60.0	20.0	3.3	7.5	9.2
S2	31.0	21.2	15.0	15.9	16.8
P1	34.8	22.5	14.6	11.2	16.9
P2	45.6	17.5	15.8	13.2	7.9
<b>Unweighted average</b>	<b>43.6</b>	<b>20.2</b>	<b>11.9</b>	<b>11.9</b>	<b>12.4</b>
<b>Independent t-test</b>	Difference between the private companies and - SOEs			$t = 0.528; p > 0.05$	

Nevertheless, survey data shows that less than one third of respondents consider that the state still has a high influence on pay, while more than two thirds perceive that the state has a strong influence on working hours and working conditions (figure 1). Findings indicate a decrease of state intervention on pay after 1989, but its influence on working hours and working conditions remained high. Overall, respondents consider that the state role in IR increased rather than decreased after 1989, contradicting the expectation that the state influence on IR would decrease with progressive adoption of pluralist legislation.

**Figure 1 - Percentage of respondents considering that *statutory legislation* has a high influence on selected terms and conditions of employment**



Moreover, the largest number of respondents who consider that the state influence has increased was in the private company S1. It appears that two thirds of respondents in the company S1 consider that state influence increased because the state had a huge impact on job security on two occasions. Firstly, in 1997, the company was almost closed down by the government as it was making huge losses. Secondly, in 2000, the state agencies managed the privatization process which resulted in a privatization contract that obliged the new owner to preserve the existing number of jobs for the next five years. Taking into account that between 23% and 55% of employees lost their jobs after 1989 in the four companies investigated, it is natural that employees are more concerned with job security than with the level of pay or other terms and conditions of employment.

Company S1 is not an isolated case, as in 1997 ten refineries had huge debts to the Bancorex (a public bank) and none of them paid its debt back until 2000 (when Bancorex went bankrupt), despite the fact that seven refineries were privatised (The Romanian Oil Sector –Looking back in Anger, 2001). Consequently, the perception of an increase in state influence on IR is likely to be due to its new roles in the transition context, particularly its impact on job security by not enforcing financial discipline. Considering the four terms and conditions of employment presented in figure 1, the overall result of the independent sample t-test shows that there is a significant difference between the private companies and SOEs. The largest difference is on pay and working hours, while for working conditions and social benefits there are no significant differences. The lowest number of respondents who consider that the state has a high influence is in the company S2, which was privatised six years earlier than S1, which may indicate that state intervention decreases with the increase of duration since privatization. Apart from job security, empirical data substantiates the theoretical proposition that the state has lower influence over terms and conditions of employment in privatised companies as compared to SOEs.

The main issue regarding state intervention, noticed in all companies investigated, was an inadequate implementation of labour legislation. According to a human resource manager, the frequent changes in the legislation, sometimes not coherent with the existing legislation, makes it very difficult to implement it and creates an appropriate environment for corruption. Unwieldy legislation and weak enforcement mechanisms

seem to be a feature of the transition period in Eastern Europe. In the synthesis regarding changes in employment relations in CEECs, Pollert (2000: 1998) noticed that there are difficulties in understanding and applying the law, and legislation is a poor regulator. Thus, the specific context of transition seems to be responsible for an inadequate enforcement mechanism of labour legislation.

### ***2.3 Significance of the empirical findings***

Empirical data revealed that the state has a strong influence in IR as legislator and as employer, substantiating other studies in CEECs (Martin, 1997; Vickerstaff and Thirkell, 1997; Pollert, 2000). Referring to the major trends in IR in CEECs in the late 1990s, Martin (1997: 181) argues that the “role of the state extended far beyond establishing the rules of the game”. Nevertheless, the investigation of the four Romanian companies has brought original data about employees’ perception of the state role in IR at company level. Despite a decrease of state influence on pay after 1989, this research revealed that expansion of state jurisdiction in areas that affect job security makes far more employees feel that the state influence on IR increased compared to the number of those that consider it to have decreased. The research revealed a strong link between job security and state intervention in IR in the Romanian context where transition is not very advanced, but the situation may be different in other CEECs.

Evidence suggests that the role of the state in IR is more extensive in countries such as Romania, where the overall transition towards a market-based economy is less advanced. The labour legislation is still in flux<sup>3</sup>, government decisions are taken under the pressure of specific groups (e.g. miners’ strikes or trade union intervention in company S1) or politically contingent on electoral consideration (e.g. increase of pensions before elections) and there is a weak capacity of enforcement of the legislation. Nevertheless, the unstable and unpredictable environment, with immature and inexperienced social actors resulted in a higher state intervention in IR throughout CEECs as compared to Western Europe.

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<sup>3</sup> New Labour Code was introduced in March 2003 and the government is in the process of changing it in 2005.

### 3 Employers and their representatives

#### 3.1 *The setting*

Table 4 presents a synthesis of the basic functions of employers' associations in a centrally planned economy and a market economy. In a centrally planned economy there are no employers' associations per se (Swiatkowski, 1994: 31). During the communist period, the SOEs were associated in Chambers of Commerce and Industry for commercial purposes, but they did not deal with employment issues and they were subordinated to the party-state (Hethy, 1991). The emergence and development of employers' associations in Western Europe was generally determined by the collective need of employers to bargain with strong organised labour. Apart from collective bargaining and lobbying the government, they may have commercial functions, give legal advice to their members and deal with public relations. Thus, employers' associations are a new institution developed after 1989 in CEECs, in a very different political and historical context than in Western Europe.

**Table 4. Basic features of employers' associations**

		<b>Centrally planned economy</b> (Chambers of commerce)	<b>Market economy</b> (Continental Western Europe)	<b>CEECs after 1989</b>
<b>Structure</b>		Centralized (national)	Predominantly sectoral or branch	Weak sectoral and fragmented
<b>Role</b>	<b>Collective bargaining</b>	No	Main function (Dominant multi-employer bargaining)	Reduced role (Dominant single employer bargaining)
	<b>Lobby the state</b>	No (subordinated to the state)	Generally, secondary function	Principal function
	<b>Others</b>	Commercial	Trade, legal advice, public relations	Commercial and legal advice

Although there are major differences among employers' associations, empirical findings indicate a weak institutional development across CEECs (table 4). In the synthesis of IR development of the EU candidate countries, Drauss (2001: 5) argues that employers' associations in CEECs are artificial players created with substantial assistance from the

state to put in place tripartite structures in order to meet immediate political interests. Other studies also revealed that employers' associations are primarily interest groups (representing initially state enterprises) dealing with economic policy and providing services for individual members (e.g. legal assistance), but they are frequently not authorized by their members to conclude collective agreements on their behalf (Lecher and Optenhogel, 1995; Toth, 1997: 340 - in Hungary; Mihes and Casale, 1999 - in Romania). Moreover, there is often rivalry between employers' organizations which led to a fragmented structure. The weak development of employers' associations is generally explained in terms of heterogeneity of the new (private) employers, lack of experience as well as individual employers' strength at company level (Toth, 1997; Draus, 2001). Therefore, empirical studies throughout CEECs revealed that employers' organizations are generally not well developed.

### ***3.2 Analysis and discussion of the empirical findings***

Apart from the role of employers' associations in the tripartite bodies, there has been limited empirical investigation of the development and the operation of employers' associations in CEECs. In this context, the study provides evidence about the development of employers' associations in the chemical sector and their role and influence in IR in the four companies investigated in Romania. In addition, the role of the individual employers and/or top managers in IR at company level is examined. It was expected that:

- The influence of employers and/or their representatives over terms and conditions of employment would increase with the progressive adoption of pluralist legislation.
- Employers and/or their representatives would have lower influence over terms and conditions of employment in SOEs as compared to private enterprises.

#### *Weak and fragmented employers' organizations in the chemical sector*

There are five employers' organizations in the chemical sector. Established in 1990, the Fepachim is the largest and the most important employers' association in the chemical

industry. It is the only one which fulfils the representativeness criteria to negotiate collective agreements for the entire sector and to be involved in national tripartite bodies. Nevertheless, there is another employers' association in the chemical sector, the Aperom Federation, which negotiates collective agreements for a group of enterprises from the petrochemical and rubber branches. Additionally, there are three employers' organizations for specific branches, namely for plastic materials, rubber and medicine production, but generally their members do not authorise them to represent their interests in relation to labour. Therefore, evidence in the chemical sector confirms that in Romania there is a fragmented structure of employers' organizations.

It appears that an important reason for the emergence of employers' associations was to promote trade and to represent their specific interests vis-à-vis the government as regards to fiscal facilities and labour legislation. The Fepachim was established by a group of top managers of the SOEs. They have contacted top managers from chemical enterprises asking them to join the federation. As initially top managers had neither legitimacy (being part of the former nomenclature) nor experience in a competitive economy, they were willing to join any form of employers' associations which could support them. An incentive to become an employers' association (not trade association) was the fact that they have the right to participate in a number of tripartite committees, only if they have the status of a representative employers' association at sectoral level. For instance, the Fepachim participates in the Consultative Commissions for Social Dialog, where tripartite consultation on draft laws concerning the chemical industry takes place. An employer' association official indicated that even if they do not influence the decisions taken, the participation in the tripartite bodies gives them the opportunity to be informed about government plans. In contrast to Western Europe, employers' associations were created by the top managers of the SOEs to consolidate their position in the company, to promote trade among the members and to represent employers' interests vis-à-vis the state and trade unions.

Data about employers' associations in the chemical sector were not available. However, being representative at sectoral level means that the Fepachim includes employers covering at least 10% of the labour force in the chemical industry. With regard to ownership, a trade union official indicated that approximately half of the Fepachim

members are private employers, respectively half are SOEs representatives, while generally, employers' associations are dominated by the state representatives. Therefore, private employers in the chemical industry appear to be better organised than in other sectors, probably because the chemical sector was shrinking after 1989 more than other industries and employers (or top managers) had the common interest to survive.

However, many private employers opted out from the employers' associations after privatization. This is illustrated by the two private companies investigated (S1 and S2) which are not affiliated to any employers' organization. Company S1 was affiliated to the Fepachim before privatization, but the new employer opted out. Nevertheless, the terms and conditions of employment agreed at company level are much better than those established in the collective agreement at sectoral level. The case of company S1 suggests that private employers do not necessarily leave the employers' association to apply less favourable provisions for employees.

Other respondents indicated that private employers opted out from Fepachim because they were not content with their services, but also for economic reasons. An official of the Employers' Association of the Plastic Material Producers revealed that they left the Fepachim, on the one hand, because the representatives employers' association and trade union federation were "too close friends", having their headquarters in the same building. On the other hand, he revealed that some employers (around 10%) could not afford to pay the minimum wage established for the chemical sector, due to a very intense (unfair) competition from the informal sector. He indicated that producing plastic materials does not require a large investment and highly skilled labour as in other sub-sectors (e.g. the petrochemical branch). As a result, there are many micro companies (having less than nine employees) in the market, which employ labour without an employment contract. The unfair competition from the informal sector and the lack of trust in the employers' association, appear to be important reasons why private employers opted out from the employers' association Fepachim.

Summing up, despite the fact that private employers in the chemical sector appear to be better organised than in other industries, many private employers have chosen to opt out from employers' associations. Weak organization of the private employers determined by

the heterogeneity of the newly emerging private sector seems to be a general issue in CEECs, linked to the transition process. For instance, Leche and Optenhogel (1995: 403) indicated that in Eastern Europe the new employers act usually in a grey zone and they are not interested in collective bargaining. Similarly, Toth (1997: 341) noticed that the heterogeneous interests of the employers, particularly their battle for market share, make the emergence of the common interests unlikely. Therefore, similar to other CEECs, the Romanian private employers are not well organised.

#### *Limited influence in collective bargaining*

According to a representative of the Fepachim, the main activities of the organization are as follows:

- to participate in the negotiation of the collective agreement at national level (across sectors) as part of the largest employers' confederation
- to negotiate the collective agreement in the chemical and petrochemical sector
- to make a proposal for investment in infrastructure in the chemical sector (a project funded by the EU)
- to lobby the government concerning the exemption of the import tariffs for certain raw materials which are not domestically produced
- to organise the participation of their members in a pilot programme for management vocational training, co-ordinated by a tripartite body.

In addition, the Fepachim has been consulted by the government in regard to the national and sectoral medium term strategies and the harmonization of the legislation concerning the chemical sector with the EU requirements. The case of the Fepachim confirms other evidence suggesting that employers' associations deal with a wide range of issues at national and sectoral level (Toth, 1997: 341), probably more extensive than in many Western European countries, because of the transition context in which many issues have to be settled.



Two employers' associations in the chemical sector have negotiated collective agreements after 1989. The Fepachim concluded three sectoral collective agreements, each of them for a period of five years (1990-1996, 1996-2001 and 2001-2005), while supplementary agreements dealing particularly with pay were annually negotiated. The other employers' association, the Aperom Federation, negotiated two collective agreements for a group of enterprises (including company S1) in 1993 and 2001, while wages have been negotiated annually. The framework agreements negotiated appear to be in a similar fashion as the five-year and annual plans that operated before 1989, suggesting that inherited legacies affected the new labour institutions.

Evidence revealed that in Romania (as in other CEECs) the role and effectiveness of the employers' associations in collective bargaining is rather modest (Deppe and Tatur, 1997: 266; Toth, 1997: 340). In 2001, the main difference between the sectoral collective agreement concluded for the chemical industry and the national collective agreement (which covers all industrial sectors) was an increase with 35% as compared to the national minimum wage. Nevertheless, a union official indicated that there are companies which cannot afford to pay this wage level. In these companies, the local actors 'negotiate' at company level a lower minimum wage than at the sectoral level, although this is illegal. The union representative said that they can sue employers who pay lower wages than those established in the sectoral agreement, but they prefer to accept lower wages in order to save the jobs of their members, which would be lost if companies go out of business. Among the four case studies, the collective agreement concluded in the company S2 included provisions below those in the sectoral agreement, according to the respondents. The fact that the sectoral agreement is not implemented in companies that have a poor financial situation indicates a weak effectiveness of collective bargaining.

A major internal problem of the Romanian employers' associations is the lack of resources. The staff of the Fepachim consists of four officials among whom only one (the vice-president) is working full-time for the organization, while the others have another main job, working for the Fepachim only when it is really required (e.g. during the collective bargaining process). Moreover, the vice-president of the Fepachim has no financial resources to employ an assistant, hence he does all the work from making the proposal for collective bargaining to making copies of the papers and distributing them to

each member. Totally surprising, the headquarters of the Fepachim, which consists of three rooms in a chemical (public owned) company looked poorer than the headquarters of the representative trade union federation which was in the same building (on the same floor), but unions had more facilities and more staff. Such a lack of resources for the employers' association indicates clearly that employers do not give much importance to the activities of the Fepachim, probably because it does not really affect their business. It also raises doubts about their degree of independence from the state and trade unions.

Another issue revealed during interviews was the reluctance of the members of the employers' associations to make compromises in order to achieve a common bargaining position. According to a Fepachim official, "it is more difficult to achieve an agreement among the employers' association members, than it is to negotiate with the trade unions". This is not an atypical case. A state official working with the Economic and the Social Council indicated that generally, employers' associations are not able or not willing to have a common view either vis-à-vis trade unions or towards the state. Thus, an important obstacle in the development of the employers' associations appears to be the unwillingness of their members to delegate them power to negotiate in their behalf.

**Table 5. Changes in top managers influence on terms and conditions of employment after 1989** (percentage of respondents)

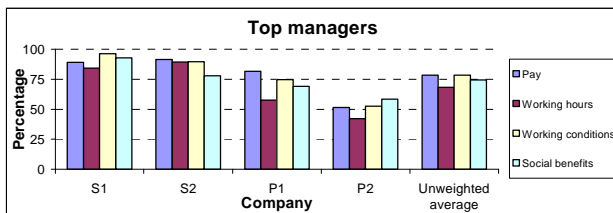
Company	Increased	The same	Decreased	I do not know	I did not work before 1989
S1	77.2	7.3	2.4	3.3	9.8
S2	56.1	10.5	5.3	10.5	17.5
P1	39.3	19.1	6.7	18.0	16.9
P2	45.6	17.5	22.8	6.1	7.9
<b>Unweighted average</b>	<b>54.6</b>	<b>13.6</b>	<b>9.3</b>	<b>9.5</b>	<b>13.0</b>
<b>Independent t-test</b>	Difference between the private companies and - SOEs			$t = 2.465; p < 0.05$	

It appears that employers delegate little power to employers' associations because they have enough authority at company level to determine the terms and conditions of employment as they desire. Table 5 indicates that the influence of the top managers

increased in the opinion of 55% of the respondents, on average in the four companies examined, while only 14% considered that it decreased.

Additionally, more than 75% of the respondents indicated that top managers have a strong influence over specific terms and conditions of employment, such as pay and working conditions, as figure 2 shows. Findings confirm the expectation that the influence of top managers over terms and conditions of employment would increase with the progressive adoption of a pluralist legislation. The evidence also substantiates the theoretical proposition that the influence of the employers' representatives is higher in private companies as compared to the SOEs. This research confirms other findings in CEECs which indicated that poor development of the employers' associations is associated with strong employers' influence at company level, particularly in the private sector (Martin, 1999; Pollert, 2000: 202).

**Figure 2 - Percentage of respondents considering that *top managers* have a high influence on selected terms and conditions of employment**



### ***3.3 Significance of the empirical findings***

Findings from the chemical sector emphasise general problems faced by the employers' associations in Romania and in other CEECs. Similar to the Romanian chemical sector, an unwillingness and inability of employers to organise themselves as a party in collective bargaining was found in Poland and Hungary by Deppe and Tatur (1997: 266). The heterogeneity of the employers, particularly in the newly emerged private sector which often operated somewhere between the formal and informal sector, make it very difficult for the employers to agree on a common bargaining position (Toth, 1997: 341).

It appears that private employers are reluctant to delegate authority to the employers' associations because of the ambiguity of the transition context, in which the legislation is selectively implemented, allowing them sufficient freedom to decide the terms and conditions of employment at company level.

Findings suggest that a weak development of the employers' association is associated with a strong influence of the individual employers at company level in CEECs. As in a market economy system, employers have a strong influence on IR, but in Romania there appears to be a rather 'wild capitalism', where often agreements established are not implemented. Furthermore, weak impact of the sectoral agreements, poor development of the employers' associations and the fact that the labour law is sometimes ignored appear to be general issues across CEECs (Toth, 1997; Kohl et al, 2000; Pollert, 2000). Employers' influence on IR in Romania seems to be more close to those at the beginning of the industrialization era in Western Europe, despite the fact that the institution of employers' associations exists and it is supposed to have similar functions as in contemporary Western Europe.

## **4 Trade unions**

### ***4.1 The setting***

A synopsis of the main functions of the trade unions in a planned economy and a market economy are presented in table 6. During the communist period, trade union leaders were usually part of the party apparatus and their main role was to ensure that members obeyed the party's rule and fulfilled the plan. Additionally, unions administrated in-company social benefits as well as dealt with individual issues arising at the workplace, since they were company based. Unions generally did not truly negotiate collective agreements, as they were neither independent nor had the right to strike (Hethy, 1991). In contrast, the

main function of the union in a market-based economy is usually collective bargaining backed up by the right to strike. Additionally, unions may be involved in tripartite bodies and they generally provide certain services for individual members, such as legal advice. The membership base varies greatly, but usually the basic unit of the union hierarchy is the branch. Therefore, role and the structure of trade unions are very different in a centrally planned economy as compared to those in a competitive market economy.

**Table 6. Basic features of trade unions**

		<b>Centrally planned economy</b>	<b>Market economy</b> (Continental Western Europe)	<b>CEECs after 1989</b>
<b>Membership base</b>		Company (single union)	Branch (generally)	Company (multi-unions)
<b>Role</b>	<b>Collective bargaining</b>	No generally (no right to strike)	Main function (right to strike)	Weakly established (right to strike)
	<b>Relations with the state</b>	‘Transmission belt’ (subordinated to the party-state)	Tripartite institutions	Tripartite institutions and significant political role
	<b>Others</b>	Distribute social benefits	Health and safety, training, public relations	New labour legislation, economic restructuring

Published studies indicate that after 1989, unions in the CEECs have changed to a certain extent their role and structure, but there is also continuity (Pollert, 2000; Draus, 2001). Despite differences across CEECs, there are a number of common trends in the development of trade unions after 1989 (table 6). In all countries, trade unions emerged, either by restructuring former communist unions, or they have been set up as new (rival) organizations to the former ones (Pollert, 2000: 194). Generally, the old reformed unions emerged as the dominant players, as they retained most of the assets of their predecessors, including a large number of members (Draus, 2001: 11). Initially, there was a strong rivalry between the two types of unions, which have resulted in a pluralist union structure at all levels, particularly in Hungary and Romania (Draus, 2001: 11). As unions have maintained their company-based structure, several unions may be present in an enterprise (Aro and Repo, 1997). Furthermore, company unions are not always independent from the management, resulting in a weak effectiveness of company

collective bargaining (Pollert, 2000). Therefore, the effectiveness of the company unions appears to be limited.

Several studies indicate that trade unions have had a weak influence in the tripartite bodies and in the transformation policy throughout CEECs, although they continue to have a strong political role (Crowley and Ost, 2001; Draus, 2001: 16). The economic restructuring, rising unemployment and the general climate favouring market mechanism resulted in a sharp decline in trade union membership during the 1990s. In most countries, the trade union membership is currently between 20% and 40% (Schulten, 2005). Their influence in the tripartite bodies appears to depend on the degree of macro-economic transformation, as governments still need union support for reforms in countries where the restructuring process is less advanced (Thirkell and Vickerstaff, 2002). Nevertheless, unions had an important role in establishing the new labour legislation throughout CEECs (Draus, 2001). Therefore, unions have attempted to defend workers' interests, but the unfavourable macro-economic and political contexts along with inherited legacies resulted generally in weak effectiveness.

#### ***4.2 Analysis and discussion of the empirical findings***

Considering that under the communist regime, the Romanian trade unions were totally subordinated to the Communist Party, it was expected that their influence over terms and conditions of employment would increase due to the adoption of the pluralist legislation. Trade union influence was expected to be higher in the SOEs than in the private companies. The research aims at verifying these expectations, subsequent to the examination of the development of trade unions at the sectoral and company levels.

##### *Fragmented and decentralised union structures*

According to a state representative, immediately after 1989, two types of union (con)federations developed.

- The first type had a top-down structure aiming to create (con)federations based on the existing structure of the former communist union. Officials of the (con)federation

strove to organise workers within companies on the structure which was in place before 1989 and to attract as many as possible company trade unions in order to keep the assets of the former communist union. The two largest union federations operating in the chemical sector, namely the Free Trade Union Federation from the Chemical and Petrochemical Industry (hereafter FSLCP) and The Free and Independent Trade Union Federation Petrom (hereafter the FSLI Petrom) are based on the former communist unions and they have a top-down structure.

- The second type of (con)federations was based on a bottom-up structure, in which firstly company unions were established locally, then they joined in a federation and subsequently two or more federations associated to create a confederation. The Lazar Edeleanu Federation is a new organization with a bottom-up structure.

However, the Lazar Edeleanu Federation is part of the CNSRL-Fratia (the successor of the communist union), while the other two federations are affiliated to the CNS Carter Alfa confederation, which is considered a new organization. Evidence indicates that there is no clear separation between old and new organizations at different levels.

Trade union pluralism is sometimes associated with fragmentation and competition among unions (Pollert, 2000). At the sectoral level, respondents indicated that there is neither competition nor many links between the three federations, probably because they cover different branches of the chemical sector. However, case studies revealed that at the company level, there is sometimes fragmentation and competition along two lines. The most common division is between white-collar and blue-collar employees. In all four companies examined, white-collar employees indicated that unions do not represent their interests and as before 1989, many blue-collar workers have better wages than the white-collar employees. White-collar employees were organised in a separate union only in the company P1, while in company P2 a union was created in 1990, but it was dissolved due to lack of leaders committed to keep it operating. Despite clearly expressed divergences between blue-collar and white-collar employees, it is very difficult for the white-collar employees to organise in a separate union, as their number is generally far lower than those of the blue-collar employees in the manufacturing companies.

The second form of fragmentation is specific to the transition period, being based on the rivalry between the old reformed unions and new ones. This type of division was found only in company S2, where the two unions operating in the company are competing for members and there is a private rivalry between the leaders of the two unions, according to some respondents. An interviewee suggested that the management supports the rivalry between the unions, because they prefer to have divided and weak unions. In Romania, an excessive fragmentation at company level is discouraged by the legislation that gives the right to negotiate collective bargaining only for representative unions, which at company level means that they have to cover more than one third of the labour force. Therefore, union pluralism is occasionally associated with fragmented and competing unions like in other CEECs, but at company level it appears to be less frequent than in Hungary and Poland (Aro and Repo, 1997: 161) due to differences in the legislation.

Trade union hierarchies have been decentralised after 1989. Trade union federations are an umbrella of the workplace unions, which have their own legal identity and they pursue autonomous policies on behalf of their members. As before 1989, the company unions have their own assets and they collect the membership fees, giving a small fraction of the membership dues to the federations and confederation to which they are affiliated. A decentralised structure of the federations, with the company unions as the basic unit of the associations is common in CEECs (Pollert, 2000). The legacy of the communist period and employers' preference for decentralised bargaining appear to be main factors which influenced the structure of the unions in Eastern Europe (Pollert, 2000: 195). In contrast to Western Europe, trade union federations in CEECs consist of company unions similar to the pre-1989 era.

#### *Decline of trade union membership*

Union membership severely declined during the 1990s, but trade union density in the chemical sector is still around 60%, above the national average. According to the representative of the FSLCP, trade union membership in 1990 was close to 100% as virtually all members of the old union has been transferred to the newly established unions, but individuals had the freedom to withdraw from the unions and some did so.



Union officials indicated that there are no trade unions in the new private companies which are generally small and medium sized enterprises. A decline of trade union membership, particularly due to weak or non-existent trade union representation in the newly emerging private sector, was generally found in CEECs (Stanojevic and Gradev, 2003). However, survey data indicates that in the large companies investigated there was an increase in the union density after 1989. As presented in table 7, findings show that in three out of four companies examined the percentages of non-union members in 2001 are lower than in 1989. Company S2 seems to be an extreme case with 20% of the respondents non-union members before 1989, probably due to the fact that many employees had criminal records and they were not permitted to join the union. Therefore, empirical findings contradict the general trend found in the CEECs.

**Table 7. Trade union membership before 1989 and in 2001**

(percentage of respondents)

Company	Yes		No		I did not work before 1989
	Pre-1989	In 2001	Pre-1989	In 2001	
<b>S1</b>	84.6	98.4	3.3	0.8	9.8
<b>S2</b>	56.7	86.7	20.0	6.7	16.7
<b>P1</b>	76.4	96.6	5.6	0.0	16.9
<b>P2</b>	88.9	86.3	3.4	10.3	6.8
<b>Unweighted average</b>	<b>76.7</b>	<b>92.0</b>	<b>8.1</b>	<b>4.5</b>	<b>12.6</b>
<b>Independent t-test</b>	Difference between the private companies and – SOEs in 2001		<i>t = 1.286; p &gt; 0.05</i>		

The increase in union density appears to be linked, on one hand, with the massive reductions of the personnel during 1990s, and on the other hand, with the poor living standard of the employees. In the context of the high job insecurity, respondents revealed that they were more likely to be made redundant if they were not trade union members. In addition, respondents indicated that they need the financial help provided by unions, from credit to buy household items to financial help for health problems. Case studies' findings indicate that the uncertain context of transition may induce an increase in the union density. Nevertheless, this is likely to happen only in very large companies, where unions have substantial resources to help their members. Overall, there was a decline of trade

union membership in the chemical sector, due to the reduction of personnel and the lack of unions in the newly private sector.

*Change and continuity in the role and influence of trade unions*

Interviews confirmed that before 1989, unions in the chemical sector were totally subordinated to the Communist Party. Their main role was to implement the 'directives' given by the Party, but they also distributed houses and were responsible for sport and cultural activities. Respondents revealed that most employees were afraid to discuss their demands with the trade union leaders, as they could be considered as being against the communist regime and punished. Therefore, empirical evidence demonstrated that the Romanian unions were very close to the Soviet type of trade unions, confirming the findings of Pravda and Ruble (1986).

Collective bargaining is generally the most important function of trade unions in Western Europe. Evidence in the chemical sector and the four companies examined suggests that collective bargaining has become one of their main functions after 1989. A FSLCP union official indicated that their main function is to negotiate the collective agreement at sectoral level with the employers' association Fepachim. Nevertheless, the sectoral agreement is just a minimal framework and it is frequently not implemented. Thus, it is unlikely to have an important effect on terms and conditions of employment at company level.

At company level, most respondents consider that the main role of unions is collective bargaining and to protect collective rights of their members, as table 8 shows. Less than one third of respondents believe that company unions still have a political role, distribute welfare benefits or mobilise workers to increase productivity, which were their main functions before 1989. Different than expected, findings indicate no significant differences between the functions of unions in private firms and in SOEs. Therefore, company unions seem to have similar functions to the (sectoral or branch) unions in Western Europe, but their effectiveness in representing employees is not necessary alike.

**Table 8 - The main functions of trade unions at company level**

Company	Percentage of respondents considering that trade unions perform the following functions:								
	Collective bargaining	Monitor implementation of the labour legislation	Protect collective rights	Protect individual rights	Improve working conditions	Mobilise members to increase productivity	Distribute welfare benefits	Provide vocational training	Political role
<b>S1</b>	80.5	72.4	87.0	57.8	53.7	40.7	45.5	22.0	25.2
<b>S2</b>	46.7	35.0	39.2	27.5	15.8	24.2	15.9	12.5	10.0
<b>P1</b>	65.2	55.1	60.6	47.2	38.2	37.1	37.1	12.4	30.3
<b>P2</b>	65.0	52.0	59.8	41.9	19.7	29.9	29.1	24.8	13.7
<b>Unweighted average</b>	<b>64.4</b>	<b>53.6</b>	<b>61.7</b>	<b>43.6</b>	<b>31.9</b>	<b>33.0</b>	<b>31.9</b>	<b>17.9</b>	<b>19.8</b>
<b>Independent t-test</b>	Difference between the private companies and - SOEs					<i>t &lt; 1.96; p &gt; 0.05</i>			

Survey data presented in table 9 shows that on average, more than 50% of the respondents consider that trade union influence on IR increased in the four companies investigated. Aro and Repo (1997: 160) found a similar trend in other CEECs. Their findings indicate that trade union influence on collective bargaining increased between 1992 and 1995 in more than 30% of the bargaining units investigated in five CEECs. Therefore the study confirms that the influence of the unions over terms and conditions of employment increased after 1989, with the adoption of a pluralist approach.

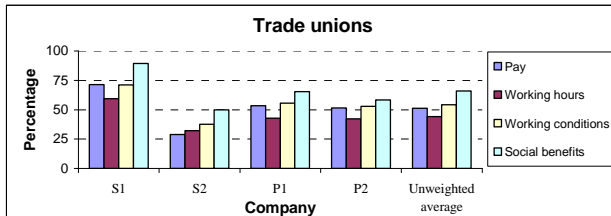
**Table 9 - Changes in trade unions influence on terms and conditions of employment after 1989 (percentage of respondents)**

Company	Increased	The same	Decreased	I do not know	I did not work before 1989
<b>S1</b>	81.3	6.5	2.4	0.8	8.9
<b>S2</b>	35.4	19.8	18.1	9.5	17.2
<b>P1</b>	56.2	11.2	11.2	4.5	16.9
<b>P2</b>	50.9	20.2	18.4	2.7	7.9
<b>Unweighted average</b>	<b>56.0</b>	<b>14.4</b>	<b>12.5</b>	<b>4.4</b>	<b>12.7</b>
<b>Independent t-test</b>	Difference between the private companies and - SOEs			<i>t = 0.103; p &gt; 0.05</i>	

Figure 3 indicates that on average, more than 50% of respondents consider that trade union have a high influence on specific terms and conditions of employment. Their

highest impact is on social benefits, followed closely by working conditions and pay. It appears that the influence of trade unions on pay increased, but in line with Vickerstaff and Thirkell's (2000) findings, the case studies evidence revealed that despite changes in the companies' environment, both private companies and SOEs still have a social role.

**Figure 3. Percentage of respondents considering that *trade unions* have a high influence on selected terms and conditions of employment**



The largest difference in trade union influence on terms and conditions of employment is between the two private companies S1 and S2, as figure 3 indicates. Considering that company S1 is part of a profitable and growing corporation, while the holding group to which company S2 belongs has serious financial difficulties, it appears that the financial situation of the company has an important impact on trade union influence. Additionally, respondents from company S2 indicated that trade union influence decreased after 1997, when the company profits were declining. Thus, evidence does not support the expectation that trade union influence would be higher in the SOEs than in the private companies. Findings suggest that trade union power is more strongly associated with the economic situation of the company than with the ownership.

Privatization and restructuring have been controversial issues for trade unions after 1989. According to a trade union official, the FSLCP supported privatization because there was no other alternative to make the companies viable. Respondents revealed that usually, unions have negotiated with the expected buyer so-called 'social conditions' referring primarily to the number of employees which would be made redundant, the severance pay and the investment strategy. In three (out of the four) companies investigated, unions were consulted before privatization concerning these issues. However, in company P1, the state has decided to privatise the maintenance services, covering around 2000 employees, without consulting the unions. Thus, the participation of unions in the

restructuring and privatization depends on the goodwill or the interests of the state representatives.

Frequently trade unions did not fight against the reduction of the personnel, considering that it would make companies more profitable in long term. A trade union official said “we knew that anyway there would be job losses because there was overmanning, so we just tried to make it less painful for employees”. Nevertheless, respondents revealed that often restructuring meant nothing other than a reduction of the personnel with neither strategy to increase efficiency nor an improvement of the terms and conditions of employment for the remaining personnel. In the same vein, the representative of the FSLCP said that union support for restructuring was a trap, which led to a huge reduction of their members and no benefits. Trade unions’ support for restructuring and privatization was widely found in CEECs, as unions considered that it would improve terms and conditions of employees and increase the number of jobs later on (Thirkell and Vickerstaff, 2002). Nevertheless, the positive results of the reform have been too long in coming, particularly in Romania where the gross domestic product only in 2004 achieved the level of 1989.

The transition process represented an opportunity for unions to participate in the establishment of new labour legislation as well as in the economic and political strategies. As part of the representative confederations, all three union federations from the chemical sectors were involved in establishing the labour legislation. Interviewees revealed that the government also consulted union federations regarding the national and sectoral medium term strategies as well as the harmonization of the legislation concerning the chemical sector with the EU requirements. Additionally, a FSLCP official indicated that they lobby the government to support the various branches of the chemical sector. Therefore, findings confirm that unions have been involved in the transformation process at the national level.

Trade union federations and confederations have strong links with the political parties. The two largest union confederations supported the party which won the elections in 2000, and as result, seven trade union officials were appointed in various Ministries. Following the protocols agreed before the elections, a Social Pact was signed in February

2001, which included the establishment of specific departments for each Ministry responsible for the relationship with the social partners. In the chemical sector, there have been 12 meetings between the three social partners in the first half of 2001, seeking to discuss and solve issues that have occurred in the sector. Therefore, an institutional structure for unions' participation exists, but the quantitative evidence does not indicate the quality and the effectiveness of these meetings.

#### *Debatable independence and other internal issues*

A major issue indicated by respondents was the fact that many company trade unions are co-opted by the management. The representative of the FSLCP considered that around one third of their members are not independent, while the representative of the FSLI Petrom considered that half of the workplace unions are subordinated to the management. This is substantiated by findings at company level. Interviews and survey data revealed that in three (out of the four) companies investigated respondents have doubts about the independence of unions from the management. Additionally, interviewees revealed that company trade unions have a vertical structure and there is very little communication between the trade union officials and members.

Respondents pointed out the lack of trust among trade union officials at different levels. A shop steward said "I always have to go and ask the union leader what is going on in the company, but I am not sure that what he tells me is true". According to a FSLCP representative, "it is very difficult to convince union members that what we do is useful". This union official considered that the main internal problem of the FSLCP federation is the poor relationship with the company trade unions. The respondent indicated that frequently company union leaders communicate distorted information to their members, particularly to show that it is due to their merit if something has been achieved. In addition, certain company union officials have very close relations to the local council officials. As a result, they consider themselves as 'very important persons' and they do not follow the federation policy. Therefore, empirical findings indicate poor communication and a lack of trust between different layers in the trade union hierarchies.

In the synthesis of employment relations in the CEECs, Pollert (2000: 196) identified as a major problem the lack of communication between national trade unions and company organization. Thus, the lack of articulation within trade union organizations appears to be widespread across CEECs, linked particularly with the structure of the unions. The national and the sectoral associations consist of company unions as before 1989, but the principle of democratic centralism was removed. As a result, it is very difficult for the supra-enterprise level unions to monitor the workplace unions which have control over the financial resources and direct relations with the members.

In order to strengthen the trade union federation, the FSLCP officials consider that they should change the structure of the organization. They militate for a federation of individual members (as opposed to umbrella organization of the company unions) where members would pay their fees directly to the federations. In order to promote their policy (which is not sustained by the company unions), since 1999 they started to establish a number of local offices which provide assistance and consultation to individual members. In this project, a Swiss federation has supported the FSLCP in creating a federation similar to those in Western Europe.

### ***4.3 Significance of the findings***

Thirkell and Vickerstaff (2002) identified four stages concerning the trade union role in the transformation process in post-communist countries. Examining the role of the Romanian unions investigated in the chemical sector from their perspective, a number of similarities and differences are observed. Thirkell and Vickerstaff (2002: 57) consider that in the first stage, trade unions had a strategic role in the regime change. In contrast to Poland and Bulgaria, trade unions in Romania were not involved in the regime change, being established after the communist regime collapsed. Thus, they were not strategic actors in the regime change, which resulted in a lower degree of involvement in the political process, but also a lower legitimacy.

In the second stage, Thirkell and Vickerstaff (2002: 57) indicated that unions were involved in the establishment of the new Labour Codes and they supported the restructuring process. In Romania, a new Labour Code was not adopted until 2003, but

unions had an important role in setting up the labour legislation. As in other CEECs, unions generally supported the restructuring process because they believed that it would be beneficial in the long term. Additionally, unions were not against the reform to gain legitimacy, because they could easily be labelled as 'Communist' and enemies of the economic progress (Pollert, 2000: 204), particularly in Romania where unions were not involved in the downfall of the communist regime.

According to Thirkell and Vickerstaff (2002), in the third phase tripartite forums were developed. In Romania the national tripartite body was established in 1997 and the first Social Pact was signed in 2001. Tripartite institutions were developed in Romania later than in other CEECs, mainly because unions did not have a role in the change of the communist regime. Additionally, the Romanian governments did not implement drastic measures of restructuring until 1997, hence they did not fear social unrest or need unions' support to share the burden for the reform process, such as in Hungary, Poland or Bulgaria (Ost, 2000: 8; Vickerstaff and Thirkell, 2000: 246).

The fourth stage is characterised by a marginalization of the unions by the governments. As the economic situation becomes more stable, governments have less fear of social unrest, particularly in the context of a decrease of union membership (Thirkell and Vickerstaff, 2002). It appears that the Romanian unions just entered in this stage in 2005, as the government elected in 2004 aims to reduce the rights of employees in a context of economic growth since 2000. Therefore, it appears that the Romanian trade union followed the stages identified by Thirkell and Vickerstaff (2002), but there are a number of differences as compared to the other CEECs determined particularly by unions' role in the regime change and by the degree of economic transition.

Changes that have occurred after 1989 led to the termination of the monopoly of the official trade union, caused a decentralization of union organizations and generated a decline of trade union membership in all CEECs (Pollert, 2000; Thirkell and Vickerstaff, 2002). Evidence from the chemical sector indicates that the pluralist approach led to the emergence of new unions and the increase of autonomy of the company unions. As a result, their influence on IR at company level increased after 1989, substantiating the



expectation that the adoption of a pluralist legislation would lead to an increase of the unions influence.

Case studies indicate that the power of the trade unions is primarily dependent on the financial situation of the company. The strongest influence of the trade union was found in the most profitable company (S1), while unions had the least influence in company S2, which had major financial problems. Evidence suggests that the change of ownership does not necessarily determine a modification in the trade union role and influence, as data indicates no significant differences between the SOEs and private companies. Interviews revealed that the unions of the company S2, which was the first to be privatised, are the closest to the communist unions. Respondents indicate that as before 1989, trade union elections are among the existing officials nominated by themselves ('auto-elections') and unions do not take into account employees' demands. Apart from the fact that trade union officials are paid by the management, a respondent said that "they have bought new houses, very expensive cars and they have remarried young wives as top managers did; it's very difficult to distinguish them from the top management". Thus, despite major changes in companies' environment after 1989, a number of features of the communist unions are still in place and some private employers use very similar strategies as before 1989 to weaken the unions.

Summing up, the key changes in the trade union role and structure concern the emergence of a pluralist, more or less, independent trade union organizations with a voluntary membership and decentralised organizational structure. After 1989, trade unions had a major role in setting up the labour legislation, they had a collective bargaining function backed by the right to strike and they generally supported the restructuring process. However, trade unions still have many features of the communist type, such as being co-opted by the management. Furthermore, trade union federations are just a loose umbrella of the company unions, which indicates a weaker development of the union federations in CEECs as compared to Western Europe. Trade unions in CEECs still have a long way to go to secure a genuine representation of workers' interests.

## 5 Conclusions

This paper has examined actual changes in the role of the three main IR actors in Romania. The study tested the connection between the adoption of pluralist legislation and the influence of the three actors in IR as well as the effect of privatization on the three IR actors. A summary of the extent to which evidence substantiates the expectations follows:

- Firstly, it was expected that the adoption of pluralist legislation would lead to a decrease of the state intervention in IR, while the influence of the employers and trade unions would increase. Findings confirmed that the influence in IR of the employers and trade unions has increased since 1989, while the state intervention on pay has decreased. Nevertheless, findings suggest that the new roles of the state in the transition period resulted in an increase of its overall intervention in IR. Thus, evidence confirmed the expectation that the adoption of a pluralist legislation would result in a greater role in IR for employers and trade unions, but it shows that the state still has strong influence on IR, due to its new roles along with inherited legacies.
- Secondly, it was expected that changes in the actors' influence in IR would be deeper in the private companies as compared to the SOEs. Comparing findings in the two private companies with the two SOEs, overall evidence did not show a clear difference between private companies and SOEs. However, considering solely the findings in the company S2 privatised six years before the research was conducted (as the other private company was privatised for less than a half of year), evidence shows that the state intervention in IR is lower than in the two SOEs, the influence of the top management is higher and trade unions' influence is lower. Although overall evidence does not substantiate the expectation that there would be deeper changes in the private companies as compared to the SOEs, evidence in the company S2 indicates that in certain cases it is valid, and it may depend on the period since the company was privatised.

By and large, findings confirmed previous studies in CEEC, but the study has brought original evidence concerning the development and changes in the role of the IR actors in Romania. The main findings that substantiated previous studies are the followings:

- the state continues to have a high intervention in IR and it has a weak capacity of enforcement of the legislation
- the poor development of employers' associations is associated with a strong influence of top managers at the company level
- trade unions membership has generally declined. Unions are decentralised, fragmented and not always independent from the management. However, their influence has increased as compared to the pre-1989 era as they started to have a (more or less independent) voice, particularly at national and company levels.

Evidence in Romania revealed also original findings, such as the following:

- respondents consider that even the state has more freedom to intervene in IR than before 1989, due to its major role in the establishment of new legislation, the management of the restructuring process and by enforcing (or not) financial discipline measures on companies
- evidence indicates astonishingly little significance, authority and resources given by members to a representative employers' association (the Fepachim), as they have only a full time official and their headquarters were situated in the same public-owned company as trade unions headquarters
- as regards trade unions, case studies' findings showed that in the context of major reductions of personnel and a poor living standard, union density may increase in large companies, where unions have resources to support individual members.

Among the three IR actors, trade unions are better developed and closer to their counterparts operating in continental Western Europe than employers' associations or the state. The findings indicate that while the three main actors have started to function similarly to their Western European counterparts, there is considerable continuity from pre-1989 era, indicating that institutional changes are path dependent. This paper is part of the literature that contributes to a deeper understanding of the role of the endogenous actors during the transformation from a centrally planned economy towards a market based economy.

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