



Strengthening social dialogue in the local and regional government sector in the 'new' Member States and candidate countries



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EPSU the European Federation of Public Service Unions is a member of the ETUC. 8 million workers organised in their 216 trade unions are members of EPSU. These workers deliver services to the public in health and social services, local, regional and central government, and the utilities in energy, water and waste. EPSU organises workers in both public and private companies including large transnational companies.

*The Council of European Municipalities and Regions (CEMR) is the representative organisation of over 100,000 local and regional authorities federated through 47 national associations in 34 European countries. Its **Employers' Platform (CEMR-EP)** is a recognised partner in the European sectoral social dialogue for local and regional government, where it represents the employers.*

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1. Introduction

1.1 Aims and objectives of the study

The aim of this study is to support the sectoral social partners (CEMR and EPSU) in the local and regional government sector in delivering a Commission funded project on strengthening social dialogue in local and regional government in the "new" Member States and candidate countries. The project is to contribute to the ongoing sectoral social dialogue process between EPSU and CEMR and will culminate in a joint conference to launch the results of the study in October 2005.

The objectives are:

- To gather baseline information on the different social partner organisations in the sector in the 10 new Member States, Bulgaria, Romania and Turkey.
- Following this primarily desk based exercise, 5 countries were selected for a more detailed, interview based assessment of the key issues facing the social partners in the local and regional government sector. These countries are Estonia Hungary, Poland, Slovakia and Turkey.
- To present a final report at a joint closing conference in Budapest on 14th October 2005.

This final report provides the findings from basic desk based research and questionnaires, which were sent to several national experts and relevant social partners in each country, as well as from the more detailed case studies carried out in five countries. Three of these case studies (Poland, Estonia, Hungary) were carried out through desk based research, face to face interviews and a limited number of telephone interviews¹. Two further case studies (Turkey and Slovakia) were carried out through desk based research and telephone interviews. The chapters on the eight countries not covered by detailed case studies, which were presented in the interim report, have been updated with further information gathered through desk based research and questionnaire returns. All members of EPSU and CEMR have been sent their respective country chapters for comment and some amendments have been made on the basis of comments received on these draft chapters.

¹ We were able to combine these interviews with case study visits carried out for other projects. The Polish case study was carried out by one of ECOTEC's partner organisations, ECORYS Polska.

2. Organisations and experts contacted

2.1 First phase of the research

Following consultations with the steering group on the research instrument, the ECOTEC team originally sent out the expert questionnaires in the beginning February. Questionnaires aimed at social partner organisations in each country were translated to all relevant languages and they were sent out at the end of February. Questionnaires were sent to:

- SYSDM experts (European Employment Observatory) in each country and other contacts identified by them
- EIRO experts in each country
- ETUI collective bargaining research network members (Romania, Bulgaria, Poland, Slovenia, Cyprus, Czech Republic, Slovakia, Hungary and Lithuania)
- CEMR member organisations
- EPSU member organisations

As the response rate was relatively weak, ECOTEC team contacted most of the above mentioned social partner organisations also via telephone in March/April 2005. Some telephone interviews were conducted and questionnaire was re-sent. Following the presentation of the interim report further clarifications were received by email and telephone regarding the eight countries not covered by detailed case studies.

Responses to the questionnaire have been received from the following organisations:

CYPRUS

- Federation of Government Military and Civil Services Workers
- SYSDM expert
- Pancyprian Public Employees Trade Union PA.SY.DY

CZECH REPUBLIC

- Trade Union of Health Service and Social Care
- Trade Union of Workers in Culture and Nature Protection –TUCNP
- Firefighters Union of the Czech Republic TUFFCR
- SYSDM expert

ESTONIA

- Association of Estonian Cities
- State and Self-Government Institution Workers Trade Union (ROTAL)
- SYSDM expert

HUNGARY

- Trade Union of Culture KKDSZ
- SYSDM expert
- Béla Galgóczi (ETUC)

LATVIA

- Latvian Trade Union Energija
- SYSDM expert

2. Organisations and experts contacted

- Latvian Association of Local and Regional Authorities

LITHUANIA

- EIRO expert
- Lithuanian Trade Union of State Employees

MALTA

- Public Sector Section of the General Workers' Union
- EIRO expert
- Malta Council for Economic and Social Development
- UHM
- Malta Workers' Union

SLOVAKIA

- Fire-fighters Union of the Slovak Republic (OZH)
- Slovak Trade Union of Culture and Social Organisations SOZKaSO
- Marcela Gatciova, President, Slovak Trade Union of Public Administration - Sloves
- Lubos Vagac, Centre for Economic Development

Candidate countries:

BULGARIA

- SYSDM expert
- ETUI collective bargaining research network member
- FITUGO
- CITUB – Federation of Trade Unions – Health Services

ROMANIA

- Mirela Vlad
- SIGOL Federation

TURKEY

- Public Services Employees Union of Turkey Genel-Is
- Union of All Municipality Civil Servants Tüm Bel Sen
- SYSDM expert
- Aise Akpinar / private consultant in Turkey – Edusar

Other individual experts have also been consulted, either via email and/or telephone:

- Mr. Enis Bagdadioglu / Research Director of TURK-IS (Turkish Workers Unions Confederation)
- Mr. Ferhat Ilter / Deputy General Secretary of TISK (Turkish Employer Unions Confederation)
- Mr. Ales Kroupa / Research Institute of Labour and Social Affairs in Czech Republic
- Mr. Jan Puchovsky / Federation of Employers' Associations of the Slovak Republic
- Mirela Vlad / Prime Management Romania
- Béla Galgóczi / ETUI
- Josef Krejbych / Central-Europe Office PSI
- Vasily Shilov / North-East Europe PSI
- Aise Akpinar / private consultant in Turkey – Edusar

2.2 Case study phase of the research

The following individuals were interviewed and/or responded to questionnaires for the five detailed case studies:

ESTONIA

- Sven Rondik, Chairman - The Estonian Education Personnel Union (Eesti Haridustöötajate Liit)
- Vaike Parkel, Lawyer - The Estonian Education Personnel Union (Eesti Haridustöötajate Liit)
- Kalle Kalda, President - The Education Personnel Union in Tartu and Pärnu (Tartu Haridustöötajate Liit)
- Kalle Liivamägi, president – ROTAL, the Trade Union of State and Self-government Institutions Workers of Estonia
- Ago Tuuling, Chairman - Estonian Cultural Professionals Union Association
- Uno Silberg, Director - the Association of Municipalities of Estonia
- Ille Allsaar - the Association of Estonian Cities
- Tiina Üksvärav, Lawyer - the Association of Municipalities of Estonia
- Sulev Lääne, Adviser – Ministry of Internal Affairs
- Igor Ligema, Deputy Head of Department – Local Government and Regional Administration Department, Ministry of Interior

HUNGARY

- Dr. Erzsébet Berki, Head of Industrial Relations - Ministry of Employment and Labour
- Dr. Göerg Vass, Chief advisor - Department of Local Governments, Ministry of Interior
- Péter Lóczy, Chief advisor, Department of Civil Service - Ministry of Interior
- Bece Kópiás, adviser, Department of Local Governments - Ministry of Interior
- Imre Gábor, President - VKDSZ (Trade Union of Water Service Workers)
- Fenyves Kornél - Trade Union of Culture KKDSZ
- Tímea Déri, International Secretary - The Forum for the Co-Operation of Trade Unions / SZEFE
- József Fehér, President – Trade Union of Public Sector Workers (MKKSZ) and Vice-President of the Forum for the Co-Operation of Trade Unions / SZEFE
- Ughy Tivadar, Director – Public Service Reform, Ministry of Employment and Labour
- Veronika Krausz, Secretary of International Affairs –Hungarian National Association of Local Authorities (TÖOSZ)
- Dr. Erika Steiner, Secretary of Law - Hungarian National Association of Local Authorities (TÖOSZ)

POLAND

- Jerzy Wielgus, Head of the Public Service Secretariat, Head of Mazovia region, Public Services Secretariat (member: NSZZ Solidarność)
- Zdzisław Śladowski, Board Member of Steelwork Industry Employers' Organisation,
- Trainer for Social Dialogue, Steelwork Industry Employers' Organisation (member: Confederation of Polish Employers – KPP)
- Zbigniew Bartoń, President of the National Section, National Section for Government and Municipal Administration – PARIS (member: NSZZ Solidarność)
- Marek Wójcik, Deputy Director of the ZPP Office, Association of Polish Counties (ZPP)
- Piotr Ostrowski, Worker of the National Board, All-Poland Workers Trade Union "Labour Confederation"

2. Organisations and experts contacted

- Maria Sobczyk, Responsible for Voivodship Committees, Ministry of Economy and Labour, Office for Social Dialogue Organisations
- Anna KołECKA, Local and regional collective agreements, Ministry of Economy and Labour, Office for Social Dialogue Organisations
- Danuta Jasińska, Deputy director, Ministry of Economy and Labour, Office for Social Dialogue Organisations
- Zygmunt Chodnicki, Deputy director, Department for remuneration, Ministry of Economy and Labour, Office for Social Dialogue Organisations
- Edward Staszczak, President, Federation of Municipal Economy Employees
- Jarosław Czarnowski, President, Polish Teachers Association

TURKEY

- Yıldız Temürtürkan, International Relations Officer, Belediye- İş
- Serhat Salihoglu, Genel- İş
- İrfan Kaygisiz, Tum Bel Sen

- Enerji-Yapı-Yol Sen
- Ali Ercan Su, Ministry of Labour and Social Security
- Mahmut Arslan, Hizmet-İş

SLOVAKIA

- Juraj Dzupa, Counsellor, KOZ SR
- Eva Chemlova, Department of Public Administration, Ministry of the Interior
- Jan Gasperan, Trade Union of Employees in Education and Science
- Maria Kristoficova, Slovak Cultural Trade Union
- Peter Krizansky, Firefighters Union of the Slovak Republic
- Andrej Kucinsky, President, SOZPZASS – The Slovak Trade Union of Health and Social Services
- Marcela Gatciova, President, Sloves – The Slovak Trade Union of Public Administration

2.3 Methodological note

The desk based background research, questionnaires and interviews conducted for this study highlighted a number of significant factors. In the vast majority of new Member States and candidate countries collective bargaining and social dialogue, particularly at the sectoral level, is in its infancy. Existing research in the field is limited and for both these reasons reliable information can be difficult to obtain. In some cases, questionnaires and telephone interviews for the same country returned conflicting information. While some of this has a discernable factual basis, it has not always been possible to establish the reason for such discrepancies within the scope of this research.

3. National Chapters

3.1 Introduction

The aim of the national chapters is to provide:

- Information on the structure of the local and regional governments, their responsibilities and financial arrangements and recent trends.
- Brief background to the economic situation and key labour market trends in each country.
- Information on industrial relations (collective bargaining structure, role of social partners, recent developments etc.).
- Information on social partner organisations in the local and regional government sector (contact details, membership coverage, involvement in collective bargaining, links with other social partner organisations, participation in tripartite bodies etc.)
- Information on links with European organisations/projects.
- Information on collective bargaining / social dialogue in local and regional government sector (setting wages and other terms & conditions, trends, collective agreements etc.).
- Description of the key concerns of the social partner organisations in the sector.
- Details on successes in dealing with these challenges.

With the exception of the case study countries (Estonia, Hungary, Poland, Slovak Republic and Turkey) the national chapters are based on desk based background research and questionnaire surveys and cover baseline information for each country. The information contained in the national chapters for the case study countries is based on desk research, questionnaire surveys, telephone and face to face interviews. These chapters focus on more detail on employment, collective bargaining and social dialogue in the local and regional government sectors, as well as on the key issues affecting the sector.

The national chapters have been sent to EPSU and CEMR member organisations as well as certain national experts in order to clarify inconsistencies and to obtain additional information.

3.2 Cyprus

3.2.1 Background to local and regional governance

The self-governance structure in Cyprus includes six districts and two different types of local government (33 municipalities and 576 community councils). Municipalities constitute the form of local government in urban and tourist centres while communities provide local governance in rural areas.

National legislation sets down the following key responsibilities for municipalities: construction, maintenance and lighting of streets; collection, disposal and treatment of waste; protection and improvement of the environment and municipal areas; construction, development and maintenance of municipal gardens and parks; and the protection of public health.

For municipalities, the main sources of revenue are municipal taxes, fees and duties (professional tax, immovable property tax, hotel accommodation tax, fees for issuing permits and licences, fees for refuse collection, fines, etc.) Revenue also comes in the shape of state subsidies and capital investments: central government usually finances major infrastructure projects undertaken by municipalities, but this is dependent on each individual project.

3. National Chapters

Traditionally local administrations have not enjoyed organisational or financial autonomy. The situation is changing however, as public administration reform was launched partly due to the EU accession process but also due to persistent public budget deficits. This reform process is progressively taking political decision-making powers away from political bodies (government, municipalities and community councils) in areas such as the economy, services and communications as a result of privatisation. The decentralisation process is also a key part of the reform process, with power and responsibilities being devolved from central government to State District Offices. District administrations are therefore playing a progressively more important role. In recent years local administrations have also been acquiring increasing powers in the areas they are responsible for.

3.2.2 *Economic and labour market situation*

Economic growth in Cyprus has been robust in recent years, compared with the EU15. The unemployment rate is one of the lowest in Europe at 4.4% and unemployment among women has declined very rapidly. Cyprus differs from the rest of the New Member States in that unemployment rates have been below 5 per cent since 2001 (and below the EU average). In addition, the employment rate in Cyprus has been gradually increasing since 1996. In contrast with the rest of Europe, the industrial sector has particularly benefited from increases in employment.

Employment and unemployment in Cyprus, 2003²	
Overall employment rate	69.2 %
Employment rate of women	60.4 %
Employment rate of older workers	50.4 %
Temporary employment rate (% total employment)	-
Rate of part-time employment (% total employment)	-
Overall unemployment rate	4.4 %
Unemployment rate – men	4.0 %
Unemployment rate – women	5.1 %

3.2.3 *Industrial relations*

Industrial relations in Cyprus	
Trade union organisation rate	67 – 70 %
Employer organisation rate	60 %
Collective agreement coverage rate	65 - 70 %

The industrial relations system in Cyprus has developed on the basis of two fundamental principles: voluntarism and tripartite concertation. A tripartite national council was set up in Cyprus as early as 1960 and the country now has a large number of tripartite committees and bodies operating in different ministries, the strongest of which is the Labour Advisory Board. The tripartite system of interest intermediation is strong in Cyprus³.

Collective agreements have traditionally played a leading role in the regulation of industrial relations, with legislation playing a secondary role. Bargaining in Cyprus is decentralised and collective agreements are normally concluded at sectoral and enterprise levels. There are no national general collective agreements. Bargaining coverage currently stands at 65-70 per cent⁴ and covers all employees with the exception of senior management. In 2003, there

² European Commission: Employment in Europe in 2004

³ Catholic University of Leuven: Monographs on the situation of social partners in the acceding and candidate countries, intersectoral level, March 2004

⁴ European Commission: Industrial Relations in Europe 2004

were 13 sectoral agreements (covering 26.7% of all employed earners) and 450 enterprise agreements in force.

Collective bargaining is bi-partite between employer organisations and trade unions. The State's role is advisory and it intervenes through the Mediation Service at the Ministry of Labour if bipartite bargaining does not result in an agreement. The national trade union confederation (SEK) is driving to make collective agreements legally binding as they are currently voluntary in nature, a demand which has so far been rejected by employer organisations and other trade union confederations. The general climate of social dialogue in Cyprus is consensual and it is rare that negotiations lead to trade union action such as strikes.

There is a long history of trade unionism in Cyprus which dates back to 1915. Progress has been rapid and by the end of 2000, there were 123 unions on the official register of the Ministry of Labour and Social Insurance. In terms of the level of union coverage, 60-70 per cent of the private sector workforce are trade union members.

The employer organisation membership rate is 60% and their participation in social dialogue is conducted at both bipartite and tripartite level. At the end of 2000, there were 235 employers organisations registered in Cyprus.

In the Turkish-occupied area of Northern Cyprus, there is only one employer organisation, the Cyprus Turkish Employers Trade Union, and it has not been authorised to negotiate collective agreements in the workplace. There are some trade unions established in the area, seven of which participate in the All-Cyprus Trade Union Forum.

Recent political developments have been perceived as positive for Cypriot industrial relations. The election of Tassos Papadopoulos as President of the Republic in 2003 is considered to be of particular importance, since governance of the country from 1993 to 2003 was widely seen as having a negative effect on social dialogue relating to economic policy. Another important development in 2003 was the partial restoration of freedom of movement between the Greek Cypriot and Turkish Cypriot communities. It has brought about a significant increase in the employment of Turkish Cypriots in the 'free' areas.

3.2.4 Social partner organisations in the local and regional government sector

The most important trade unions in the sector are:

- **Pancyprian Public Employees Trade Union PA.SY.DY**
PASYDY (Pankypria Syntechnia Dimossion Ypallilon) is the trade union of white collar public servants in Cyprus. It also includes postal employees and health service workers (medical, nursing and paramedical) but not teachers of any level of education or local government employees. The union was founded in 1927 as the Cyprus Civil Service Association and it was gradually upgraded to full trade union status in the sixties. PASYDY is a member of international organisations such as PSI, EPSU and collaborates with numerous trade unions from across Europe and Northern Africa.
- **Federation of Government, Military and Civil Services Workers**
The Federation of Government, Military and Civil Services Workers is a public sector union active at the national level. It was set up in 1962 and currently has 7,233 members (covering 63 per cent of employees in the sector). The union is a member of Cyprus Workers Confederation (SEK) and EPSU but not a member of any national bi or tripartite bodies. The Union takes part in negotiating wages and other terms & conditions at sectoral and national levels.

3. National Chapters

- **Cyprus Turkish Civil Servants Trade Union – KTAMS**
The union is a member organisation of EPSU and also participates in the All-Cyprus Trade Union Forum.
- **Federation of Semi-Government Employees Cyprus (FSGE)**
The union holds an EPSU membership.

The most important organisations representing local governments:

- **The Union of Cyprus Municipalities**
The main association representing the interests of local governments in the country is the Union of Cyprus municipalities. The Union represents all 33 municipalities in the country, and was established in 1981. The Union's main functions are to contribute to the development of local government autonomy, as well as acting as a spokesman of local government interests to the central government and other national institutions.
The Union is a member of the Council of European Municipalities and Regions (CEMR).

3.2.5 Collective bargaining in the sector

Wages and conditions for the local and regional government sector are determined by collective bargaining. Wages and other terms and conditions for public/civil service sector workers are set in national level collective agreements and workers in the local and regional government sector form part of this group. These negotiations are bi-partite. When the parties agree on the conditions, the proposal is forwarded to the Cyprus Council of Ministers for an approval. If the proposal is approved, the agreement will be concluded with a government decree. Collective agreements usually cover a three-year period and the current agreement is valid from 2004-2006. The average collectively agreed wage increase for 2003 was 1.54%. However, the increase in the local government sector was 2.75%.

There is no institutionalised social dialogue between employers and trade union organisations in the sector.

3.2.6 Key issues for the sector

At the moment privatisation is the key problem (at national level) facing social partners representing public sector workers. For example, the government recently decided to privatise all airports. Another issue affecting social partners is the government drive to freeze real wages and increase the retirement age of public sector workers.

3.3. Czech Republic

3.3.1 Background to local and regional governance⁵

The transformation of the local and regional government structure in the Czech Republic was an essential task of the process of re-building the country's political and administrative system after 1989. The municipal tier of the governance system was established in the early 1990s and the division into 14 larger, self-governing regions took place in 2000. The country is divided into 6,258 municipalities, 13 regions and the capital city region of Prague. There are considerable differences in the sizes of municipalities; Prague is the largest self-governing unit with 1,178,576 inhabitants and the smallest one has only 4 inhabitants. The change is significant - in 1950 there were 11,051 municipalities, 179 districts and 13 regions.

⁵ Union of Towns and Communities of the Czech Republic 2004

The constitutional basis of local self-government is regulated by the Constitution of the Czech Republic in Chapter 7 - Local Self-government, as of 16th December 1992. Although municipalities are units of self-government, they also have delegated competencies determined by law. The delegated competencies differ by type of municipal authorities.

The main responsibilities of municipalities are local development, municipal police, water supply, household refuse, agriculture, primary education, housing, social assistance and urban planning. Competences of regions are secondary education, road networks, social assistance, environment, public transport, regional development and health.

Municipalities are financed through local taxes (real estate, income and corporate income) and shared taxes (tax revenue is shared among municipalities, districts and the State). The state determines different elements of the taxation system (tax base, tax exemptions, tax rate and proportions of shared tax revenues). Subsidies from higher authorities include needs related subsidies, which are determined according to the number of residents and 'equalising subsidies' designated to reduce differences between different regions and municipalities. There is also provision of a state capital fund for investment projects in districts and municipalities and other income includes revenues from local services, fees and charges.

3.3.2 Economic and labour market situation

The economy of the Czech Republic has recovered rather well from the recession of the late 90s, with a GDP growth in 2000 of 3.3 per cent. However, structural unemployment and severe regional disparities continue to persist. But the overall unemployment rate in the country is still relatively low compared to the other new Member States and candidate countries. Productivity gains and an increase in competitiveness have been fuelled by strong foreign investment flows along with domestic demand – and have been an engine for economic growth.

Employment and unemployment in Czech Republic, 2003⁶	
Overall employment rate	64.7 %
Employment rate of women	56.3 %
Employment rate of older workers	42.3 %
Temporary employment rate (% total employment)	9.2 %
Rate of part-time employment (% total employment)	5 %
Overall unemployment rate	7.8 %
Unemployment rate – men	6.2 %
Unemployment rate – women	9.9 %

The sectoral composition of employment in the Czech Republic is notable, with a significant level of employment in industry compared to other New Member States as well as the EU15. However, levels of employment in the service sector have grown steadily in recent years.

3.3.3 Industrial relations

Industrial relations in Czech Republic	
Trade union organisation rate ⁷	30 %
Employer organisation rate	35 %
Collective agreement coverage rate	27 – 35 %

⁶ European Commission: Employment in Europe in 2004

⁷ Approximate figure given for workers in the civil sector only, in 2001

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Social dialogue and collective bargaining in the Czech Republic have been operating in their modern form for around a decade. Tripartite co-operation takes place through the Council of Economic and Social Agreement (RHSD), which was founded in 1990 and is made up of seven government representatives, seven employer organisation representatives and seven trade union representatives. Unions and employers can also enter into negotiation outside the Council with representatives of individual government departments. Since the tripartite system began, negotiations have aimed to reach agreements on issues relating to wages, employment and labour relations. There is some tripartite concertation at regional level, however no collective agreements are made at this level.

In general, collective bargaining in the country is bi-partite between employers and trade unions at enterprise level, with the use of company collective agreements (*PKS*) and higher-level (sectoral) collective agreements (*KSVS*). Some sectoral/branch level collective bargaining does take place but is still weak due to the lack of a legislative framework for collective bargaining at higher than company level - the Collective Bargaining Act does not refer to sectoral agreements and nor does Czech law define economic sectors. There are currently only 12 sectoral agreements in place. There is no collective bargaining at inter-sectoral level. While there has been a decline in company agreements and the number of employees covered by them, in general sectoral bargaining has shown a slight increase since 1999.⁸ However, it is estimated that only 20-30 per cent of workers in the private sector were covered by collective agreements in 2001 and 2002.

The process of collective bargaining is regulated by the Collective Bargaining Act of 1991. However, work is under way at the moment to amend the new Labour Code and Collective Bargaining Act to remove restrictions hampering the development of collective bargaining. The new Code is expected to come into effect by 2006, and is expected to provide greater leeway for bargaining, especially with regards to working time arrangements. There are also problems around employer's legitimacy and unwillingness among certain employers' organisations to engage in collective bargaining. Bargaining coverage in the Czech Republic is currently the third lowest in Europe, standing a rate between 27-35 per cent. However, there has been a moderate increase in the number of employees covered by collective agreements in recent years, mainly because of extensions in many sectoral/branch agreements. It is estimated that only 20-30 per cent of workers in the civil sector were covered by collective agreements in 2001 and 2002⁹.

Trade union membership in the Czech Republic has been in decline in recent years. According to EIRO (2004), the main reason for the decline is the fact that national legislation lays down the principle that trade union organisations do not just represent their own members, but rather represent all staff members and provide them with collective and individual protection, offering little motivation to join a union. Other reasons are restructuring and privatisation in industrial sectors, more individualised work activities and changes in the nature and organisation of work.

Employer organisations are mainly organised along industry lines. There are two main organisations and the organisation rate is currently 35 per cent, with around 10,000 – 12,000 organisations and self employed workers being affiliated. Czech employers have generally not felt much of a need to affiliate. A reason for this could be that membership contributions are not tax deductible and are taken from net profit. As a result, membership levels have not changed much over the past ten years. Organisations tend to be characterised by a lack of funds for operational requirements and a lack of involvement of specialists¹⁰. Participation of

⁸ EIRO: Changes in national collective bargaining systems since 1990, May 2005

⁹ Catholic University of Leuven: Monographs on the situation of social partners in the acceding and candidate countries, intersectoral level, March 2004

¹⁰ Ibid.

employer organisations in social dialogue is only tripartite, and involvement in tripartite bodies includes that of the Council for Economic and Social Agreement.

3.3.4 Social partners in the local and regional government sector

Czech-Moravian Confederation of Trade Unions (ČMKOS)

The confederation acts at a cross-sectoral, national level and represents many of the trade unions in the local and regional government sector. ČMKOS is an important social partner in tripartite negotiations in the framework of the Council of Economic and Social Agreement of the Czech Republic and works in the regions of the Czech Republic through Regional Councils of Trade Unions (RROS) and Regional Offices for Legal Assistance (RPP). The confederation is a member of the International Confederation of Free Trade Unions (ICFTU), of the European Trade Union Confederation (ETUC) and of the Trade Union Advisory Committee to the OECD (TUAC).

The Trade Union of State Bodies and Institutions is the most important trade union in the sector representing workers of local and regional governments. Other sectoral and cross sectoral trade unions also have members employed in the local or regional government sector and their details are outlined below. All the Unions are members of EPSU and ČMKOS.

- **UNIOS**
- **Trade Union of the Health Service and Social Care of the Czech Republic TUHSSC**
TUHSSC is a trade union in the health and social care sector. The organisation is active in national, regional and company levels. It was set up in 1990 and has 49000 members. 23% of employees in the sector are members of the TUHSSC.

TUHSSC is a member organisation is a member of Rada hospodářské a sociální dohody (Council for Economic and Social Agreement) - tripartite body which takes part in negotiations on draft national laws. TUHSSC is involved in collective bargaining at sectoral (health and social services), national and company levels.

- **Firefighters Union of the Czech Republic TUFFCR**
The Union was established in 1990. It has 6,507 members covering 80 per cent of all employees in the fire-fighters sector. Union is active at national, regional and local levels. TUFFCR is a member of ČMKOS but is not a member of any national bi- or tripartite bodies. The Union has two international partner organisations, EPSU and PSI. The Unions is involved in collective bargaining at regional level.
- **Czecho-Moravian Trade Union of Civilian Employees of the Army CMTUCEA**
- **Trade Union ECHO O.S. ECHO**
- **Trade Union of Workers in Culture and Nature Protection TUCNP**
The Union was set up in 1990. It is a cross sectoral union operating in the sectors of culture and environment, mainly at national level. The Union has 2,540 members covering 35 per cent of employees in the sector. The union also takes part in negotiations of the national working group on economic and social dialogue for cultural matters. The union is involved in collective bargaining at sectoral (public services and legislation) and national level.

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There are no employer organisations in the Czech Republic mandated to take part in collective bargaining in the local and regional government sector. Municipalities are entitled to belong to a representative association in order to protect their interests nationally and internationally (such as the Union of Towns and Municipalities of the Czech Republic) but discussions between the Government and municipal associations are informal and of limited political impact. **The Union of Towns and Municipalities of the Czech Republic** plays an active role in the Council of European Municipalities and Regions, nominates delegates to the Committee of the Regions and co-operates with other associations in Europe.

3.3.5 *Collective bargaining in the sector*

There is no sectoral collective bargaining in the local and regional government sector in the Czech Republic. This is mainly due to the lack of employer organisations in the sector as Czech legislation does not currently allow organisations representing municipal employers to take part in collective bargaining.

Wages in the public sector are set at national level between the government and relevant trade unions. Other key conditions such as sick pay, retirement age and basic annual leave are also set at the national level. There have been changes recently in the pay structure for 800,000 public administration and public service employees. The number of pay grades was extended from 12 to 16 in order to improve salary differentiation among public sector workers. As a result of negotiations between the Government and trade union representatives the new system is based on a special Act.

However, bi-partite bargaining does take place between trade unions and individual municipalities to determine some of the terms and conditions for employees (e.g. meal subsidies, health and safety measures, bonuses etc.). New collective agreements on terms and conditions are usually concluded every year.

Regional government structures were established only 5 years ago and they have not yet capitalised on opportunities provided by social dialogue with employee representatives at a higher than enterprise level. The legislation has not been adapted to regional social dialogue either. It remains to be seen whether current development work on the new Labour Code and amendments on the Act on Collective Bargaining will bring better opportunities for sectoral bargaining and dialogue in the local and regional government sector.

3.3.6 *Key issues for the sector*

Since 1991 the country has witnessed a dramatic increase in privatisation and restructuring of previously state-owned or municipal owned industrial enterprises. At the same time a number of small and medium-sized enterprises have sprung up and trade union memberships has clearly declined. Competitive tendering procedures have also created their own challenges.

A lack of employer organisations in the sector creates a clear obstacle for the development of collective bargaining and social dialogue as higher-level collective agreements cannot be concluded in the state/municipal services sector.

Social partners in the sector would like to see change in national government's approach in determining conditions for social dialogue and collective bargaining in the sector.

3.4 Estonia

3.4.1 Background to local and regional governance

Estonia has a long tradition of strong local government. Even before the independent Republic of Estonia was established in 1918, the country had a functioning system of local administration – however, the structure of self-government at the local level was removed during the Soviet times. In 1989 the Act on the Principles of Local Government set up primary level local authorities in every town and rural district. The decision to reject an alternative model, which would have enhanced the powers of regional government, was largely due to the experiences gained in pre-war Estonia and the strengthening links with the Nordic countries. The basic regulations concerning local government were laid down in the Constitution in 1992.

The Estonian local government system consists of 202 rural municipalities and 39 towns. All municipalities have the same legal status. The number of municipalities is in gradual decline due to financial incentives from the Government for municipalities to merge. Estonia is also divided into 15 counties, but the State is responsible for the operations and activities of county administrations. There are plans to merge some of the regions, to cut down the number to only 4 regions (north, south, east and west).

Local Government Organisation Act determines the functions and responsibilities of local authorities in Estonia. Currently (June 2005) the main responsibilities of local authorities are: kindergartens, education, cultural activities, social care (elder care, care for disabled persons, some orphanages, preventive action), communal services (such as electricity, waste disposal and management, water supply), social housing, municipal transport and road maintenance, environment and the maintenance of public facilities.

National taxes (personal income tax) make up the largest source of the local government funding¹¹; currently 47% of total funding. The significance of allocations from the national budget for local government has been diminishing in the past couple of years, currently standing at 36 per cent of all local government resources. Income from economic activities is 11% of total funding, and local taxes cover 1%. Other income sources make up the rest of the local government funding.

3.4.2 Economic and labour market situation

Economic growth in Estonia has been strong since 1999. By 2003, the growth rate rose to 5 per cent. This economic growth is now leading incomes to converge towards the European average, although significant regional variations remain. The activity (69.8%) and employment (62.6%) rates are still lagging behind the EU average, even though the situation is improving. The employment rates of women and older people are, however, higher than the respective EU average and already exceed the Lisbon interim target set for 2005.

¹¹ Figures received from the Association of Estonian Cities in May 2005

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Employment and unemployment in Estonia, 2003¹²	
Overall employment rate	62.9%
Employment rate of women	59.0%
Employment rate of older workers	52.3%
Temporary employment rate (% total employment)	2.5%
Rate of part-time employment (% total employment)	8.5%
Overall unemployment rate	10.0%
Unemployment rate – men	10.2%
Unemployment rate – women	10.0%

The Estonian Employment Strategy 2004-2008 sets out new policy developments. The aim is to meet the challenge of improving labour market performance and to increase employment opportunities, especially for disadvantaged groups. Significant changes will be made to Estonia's employment services and labour market legislation. The Government's targets for 2006 are:

- To reach an employment target of 64.3%.
- To reduce long-term unemployment. Currently 45.9% of all unemployed people are long-term unemployed.
- To improve opportunities for those actively seeking employment to find sustainable jobs; in 2003 only 11.9% of those actively seeking work found sustainable employment. The Government's target is to increase this rate to 35%.

3.4.3 Industrial relations in Estonia¹³

Industrial relations in Estonia	
Trade union organisation rate	14 %
Employer organisation rate	35 %
Collective agreement coverage rate	28 %

Social dialogue in Estonia is better developed at national level than at other levels. The State (Ministry of Social Affairs) has been playing a major role, although its importance is diminishing. The national trade union associations taking part in tripartite concertation are the Confederation of Estonian Trade Unions (EAKL) and the Estonian Employees Unions' Confederation (TALO). The Federation of Estonian Employers and Industry (ETTK) is the employers' association involved in the national tripartite consultation process.

Bi-partite collective bargaining in Estonia is conducted mainly at enterprise level. Some sectoral and subsectoral agreements have also been concluded; currently there are 7 sectoral and 10 sub-sectoral collective agreements in place. The overall coverage rate of collective agreements stands at around 28% of the workforce – the fourth lowest rate in Europe. The weak development of social partnership is, primarily, due to the low coverage levels of social partner organisations as well as institutional and financial limitations.

The unionisation rate in Estonia has declined drastically from 88 per cent to just to 14 per cent in just over a decade. The main reasons have been privatisation and a shift from manufacturing to services. The organisation rate of Estonian employers currently stands at 35%.

¹² European Commission: Employment in Europe 2004.

¹³ Sources: EIRO: Industrial Relations in the Candidate Countries in 2004; European Commission: Industrial Relations in Europe 2004; EIRO 2003: The development and current situation of employers' organisations in Estonia. EIRO 2003: The development and current situation of trade unions.

A common feature in many new Member States is the absence of collective bargaining at regional level. Regional actors in Estonia are expected to prepare regional tripartite employment pacts. Such a regional agreement has now been concluded in the Ida-Virumaa county, where trade unions have a strong presence and industry is highly developed (a legacy of the period of Russian rule). The agreement, signed by the regional branch of the Association of Estonian Trade Unions (EAKL), the Federation of Estonian Employers and Industry (ETTK) and the local authorities, focuses on employment and unemployment. This agreement creates a general framework for tripartite regional co-operation rather than clearly defined targets and responsibilities.

3.4.4 Employment in local and regional government sector¹⁴

In 2001, the Estonian public sector employed 166,000 persons (28.7% of the total workforce)¹⁵. Local administrations employed 13.3% of the total workforce, 76,700 persons¹⁶. The current estimate is that some 3,000 individuals work directly in local government administration (rather than services) and therefore hold the status of civil servants. The education sector is one of the key employers in local government; some 20,000 individuals are employed by Estonian kindergartens and schools. Employment in regional offices is decreasing and redundancies have been made in recent years.

It has been difficult to identify the occupational and gender breakdown of employees in the sector as many of the municipalities are very small, some employ only 10 persons and in these municipalities one person can hold several different roles and responsibilities. It has however been identified that the education sector is largely dominated by women, making up some 92-93% of all teachers. Decision-making roles in local administrations are generally held by men, whereas other positions tend to be dominated by women. Government officials and the main trade union representative from the sector felt that part-time work is not particularly widespread in the sector, thus not considered to be a problem.

The relevant legislative framework for employment conditions of civil servants in local government is the Civil Servants Act¹⁷. The legislation regulating employment of all other workers in the sector is the Labour Code.

3.4.5 Trade unions in the local and regional government sector

The Confederation of Estonian Trade Unions EAKL

The Confederation of Estonian Trade Unions was formed in April 1990 on the basis of an association of independent trade union organisations. Since this reorganisation, EAKL has mainly been active in three spheres: participation in the drafting of laws; negotiations with the government and employers, and consulting and training union members. EAKL signed a first national agreement on 'social guarantees' with the government in February 1991. The confederation had 47,000 members in 2002.

The following unions in the local and regional sector are members of EAKL:

Tartu and Pärnu Education Personnel Union

The Education Personnel Union in Tartu and Pärnu (*Tartu Haridustöötajate Liit*) is sectoral trade union representing teachers in Tartu and Pärnu. The union is active only at regional level, and was established 1990 when it broke away from the Estonian Education Personnel

¹⁴ More statistics are due to be provided by the Ministry of Social Affairs.

¹⁵ Kadri Kallas, University of Tartu.

¹⁶ These numbers include the employees of central and local government agencies as well as the agencies and institutions administered and financed by them, and employees in public enterprises.

¹⁷ Kadri Kallas, University of Tartu.

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Union, mainly following differences in opinion. The union has 900 members representing some 25% of all teachers and is involved in bargaining collectively at regional level. With regards to international relations, the Union is a member of ETUC.

Trade Union of State and Self-government Institutions Workers, ROTAL

ROTAL (*Riigi- ja omavalitsusasutuste Töötajate Amethühingute Liit*) is a cross-sectoral trade union active at local, regional and national level. It was established in 1944 and has some 3,100 members covering around 5% of employees in the state and self-government institutions. Some 200 members are employed in the local government sector, the rest are employed by the State. The municipal members mainly come from the cities of Viljandi and Tallinn and municipalities of Vonnu and Kehtna. Other employees come from sectors such as Tallinn city archives and municipal police force. ROTAL is a member of EPSU at international level. ROTAL is involved in collective bargaining at cross sectoral and sectoral levels (Social Insurance and Archives).

The Estonian Employees Unions' Confederation TALO

TALO was established in September 1992 and is eligible to participate in negotiations at a national level, and also to conclude collective agreements concerning work relations, working conditions and pay as well as other trade-related questions. Such issues might include those concerning education, including further training, and economic, social and other issues.

TALO's members are employees working in the fields of education, culture, media, agriculture, sports, science, technology and health care. The confederation had approximately 30,000 members as at January 2005. The confederation is affiliated to the ETUC.

The following trade unions in the local and regional government sector are members of TALO:

Estonian Education Personnel Union

The Estonian Education Personnel Union (*Eesti Haridustöötajate Liit*) is the largest trade union in the education sector. It is active at national, regional and local level. It was established in 1992 and currently has 14,000 members representing some 70% of all teachers in the country. The union is involved in national tripartite negotiations (via TALO), but also maintains a bi-partite dialogue with the Government (via TALO, the Estonian Employees' Unions' Confederation). With regards to international co-operation, the union has links to ETUC and Education International. The union is involved in collective bargaining at national and local levels.

Estonian Cultural Professionals Union Association

The Estonian Cultural Professionals Union Association (*Eesti Kultuuritöötajate Ametiliit*) is a cross-sectoral union representing workers in museums, librarians, professional artists, leaders of voluntary clubs and associations, musicians and children's music and art teachers. It has 1,400 members representing 34% of workers in the cultural sector. The union is active at local, regional and national levels. At national level the union is an active member of TALO, the tripartite council, the national bi-partite council dealing with salaries and social matters and the national tri-partite socio-economic council. In terms of international relations, the union is linked to ETUC.

3.4.6 Employer organisations in the local and regional government sector

At the moment there are no sectoral employers' organisations in the local and regional government sector with a right to take part in negotiating wages and other terms and conditions. There are two organisations representing local municipalities; the Association of Estonian Cities and the Association of Municipalities of Estonia. Fundamental changes are being made at the moment regarding the rights of these organisations. In the beginning of 2005, the Minister for Regional Affairs set up (with the Decree of 25.01.2005) a working group to deal with the regulatory problems which prevent local government associations to act as legally authorised employer organisations (further information provided below).

The Local Government Association Act provides the legislative framework for organisations representing municipalities. National organisations may be if an association represents either half of all local authorities in the country or half of the country's population. The Association of Estonian Cities represents over half of the country's population and the Association of Municipalities of Estonia covers over half of all municipalities in the country. Membership is voluntary and at the moment 27 municipalities do not belong to either one of them. These two organisations represent their common interest at national level in the negotiations with the Government often through the **Assembly of Co-operation of National Associations** (*Eesti Omavalitsusliitude Koostöökogu*).

Association of Estonian Cities (*Eesti Linnade Liit*)

The AEC was established in 1920. It represents 47 local authorities (19% of all municipalities in the country), mainly towns and amalgamations of urban/rural authorities. These local authorities cover approximately 2/3 of the country's total population. The Association is mainly active at the national level. In terms of international relations, it is a member of CEMR.

Association of Municipalities of Estonia (*Eesti Maaomavalitsuste Liit*)

The Association of Municipalities of Estonia was originally established in 1921 and was re-organised in 1990 and 2003. The Association is a member of CEMR. It represents interests of 167 individual rural municipalities and is also representative organisation for 15 *County Associations of Local Authorities* (ALA). The County Associations represent at least half of all municipalities in one county.

3.4.7 Social dialogue in the local and regional government sector

There is currently no sectoral collective bargaining in the local and regional government sector in Estonia. This is mainly because there are no sectoral employer organisations with a mandate to negotiate wages and other employment conditions. But as previously mentioned, a working group has been set up to deal with the regulatory problems which prevent local government associations to act as legally authorised employer organisations, as the current regulations only allow local governments to form associations with other local governments to express and promote common interests and to perform joint tasks.

The salaries of municipal workers in Estonia are set independently by each municipality, only the standard minimum wage is set nationally. Negotiations on terms and conditions of staff in the local and regional government sector are bi-partite, between each municipality and the appropriate trade union. Negotiations normally take place every year.

Status of employment (civil servant vs. general worker) does not make a significant difference to terms and conditions in municipalities. The employment conditions of civil servants and general workers are covered by different regulations. Those working in administrative positions in local authorities hold the status of civil servants but their salaries are set by each

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municipality, while the wages of civil servants in central government institutions are determined by the government annually.

Local government associations hold bilateral negotiations with the government on a regular basis on budget matters and other principal issues concerning local administrations. This is mainly done via the Assembly of Co-operation of National Associations. The negotiations are organised through 7 different working groups: Finance, Education, Employment, social security and health services, Culture, Environment, Land management and Transport and roads.

Dialogue between employers and trade unions is less developed at the moment than dialogue between employers and the Government. However, in recent months there have been developments in this area. The Government representatives and some unions feel that employer representatives are more willing than before to develop dialogue with trade unions in the sector. The Association of Estonian Cities and the Association of Municipalities of Estonia met with EAKL representatives (in particular ROTAL and the union representing teachers) in the beginning of March 2005 to exchange information and concerns and present their own proposals about the future direction of social dialogue. Employers have also had a number of meetings with TALO, although on a rather irregular basis. Local authority budgets, salaries and the employer organisations' mandate to bargain collectively have often been the focus of these discussions.

3.4.8 Key challenges facing social partners in the sector

This chapter provides information on challenges social partners in local and regional government sector are experiencing. The chapter also provides information on the measures and/or proposals that have been developed to address these challenges.

- **Sectoral collective bargaining**

The key issue for the sector is the lack of employer organisations with a right to bargain collectively. As previously stated, currently local government only have a right to form associations and joint bodies with other local governments in order to express, represent or promote common interests or to perform joint tasks. Discussions have been held over the past 15 years about this issue, without any significant developments. Particularly sectoral trade unions have been calling for legislative change to enable sectoral collective bargaining, instead of the current structure which requires bargaining with each municipality.

Also the inability to conclude sectoral minimum wage agreements and low wages in some segments of local and regional government sector have been push factors for these changes. An increasing willingness from the employer side to co-operate has also been sensed.

Recent developments

Last year the Minister of Regional Affairs took a decision (with the Decree of 25.01.2005) to set up a working group to deal with the regulative problems stopping local authority associations to act as legally authorised employer organisations. The Ministry of Interior have been working on the proposal during winter and spring 2005. The associations representing local authorities have been consulted.

This proposal has now been forwarded to the Ministry of Social Affairs, which holds overall responsible for employment contracts. The proposal is being reviewed at the moment and if an agreement on the terms and conditions is found, the proposal will be forwarded for parliamentary approval in early autumn. In theory the new law could be passed by the end of the year, and give employer representatives in the local government sector a legal right to act as employer organisations.

This new law would allow the Association of Estonian Cities and the Association of Municipalities of Estonia legally represent all municipalities in Estonia, even those 27 that currently are not members. The decision-making power therefore will be in their hands.

Although this new law creates capacity for wider sectoral negotiations, the main objective is to agree on minimum wages for the sector. Future sectoral developments rely on the functionality of this new structure.

This legislative change also creates the need for the Association of Estonian Cities and the Association of Municipalities of Estonia to plan new structures and procedures that enable them to cope with new responsibilities and opportunities the law provides for them.

- **Local government budgets**

The lack of independent and stable local government budgets has created some major challenges for social partners in the sector. Locally collected taxes account for only a small part of local revenue and in many rural districts they account for none at all. Furthermore, the principles for diverting state funds to local budgets as well as the amounts have been changing constantly in recent years. This has made it challenging, if not impossible sometimes, for local government associations to plan their activities with a long-term perspective. When thinking of their future role as employer organisations and involvement in sectoral collective bargaining, there is an increasing need for employers to be involved in longer-term budget planning.

Since 1994 the government and representatives of municipalities have held bi-partite discussions on budgets and other key issues affecting the municipalities – but these have only been discussions and have not been legally binding. The Estonian government has had a legal right to decide the allocations from state budget to municipal budget if the parties cannot find a common solution. Over the past 6 years there have been instances where no agreement has been signed, but on each occasion an official report was produced recording the outcomes of the negotiation, including details of the matters which were agreed upon and those that remain unresolved.

Recent developments / proposals

In recent months, local government representatives have been more involved in long-term budgeting processes. For example, the Association of Estonian Cities and the Association of Municipalities of Estonia have been involved in the national budget strategy negotiations for 2007-2013. Sectoral trade unions have also expressed an interest in being involved in these negotiations.

Local government associations have also proposed to divide personal income tax into two parts, between the state and local authorities, with flexibility to change the local share either way by two per cent.

- **Low wages and regional salary differences**

Some other challenges facing trade unions in the sector, especially in the education sector, are low wages, regional salary gaps and changes in the distribution of financial resources of local municipalities. Current minimum average wages for teachers are lagging behind the national average wages even if the profession requires a university degree. According to the Statistical Office of Estonia, the minimum wages in the education sector are 88% of the national average salary. Analysis carried out by the Estonian Education Personnel Union (April 2005) revealed that teachers with the same education and similar workload and results have large gaps in wage rates, both between and within counties.

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The last agreement on the minimum wage of teachers was concluded in 2002, as these rates should be set trilaterally. Trade unions feel so far the municipalities have had no incentives to conclude such agreement. Furthermore, local authorities negotiate with trade unions about the minimum wages of teachers, while the sectoral unions would like to negotiate the rates of average salaries. As no agreement has been concluded in the past 2 years, the government has given local municipalities the freedom to distribute their financial resources by their own discretion. This has resulted in increasing regional salary differences. Even though most municipalities used the fund to provide a salary increase of 10-12%, in some schools salaries have remained unchanged for the past two years.

Recent developments

New legislation will provide an opportunity for negotiating minimum wages in the sector. The unions have already felt more willingness from employers to co-operate. On the other hand, employers feel that non-uniform views of two trade unions representing educational workers create obstacles for smoother co-operation.

The Estonian Education Personnel Union demands the minimum wages of education personnel should be increased by 10% in all municipalities in 2006. In addition, schools should be allocated an additional 5% budget increase for other improvements.

• **Unionisation rates**

Estonian social partnership is relatively weak, mainly because of low representation rates. Trade union membership in the education sector is declining, although this is not because of declining unionisation, but decline in the number of teachers. Birth rates are decreasing rapidly in Estonia, hence the decline in the need for. The situation is magnified by the fact that young people are not interested in becoming teachers because of low wages. Consequently certain regions, for example, the north-east of Estonia, are struggling to hire teachers.

• **Co-operation and information exchange between social partners**

Dialogue between the government and employers is currently stronger than tripartite concertation in the sector. Working groups are a particularly good example of this. Trade unions want to be involved in negotiations in a more systematic way than currently.

The Association of Municipalities of Estonia is also fairly active at regional level and dialogue between them and regional leaders is relatively regular. Sectoral trade unions feel this dialogue should also be tripartite. Employers hope to obtain more information on representation of unions and closer co-operation and more uniform proposals from EAKL and TALO.

• **Political influence**

Political parties in Estonia hold very different views on the involvement of social partners. This has affected the local and regional government sector very strongly in recent years as there have been several changes to the government. Some unions feel the Estonian society has traditionally underestimated the role and position of trade unions and are hoping the integration to the EU will bring some positive changes.

• **Municipal responsibilities**

Responsibilities of municipalities in Estonia have been changing over the past 15 years. Most public services and companies were privatised between 1992 and 1998. Local government representatives discuss these matters with the Government through different working groups. For example, the responsibility for the care of disabled persons was very recently delegated to local municipalities from the State. Trade unions have asked to be more involved in these discussions.

Local governments feel insufficient funding is provided for them to carry out all their activities/responsibilities. They state the responsibilities written to the local government legislation should also be financed by central government. Accession to the EU has brought new opportunities but many new duties and rules for municipalities too.

- **Particular challenges for the cultural sector**

Cultural institutions operate at both state and local levels. Different institutions can be regulated either by private or public laws and financed either by the State, municipalities or different foundations. All these aspects create a very complicated framework for the Cultural Professionals Unions Association to negotiate wages or other terms and conditions. The organization is also calling for changes to legislation to allow sectoral collective bargaining. The Union also feels that employers have much better access to statistical information than the unions.

- **Outsourcing and competitive tendering**

Some social partners are calling for a stricter scrutiny of the way in which municipal services are outsourced through competitive tendering. For example, in some instances competitive tendering of certain services/projects have perhaps been purposefully avoided by spreading the contract over several years (tendering not required if contract is worth less than EEK 1 million/year).

3.5 Hungary

3.5.1 Background to local and regional governance¹⁸

The local governance system in Hungary is relatively complicated. It consists of 3,158 municipalities (villages, towns and cities with county rank), counties and the capital city, Budapest. Municipal units at village level are the most common type of local government; nearly 92% of all municipalities are villages and approximately 1,700 municipalities have less than 1,000 inhabitants. Towns with more than 50,000 residents are classified as cities with county rank and at the moment 22 towns in Hungary hold county rank. There are 19 counties in Hungary and they are regarded as local governments, rather than regional authorities. The capital city Budapest is a metropolitan municipality in its own right, but simultaneously is also divided into 23 smaller municipalities. There are large differences in the size of local municipality units; over half of the municipalities only have around 1,000 inhabitants whereas nearly one third of the population lives in Budapest and in other 8 larger cities in the country.

The local and regional governance structure has been undergoing a reform process since the beginning of 1990s. The new structure began to operate in 1990, although it was slightly modified in 1994. The changes in 1994 mainly amended the legal status of counties. This was followed by the Act XCII of 1999, which also divided Hungary into 7 regions in accordance with the requirements of the European Union. Currently, the regions are only statistical units although this situation may change as a result of the country's public service reform.

There are no hierarchical relations between the two levels of local government (counties and municipalities); the fundamental rights of all structure of local government are equal. Despite this, the role of counties is secondary in the provision of local services, as counties provide

¹⁸ Local Governments in Central and Eastern Europe: *Local Government in Hungary* by Istvan Temesi Hungarian National Association of Local Governments (1999): *Local Government in Hungary*. Ministry of Interior (2004) The Hungarian System of Local Governments. Steiner and Daraza (2004) The Characteristics of the Hungarian Local Authority System and the Municipal Economic Management. TÖOSZ

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services with regional character – tasks that municipal governments are not obliged to provide.

Municipalities are required to fulfil mandatory tasks such as water supply, general education (pre-school and primary), basic health and welfare services, public lighting, and maintenance of public roads and cemeteries. Each local authority is also obliged to protect the rights of ethnic and national minorities. The execution of other tasks is optional depending upon the capabilities of each municipal government. In contrast, counties provide many services of a regional character, which municipalities are not obliged to provide, such as secondary and vocational education, libraries, operation of archives, personal services for disabled and elderly people, special services for the homeless, families in crisis and hospitals.

Local authorities manage their budgets independently. The key revenue sources are:

- Local revenues (e.g. local property taxes, communal taxes, commercial taxes, profits from property and fines).
- Central taxes (more specifically a fraction of income tax).
- State subsidies (budgetary contributions, target subsidies, grants etc.).

3.5.2 *Economic and labour market situation*

Since 2002 Hungary has achieved strong economic growth, mainly as a result of tough institutional and structural reforms (active labour market policies). The growth in GDP in 2003 was, at 3%, the lowest since 1996. During this time both employment and unemployment have increased, which has become a new phenomenon in the Hungarian labour market. One reason for the increase in unemployment is that significant wage increases have activated people who were economically inactive to register as active job-seekers and seek new employment. The growth in employment can also be attributed to the continuous growth in the construction industry and the service sector.

Employment and unemployment in Hungary, 2003¹⁹	
Overall employment rate	57.0%
Employment rate of women	50.9%
Employment rate of older workers	28.9%
Temporary employment rate (% total employment)	7.5%
Rate of part-time employment (% total employment)	4.4%
Overall unemployment rate	5.8%
Unemployment rate – men	6.0%
Unemployment rate – women	5.5%

3.5.3 *Industrial relations²⁰*

Industrial relations in Hungary	
Trade union organisation rate	25 – 30 %
Employer organisation rate	-
Collective agreement coverage rate	35 – 40 %

Bipartite social dialogue, especially at sectoral level, is much less developed in Hungary than tripartite cooperation. Therefore the Government is trying to make special efforts to establish the appropriate institutional framework for social dialogue on the one hand, whilst also assisting social partners in their collective bargaining.

¹⁹ European Commission: Employment in Europe 2004.

²⁰ Maria Lado: Industrial relations in the candidate countries. EIRO, European Commission: Industrial Relations in Europe. 2004

Collective bargaining coverage in Hungary stood at about 35-40 per cent in 2002. Bargaining takes place at enterprise level. Private sector collective agreements are predominantly concluded at enterprise level and mainly in larger firms, while workplace-level agreements are less common in the public sector, because the terms and conditions of employment are regulated by law.

Sectoral level (bipartite) social dialogue has developed rapidly in the past couple of years, but is still reasonably weak. Sectoral dialogue is due to be enhanced by the creation and operation of Sectoral Dialogue committees [SDCs - *Ágazati Párbeszéd Bizottság, ÁPB*], which were set up in 2003. Despite this, other major obstacles to sectoral collective bargaining still exist, which need to be addressed. These include, among other things, strong national tripartism, shortcomings in legislation, lack of political support, the institutional weaknesses of sectoral social partners and the lack of a bargaining mandate for some employers' organisations.

Wage negotiations have become the top priority in the national level tripartite discussions. This is because Hungarian wages lag well behind EU wages, not only in absolute terms but also when taking into consideration the rate of Hungarian per capita GDP and productivity.

Trade union membership levels have declined slightly (currently 25-30 per cent) and vary heavily according to different sectors. In some sectors only 10 per cent of employees are trade union members, while in others over 60 per cent of employees are members. Declining unionisation is mainly because due to difficulties in recruiting new members in new sectors, such as ICT, while many former trade union members have retired or become unemployed as a result of restructuring. Currently Hungarian trade union federations are trying to attract new members by offering new services.

3.5.4 Employment in the local and regional government sector²¹

The Hungarian public sector employs approximately 800,000 workers representing just over 20 per cent of the total employment in the country. The number of public sector employees is fairly typical compared to the OECD countries, slightly lower than in the Nordic countries but twice as high than in other countries European countries such as Spain.

The division of employment between the local and national level is about 70/30 per cent. In other words, local authorities employ about 550,000 workers while the State employs a quarter of million workers. The following Table displays the division of public sector employment in 2005 as well as providing a comparison in the rate of employment in 2004²².

Table: The Sectoral Division of Public Service Employment 2004-2005

Sector	Number	Compared to the same period in 2004 (%)
Public administration & defence	313,300	99.2
Education	239,300	99.8
Health	127,900	95.6
Social Work	67,500	99,8
Total	806,200	98.6

²¹ Expecting more detailed figures from the Ministry of Interior.

²² The Hungarian Central Statistical Office (July 2005): *Létszám és kereset a nemzetgazdaságban, 2005. Január-május.*

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This table also demonstrates that the scope and extent of public services are currently being reduced due to budget cuts. In general this will result in staff redundancies in the public sector over the next few years (a 10 per cent staff reduction in public administration and 1.5-2.0 in public service institutions). As local authorities employ two-thirds of public sector workers, the staff reductions affect employment in the local and regional government sector significantly. The health sector which employs mainly local and county government employees has already witnessed a relatively clear reduction in employment.

Out of just over half a million local authority workers, approximately 40,000 (7.2%) are civil servants working on administrative duties. This figure includes civil servants from the counties (each employs 100-300 civil servants) and the capital city (some 1,000 civil servants). The rest of the local government employees are classified as public employees. Currently, there are no regional authorities, thus they do not employ civil servants. Employment of clerical staff in local municipalities is in decline due to technical developments and outsourcing.

3.5.5 Trade unions in the local and regional government sector

Approximately 30-32 per cent of municipal employees hold trade union membership. This figure is slightly lower than the national trade union membership level of 35-40 per cent. The main reason for this is the high number of very small municipalities in which trade unions are often inactive. The organisation rate for the whole public service sector is somewhat higher.

This section will present the most important independent trade unions in the local government sector and also the second largest trade union confederation in the country which has member unions from all different areas of the public sector.

The Co-operation Forum of Trade Unions (SZEF)

The Co-operation Forum of Trade Unions (*Szakszervezetek Együtműködési Fóruma, SZEF*) is the second largest trade union confederation in Hungary representing public sector employees from different sub-sectors. The confederation has approximately 270,000 active members with an organisation rate of 35 per cent. In addition the affiliates of the confederation have 172,000 members who are pensioners. It was established in 1990 and represents employees in both national and local government. Nearly all public sector unions are members of the SZEF. The Confederation takes part in the work of the tripartite National Interest Reconciliation Council (*Országos Érdekegyeztető Tanács, OÉT*) and National Labour Council for Public Employees (*Közalkalmazottak Országos Munkaügyi Tanácsa, KOMT*).

The Hungarian Civil Servants' and Public Service Employees' Union (MKKSZ)

The Hungarian Civil Servants' and Public Service Employees' Union (*Magyar Közalkalmazottak és Köztisztviselők Szakszervezete, MKKSZ*) was established in 1989 (November 17th) and represents civil servants and public sector employees. The union has 39,000 members of which approximately 30,000 are active members. About two-thirds of their members work for local authorities, while the rest work at the State level. It is regarded as the most representative union in the sphere of local administration with a coverage of 28-29 per cent. The union takes part in collective bargaining at national and local levels.

The union is a member of the trade union confederation SZEF and takes part in the work of a number of national bi- and tripartite consultation forums, for example, the National Public Service Reconciliation Council (*Országos Köszolgálati Érdekegyeztető Tanács, OKÉT*), National Labour Council for Public Employees (KOMT) and Interest Reconciliation Council of Civil Servants (Köztisztviselői Érdekegyeztető Tanács, KÉT). The union is a member of CESI (*Confédération Européenne des Syndicats Indépendants*).

Trade Union of Culture (KKDSZ)

The Hungarian trade union of Culture is a sectoral union in the governmental sector, and active at national and local levels. The union was set up in 1989 and has 3,591 members representing librarians, museologists and curators, archivist and other workers in the cultural sector. The membership coverage stands at 38.1 per cent. KKDSZ is a member of the SZEF trade union confederation and is also involved in national level tripartite bodies: the National Labour Council of Public Employees (KOMT) and the National Public Service Interest Reconciliation Council (OKÉT). The union is involved in collective bargaining for the cultural sector at national and local levels.

Federation of Public Service Unions in the Water Supply (VKDSZ)

The Federation of Public Service Unions in the Water Supply is a sectoral trade union in the sector of water supply, drainage and medical baths. The provision of water is one of the basic duties of local government, even though many water services have been privatised since the regime change. The union has approximately 10,000 members, therefore enjoys a high coverage rate (43-53%) as the sector as a whole currently employs 20,000-23,000 people. It was established in 1989.

The union sits on the board of the Autonomous Trade Union Committee and Sectoral Dialogue Committee for Water Services. The union is also a partner of the Water Professionals Committee and through this Committee takes part in national negotiations in OÉT. Internationally, it is a member of PSI and EPSU. The union is involved in collective bargaining at three levels; at national level through the National Reconciliation Council (OÉT), at sectoral level through the Sectoral Dialogue Committee on Water Services (VÁPB) and at micro level in individual companies.

The Democratic Union of Teachers (PDSZ)

The Democratic Union of Teachers (*Pedagógusok Demokratikus Szakszervezete, PDSZ*) represents some 90 per cent of organised employees in the field of education. The members are mainly employed in the local and regional government sector, although some members work at a national level.

The Democratic Health Care Employees' Union

The Democratic Health Care Employees' Union (*Egészségügyi és Szociális Ágazatban Dolgozók Demokratikus Szakszervezete, ESZDDSZ*) is the largest trade union in the local and regional government sector with 90,000 members.

3.5.6 Employer organisations in the local and regional government sector

Representation of the interests of local government in Hungary is highly segmented with 7 organisations promoting the interests of local and county governments. However, the associations are not employer organisations with a mandate to bargain collectively. Their main aim is to represent the interests of local and county governments in national tripartite forums and in bi-partite negotiations with the Government (OKÉT for example). The associations also present common position papers on key topics (e.g. local government budgets, legislative changes, wage developments and the delivery of public services). Each association holds voting rights in national level negotiations on matters concerning local government. An umbrella organisation representing most of the smaller interest groups has existed but has not been operational for a number of years. Approximately a quarter of the local authorities are not members of any local government associations.

This section briefly introduces all 7 organisations representing the interests of local governments in Hungary.

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The Hungarian National Association of Local Authorities (TÖOSZ)

The Hungarian National Association of Local Authorities (*Települési Önkormányzatok Országos Szövetsége TÖOSZ*) is the largest association of local authorities in Hungary. It is the only organisation, alongside MÖSZ, whose membership consists of different types of self-government, both at county and local levels. The association was established in 1989 and currently has 1,708 members (villages, towns, counties and towns with county rank). The Association has close international links with CEMR, Eurocities, the Assembly on European Regions and other smaller networks.

The Association of Hungarian Local Governments and Representatives (MÖSZ)

The Association of Hungarian Local Governments and Representatives (*Magyar Önkormányzatok Szövetsége MÖSZ*) is also known as the Association of Hungarian Self-governments. MÖSZ represents 150-200 different authorities, at county or local government level. The organisation is one of only two associations (together with TÖOSZ) whose membership is made up of various levels of self-government. MÖSZ is a member of CEMR.

The Association of Cities with County Rank (MJVSZ)

The Association of Cities with County Rank (*Megyei Jogú Városok Szövetsége MJVSZ*) represents all 22 Hungarian cities with county rank. The Association was established on 19th December 1990. According to the Act on Association and Assembly (1990) only cities which have the county rank can be members of the association. Their main task is to represent the collective rights of the cities with county rank, protect and promote their interests, develop the operation of local self-government and co-operate with other national and international associations of local government. In terms of international co-operation, the Association states it holds particularly close co-operative ties with the Austrian Association of Cities (*Österreichischer Städtebund*).

The Association of Hungarian Villages (MFSZ)

The Association of Hungarian Villages (*Magyar Faluszövetség MFSZ*) is a representative organisation for approximately 50 Hungarian villages.

The National Association for Municipalities of Small Cities (KÖOÉSZ)

The National Association for Municipalities of Small Cities (*Kisvárosi Önkormányzatok Országos Erdekvedelmi Szövetsége KÖOÉSZ*) represents approximately 95 municipalities. They represent about 40 per cent of all municipalities of small cities. The Partnership of Hungarian Local Government Associations (CEMR member organisation) recently merged with this Association.

The National Association of County General Assemblies (MÖOSZ)

The National Association of County General Assemblies (*Megyei Önkormányzatok Országos Szövetségének*) is a representative organisation for all 19 County General Assemblies in Hungary. It is one of the only two employers' interest organisations (alongside MJVSZ) that has a full membership. The association represents all the Hungarian counties. It was established in 1991 immediately after the establishment of the County General Assemblies (CGAs - legal successors of County Councils).

The main aims of MÖOSZ are to represent and protect the interests of the CGAs, to develop relations between the CGAs themselves and facilitate collaboration between the CGAs, municipalities and their associations. The organisation takes part in national debates (e.g. on legislative changes), for example, by providing position statements. In recent years, their position papers have succeeded in contributing to the regulations regarding regional development, constitutional rights, budgets and modernisation of public administration.

With regards to international relations, the MÖOSZ is a member of the European Network of Associations of County Assemblies and delegates representatives to the Congress of the Local and Regional Authorities of the Council of Europe and the Committee of Regions of the European Union.

The Association of Village Municipalities, Small Municipalities and Small Regions (KÖSZ)
The Association of Village Municipalities, Small Municipalities and Small Regions represents approximately 200 local authorities in Hungary.

3.5.7 Collective bargaining in the sector

Wages and other key conditions are determined at national level for all public sector employees in the tripartite National Public Service Interest Reconciliation Council (OKÉT). The salary negotiations take place every year. The latest collective agreement on the wage increase of public sector workers (an average of 6%) was concluded in December 2004. Wages of health care workers are set through bipartite negotiations between the unions and the Ministry of Health.

Collective agreements for the public sector are not legally binding unless the agreement is followed by a new law, which is subject to negotiation each year. Local government receives the financial resources to cover the wages of public service employees directly from central government, thus leaving rather limited room for local (or sectoral) level bargaining. However, some employee benefits and possible further pay increases can be negotiated at local level between trade unions and each municipality individually.

Civil servants vs. public employees

The regulations for the legal status of public sector employees are not uniform. Different legal regulations are applicable to civil servants (persons employed in central or local public administration) and public sector employees (persons employed by the State or local government bodies). Employment status therefore affects the way in which the salaries are determined.

The situation of public employees and civil servants is different in many respects, partly due to the fact that they are currently subject to two different laws: the Law on Public Employees and the Law on Civil Servants. The Law on Civil Servants is much stricter by clearly defining the terms of employment (determines the level of education and other requirements for any promotion) and an examination must be passed to acquire a job. The Public Employees Act governing the employment terms of public employees is much more flexible (for example, employment does not depend on nationality or the level of education like in the case of civil servants) and no examination is required to obtain a job.

The methods for determining the wages for public employees and civil servants are also slightly different. The process is threefold for civil servants:

1. The basic wage is calculated according to the length of service and the level of education. Civil servants are also graded according to the position (leaders, civil servants with higher education, civil servants with secondary education and secretarial staff). The multiplier is negotiated at national level in a tripartite forum.
2. Further benefits and salary increases can be negotiated between each municipality and trade unions. These negotiations are highly important for employees as they can add 10-30 per cent to the basic wage. If an increase is agreed in these local negotiations, it is obligatory to provide the increase to all the relevant employees in the municipality. The system allows differentiation in wage increases according to the level of education or position in order to ensure that employment in the local government sector is viewed as competitive as private sector employment.

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3. The salary of civil servant can also be influenced by particular individual skills (e.g. language skills may have an influence on the salary).

The minimum wages of public employees are determined through a similar matrix system based on the level of education and length of service. National level negotiations determine the multiplier for all salary grades. Additional benefits can be negotiated at local level between trade unions and municipalities, but local agreements are fairly rare; municipal employees normally receive the minimum wage negotiated in the National Public Sector Reconciliation Council. Public administration is the sector with the lowest level of collective agreements (only 9 per cent of employees are covered by voluntary agreements)²³.

3.5.8 Sectoral social dialogue

There is no sectoral collective bargaining in the local and regional government sector in Hungary. The lack of employer organisations in the sector, shortcomings in legislation and limited capacity for sectoral bargaining due to the high level of employment regulation in the public sector are the fundamental reasons for the lack of sectoral bargaining. With regards to shortcomings in legislations²⁴, the provisions of the Labour Code on sectoral collective agreements have been said to be too vaguely formulated.

Sectoral collective bargaining however has been taking place since 2003 in the sector of water services. The sectoral trade union, VKDSZ, took part in the Phare programme sponsored by the Danish partners aiming to create an institutional structure for sectoral social dialogue in Hungary. The project enabled the union to learn about the opportunities of the Sectoral Dialogue Committees (SDC) and took immediate action to develop such a bi-partite committee for the sector. The Sectoral Dialogue Committee on Water Services (VÁPD) was one of the first committees to be set up.

VÁPD members meet once a month to discuss and provide views on current affairs affecting the companies and employees in the sector. For example, the Committee is in the process of providing an opinion paper for the Government on issues around the water economy in the country. The Committee is also the forum for sectoral bargaining. While the minimum wage is negotiated at national level in the National Reconciliation Council, the sectoral Committee can agree on further sector specific pay increases, which however are not legally binding. Further conditions can be agreed at enterprise level.

Tripartitism in the local government sector is much more prevalent than bipartite dialogue between the local government representatives and the trade unions in the sector. Tripartite negotiations take place in several national forums. The OÉT, the National Interest Reconciliation Council is the main forum for tripartite consultation and negotiation in Hungary. Nevertheless, as there has been a need to address the specific issues of the public sector separately, a number of tripartite forums have been established where only the relevant actors from the sector are present. Recently, in 2002, the new tripartite National Public Sector Interest Reconciliation Council (OKÉT) was created as the most comprehensive consultative forum for the entire public sphere.

- **The National Public Sector Interest Reconciliation Council** (Országos Közszolgálati Érdekegyeztető Tanács, OKÉT) gives its opinion on the priority policy issues regarding all public sector employees, such as the longer-term income- and employment policy and the wage and employment implications of the annual central and local budgets. It likewise discusses regulations regarding the implementation of policies affecting all employees in the public sector. The OKÉT also expresses its opinion on public sector reform. The

²³ EIRO: Collective Bargaining Trends in 2002-2003.

²⁴ Maria Lado: Industrial relations in the candidate countries. EIRO

further strengthening of cooperation with the social partners in the public sector is also repeatedly subject to consultation within the OKÉT.

The establishment of the new Council, OKÉT, has somewhat weakened the role of sectoral forums that deal with interests of public sector employees according to the employment status. These tripartite forums are as follows:

- **The National Labour Council of Public Employees** (Közalkalmazottak Országos Munkaügyi Tanácsa, KOMT) is the forum to discuss all labour issues related especially to public employees. The KOMT gives its opinion, among others, on the Law on public employees, the provisions of the Labour Code with reference to public employees, regulations on public finances which have a direct effect on public employees, and regulations on public employee councils.
- **The Interest Reconciliation Council of Civil Servants** (Köztisztviselői Érdekegyeztető Tanács, KÉT) is the most important consultative and negotiation forum for civil servants. It provides the institutional framework for the direct cooperation between the government and the national organisations of civil servants. Its competence includes the living, working and employment conditions of civil servants employed in public administration.
- **The National Interest Reconciliation Council of Civil Servants of Local Governments** (Országos Önkormányzati Köztisztviselői Érdekegyeztető Tanács, OÖKÉT) is the most important consultation forum for co-operation between the office of local government and the civil servants employed by local government.

Local government representatives and public sector trade unions usually meet (through OKÉT) every two months, although the meetings are much more regular just before and during wage negotiations. Bipartite meetings are much more unusual. The working relationship between some trade unions and local government associations seem to be better than between others. Currently, for example, the TÖOSZ is working with a trade union representing civil servants on a modification of the Law on Civil Servants. The TÖOSZ is also collaborating on another project with a teachers' union on education policies.

With regards to co-operation between different local government associations, according to Government representatives the co-operation is fairly good. For example, the TÖOSZ has signed an agreement of co-operation with MÖSZ, MJVSZ and KÖSZ but also works very closely with MÖOSZ. The Associations themselves have highlighted the importance of providing common position papers. Currently, in collaboration with MJVSZ, the TÖOSZ is preparing a position paper on the rights and duties of municipalities. The Associations are also working together on a joint project to re-claim municipal properties from the State that are no longer occupied or maintained by the State for the purposes of the national army. The Ministry of the Interior provides small grants to the Associations for joint international activities.

3.5.9 Key issues and solutions for the sector

Hungarian public administration reform is part of the reform programme of the new Government which was elected in 2002. The Hungarian public service is now 15 years old and reform has been on the agenda of every government in recent years. There are a number of reasons for the reform, for example, the need to address the consequences of accession to the EU and suitability to the principles of the European Administrative Area and the need to reduce territorial inequalities. The mounting budget deficit and a slowing economy forced the Government to introduce a package of 100 reform measures in the field of public services and welfare services in April 2005 affecting both local and national authorities.

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The reform is creating a number of challenges for local government associations and trade unions representing employees in the local government sector. These key challenges are explained below, and this section also provides information on the proposed and actual solutions for these challenges.

- **Reductions in public spending**

Due to persistent national budget deficits, the scope and extent of public service provision is being cut. This also means ongoing staff redundancies in the public sector. Around 6,945 positions were cut in public administration in 2004, with additional 8,000 public sector jobs expected to go in 2005²⁵. Both local government representatives and trade unions have emphasised their concerns over the reductions in public spending, although they have had to accept these changes.

The public sector trade union confederation (SZEF) emphasises that reductions in public spending may affect the quality of public services and access to high quality public services is a fundamental right of every Hungarian citizen. The confederation is particularly worried about the differences in quality standards between large urban and remote rural communities. They also point out the rate of public sector employment in Hungary is close to the European average European, and therefore do not justify the severe cut backs in the sector.

SZEF have proposed a variety of different measures for the Government to adopt to increase employment and tackle budget deficits, instead of budget cuts:

1. Firstly, in their opinion the Government should, instead of cutting down public spending, tackle the problem of undeclared work. Different international analyses have calculated that 15-20% of GDP in Hungary is generated in the underground economy.
2. They would also like the Government to do more to promote so called "atypical" forms of employment, for example part-time employment.

They are also calling for a more functional system of local government. In their view the large number of local authorities hinders the effective operation of local public administration.

- **New administrative processes**

A new Act on administrative processes in the public sector was adopted in December 2004, which will bring a substantial change to public administration systems and place greater emphasis on service quality and e-governance. Social partners were integrally involved in the drafting of this Act, which was three years in the making.

An element of the reform has also been to increase the customer-orientation of public services. As a result, the national government, counties and municipalities have started to offer public services in more customer friendly format, for instance, by increasing the flexibility of provisions and introducing one-stop-shop services.

Although all the parties understand the need for these changes, they do, nevertheless, impact on working time and work organisation in local government. Local government needs to prepare its employees for these changes and trade unions want to make sure their members are prepared and receive full training before having to change their duties according to the new procedures. SZEF has been involved in improving public employment service provision by organising conferences, issuing publications and inviting experts from Europe. Local government associations, TÖOSZ for instance, have recognised the need for training and information provision to local government about the implications of these reforms.

²⁵ Figures from EIRO: Central wage deals reached for 2005.

- **Micro-regions**

As this report has outlined, the Hungarian local government system consists of nearly 3,200 local administrative units which is a high number of local authorities compared to the size of the country. Furthermore, a considerable number of local authorities are very small with a relatively poor economic standing. The State and social partners all agree there is a need to create micro-regions in order to improve the quality of public services to all members of the public and to improve efficiency and effectiveness of local government services.

A major breakthrough was the adoption of Law on Multi-purpose Micro-regional Associations of Local Authorities in May 2004. The law laid down detailed regulations concerning the creation, structure and operation of the voluntary micro-regions. Another legislative framework for defining borders for the creation of 168 micro-regions was also passed. In addition, a Decree on the conditions for government funding was concluded in the same year.

Fundamentally, the concept behind micro-regions is that small municipalities receive State funding for co-operation with other small municipalities in the region. In collaboration the micro-regions can be responsible for the provision of inter-municipal services, the joint administration of public institutions and territorial development.

A joint co-operation for carrying out the basic duties of municipalities will mean a whole new way of thinking and functioning for many small municipalities. The local government representatives play an important role in negotiating good terms for such co-operation and help to build a philosophy of collaboration.

- **Regionalisation**

Territorial (macro) reform is also an indispensable element of the overall public service reform. The Government plans to create stronger regional authorities (7) with elected bodies to which the central government will devolve specific responsibilities. The regions would mainly be responsible for regional economic development, regional planning and the co-ordination of the Structural Funds. This reform will weaken the role of the Hungarian counties and elected county councils will be replaced by regional councils.

Neither the opposition party nor local government representatives support this reform and the lack of political support from the opposition is hindering the development of regional authorities. The regionalisation process also brings new challenges for the sectoral social partners; local government associations and trade unions need to strengthen their regional representation (which is currently fairly weak at regional and local levels in the case of trade unions).

- **Fragmentation of local government associations**

The reasons behind fragmentation of local government organisations are multi-faceted - being historical, political and structural. First of all, although all local government associations are politically independent as such, in practice all of them have fairly strong, although different, political links. Secondly, most of the associations (5) have been organised according by level of local government. Only two associations represent different types of local governments (from counties to villages). When considering the historical perspective, the development of local government interest groups was a reaction to the situation before and during the fall of the Communist regime.

Over the past 15 years there have been a number of attempts for the associations to merge. For example, an umbrella organisation for some of the associations was operational for some time, but the different political viewpoints represented have meant that attempts at co-operation have failed in the past. At the moment each organisation insists on holding on to

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their own voting right in national negotiations. Regardless of the fragmentation, some Government representatives feel that co-operation between the associations is fairly smooth.

- **Employer organisations vs. local governments associations**

A lack of employer organisations in the local government sector is a true challenge for the trade unions in the sector. Currently local government associations are not mandated to take part in collective bargaining and bargaining at local level with nearly 3,200 municipalities is a huge challenge for trade union.

This issue is often debated in Hungary, and both central government representatives and trade unions highlighted that sometimes the local government associations 'think' like employer organisations. However, discussions for this study with several different stakeholders and government representatives did not indicate there would be any change to this situation anytime in the near future.

- **New controversial performance related pay scheme for civil servants**

The Government launched a new performance related pay scheme for civil servants in 2002. This scheme provides employees with an opportunity to increase their wage by up to 30 per cent if a peer-evaluation demonstrates they have performed beyond the general expectations. What makes this scheme particularly controversial is that the amount spent on rewarding high performing employees means that the wages of poorer performing employees in the same position can be cut (by up to 20%) in order to cover the difference. In other words, an employee can only be awarded a performance related bonus if the amount is taken away from other employee(s).

The operation of this controversial scheme is fully facilitated by each workplace. The level of expected performance for each civil service position in the organisation is negotiated among employees at the beginning of each year. The evaluation is also carried out by employees.

Trade unions have been demanding the elimination of this scheme, which in their opinion is highly dysfunctional and fosters negative spirit between workers. Recently the Government has promised, not fully to remove the system, but to redefine the system so that no employee will lose out.

- **Regulation of employment in the sector**

Employment in the public sector is regulated through 8 different labour codes, while in other countries 1-3 different regulations govern the employment of public sector workers. Of all labour codes, four have a direct influence on the labour relations in the local and regional government sector. The Government is in the process of creating a simplified framework labour code as a way of ensuring better planning and controlling employment in the public sector.

- **Wages and privatisation**

Low wages are one of the main concerns for the trade unions in the local and regional government sector. Firstly, trade unions highlighted the weekly working time of public sector employees is 20 per cent longer than that of an average worker in the country. Furthermore, civil servants are not entitled to overtime pay. And thirdly, the wages of public sector workers are lagging significantly behind the wages of private sector workers. An average public sector worker in Hungary earns one third of the average wage of a public sector worker in Europe.

Some regard low wages to be the main reason also for a relatively low demand for privatisation and outsourcing. Privatisation is not particularly widespread in Hungary. For example, experiences from outsourcing of 'human services' (e.g. cleaning) have demonstrated that outsourcing does not necessarily prove either cheaper or better.

Trade unions in the water services sector, however, have had to deal with challenges caused by privatisation and outsourcing. Most of the water, gas and other communal services were privatised in the 1990s and most organisations experienced approximately 30% staff reductions over the first few years of their private operations. Furthermore, privatisation of the last state and local authority owned water service is regarded to be only a question of time. VKDSZ fear their membership coverage may decline as a result of further privatisations, as experience shows that some new, private sector owners are unwilling to co-operate with trade unions.

Social partners have held bilateral negotiations on outsourcing in the water services sector. Furthermore, membership of international trade union confederations (PSI and EPSU) has proven helpful for VKDSZ. It has enabled them to take part in international conferences on outsourcing and has facilitated a much better access to international experts.

3.6 Latvia

3.6.1 Background to local and regional governance²⁶

Local and regional government in Latvia has a long tradition, the current administrative-territorial division originates from 1866. The current two-layer structure was re-established in 1989. The system consists of 26 districts (*rajons*) at the regional level of government, and 63 towns, 26 amalgamated towns and 444 rural municipalities at the local level. 26 amalgamated towns were created during the reform process in 1998. The size of local government units varies significantly; the smallest rural municipality has 346 inhabitants and the largest has 7,472,000 residents (Riga).

Local government reform started in 1993. The main principles are: democratisation and decentralisation of administration, local autonomy and independence of activities, establishment of independent local budget and use of market methods in management. But the local government expenditure as a percentage of total public expenditure has declined from 27.3 per cent in 2001 to 24.8 in 2004.

Local and regional governments have the following permanent functions: organisation of municipal services (water, sewage, transport, heating etc.), management and maintenance of local/regional infrastructure, establishment of rules for the use of public water and forests, education provision, support to cultural activities, health and social care, housing support, encouragement of economic activities, issuing permit and licences for trading activities, maintenance of public order, building and local/regional planning, protection of children, further education of pedagogical staff, organisation of elections, maintenance of the civil register, collection of statistics, and ensuring residents' representation in the regional Sickness Insurance Fund.

There are no municipal taxes in Latvia. The revenue of local governments is generated from sources which include: a proportion of the State taxes including 71.6 per cent of the personal income tax and 100 per cent of the real estate tax; a proportion of state duties; duties imposed by local governments; grants allocated from the State budget; grants from the Self-government Financial Equalisation Fund; and finally, income is also gained from service fees.

²⁶ Union of Local and Regional Governments: Local and Regional Governments in Latvia 2004.

3.6.2 *Economic and labour market situation*

The reforms accomplished in Latvia along with integration into the European Union are developments which have both had a positive impact on economic development. The Latvian economy has become one of the fastest growing in Europe, with GDP growth of 7.5 per cent throughout 2003 and 8.8 per cent in the first quarter of 2004.

Successful economic growth has recently made a positive impact on the main labour-market indicators. In 2003 the employment rate increased by 1.4 percentage points and the unemployment rate decrease by 2.1 percentage points compared with the previous year. However, there are still significant regional differences in the employment situation and exceptionally high unemployment rates amongst women.

EMPLOYMENT²⁷	
Overall employment rate	61.8 %
Employment rate of women	57.9 %
Employment rate of older workers	44.1 %
Temporary employment rate (% total employment)	-
Rate of part-time employment (% total employment)	-
UNEMPLOYMENT	
Overall unemployment rate	10.5 %
Unemployment rate – men	10.3 %
Unemployment rate – women	23 %

3.6.3 *Industrial relations²⁸*

Industrial relations in Latvia	
Trade union organisation rate	20 – 30 %
Employer organisation rate	30 – 35 %
Collective agreement coverage rate	< 20 %

The role of the Latvian social partners at intersectoral level is mainly limited to tripartite concertation²⁹. The government participates in tripartite social dialogue through its role in the National Tripartite Cooperation Council (NTCC), which comprises representatives of Ministries and two intersectoral organisations: the Latvian Confederation of Employers and the Latvian Federation of Free Trade Unions. The NTCC is governed by the Agreement on the National Tripartite Cooperation Council of 1998, and is mainly operative as an advisory body. Bipartite social dialogue at intersectoral level in Latvia is poorly developed. All issues except legislation are addressed by collective agreements at decentralised levels, mainly at enterprise level.

In general, collective bargaining has become more widespread in Latvia, though coverage is still less than 20 per cent. The low coverage rate partly stems from high unemployment and weak collective bargaining due to fear of unemployment. Bargaining at company levels occurs mainly in large and medium-sized enterprises, state and local government enterprises, former state-owned service enterprises and industry. A small number of agreements are made at the municipal level, mainly in the education sector. Generally, small and medium-sized enterprises do not have trade unions and are therefore not involved in collective bargaining and sectoral level dialogue is almost non-existent, with only ten agreements having been made, mainly in the transport, energy, communications and forestry

²⁷ European Commission: Employment in Europe in 2004

²⁸ EIRO and European Commission: Industrial Relations in Europe 2004,

²⁹ University Catholique de Louvain: Monographs on the situation of social partners in the acceding and candidate countries – intersectoral level. 2004.

sectors. Meanwhile, 2018 agreements had been concluded at company level in January 2000. The individual employment contract is extremely important in industrial relations in Latvia and this is even the case where there is a collective agreement in place.

The unionisation rate currently stands at 20-30 per cent. Some 82 per cent of trade union members work in the public sector and as such, the unionisation rate in the private sector is very low. The high unionisation rate in public services has contributed to the advance of women in unions; women represent more than half of all union members in Latvia. There is only one trade union confederation in Latvia, the Latvian Free Trade Union Federation (LBAS), and while it represents only 16 per cent of the total workforce, its membership accounts for 90 per cent of unionised workers, 70 per cent of whom work in the public sector³⁰. As a result, the union's main partner is the government as an employer.

The organisation rate of employers stands at 30-35 per cent. The only intersectoral employers' organisation is the Latvian Confederation of Employers (LDDK), whose member companies account for 30-35 per cent of the total workforce.

3.6.4 Social partners in the local and regional government sector

There are two trade unions active in the local and regional government sector:

- **LAKRS - The Latvian Public Services Employees Trade Union** has around 16,000 members and is the fourth largest Trade Union in Latvia. The union is a member of EPSU and PSI, and is internationally linked with a number of independent trade unions and confederations.
- **Latvian Trade Union Energija (LTUE)** operates at energy sector uniting energy workers from the country. Some union members are linked to the local and regional government sector (for example, Riga Heat employees are union members, and the company is owned by the local municipality). The Union was established in 1990. Current membership is 6,700 covering some 70 per cent of all energy workers in the country. LTUE is a member organisation of Free Trade Union Confederation of Latvia, EPSU and EMCEF but is not a member of any national bi-partite or tripartite bodies. LTUE is involved in collective bargaining in the energy sector.

In terms of employers' organisations, the Latvian Association of Local and Regional Authorities represents local and regional authorities in Latvia but has not been mandated to negotiate wages and other terms and conditions in the sector. The Association originally initiated the most important trade union for the sector, LAKRS. The Association is a member organisation of CEMR and also collaborates with the Congress of Local and Regional Authorities of the Council of Europe and Committee of Regions.

3.6.5 Collective bargaining in the sector

As earlier mentioned, collective bargaining structure in Latvia is very decentralised. In 2000 there were 2018 company level agreements in place of which 249 agreements had been concluded between local and regional governments and trade unions. In most municipalities wages and other terms and conditions of municipal workers are set by collective bargaining between each municipality and LAKRS. LAKRS, however, is not active in all municipalities. In the regions where LAKRS is not active, municipalities determine wages and employment conditions unilaterally depending on their budgets and other circumstances. In some cases, where a municipal employee is a trade union member and there are some salary disputes, a

³⁰ University Catholique de Louvain: Monographs on the situation of social partners in the acceding and candidate countries – intersectoral level. 2004.

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trade union representative is called in to try and solve the dispute. On rare occasions the lawyers of the Latvian Association of Local and Regional Authorities also take part in discussions about wages and conditions of the staff in the sector but this is not a formal arrangement.

Wages of energy workers, mainly in the electricity sector, (some energy companies are still owned by municipalities but mostly owned by the state) are determined by collective bargaining at a local level with bi-partite negotiations.

Social dialogue in this sector is practically non-existent and a newly-emerging issue. The same applies to the rest of the country - sectoral dialogue is almost non-existent, mainly due to the low unionisation rates.

3.6.6 Key issues for the sector

The key issue for the sector is the lack of social partner involvement, due to low unionisation rate and institutional weaknesses. Trade unions are not involved in negotiations of conditions of employees in the local and regional government sector as the trade unions in the sector, as well as in Latvia in general, are still very weak.

Latvian municipalities are also constrained in their ability to borrow – they are barred from raising loans and they can only turn to the State Treasury.

Very weak fiscal autonomy of municipalities is also an issue for the sector. The local government expenditure as a percentage of total public expenditure has declined from 27.3 per cent in 2001 to 24.8 per cent in 2004.

3.7 Lithuania

3.7.1 Background to local and regional governance³¹

At present Lithuania has two levels of elected government, national and municipal. As a result local governments in Lithuania are among the biggest in Europe. There are altogether 61 municipalities. The country is also divided into 10 regions (counties) but the county level administrations are appointed by the national government.

The process of territorial decentralisation started in 1995 when the new territorial-administrative reform was introduced in Lithuania. The European Charter of Local Self-Government was adopted in 1999 and the Constitution gave local government the right to draft and approve their own budgets, to set local fees and to levy local taxes. However, in general and historically the rights of local municipalities are very restricted as much of the governing powers are concentrated in the hands of state's administration.

The main responsibilities of municipalities are education, nurseries, kindergartens, welfare, personal services for elderly and handicapped, special services (such as for homeless individuals etc.), social housing, health services, culture & leisure & sports, provision of water & sewage and central heating, environment (refuse collection and disposal, street maintenance etc.), traffic and transport, urban development. Some of these activities are organised together with national or county administrations.

³¹ Beksta and Petkevicius: Local Governments in Central and Eastern Europe: *Local Government in Lithuania*. Dexia: Local Public Companies in the countries of the European Union 2004.

County administrations are also involved in service delivery, though to a much lesser extent. They primarily focus on activities with a regional dimension, such as road maintenance and the organisation of certain educational and cultural activities.

Local government revenues generally consist of tax revenues (personal income tax taxes on immovable property, stamp duties, tax on the use of marketplaces, inheritance and donations tax and other minor taxes established by law); non-tax revenues (revenues from municipal property, fines and forfeitures, local duties, revenues from local services, interest on funds in current accounts and revenues from land sold or leased) and grants from central government.

3.7.2 Economic and labour market situation

Lithuania was one of the economies to suffer quite severely from economic turmoil in Russia - in 1999 the GDP in the country fell by 4 per cent. However, by the first quarter of 2003 the economy had grown by some 9 per cent. A major feature of the transition from the Communist era in Lithuania (and other Baltic countries) was the dramatic fall in employment. In Lithuania the employment fell by nearly 20% between 1991 and 2001. The fall in employment is a composition of the decline in working age population caused by migration of Russian citizens and industrial restructuring, evidenced by a decline of employment in industry of 9.5 per cent. However, over the past few years the economic situation has improved and the unemployment rate has fallen from 16.1 per cent to 11.7 per cent in 2004.

EMPLOYMENT³²	
Overall employment rate	61.1 %
Employment rate of women	58.4 %
Employment rate of older workers	44.7 %
Temporary employment rate (% total employment)	7.2 %
Rate of part-time employment (% total employment)	9.6 %
UNEMPLOYMENT	
Overall unemployment rate	12.7 %
Unemployment rate – men	12.1 %
Unemployment rate – women	13.3 %

3.7.3 Industrial relations³³

Industrial relations in Lithuania	
Trade union organisation rate	12 – 16 %
Employer organisation rate	-
Collective agreement coverage rate	15 – 17 %

In Lithuania, tripartite partnership at national level is much more developed than bipartite relations between employers and unions as the history of independent Lithuanian trade unions and employers' organisations is relatively short. No bipartite agreements have been drawn at a national level, and all national agreements are made on a tripartite basis. There is also a dominance of bargaining at a company level, with sectoral bargaining taking place in very few sectors. The few sectoral agreements which exist were made by large, state-owned enterprises who monopolise their sector, for example in telecoms, energy and transport.

³² European Commission: Employment in Europe in 2004

³³ EIRO, European Commission and Universite Catholique de Louvain.

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Tripartite concertation is centred around the Tripartite Council of the Republic of Lithuania which was established in 1995 and has 15 members – five trade unions, five employer organisations and five government representatives. While the council is essentially a consultative body, tripartite agreements are now binding under the new Labour Code of 2002, and so any agreements rising from bipartite dialogue are endorsed and agreed on a tripartite basis.

Bipartite social dialogue is weak for a number of reasons. Firstly, social partners have only a short, independent history in Lithuania (the government was the only employer until 1990 and trade unions only started to operate independently in 1990). Also, trade unions are at present relatively weak and employers' organisations usually appear reluctant to engage in wider social issues. Therefore, the government plays a relatively active role and the social dialogue in Lithuania is being developed 'from the top down', which means that in general, agreements are concluded on the basis of legislation instead of being developed as a consequence of any bipartite negotiations.

These factors lead to weak collective bargaining. As mentioned, bargaining mainly takes place at the enterprise level and the coverage is very low at some 15-17 per cent – in January 2002, only 31 agreements were registered at branch, regional and national level, nine of which were invalid. It has been suggested that coherent and consistent legal regulations on collective agreements could help to solve the existent problems. Regional and sectoral level bargaining is presently undeveloped as social partners tend to have weak regional structures and there are few sectoral employers' organisations in place to undertake dialogue with the unions. To address this, the government aims to promote social dialogue and social partnership at local and regional levels and regulate industrial relations through collective bargaining through new social partnership programme: the 2003/2004 Implementation Plan for the Development of Government, Trade Unions and Employers Organisations Social Partnership.

In terms of organisation, unions in Lithuania are generally organised on a company basis and at sectoral and national levels. Many unions are discouraged from joining federations by the membership fees, and this is perhaps one reason for the weakness of the union movement in Lithuania. It is estimated that between 12-16 per cent of the total workforce is unionised, and this figure is declining. There are two main employers' organisations participating in social dialogue, along with two intersectoral regional organisations. The organisation rate of employers is not known.

3.7.4 Trade unions in the local and regional government sector

The key trade unions in the sector are:

- **Lithuanian Trade Union Federation of Public Services *LVPF*** is a member of Lithuanian Trade Union Confederation and EPSU.
- **Lithuanian Trade Union of State Employees *LTUSE*** unites 15-30 per cent of all the workers in the sector. It is a sectoral trade union (state/government sector) operating at national level. It was established in 1992, has 3,024 members. The union is a member of Lithuanian Trade Union Confederation (LPSK) and EPSU. The union provides expert/consultant opinions on national negotiations and represents Lithuania in the Tripartite Council(s). The union is involved in collective bargaining at regional and local levels.

3.7.5 Employer organisations in the local and regional government sector

There are no employer organisations which are mandated to bargain collectively in the sector. There are organisations representing employers in the sector but their activities are mainly focussed on lobbying and they are avoiding situations where they would need to sign collective agreements. The main organisation is the **Association of Local Authorities in Lithuania**. The Association is a member of CEMR.

3.7.6 Collective bargaining in the sector

Overall, social dialogue is very weakly developed in local/regional government sector in Lithuania. Employment conditions (wages and other conditions) of civil servants are regulated by the Lithuanian State Service Law, which is drafted by the central government unilaterally. The law determines salary scales according to incumbency (length of service). The main reason for the lack of bargaining is an absence of employers' organisations.

Bipartite collective agreements on the wages of public employees in the local and regional government sector are concluded at local and regional levels in areas where trade unions are active. Conditions are negotiated between trade unions and individual employers. Employers set the wages unilaterally in localities where trade unions are inactive. The latest collective agreement at regional level was concluded in 2004 and the negotiations take place every two, three years. There are no national or sectoral level salary negotiations for public employees at municipalities as there are no employer organisations in the sector. Terms and conditions (working conditions, training, financial aid for employees and vacation) are also determined through collective bargaining at regional and local levels.

The replies indicated that there is some, although still rather weak, dialogue between the sectoral trade union and employers in the sector on other key issues affecting the sector. Meetings are held to discuss issues affecting the sector, such as extra social guarantees for employees, wage increases, holidays etc.

3.7.7 Key issues for the sector

- Absence of employer organisations in the sector and their unwillingness to sign collective agreements. There are organisations representing employers in the sector but their activities are mainly focussed on lobbying and they are avoiding situations where they would need to sign collective agreements.
- An employer law should be passed at national level so that employers' organisations in the public sector would be legitimate and have the power to negotiate with social partners on wages and social benefits. It would ensure adequate power for negotiations between partners and give employers more influence over wages and other conditions etc. Employers should also be able to allowed get involved in bargaining processes on local and regional levels.
- Municipal employers can not influence municipal budgets so they do not have much bargaining power to determine wages.

3.7.8 Key achievements

Trade unions have received a proposal from the Ministry of Labour and Social Protection to unite efforts in order to initiate creation of new employer law.

3.8 Malta

3.8.1 *Background to local and regional governance*³⁴

The system of local government in Malta is based on a two-tier system. The country has 68 local councils which have been grouped into 3 regional authorities. This self-governance system was established in 1993 and it was integrated into the Constitution in 2001.

There is no actual division of powers and responsibilities between regional and local authorities as the functions and responsibilities are statutorily assigned to local councils. Responsibilities of local councils are: waste management; changes to local traffic, building and planning schemes; street maintenance and lighting; assistance to citizens by providing information (on consumers' rights, transport, communications, tourist facilities, taxation, social security and public health); establishment, upkeep and maintenance of crèches, libraries, kindergartens, sport facilities and other educational services or buildings; establishment, upkeep and maintenance of health, care and rehabilitation centres and district offices; water management; public property administration; collection of Government property rents; and issuing of temporary trading licences.

Local councils are not empowered to collect their own taxes but they have a legal right to set up 'schemes' designed to provide additional funds as long as they obey all appropriate laws. Funds and grants provided by central Government are aimed only at the funding of 'special needs of a locality or localities'. Other sources of funding include: arrangements for financial equalisation; fees/charges paid by users of local council services; rents; by the local council acting as an agent for a public body or Government Department (e.g. handling fee for renew trading licences); and finally through borrowing.

3.8.2 *Economic and labour market situation*

In the past few years Malta has had reasonably robust economic growth compared to the EU15, with a GDP growth of 1.9 per cent between 2002 and 2003. The unemployment rate in Malta was 7.7 per cent in 2003, which is lower than the European average. However, between 2000 and 2002, the employment rate has remained the same while unemployment has increased. The unemployment rate is characterised by considerable gender differences; this disparity reflects the cultural background of the country, where women's labour market participation has been historically low. There is also disparity in terms of the age of workers: the employment rate of older workers is very low compared to the European average rate. Meanwhile, sectoral differences have emerged; employment in the agriculture and service sectors has increased since 1997 while employment in the industrial sector has declined.

EMPLOYMENT ³⁵	
Overall employment rate	54.5 %
Employment rate of women	33.6 %
Employment rate of older workers	30.3 %
Temporary employment rate (% total employment)	4.6 %
Rate of part-time employment (% total employment)	8.3 %
UNEMPLOYMENT	
Overall unemployment rate	8.2 %
Unemployment rate – men	6.5 %
Unemployment rate – women	9.6 %

³⁴ Ministry of Justice and Local Government – Malta.

³⁵ European Commission: Employment in Europe in 2004

3.8.3 Industrial relations³⁶

Industrial relations in Malta	
Trade union organisation rate	60 %
Employer organisation rate	-
Collective agreement coverage rate	51 – 60 %

Industrial relations in Malta differ from most of the study countries as the framework for collective bargaining (Industrial Relations Act) has already been in force since 1976. During this time, bilateral bargaining has become very much rooted in the economy and society of Malta.

Maltese industrial relations at a national level operate within a tripartite framework; there is no established mechanism for bipartite social dialogue at cross-sectoral or sectoral levels³⁷. Bipartite social dialogue takes place at company level and negotiations between employers and unions is voluntary. Bargaining in large companies often substitutes for sectoral bargaining due to the size of the country. However, in some cases agreements can be made at a tripartite level through the Malta Council for Economic and Social Development (MCESD), comprising of representatives from trade unions, employers' organisations and the government. While the role of the council is generally an advisory and consultative one, discussions have sometimes led to agreements. The coverage of collective agreements is estimated to be somewhere between 51 per cent and 60 per cent. The length of agreements is relatively long in Malta, with a general duration of 3 years, and the conditions negotiated cover all workers in the enterprise.

There is a vast disparity between the coverage rate of collective agreements in the public and private sectors. In the public sector, the unionisation rate stands at around 90 per cent and almost all full time employees are covered by a collective agreement. In contrast, it is estimated that only a third of workers are covered by a collective agreement, and the coverage rate varies greatly from sector to sector.

Trade union membership coverage is relatively high at around 60 per cent. Contrary to the situation in most new member states, trade unions in Malta have been able to increase their coverage and have done gradually since 1990, for reasons including the shape and development of the Maltese economy, along with the prominence and size of the public sector. There are 25 employers' organisations in Malta representing 9,233 companies.

3.8.4 Trade unions in the local and regional government sector

The General Workers Union - Public Service Employees Section GWU is the main trade union in the local and regional government sector in Malta. The Public Services Employees Section (PSES) was established in 1945 and currently has 5,500 members. The General Workers Union as a whole has 46,489 members.

The union is a cross-sectoral union operating at national, local and sectoral levels [all public Services Departments plus some Public Entities, such as the Postal Services (Maltapost plc.) and Water Services Corporation]. The union is the only organisation in Malta representing thousands of Public Service and Public Sectors Employees affiliated to the EPSU. The Public Service Sections forms part of the General Workers' Union Malta and the GWU is a part of a national tripartite body, Malta Council for Economic and Social Development. The Union takes part in collective bargaining and negotiates at national level on behalf of public

³⁶ EIRO and European Commission.

³⁷ Universite Catholique de Louvain: Monographs on the situation of social partners in the acceding and candidate countries – intersectoral level. 2004.

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service employees and other public entities. When it comes to the Collective Agreement for Public Servants, the negotiations are conducted together with another General union and with other sectoral unions. In terms of links with European organisations, GWU has connections to EPSU, PSI, UNI, ETUC and ICFTU.

Malta Workers' Union (*The Union Haddiema Maghqudin, UHM*)

UHM was founded in 1966, under the name of Malta Government Clerical Union (MGCU) with membership restricted to clerical employees in the public service of Malta. Soon after, the union started to represent all public sector workers. In 1978 the union started to represent workers from all sectors irrespective of their class, grade or position.

These days the Malta Workers' Union is a cross-sectoral union operating at a national level. The union has enlarged constantly since the establishment and currently has nearly 27,000 members. The union is active in the national tripartite forum, the Malta Council for Economic and Social Development, and is also a member of ETUC and the World Confederation of Labour (WCL). It is also a member of the Confederation of Malta Trade Unions (CMTU) and is by far the largest union in the confederation. The union is involved in collective bargaining at national and regional levels.

3.8.5 Employer organisations in the local and regional government sector

According to the Malta Council for Economic & Social Development there are no employers' organisations active in the sector of local/regional government with a right to collective bargaining. There, however, are two associations representing the interests of local governments.

The Association for Local Councils Executive Secretaries (ASKLM)

The Association of Local Councils in Malta was established in 1994 and it is the sole professional membership organisation for the executive, administrative and financial leaders of Local Councils in Malta. The key aim of the association is to promote and further the interests of Local Council Executive Secretaries, provide training and support to its members, work in collaboration with the Department of Local Councils in the Ministry of Justice and the Association of Local Government. The Association is not mandated to take part in wage negotiations. With regards to international relations, the association is a member of European Network of Training Organizations for local and regional authorities (ENTO).

The Association of Local Councils (LCA)

The Association of Local Councils represents local councils in Malta, but is not involved in collective bargaining in the sector. It is a member organisation of CEMR.

3.8.6 Collective bargaining in the sector

Wages and terms for the employees in the sector are regulated through collective bargaining at national level. Given the size of the country it is irrelevant to negotiate at regional or local level. Negotiations on terms and conditions of staff in the local and regional government sector are bi-partite (between the government and trade unions).

Revision of salaries & general terms of the Collective Agreements for the sector take place every three years but negotiations also take place on a day-to-day basis when issues arise on working related matters. Dialogue between trade unions and local government representatives is limited, although some discussions have taken place during the last three years about budgets, health and safety matters, qualification allowances, lack of industrial tribunal and extensions of the Executive Secretaries' contracts.

3.8.7 Key issues for the sector

In the public service sector social partners facing issues such as: partial or total privatisations, public-private partnerships schemes, more flexible working arrangements, greater customer orientation, different working patterns, gender and mainstreaming issues, equality and social inclusion matters, job security, social pact, the Lisbon goals and health & safety issues.

3.8.8 Key achievements

The GWU studies carefully the proposals made by the government or employers and then move on to analysing the situation, discussing the proposals, and finally collect feedback, remarks and suggestions from the workers who would be affected by the changes. They then formulate their counter proposals and negotiate the best deal for their workers. Before concluding or signing any agreement the Union asks consent of the workers. However, in many cases social partners in Malta are not involved at the beginning of the process but are being involved at a later date when white paper or bill is already more or less drafted. Thus making a meaningful contribution is difficult, if not impossible at times.

3.9 Poland

3.9.1 Background to regional and local governance³⁸

Reform of Poland's political system and public administration started in 1989 and a bill on municipal self-government was passed in 1990. The new territorial divisions establishing regional and local government were regulated with the law of 1998 on the introduction of a three-step territorial division of the country with governance structures at regional, district and local levels:

- 16 regions (known as "Voivodships" and corresponding with NUTS II regions) with a population ranging from 1 to 5 million.
- 380 districts (known as "Powiats" and corresponding to NUTS IV regions) (315 districts and 65 cities-districts) with an average population of 103,000;³⁹
- 2,489 municipalities⁴⁰ (known as "Gminas") and with an average population of 15,000 and 40,057 village administrations.

The role of local and regional government is growing but all legislative powers and a substantial part of executive powers are still in the hands of Central Government. Regional governments are known as Marshall Offices (headed by Marshalls) and have full responsibility for strategic (socio-economic) and spatial (physical) planning in their region (Voivodship). At the same level, the Central Government exercises control functions (restricted mainly to public safety, building, environmental and health standards, general conformity of laws), through the regional representatives of the central government – Voivodship offices (headed by Voivods). Districts are self-governing but also perform specific tasks commissioned by central government.

Municipalities have two basic types of responsibilities: obligatory functions and those delegated by central government. The basic obligatory functions are: development and physical planning, primary education, general health care, social services, communal

³⁸ Andrzej Kowalczyk: *Local Government in Poland* in Local Governments in Central and Eastern Europe, Poland Development Gateway 2004

³⁹ *National Development Plan 2004-2006*, Council of Ministers, Warsaw, January 2003, p.6

⁴⁰ *Ibid*, p.6

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infrastructure (water supply, waste disposal, sewerage system, electricity, etc.), municipal housing, local roads, local public transportation, culture, recreation, public order, fire protection and physical planning. Delegated functions include *inter alia* the registration of marriages, births and deaths, the provision of identity cards and driving licences, civil defence, environmental protection and sanitary control.

3.9.2 Economic and Labour Market Situation

In recent years the Polish economy has experienced relatively high economic growth of around 5 per cent per annum, driven mainly by external demand. But a growing fiscal deficit and very high unemployment (19.1 per cent in 2004) still constitute major challenges. Older workers and young people are in a particularly poor position in the labour market at the moment - with one of the highest unemployment rates in Europe.

An ongoing problem is decreasing employment in traditional sectors, especially steel, mining and textiles and in current or previous state-owned enterprises. Employment in these sectors decreased from 4.9 million in 1989 to 3.2 million in 2000⁴¹. The ongoing privatisation process that began in the 1990s was a great challenge for trade unions, employers, investors and the country as a whole and involved significant restructuring and large-scale redundancies.

The level of unionisation in Poland is very low. The rate across all sectors is now 15 per cent in 2002⁴². Unionisation rates are highest in the public sector whereas the rates in the private sector are very low. A comprehensive overview of unionisation rates across different branches of the public sector does not exist but information on unionisation in specific public sector functions is available – for example the rate in the education sector is 27.8 per cent.

3.9.3 Social Dialogue in Poland

Industrial relations in Poland	
Trade union organisation rate	15 %
Employer organisation rate	-
Collective agreement coverage rate	42 %

Social dialogue in Poland developed in difficult historical and political conditions. Before 1989 it was undermined or even suppressed. After 1989 it has been developing very intensively and gained an important position in the country's socio-economic transformation.

The Legal Basis for Social Dialogue

Social dialogue is provided for through Article 20 of the Polish Constitution of 1997, which stipulates that: *A social market economy, based on the freedom of economic activity, private ownership, and solidarity, dialogue and cooperation between social partners, shall be the basis of the economic system of the Republic of Poland*⁴³. Specific provisions relating to social dialogue can be found in many legal acts, the most important being the Labour Code (Chapter XI) and Trade Union Act (1991) and Employers' Organisations Act (1991).

⁴¹ Ibid, p.14

⁴² *Poles about Trade Unions*, Report, Centre for Public Opinion Research (CBOS), Warsaw, 2001 and Gardawski J., *The decrease of the unionisation rate in Poland – the reasons for and attempts to break the deadlock*, Polish Centre for Industrial Relations Monitoring, Institute for Public Affairs - EIRO, Warsaw, 2004, p.35

⁴³ Polish Constitution, 2 April 1997, Article 20, Journal of Laws No. 78, item 483

Forms of Dialogue

Bipartite collective bargaining is predominant in many public sector entities, however mainly at company/institution level. The success of bipartite dialogue depends heavily on the strength of the two involved parties – trade unions and employers' organisations. Currently, in many cases, the trade unions are willing to negotiate a collective agreement but there is no partner on the employers' side to negotiate with, thus the collective agreement has to be concluded at the company/institution level. Currently, collective labour agreements within local and regional government are concluded mainly at the institution level (Marshalls Offices, District Offices, Town Halls etc.), with the exception of non-teaching staff, municipal housing administration and social services that have multi-institution agreements.

3.9.4 Social Dialogue Institutions in Poland

Tripartite Social and Economic Committee – Central Government Level

This Committee was established in 1993. However, over the period 1994-2001 its activities were impeded by the conflict between two main trade unions, OPZZ and Solidarność, and their direct involvement in politics, through affiliation with political parties. The Committee was strengthened in 2001, after the new parliamentary elections when the trade unions withdrew from direct participation in politics and the new government adopted a new Tripartite Committee Act (2001). The Committee is composed of representatives from:

- Central government;
- Trade unions; and
- Employers' organisations.

In some cases, the participation of observers is allowed (sectoral organisations, NGOs, etc.). In order to be able to participate in the works of the Committee the organisation must be deemed to be representative. The criteria for "representativity", as stipulated in Articles 6 and 7 of the new Tripartite Committee Act are:

- more than 300,000 employees (in case of trade unions) or more than 300,000 employed (in case of employers' organisations);
- they operate in the national economy units that occupy more than a half of a heading in the Polish Enterprise Classification⁴⁴; and
- (only in case of employers' organisations) they operate nationwide.

Currently, seven organisations fulfil the criteria of representativity⁴⁵:

- Business Centre Club (BCC);
- Confederation of Polish Employers (KPP);
- Polish Confederation of Private Employers (PKPP);
- Association of Polish Craft (ZRP);
- OPZZ;
- NSZZ Solidarność; and
- Trade Union Forum (FZZ).

Five of these organisations are explicitly mentioned as representative in Articles 6(2) and 7(2) of the Tripartite Committee Act. Two others (FZZ and BCC) obtained this status later.

The Committee also has 16 regional counterparts that operate in Voivodships.

Voivodship Committees on Social Dialogue (WKDS) – Regional Level

Voivodship Committees on Social Dialogue (WKDS) are the main institutions of regional social dialogue. They deal with variety of issues (including consultation in the production of

⁴⁴ The Polish Enterprise Classification contains codes and the list of business activities of a given enterprise. They are regulated by the Public Statistics Act.

⁴⁵ These criteria are not to be confused with the criteria provided for by the Polish Labour Code.

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regional development strategies and, where appropriate, suspension of collective labour agreements), especially those which are crucial for the regional level or are necessary to maintain social order. Committees comprise of representatives of the Voivodship, Marshall, trade unions and employers' organisations⁴⁶. The Voivod represents the central government and the Marshall the regional (Voivodship) government⁴⁷. The Voivod is a chairman of the Committee and has the right to appoint and to dismiss members of the Committee, which gives him a vital role⁴⁸. The Committee meets at least once a quarter. It is also possible for organisations that do not meet the criterion of representativity to attend meetings as observers or experts.

The competences of the Committee were extended in 2002, principally because of two main changes to the Labour Code. Firstly, suspension of collective agreements as a result of corporate financial difficulties was allowed – but only after approval of the relevant trade unions or in case of their absence with the representatives of the employees. Secondly, the competences of the Committee as regards dispute settlement between employers and employees were changed so that the Committee, previously mainly a consultative body, could now settle disputes that could result in social unrest.

Although the competences were extended in the new law, the real power to make decisions still remained very weak, which seriously impeded the Committees' activities. This happened because the Committees do not have separate budgets and separate employees. Very often the Secretaries of the Voivodship Committees are at the same time the members of the political cabinet of the Voivod.

Moreover, as some research reports⁴⁹ suggest, social awareness about social dialogue and the functions of the Committee is very low, which negatively influences the role and significance of the Committee as a platform to negotiate and reach compromise in problematic situations. The results of this research are confirmed by the views of some members of the Committees which perceive lack of social awareness of the Committees and their absence in the media as a serious problem⁵⁰.

Crucial changes came with a new Act in 2004⁵¹. These changes included:

- Delegation of issues regarding regional problems with wages or social security to Voivodship Committees by Tripartite Committee;
- Provision that enables the Marshall, after having received submission from employees and employers' organisations, to present the Regional Development Strategy to the Voivodship Committee; and
- Provision for each party of the Voivodship Committee to enter into agreements, which means that regional social pacts can be established⁵².

Further required changes include the creation of a separate budget for Committees and separate functions within Voivodships. Moreover, the provision of training and exchange of

⁴⁶ Trade unions and employers' organisations belonging to the WKDS are also members of the Tripartite Committee at the national level.

⁴⁷ The Marshall is the head of regional government. He or she also organises the work of the Managing Board of the Voivodship.

⁴⁸ Gardawski J., *Social dialogue in Voivodships*, Polish Centre for Monitoring of Industrial Relations, EIRO, Warsaw, 2004

⁴⁹ See for example Zybertowicz A., *Social dialogue at regional level*, Toruń 2003, available at: www.undp.org.pl (Polish version)

⁵⁰ Source: Materials from the training for the members of the Committee in Opolskie Voivodship.

⁵¹ The of 2004 Amending the Tripartite Committee and Voivodship Committees Act.

⁵² Sroka J., *The present state of regional social dialogue regulation in Poland*, EIRO, 2005, available at: www.eurofound.eu.int

good practice have to be developed. However, there are already doubts about the sustainability of the results of the training as some of the members of the Committees are also members of the political cabinets and so staff turnover is likely to be very high.

There are also great differences between the regions in the way their Committees operate. Sometimes the Committees are merely another institution without a clear role and motivation whereas some are active and provide a really useful platform for discussion.

Ministry of Economy and Labour

The Ministry is actively involved in social dialogue and also conducts research, undertakes monitoring and publishes the Social Dialogue Newsletter. The main organisational units responsible for social dialogue are the Department for Social Partnership and Office for Social Dialogue Organisations. The main tasks of the Department for Social Partnership are:

- Handling of co-ordination of multi-employer collective agreements;
- Analysis and design of legal acts as regards collective agreements;
- Register of collective agreements;
- Handling of complaints and other procedural matters; and
- Organisation of the work of Commission for Collective Agreements.

The main tasks of the Office for Social Dialogue Organisations are:

- Cooperation with social dialogue organisations;
- Monitoring of activities of social dialogue organisations, including Voivodship Committees;
- Carrying out research and preparation of research reports and analyses; and
- Coordination of the Tripartite Task Forces' activities.

Commission for Collective Agreements

This Commission is responsible for the register of all collective agreements. At the moment there are 165 multi-company agreements and 178 additional protocols to these agreements (protocols contain changes to the original agreement). Additionally, there are 46 agreements on the full or partial application of the agreement and 8 additional protocols to these agreements. However, the agreements that are registered in the Ministry are only those which are multi-employer agreements. Single-employer agreements are registered by the Regional Labour Inspectorate.

Joint Committee for Central and Local Government

This was established by the Council of Ministers Ordinance of 1997⁵³. Currently, its functioning is regulated by the Joint Committee for Central and Local Government Act of 6 May 2005 (amended)⁵⁴. It stipulates that all legal acts prepared by the Parliament which in any way relate to local government have to be subject to consultation with that Committee. The Committee is established as an auxiliary body to the Council of Ministers. Its secretariat and administrative assistance is provided by the Ministry of Internal Affairs and

Administration.

The Committee assembles half of its representatives of central government and half from local government. The representatives of that Committee can also participate in the Tripartite

⁵³ Council of Ministers Ordinance on Establishment of the Joint Committee for Central and Local Government, Journal of Laws, No 91, item 558, 1997

⁵⁴ Journal of Laws, No 90, item 759, 2005

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Commission as counsellors. They can also participate in the activities of Parliamentary Commissions as civil society organisations.

3.9.5 Social Partners in Poland

Trade Unions

The functioning and establishment of trade unions is regulated by the Trade Unions Act of 1991⁵⁵. The number of unions has remained steady during recent years, although membership coverage is declining - mainly due to restructuring in the manufacturing sector. The current unionisation rate is just 15 per cent. However, one must bear in mind that this figure varies dramatically between both sectors and regions.

NSZZ Solidarność

The main trade union within the sector of local and regional government is NSZZ Solidarność, which was established in 1980. Solidarność is a member of EPSU (*European Federation of Public Service Unions*) and PSI (*Public Service International*).

PSS Solidarność

The trade union which is entrusted with a task of representing the interests of public sector workers, is the **Public Service Secretariat** (PSS Solidarność) which is a member of NSZZ Solidarność. The Secretariat is divided into following subsections:

- city communication (transport) workers;
- municipal and housing workers;
- heating;
- electricity supply workers;
- water supply and sewer system workers;
- fire brigade workers; and
- treasury workers.

*OPZZ*⁵⁶

OPZZ was established in 1984. In 2003 it grouped together 104 national-level trade unions and professional organisations. The sectors include *inter alia* coal mining, machinery, teachers, construction workers, water supply and the fire brigade.

*Trade Unions Forum (FZZ)*⁵⁷

FZZ was established in 2002 as a counterbalance to the bipolar organisation of trade unions in Poland (which had resulted in conflict between OPZZ and Solidarność). Its history though is longer and stretches back to the 1990s. Most of its founding members were once members of OPZZ⁵⁸. Recently it was admitted to the Tripartite Economic and Social Committee.

FZZ is a member of CESI (*Confederation Européenne des Syndicats Independants*). Its members include trade unions for fire brigade and education employees in the local/regional government sector.

⁵⁵ Journal of Laws, No 55, item 234, 1991 (original text)

⁵⁶ Website: www.opzz.org.pl

⁵⁷ Website: www.fzz.org.pl

⁵⁸ Gardawski J., *The Third Nation-Wide Union Centre: The Trade Unions Forum*, EIRO, available at: www.eurofound.eu.int

Employers' Organisations

Employers' organisations are a relatively new phenomenon in Poland as they were only formed after 1989. Before that date, organisation of the private employers was very difficult. In 1991 an Employers' Organisations Act was passed⁵⁹.

Confederation of Polish Employers (KPP)⁶⁰

KPP is a confederation of sectoral employers' organisations, established in 1991. These sectors include waste disposal, processing and recycling (see the Box below on Outsourcing). Its members have a different legal status but they also include employers from public sector enterprises (for example waste management companies). For a long time it was the only organisation that represented employers in the Tripartite Social and Economic Committee. It currently represents the interests of more than 40 sectoral organisations. Through KPP 5,000 enterprises are represented, which employ more than 17 per cent of the workforce.

Polish Confederation of Private Employers (PKPP)⁶¹

PKPP was established in 1999 at the initiative of the Polish Business Council. It represents over 200 companies employing over 320,000 people. It is a member of UNICE and also has a representative office in Brussels.

Association of Polish Craft – ZRP⁶²

ZRP is the largest and the oldest organisation in the private sector and represents over 1.5 million workers and assembles 490 guilds, 271 craft cooperatives and 27 chambers of craft and entrepreneurship. It joined the Tripartite Committee in 2001.

3.9.6 Other Organisations Involved in Social Dialogue

Association of Polish Cities (Związek Miast Polskich - ZMP)

The Association of Polish Cities⁶³ was established in 1917 and functioned until 1939. After the Second World War it was disbanded and was only re-established in 1990. It represents 264 cities covering 76 per cent of the urban population. It represents the interests of its members by participating in the work of:

- The Joint Committee of Central and Local Government;
- parliamentary committees; and
- relevant ministries.

It submits opinions on draft legal acts concerning local government and supports those wishing to lodge a case before the Constitutional Court. It is also involved in many initiatives aiming at exchange of experience and transfer of know-how (mainly through international cooperation). At the national level the Association also participates in the work of:

- The Tripartite Social and Economic Committee; and
- The Council of the Foundation of the Agency of Municipal Development.

At the international level the Association is a member of CEMR.

⁵⁹ Journal of Laws, No 55, 1991

⁶⁰ Website: www.kpp.org.pl

⁶¹ Website: www.prywatni.pl

⁶² Website: www.zrp.pl

⁶³ Website: www.zmp.poznan.pl

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The Association is not involved in collective bargaining as its primary activities are focussed on urban development, attracting investment and enhancing cooperation among cities.

*Association of Polish Districts*⁶⁴ (*Związek Powiatów Polskich - ZPP*)

The Association of Polish Districts was established in 1999 and currently represents 315 districts (from a total of 380). It represents their interests at national and international level through:

- Opinions and submissions on legal acts concerning municipal government;
- Exchange of experience and know-how; initiatives aiming at development of the district communities;
- Dissemination of information and promotional events.

The Association is also an initiator of programmes such as the Electronic District Network or a series of initiatives aiming at promoting innovative approaches and good practice in solving problems of counties (e.g. relating to communication, finances and investment). From the point of view of this study it is important, however, that the Association has its members in the Joint Committee of Central and Local Government where it discusses all issues relevant for Polish districts. At the international level it is a member of CEMR.

The Association is not involved in collective bargaining as its main goal is to enhance cooperation and development of districts, attracting investment, exchange of experience and know-how between its members, etc. This does not mean that the problems regarding public administration are not present on the agenda. One of the stakeholders interviewed within the framework of this case study pointed out that the development of municipal civil service is one of the crucial elements for the successful development of strong districts and regions. However, the Association is involved more in legislative lobbying and preparing proposals for discussion by the regional and central authorities than in collective bargaining as they regard legislative changes as the key basis for further reforms.

Moreover, as is outlined in Section 1.7 below, the associations in Poland are not authorised to be involved in collective bargaining.

3.9.7 Collective Bargaining in Poland

Collective bargaining is provided for in the Polish Labour Code by Chapter XI (on collective labour agreements). However, some categories of employees are excluded from the scope of the provisions of Chapter XI. These include:

- Civil servants;
- Designated or appointed employees of public institutions;
- Local government employees who were retained on the basis of appointment, assignment or election (in Marshall Offices, District Offices, Community Offices, associations of the municipal territorial entities and their administrative units); and
- Judges and public prosecutors.

There are two types of collective labour agreements, namely multi-employer and single-employer agreements. Both types are described in sections below.

Multi-Employer Collective Labour Agreements (multi company/institution)

Multi-employer collective labour agreements are concluded between trade unions and employers' organisations representing multiple employers.

⁶⁴ Website: www.zpp.pl

Multi-employer trade unions can initiate negotiations on collective agreement. For these purposes, the trade union has to be representative. As stipulated in Article 214¹⁷ of the Labour Code, "representative" means:

- Representative within the meaning of Article 6 of the Tripartite Committee Act; or
- Assembling at least 10 per cent of employees covered by the agreement, but not less than 10,000; or
- Assembling the highest number possible of employees to be covered by the agreement.

If a trade union is a member of a larger organisation such as an association or a confederation of trade unions, only the larger organisation is entitled to negotiate and conclude the collective agreement.

Single-Employer Collective Labour Agreements (single company/institution)

Single-employer collective agreements (company/institution level) are concluded between the employer and a trade union within the employing entity. As stipulated in Article 241^{25a}. A "representative single-employer trade union" is:

- An organizational unit of or a branch of a trade union which is representative within the meaning of Article 214¹⁷ § 1 pt 1 on the condition that it assembles at least 7 per cent of the employees employed within that enterprise; or
- Employing at least 10 per cent of the employees of an enterprise in question.

If none of the above mentioned conditions is fulfilled, the representative organisation will be the one assembling the largest number of employees.

If the employees are represented by more than trade union, the collective agreement is to be concluded and negotiated by all of them via their joint representation.

3.9.8 Collective Bargaining in the Public Sector

Remuneration for Work in the Public Finance Sector

Remuneration in the public finance sector (see Section **Error! Reference source not found.**) is regulated centrally by the Remuneration in State Budget Sector Act⁶⁵. The municipalities (territorial administration) regulate wages themselves within their own budgets, however, within the limits provided for by the Act⁶⁶ (which is adopted by Parliament).

Another important act is the Budget Act⁶⁷, adopted each year and consulted within the Tripartite Committee. This provides for so-called base wages (or base figures) which constitute a basis for calculation of all wages within the State budget sector. This figure is usually an average remuneration within the State administration. In addition, there is also a multiplier for the base wage. Therefore, remuneration is an effect of multiplying the base wage and the multiplier. The Budget Act also contains limits for employment within state administration, in particular within the civil service functionaries⁶⁸.

Outsourcing in Poland

Very often the provision of basic services within the public administration is now outsourced. These functions include a variety of services such as waste management, maintenance of buildings and infrastructure, cleaning, IT, printing and copying. Such provision of services is based on a contract for the provision of services between a public authority and a private

⁶⁵ Journal of Laws, No 110, item 1255, 1999

⁶⁶ See *infra*, note 39

⁶⁷ Current Budget Act (for 2005), Journal of Laws, No 278, item 2755, 2004

⁶⁸ There are two categories of employees within civil service: civil service officials (approx. 1227) and civil service corps.

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sector entity. The quality of service is generally higher due to greater competition. Most of the companies that perform outsourced activities are private companies. The private sector has an extremely low level of unionisation thus collective bargaining does not exist.

Civil Service and Municipal Service

For civil service and local government workers there are no social dialogue arrangements in place and there are no collective agreements envisaged for some of the categories of workers⁶⁹. The legal basis for their wages and employment conditions are:

- Civil Service Act⁷⁰, which applies to central and regional employees;
- Municipal Service Act⁷¹, which applies to municipal administration employees retained on the basis of appointment, assignment or election; and
- The Labour Code⁷², which applies to any other employee at the municipal level.

Currently, the public administration at all levels employs approximately 358 000 people. At the regional level the number amounts to around 195 000⁷³. These figures include all categories of workers, namely civil and municipal service and those employed under Labour Code provisions. Multi-company/institution level agreements are concluded for non-teaching education sector employees, housing administration and social assistance. There are 143 agreements covering approximately 100,000 employees. In the remaining sectors, including Town Halls, there is a possibility for collective labour agreements, however, only at the institution level.

Civil Service

In 2004 the number of employees in civil service at all levels amounted to 87 236 employees. 23 080 are employed at regional level in Voivodship Offices⁷⁴. There are two categories within the civil service, namely civil servants and civil service corps. The former is a category of employees that are retained on the basis of appointment and following a competition procedure whereas the latter is not. Specific provisions on wages within the civil service are issued in Ministerial ordinances.

Municipal Service

There is a difference between civil service and municipal service in Poland. These two categories are separate and their functions are defined in a different way. Although there is an act defining the municipal service it does so on the basis of a location of the workplace without defining particular posts, qualifications necessary to perform them or training necessary to improve these qualifications in the course of their work. Hence, the category of a "municipal servant" does not exist⁷⁵. The situation of lack of normative guarantees allowing for better selection and training for the potential candidates is regarded as harmful for the development of professional municipal service. Some organisations, such as the Association of Polish Districts, are actively involved in legislative reform in this field.

Collective Bargaining at the Regional and Local Government Levels

Regional level collective bargaining is non-existent. This is because of weak representation of employers' organisations at regional and local level, especially within public services and the public administration. Collective agreements are generally either sectoral or company

⁶⁹ Article 239 § 3 of the Labour Code, Chapter XI

⁷⁰ Civil Service Act of 18 December 1998, Journal of Laws, No 49, item 493

⁷¹ Municipal Service Act, Journal of Laws, No 21, item 124, consolidated version (latest amendment: January 2005 by the judgment of the Constitutional Court)

⁷² Labour Code, Journal of Laws, No 24, item 141, 1974, consolidated version

⁷³ Central Statistical Office, Organisation of the State, data for 2004, p.78

⁷⁴ Civil Service Director Report for 2004, Annex 4

⁷⁵ Mordel T., Municipal civil service. On the necessity of the existence of normative guarantees of professionalism within municipal civil service, Civil Service, Autumn-Winter 2004/2005, No 9, p.95

level ones. Those sectors that do possess a collective agreement can usually demonstrate strong partners on both sides, whereas in cases of company level agreements, the employer representation is usually either weak or non-existent.

There are several reasons for the weakness of employers' representation within regional and local government. It is difficult to establish a body that would solely represent the public employers' interests from within the public institution. The problem lies within the allocation of responsibilities within a given institution to represent employers' interests so that it would not cause a conflict of interests. Very often, the executives of a given public institution are reluctant to have another body to negotiate with.

Moreover, wages and conditions of employment can vary considerably between different entities. This situation introduces an element of competition between the authorities and difficulty in reaching mutually agreed position because of different conditions of employment (many different company/institution level agreements). Last but not least, many of the regional issues, especially employment, wages and social security, are not regulated at regional level but at national level. As is discussed later in this report, the wage limits for the civil service and municipal service (see Section 0) are established at national level via an act.

The Education Sector

Collective Agreements

Collective agreements for non-teaching staff are concluded between trade unions and local government. These agreements are at a multi-company level and as such are registered in the Ministry of Economy and Labour. The direct employer of a teacher is the school director. This director, however, has to confirm the conditions of work and level of wages with the local government. This results in the agreement which is concluded for all teachers in a territory within the powers of the respective local government.

Employment of teaching staff is regulated by the Teacher's Charter⁷⁶. Article 30 p.8 stipulates that remuneration for teachers is guaranteed by the State through the income of local government. Such guarantees are contained within the general subsidy received by local government from the State and they include the minimum level of remuneration as well as financial resources for teacher training. Local government has to issue a remuneration statute for teaching staff which also covers additional allowances (such as motivational bonuses). These allowances are to be covered by local government outside the general subsidy. Moreover, local government is responsible for the maintenance of educational infrastructure and associated functions.

Social Dialogue

There are 13 trade unions within the education sector in Poland. However, only one, the Association of Polish Teachers (ZNP), has its representatives in every municipality. ZNP has approximately 320,000 members accounting for 40 per cent of employment in the education sector. It is a member of OPZZ. Moreover, the Teacher's Charter contains an obligation from the part of the public authorities to consult each ordinance or instruction relating to the Charter with trade unions. The representatives of ZNP are very often invited to participate in the activities of the Education and Youth Parliamentary Committees. Whenever there is a matter concerning education in any other committee the representatives of OPZZ are invited. OPZZ is a permanent member of Tripartite Committee. Although ZNP is not directly involved here it may be involved in the activities of the subcommittees, such as the subcommittee on education.

⁷⁶ Teachers Charter Act, Journal of Laws, No 3, item 19, 1982, consolidated version (latest amendment 2005)

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ZNP is also active at regional level in Voivodship Committees, especially in discussions on education plans for the region (especially in Regional Development Strategies) and any other matters that relate to education. Such presence is maintained via OPZZ.

Utilities

This sector includes *inter alia* water and sewerage systems, waste management, heating, electricity and gas. Water and sewerage systems, waste management and heating are usually provided by nominally privatised enterprises in which municipalities have retained a large ownership stake. The municipality therefore is party to an agreement that covers all employees within a given municipality level.

3.9.8 Key Issues Facing the Public Sector at the Regional and Local Level

Financial Constraints

A key problem facing the Public Sector at the regional and local level in Poland is a lack of resources to undertake their obligations. All bodies have statutory obligations in terms of functions which they have to perform (across a diverse range of areas) but often have very limited financial resources to undertake these. This also applies to the financial resources which they have to pay their staff.

New Labour Code Requirements

In the absence of an employer organisation within the public administration sector a collective agreement is concluded between the trade unions and a relevant representative of central or local authorities. It must be borne in mind, however, that these regulations will cease to apply in 2009 (current Labour Code regulations apply until 31 December 2008). After that date the collective labour agreements will have to be concluded between the employers' organisations and trade unions. The main challenge in this situation is to establish employers' organisations that would be capable of negotiating and concluding such agreements.

The Character of the Municipal Civil Service

As previously mentioned in this study the status of the municipal civil service is not formalised in a way as it is in the case with the civil service at central level. The differences include above all the definition of the posts within municipal service, the requirements as regards the qualification for each post, criteria for promotion, motivation schemes, etc. Although the collective agreements are the way to regulate such issues, it is felt that at first a strong legislative basis for the existence of municipal service has to be established and then some flexibility can be allowed. Moreover, some representatives of local organisations express the views that collective agreements are unnecessary and introduce too much diversity within the corps which should be more or less uniform and its rules transparent.

3.10 Slovak Republic

3.10.1 Background to local and regional governance⁷⁷

The local and regional government system in Slovakia has changed numerous times over the past 15 years, and during this process more and more responsibility for the delivery of services has been decentralised to local and regional authorities. The local municipality tier was created in 1990, and the regional authorities were established in 2001. Currently Slovakia is divided into 8 regions and 2,920 municipalities (of which 39 are city districts). The average size of a municipality is 1,800 residents and regions have on average 675,000 residents.

⁷⁷ The Slovakian Ministry of Labour, Social Affairs and Family 2004.

Elected regional authorities were created in 2001 and over the past 2-3 years most service delivery responsibilities have been decentralised to regions and municipalities. Local municipalities are mainly responsible for local development, primary education, basic health care and long term care, housing and zoning and maintenance and management of local infrastructure. Secondary education, regional transport and regional development are the key responsibilities of regional authorities.

Slovakia ranks among countries with a relatively low proportion of municipal expenditure to total public expenditure. The revenue structure basically consists of shared taxes, inclusively local taxes and grants from higher authorities.

3.10.2 Economic and labour market situation

Between 2002 and 2004 the annual growth rate of GDP in the Slovak Republic was 4.2 per cent, one of the highest rates in Europe. In spite of this, the Slovak Republic has not recovered from the recession in 1997 as well as many of its neighbouring countries such as the Czech Republic. The average wage in Slovakia remained significantly lower than that of other European countries, and is a quarter lower than that of the Czech Republic. Data for the fourth quarter of 2004 showed that almost 70 per cent of workers in the Slovak Republic were paid less than the nationwide average. The minimum wage is also lower than that of other EU Member States, at just 41.1 per cent of the average nominal wage.

In 2004, there were approximately 2.1 million people in employment in Slovakia. The employment rate has been growing at a slow pace after dropping significantly between 1998 and 2000. Unemployment in the country is still relatively high and has been so since 1998 (peaking at 19.4 per cent in 2001 the dropping to 16.6 per cent in 2004). However, the length of unemployment has decreased in recent years. The main reason for the high level of unemployment is the lack of domestic demand.

Employment and unemployment in Slovakia, 2003⁷⁸	
<i>Employment</i>	
Overall employment rate	57.7 %
Employment rate of women	52.2 %
Employment rate of older workers	24.6 %
Temporary employment rate (% total employment)	4.9 %
Rate of part-time employment (% total employment)	2.4 %
<i>Unemployment</i>	
Overall unemployment rate	17.1 %
Unemployment rate – men	16.8 %
Unemployment rate – women	17.4 %

3.10.3 Industrial relations

Industrial relations in Slovakia	
Trade union organisation rate	35.4 %
Employer organisation rate	65 %
Collective agreement coverage rate	40 %

⁷⁸ European Commission: Employment in Europe in 2004

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Collective bargaining is mainly conducted at the sectoral level. Along with Cyprus, Slovakia is the only new Member State with a strong sectoral collective bargaining structure. Almost all economic sectors are covered by sectoral collective agreements and the agreements are results of completely voluntary bargaining. Around 40% of the workforce is covered by a sectoral agreement. In total, 53 sectoral collective agreements, including amendments to such agreements, were registered by the Ministry of Labour, Social Affairs and Family of the Slovak Republic in 2003.

In 1999, the legal basis of tripartite negotiations was formalised by the Act on Economic and Social Partnership. Negotiations at the tripartite level are concluded either in the form of non-binding recommendations or general agreements which establish mutual relationship frameworks.

There is no direct link between bipartite and tripartite negotiations, due to the fact that general agreements are not legally binding. However, while sectoral agreements can be developed irrespective of any general agreements, they do tend to follow guidelines that are set out in them. In general, sectoral agreements tend to deal with more practical elements of industrial relations while general agreements cover the broader framework of social development. Some of the trade unions consulted during the research pointed out that there is little social dialogue on a local or regional area basis. While many are keen to develop relations at this level, problems have arisen due to the economically diverse nature of the regions in the Slovak Republic and the lack of experienced negotiators in the regions. There is little funding available to train and develop social partners at this level.

The unionisation rate in the country has almost halved over the past 15 years with the current rate standing at 35.4 per cent. There are around 40 unions in operation in Slovakia, with 90 per cent of them affiliated to KOZ SR, the Confederation of Trade Unions in Slovakia. Unions are basically organised on one of three levels; 'basic' trade unions (the enterprise level), trade unions at either the sectoral or professional level, and national trade unions. The organisations vary greatly, especially at the basic level where organisations can vary in size from ten members to 5,000.

The representativeness of trade unions on all levels is in doubt as a result of the declining number of members. Enterprise restructuring has led to the closure of many cooperative farms and enterprises, along with a large number of schools, health care institutions and tourism enterprises.

The advantage for the trade unions is that they have strongly developed organisational structures on a national, sectional and regional level. However, there is a decline of trust in unions. There is a high unemployment rate (in some regions it is as much as 20 per cent) and this general social insecurity has led to a fear of loss of employment. As a result, the ability of trade unions to mobilise their members is in decline.

Employer organisations began to form in 1991, some time after trade unions began to organise. The main reason was that the state had previously been the main employer. The organisation rate of employers is around 65 per cent.

The only central employers' organisation, the Federation of Employers' Associations of the Slovak Republic (*Asociácia zamestnávateľských zväzov a združení Slovenskej republiky, AZZZ SR*), split in 2004 and a new peak representative body, the National Union of Employers of the Slovak Republic (*Republiková únia zamestnávateľov Slovenskej republiky, RUZ SR*), was established. Both organisations are now involved with tripartite negotiations, although there are many issues still to be resolved in terms of the representativeness of the organisations and their place on the national tripartite council.

3.10.4 Employment in the local and regional government sector

In 2004 there were more than 400,000 people employed in the public sector, of which 218,260 were employed in local and regional government. This figure includes those staff who are employed in areas of responsibility that have been decentralised from national to local and regional government.

3.10.5 Trade unions in the sector

Confederation of Trade Unions of the Slovak Republic KOZ SR

The confederation is not active solely in the local and regional government sector, but does represent most of the major sectoral trade unions. The confederation has over 600,000 members from 37 different unions and is active in collective bargaining at a tripartite level through its membership of the Council of Social and Economic Concertation. The organisation was established in 1990 and is a member of the ETUC (European Trade Union Confederation) at European level and the ICFTU (International Confederation of Free Trade Unions) at an international level.

The main trade unions active in the local and regional government sector are:

Slovak Trade Union of Public Administration Sloves

Sloves was established in 1994 as a successor to the former Trade Union of Public Authorities in the Slovak Republic. The union currently has 28,000 members from 600 different organisations on a cross-sectoral basis – the unions' members are mainly from the civil and public service but also come from inspectorial authorities and some entrepreneurial organisations. Sloves participates in collective bargaining for civil and public service employees, including those employed by local authorities, but is not involved with negotiations for public workers employed in health, education, culture and public transport. Sloves is affiliated to KOZ SR at a national level, and at a European level is a member of EUROFEDOP.

Fire-fighters Union of the Slovak Republic OZH – The union is a sectoral union representing fire-fighters in Slovak Republic and is active at national level. The union was established 10 February 1990. It has 608 members covering 31.2 per cent of all fire-fighters in the country. OZH is a member of KOZ SR, the Confederation of Trade Unions of the Slovak Republic. On the question about membership on national bi-partite/tripartite forum, they mentioned Ministerstvo Vnútra SR (Ministry of Interior). In international terms, OZH is a member organisation of EPSU. The Union is involved in collective bargaining at sectoral (fire-fighters), national and regional levels.

Slovak Trade Union of Health and Social Services SOZPZASS

SOZPZASS is a sectoral trade union, active at both national and regional level, and was formed in December 1990. The union now has 7,320 members, all of whom are employed in the health and social care sector. The union is mandated to participate in collective bargaining for the sector and is a member of the Council for Economic and Social Partnership, undertaking negotiations with the Ministry of Health. SOZPZASS is affiliated to KOZ SR nationally, and EPSU at a European level.

The Slovak Trade Union of Employees in Education and Science OZPSAV

The union represents 75,000 members which a coverage of 60 per cent of employees in the sector. It was formed in 1990 and operates at a national, regional and local level sectorally, participating in collective bargaining for its members at a national and local level. The union is a member of the tripartite Council of Economic and Social Partnership. OZPSAV is affiliated to KOZ SR at a national level and is also a member of EIE, Education International Europe.

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Slovak Trade Union of Workers in Services SOZPS

The union is a member of EPSU.

Slovak Trade Union of Culture and Social Organisations SOZKaSO

SOZkaSO is a sectoral trade union in the sector of culture and environment and is active at national, regional and local levels. It has 3,285 members representing 2 per cent of the workers in the sector. The union is involved in collective bargaining at sectoral (culture and environment), national, regional and local levels.

3.10.6 Employer organisations in the sector

The Association of Towns and Communities in Slovakia ZMOS is a member of the RHSP tripartite council as a representative of public service employers and has a right to sign collective agreements for public service employees so therefore is the key employers' organisation in the sector. At national level, the Association is a member of the Federation of Employers' Associations of the Slovak Republic, and co-operates with Regional Training Centres, Confederation of Trade Unions of the Slovak Republic and Professional Associations in Local Government. In terms of international affiliations, the Association is a member of CEMR.

3.10.7 Collective bargaining in the sector

Collective bargaining takes place in Slovakia at national level and different sectoral agreements are set for civil servants and general public sector employees. Wages are set through tripartite collective bargaining at national level.

At the end of 2003, a new sectoral collective agreement was signed for civil service employees. The collective agreement is binding for all unionised civil servants and civil service offices and sets out civil servants' working time, conditions of paid leave, a wage increase of seven per cent for the year, and option for employers to make supplementary pension insurance contributions on behalf of their employees.

Implementation of the collective agreement for the civil service will be assessed on a quarterly basis by authorised negotiators at the request of either party. After an assessment of this kind either of the parties can request a change or supplement to the collective agreement. The contracting parties are obliged to negotiate no later than 30 days after receiving a proposal for a change or supplement.⁷⁹

A new collective agreement for public service employees was concluded in 2004 and 2005. The agreement was signed by:

- Representatives of the government
- The Association of Towns and Communities of Slovakia ZMOS
- Regional governments
- The Confederation of Trade unions of the Slovak republic
- The Independent Christian Trade Unions of Slovakia

The latest agreement was signed in December 2004 and it regulates matters such as pay increases (5%), working time, paid leave, redundancy payments and supplementary pension contributions. Some significant changes were made in comparison with the 2004 agreement. The Association of Towns and Communities of Slovakia (ZMOS) refused to sign the collective agreement for 2004 as it believed that insufficient financial resources were planned for the activities of municipalities.

⁷⁹ EIRO, New civil service collective agreement brings changes, 2004

The new sectoral collective agreement took effect on 1 January 2005 and is valid until the end of the year.

The public services collective agreement for 2005 also includes a *supplementary memorandum*⁸⁰ expressing the social partners' willingness to reach preliminary agreement on pay increases of 6% from 1 July 2006 and 5% from 1 July 2007. According to EIRO this is the first time this forward-looking approach has been taken in sectoral collective bargaining in the public sector in Slovakia and may indicate increasing trust between the partners.

The Slovak Trade Union of Public Administration (Sloves) is involved with collective bargaining at a national level for all public sector workers except those who are involved in specialist sectors such as health, education, culture and public transport. These sectors are represented by trade unions who participate in dialogue directly with the relevant ministries. For example, the wages and other terms and conditions of fire-fighters in the country are determined at national level (bi-partite bargaining). The pay conditions of members of the Slovak Trade Union of Culture and Social Organisations are determined through agreements both at national and enterprise levels.

There is dialogue between employer and trade union organisations on key issues affecting the local and regional government sector. Recent discussions have covered issues relating to public sector reform such as wage changes, and their impact on employees.

3.10.8 Key challenges facing social partners in the sector

Key challenges facing social partners in local and regional government in Slovakia are:

- **Decentralisation of responsibilities**

For several years a key problem for local and regional government has been change to the structure of public administration, namely the decentralisation of responsibilities from the state to local and regional government. Many unions have suggested that funding for municipalities and regions from the state does not match the level of new responsibilities assigned, and as a result employees feel that they are not able to carry out services to previous standards. In 2004, the Association of Cities and Municipalities of Slovakia refused to sign the collective agreement for public sector workers because they believed that insufficient financial resources were allocated to the municipalities.

- **Redundancies as a result of decentralisation**

Decentralisation, and the lack of funding associated with it, has resulted in redundancies and job loss in some areas. To make up for the deficit in funding some municipalities and cities have reduced the number of employees (municipal officers), and to save resources have been forced to close facilities such as kindergartens and primary schools, and have reduced the number of beds available in social service facilities.

The Slovak Trade Union of Health and Social Services (SOZPZASS) reported that some local authorities have recently started to rent out health and social care institutions and premises to non-public sector companies in an attempt to raise funds and to keep such premises open.

- **Changes in national tripartite structures**⁸¹

The Economic and Social Concertation Council (Rada hospodárskej a sociálnej dohody, RHSD) was Slovakia's main national forum for tripartite social dialogue from the early 1990s onwards. For some time, employers and government representatives criticised the operation of the RHSD. In 2004, the government decided not to continue with this form of

⁸⁰ EIRO 2005

⁸¹ EIRO, New rules adopted for tripartite social dialogue, 2005

tripartism and the legislation on which the RHSD was based was abolished with effect from the end of the year. However, the government and social partners agreed to continue with tripartite social dialogue under new rules, and a reformed Economic and Social Partnership Council (RHSP) has come into operation in 2005.

The public sector trade unions such as Sloves are able to take part in national level tripartite discussions through KOZ SR as the employee representative on the RHSP. The confederation can take forward negotiation on issues that are pertinent to the public sector unions such as the state budget draft, minimum wages, drafts of new legislation affecting the public sector, public administration reform and pension reform.

- **New employment conditions in the public sector⁸²**

Since 1 January 2004, the public sector in Slovakia has been subject to new employment conditions, affecting both the civil and the public services. Many privileges have been abolished, while employee responsibility and obligations have been increased and the wage system has been changed.

New Acts on the Civil Service and on the Public Service came into force in April 2002 regulating the employment conditions of public sector employees, which had previously been regulated only by the Labour Code. However, certain reservations were expressed from the outset, and both laws were subject to major amendments in 2003, which came into force on 1 January 2004.

The scope of the public service sectoral collective agreement concluded for 2004 has also been changed. The previous agreement, which reduced working time and provided longer paid leave, has been annulled. Public service employees can now negotiate these issues in local-level collective agreements.

One of the most important aspects of the Act on the Civil Service is its amendment of the Act on Collective Bargaining. Collective bargaining in the civil service was previously possible only at the sectoral level. The scope of local collective bargaining is laid down in the civil service sectoral collective agreement each year. This change will increase the autonomy of local trade union organisations and decentralise social dialogue to the local level for the civil service.

The government, the Ministry of Labour, Social Affairs and Family and the Civil Service Office expect that the new legislation will lead to greater employment flexibility and efficiency in the public sector.

3.11 Slovenia

3.11.1 *Background information on local and regional governance*⁸³

The Slovenian local governance system is a single-tier system. The Slovenian Constitution regulates municipalities as the basic socio-economic, political and administrative units, immediately below the level of central government, responsible for the development of the local economy and social services and activities in their territories.

⁸² Information taken from EIRO, *New Employment Conditions introduced in Public Sector, 2004*

⁸³ Local Government and Public Service Reform Initiative – Setnikar-Canka, Vlaj and Klun: *Local Government in Slovenia*.

The number of municipalities has tripled since the beginning of nineties, currently there are 193 municipalities in Slovenia. Eleven municipalities represent a little more than one third of the total Slovenian population (36 per cent). The size ranges from 400 to 270,000 inhabitants. The number of municipalities is expected to increase further (some 20 proposal for the formation of new municipalities are already awaiting parliamentary decision).

The basic responsibilities of municipalities are: primary education, primary health care, provision of essential utilities, municipal services, postal and banking services, library facilities, premises for local administration, public administration and the maintenance of public spaces.

Municipalities with a city status have some further responsibilities: regulation of local public transportation, regulation of public spaces and construction of facilities, administration of a public network of primary, secondary, vocational and higher education institutions, secondary public health service, network of civil services, establishment of telecommunication centres plus local media, support for cultural activities and administration of housing matters.

Local government finances are highly centralised in Slovenia. The central government determines almost all local revenues; only 10 per cent of public revenues are allocated to municipalities. The revenues of local governments in Slovenia in 1998 came from various tax revenues (41.2 per cent), which were primarily income tax, and a further 37.3 per cent came from non-tax revenues such as fees and fines. 18.4 per cent came from other revenues, and finally 21.5 per cent came from grants. The rest of the revenue was a result of borrowing.

3.11.2 Economic and labour market situation

Slovenia has exhibited a relatively robust macroeconomic performance since 1994. GDP growth has been 2-3.2 per cent per year since 2001. The country's restructuring process has continued to move forward, albeit rather slowly at times. The employment situation has been very stable since the mid-1990s, with a national unemployment rate lower than that of the EU15 in 2003 (in 2004 the rate was 6.4 per cent). The employment of older workers has increased over the past ten years but remains relatively low.

EMPLOYMENT⁸⁴	
Overall employment rate	62.6 %
Employment rate of women	57.6 %
Employment rate of older workers	23.5 %
Temporary employment rate (% total employment)	13.7 %
Rate of part-time employment (% total employment)	6.2 %
UNEMPLOYMENT	
Overall unemployment rate	6.5 %
Unemployment rate – men	6.1 %
Unemployment rate – women	7.1 %

3.11.3 Industrial relations

Industrial relations in Slovenia	
Trade union organisation rate	40 %
Employer organisation rate	91 – 100 %
Collective agreement coverage rate	91 – 100 %

⁸⁴ European Commission: Employment in Europe in 2004

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The present collective bargaining structure is highly centralised, and far from voluntary. Two general national agreements are concluded, one for the private and one for the public sector. Sectoral (and enterprise agreements) must comply with the relevant national agreements.

Tripartite discussion in Slovenia takes place through the Economic and Social Council, which was founded in 1994. Formally, the council is made up of 15 members, five from the government, trade union confederations and employer organisations respectively. Other trade unions are often informally involved. Problematically, public sector workers are not always represented and workers in the manufacturing sector are represented automatically. Decision making by the council is on a consensual basis and usually concludes with a signed agreement, the implementation of which is supported by law. Agreements are usually two to four years in length and are applied to the whole workforce on a general basis.

Tripartite discussions form the mandatory basis of bipartite social dialogue, which takes place at national, sectoral and enterprise level. Slovenia is the only country of the New Member States in which the social partners also negotiate at intersectoral level. It is also the only one of the study countries where national bilateral bargaining may lead to legally binding agreements. However, a shift towards partial decentralisation is currently in prospect, and it is expected that the general collective agreement for the private sector will lose significance, with sectoral collective agreements gaining in importance and become the cornerstones of the system. The Association of Free Trade Unions of Slovenia (ZSSS), the largest trade union organisation in Slovenia, is actively pursuing this. However, the employers' organisations, and particularly the Chamber of Industry and Commerce of Slovenia want to retain the centralised bargaining structure.

Collective bargaining coverage is very high (91-100%) in quantitative terms but more questionable in qualitative terms. There are two general, national collective agreements – one for the public sector and one for the private sector. The fact that collective agreements cover the entire workforce, including those who are not members of trade unions, is attributed as a reason for the decline in trade union membership.

Trade union membership declined from the end of 1980s and continues to do so, but fell particularly rapidly in the mid-nineties. Today the unionisation rate is around 40 per cent. There are six recognised trade union confederations in Slovenia and 17 autonomous professional and branch trade unions. Approximately half of the represented workforce is covered by the Association of Free Trade Unions. There are five employer organisations, two of which are chambers which have a different legal basis and compulsory membership. There is no clear data around the number of enterprises represented by the employer organisations.

3.11.4 Social partner organisations in local and regional government sector

Currently there is no information on relevant trade unions in the sector in Slovenia.

With regards to sectoral employers' organisations, the Association of Municipalities and Towns of Slovenia and Association of Municipalities of Slovenia represent the interests of local authorities.

3.11.5 Collective bargaining in the sector

Currently there is no precise information available on this. The basic conditions of employment for persons in the local and regional municipality sector are however in the first place based on regulations from the general national collective agreement on public sector. All agreements at sectoral or company level must comply with the regulations of the national agreement.

It is likely that there is sectoral bargaining as 91-100 per cent of employees are covered by collective bargaining.

3.11.6 Key issues for the sector

Municipalities have a very low level of autonomy. Central government determines almost all local revenues, with only 10 per cent of public revenues are allocated to municipalities.

In 2003, the public sector Wage System Act was adopted, restricting pay increases for public officials and the managers of public institutions and service companies.

3.12 Bulgaria

3.12.1 Background on local and regional governance⁸⁵

Bulgaria is divided into 28 districts and 264 municipalities. On average, a Bulgarian municipality encompasses about 25 villages with a total population of about 30,000. Wards exist in cities with a total population of over 100,000 people – Sofia, Plovdiv and Varna.

The standard responsibilities of municipalities are: Collection and treatment of household waste; urban development; construction and maintenance of streets, squares, parks, gardens, street lights; operation of public transport on the territory of municipality; general and detailed town plans; maintenance and further development of local sports, tourist and other recreational facilities; municipal schools - grammar, primary, and secondary schools (including remuneration and social security payments of the respective staff), municipal hospitals and social institutions, social services centers, cultural, historical, and architectural monuments of municipal importance; municipal kindergartens; municipal theatres, orchestras, museums and their art collections, libraries, etc.; defining the fees for municipal services; management of municipal property for the benefit of the citizens; management of municipal companies and enterprises; and adoption and implementation of the municipal budget. Activities linked to the management of healthcare, education, social security and culture are shared between the municipalities and the national government.

The funding for municipalities comes primarily from the government, which provides a 31 per cent share of funding under the form of general and dedicated subsidies. A further 24 per cent comes from local tax revenues, 39 per cent from shared taxes and 6 per cent from funds attracted.

3.12.2 Economic and labour market situation

As a result of enhanced economic growth and the focus on active labour-market policies the employment situation in Bulgaria is improving. Unemployment is declining and was down from 16.4 per cent in 2000 to 13.6 per cent in 2003. Other positive changes include the improvement of the employment situation of both women and older workers over the past five years.

The Employment Agency is being reformed to improve the quality of services provided to the public and to optimise activities in the Labour Office Directorate with the aim of bringing the agency's services into line with European standards. The social insurance system and the employment system continue to make concerted efforts towards encouraging unemployed people and those who benefit from social insurance to obtain employment.

⁸⁵ National Association of Municipalities in the Republic of Bulgaria

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EMPLOYMENT⁸⁶	
Overall employment rate	52.5 %
Employment rate of women	49.0 %
Employment rate of older workers	30.0 %
Temporary employment rate (% total employment)	6.5 %
Rate of part-time employment (% total employment)	2.3 %
UNEMPLOYMENT	
Overall unemployment rate	13.6 %
Unemployment rate – men	13.9 %
Unemployment rate – women	13.2 %

3.12.3 Industrial relations

Industrial relations in Bulgaria	
Trade union organisation rate	< 20 %
Employer organisation rate	-
Collective agreement coverage rate	17 – 19 %

Bulgaria's process of economic and political transition began in 1989 and has had a major impact on industrial relations in the country, in particular on the situation of social partners. During the transition period, there has been a clear trend for employers' organisations to develop expertise and for their management bodies to adopt positions which are independent from those of the government. Nearly 70 per cent of state-owned enterprises were privatised and many members decided to set up new employer organisations (of which many have not yet been recognised as having representative status). Tripartite negotiations were hampered in the years between 1989 and 1994 as a result of weak employer organisation participation. In 1993 the National Council for Tripartite Cooperation was established, which involves consensus-based decision making by representatives of the state (the Council of Ministers), two national trade union confederations and four national employer organisations. While the government is not obliged to accept the opinions of the partners, it must consult them in any decision making process. In 2003, the Economic and Social Council was established, which many saw as a completion of the social dialogue system. The Council holds responsibility for expressing the views of social partners and other non-governmental organisations on matters such as draft laws and positions on parliamentary acts relating to economic and social affairs.

During the past few years, the range of the social partnership has been broadened. New mechanisms have developed, such as participation of the social partners in the work of parliament through a special commission and the establishment of special working groups on the preparation of new labour and social laws, involving the social partners in preparing legislation and in the EU accession process. The social partners are also involved in the management and monitoring of numerous institutions with a tripartite structure.

The collective bargaining structure is organised on three levels:

- at branch/sector level, '*branch councils for social cooperation*', made up of the representative branch/sector employers' and trade union organisations, conduct bargaining;
- at municipal level, '*municipal councils for social cooperation*' provide the forum for negotiations between unions and representatives of the municipal authorities on activities

⁸⁶ European Commission: Employment in Europe in 2004

falling within the latter's area of budgetary responsibility (education, healthcare, culture and administration); and

- at enterprise/company level, joint trade union bargaining delegations and individual employers participate in negotiations within '*joint commissions for social partnership*'.

The unionisation rate in Bulgaria is currently just under 20 per cent and has declined rapidly in the post-communist years. The rapid decline in membership of unions since 1990 has been attributed to membership becoming voluntary, by the increasing size of the private sector and by the relatively large 'black economy' in Bulgaria. There are four main employer organisations in the country which are recognised at a national level and it is estimated that around 68,000 companies are represented by them. However, some companies are members of several organisations and this has led to double counting, so the figure is not fully representative. The priorities of employer organisations often focus on a better economic environment, and as such, industrial relations issues are sometimes seen as marginal.

The New Labour Code came into force in 2001, which introduced a clear definition of the levels of collective bargaining and created legislative provisions related to branch and sector collective bargaining. The changes made all existing collective agreements void and so new ones had to be negotiated. This meant changes to the number and type of agreements in place - in 2004, the number of whole-sector collective agreements stood at 11 (the figure was 15 before the labour code amendments) and the number of branch-level agreements was 57 (41 before 2001, representing a rise of 40%). In the first 11 months of 2004, 1,380 company-level agreements were signed which was a slight increase from the previous year.

3.12.4 Trade unions in the local and regional government sector

The following trade unions are active in the sector:

- **Federation of Independent Trade Unions of Governmental Organisations *FITUGO***
FITUGO operates on a national level and is involved with collective bargaining at both national and local levels. The Union is also a member of the Tripartite Council for Social Cooperation in Bulgaria through its membership of the Confederation of Independent Trade Unions in Bulgaria. The organisation is a member of PSI and EPSU.
- **Federation of Trade Unions - Health Services *FTU-HS CITUB***
CITUB was established in March 1990 and now has around 10,000 members, covering 20 per cent of workers in the healthcare sector. The union is active in both tripartite and bipartite dialogue on behalf of employees in the sector, at national, regional and local levels, and also at employer level through dialogue directly with hospitals. The union is a member of the Confederation of Independent Trade Unions and at a European level is also a member of EPSU.
- **Podkrepa Services Union *PK Services***
- **National Defence Workers Union *NDWU***
- **Federation of Construction, Industry and Water Supply – *Podkrepa FCIW-PODK***
- **Union of Administrative Employees *PODKREPA***

All the unions are EPSU members.

3.12.5 Employer organisations in the local and regional government sector

There is no employers' organisation in the sector mandated to participate in collective bargaining. One of the reasons for this is the prevalence of public sector employees with a civil servant's status, whose employment conditions are set by the government unilaterally.

The National Association of Municipalities in the Republic of Bulgaria represents municipal and regional authorities but is not involved in determining wages in the sector. The organisation is a member of CEMR and also co-operates with other local government organisations and international bodies in different projects (e.g. Town twinning).

3.12.6 Collective bargaining in the sector

A majority of employees in the local and regional administrations in Bulgaria hold the status of civil servants. Wages and other employment conditions (promotions, redundancies, hiring etc.) of civil servants are determined by legislation unilaterally by the government. The minimal and maximum wages are set in the beginning of each calendar year with a special decree, approved by the Council of Ministers. According to the Law civil servants have the right to establish trade unions that protect their rights but wages are not negotiable.

Wages of public sector workers in the local and regional sector are bargained collectively between trade unions and each municipality.

Municipal councils for social cooperation provide a forum for discussion between unions and representatives of municipal authorities on activities falling within municipalities' areas of budgetary responsibility (education, healthcare, culture and administration).

It is also noted that social dialogue outside of the bargaining system takes place between employers and unions in the healthcare sector. Through the Health and Safety at Work Committee, responsibility for discussing issues such as violence at work has been taken on.

3.12.7 Key issues⁸⁷

Bulgaria is lagging behind considerably in the implementation of the European Charter on Local Self-governance. Compared to other European countries, Bulgaria's municipalities stand at the bottom of the list in terms of financial independence and amount of investment capital. The financial decentralization process, which started at the beginning of this year, is slowly and only partially carried out. The decentralization of rights and responsibilities has been implemented at the same speed.

As a result of that, Bulgarian municipalities are currently facing serious problems, the most important of which are:

- Substantial disproportion between rights and responsibilities. Municipalities are obliged to finance a number of activities. At the same time, they have almost no rights and can hardly control the expenses and the administration, which makes them. Thus, municipalities turn into institutions, which finance activities that are centrally governed by the State. It is necessary that "who pays the bills, he rules" principle be introduced and strictly adhered to;
- Extremely poor state of municipal infrastructure. Neither the municipalities, nor the central government is able to provide the financial resources necessary for the maintenance and expansion of that infrastructure. Thus, the achievement of the high standards, which Bulgaria needs to accomplish in order to be able to join the European Union, will take quite some time;

⁸⁷ National Association of Municipalities in the Republic of Bulgaria <http://www.namrb.org>

- Practically preserved centralized system of providing financial resources. Despite of the initiation of the financial decentralization process, municipalities still depend on the central government to a large extent. They are actually entitled to influence as little as 14% of their revenues and expenditures. This makes it impossible for them to carry out a municipal policy, which comply with their citizens' expectations and wishes;

The solution of the numerous municipal problems depends to a large extent on the establishment of an adequate legal framework, which conforms to the requirements of the European Charter on Local Self-government.

One of the trade unions, Fitugo, has expressed their concern over the plans to privatise one of the few municipal owned utility companies, BKS.

3.13 Romania

3.13.1 Background to local and regional governance⁸⁸

Local authorities in Romania were formed as a part of the reform of the governmental system after the revolution of 22 December 1989. The current local government structure is a non-hierarchical two tier structure. The upper tier consists of 42 counties and the lower tier is made up of three different categories of local authority (2,800 communities, 280 towns and 86 municipalities).

Local government structures in Romania have responsibilities for providing the following public services: local economic development, local urban development, land administration and development, administration of cemeteries, protection of the environment, housing, water supply, sewage, maintenance of local public roads, local transportation, primary education, health care, local public security, fire protection, social services, cultural and sports activities and libraries and cultural centres.

County administrations are responsible for civil protection, secondary and vocational education, kindergartens and nurseries, town and regional planning, environmental protection and regional roads and transport.

The main source of revenues for local administrations are grants from the state budget, which make around 80 % of revenue. A further 15% come from local administrations' own revenues, which consist of: taxes and duties from citizens, which make up 7.2 per cent; other direct taxes are 5.2 per cent; 1.9 per cent is taxes on profit; and indirect taxes, non-fiscal revenues and revenues from capital make up the final 1.6 per cent.

3.13.2 Economic and labour market situation

The economic situation was weak in Romania at the end of 1990s with a declining national GDP, but has been improving since 2000 mainly due to structural reform, increased openness and competition in the economy. Also an adoption of a more balanced policy mix has contributed to stronger economic development, and the GDP growth rate was 4.9 per cent in 2003. However, the employment situation has not improved, and the current rate of unemployment is 6.6 per cent. Unemployment has been contained due to growth in private sector employment, which has mitigated the effect from redundancies caused by

⁸⁸ European Commission: Country Profile – Romania.
Council of Europe: Structure and operation of local and regional democracy in Romania – situation in 1998
Institute for Local Government and Public Service: *Local government in Romania 1994*.

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restructuring. While the unemployment rate has stayed relatively stable, it is suspected that hidden unemployment is high in the agricultural sector and in rural areas.

EMPLOYMENT ⁸⁹	
Overall employment rate	57.6 %
Employment rate of women	51.5 %
Employment rate of older workers	38.1 %
Temporary employment rate (% total employment)	2.0 %
Rate of part-time employment (% total employment)	11.5 %
UNEMPLOYMENT	
Overall unemployment rate	6.6 %
Unemployment rate – men	6.9 %
Unemployment rate – women	6.2 %

The future priorities of Romanian employment policies are the long-term improvement of adaptability to the labour market, the promotion of lifelong learning and continuous vocational training, fighting 'structural unemployment', which has arisen as a result of the economic restructuring process and promoting social cohesion and inclusion, particularly for vulnerable groups.

3.13.3 Industrial relations

Industrial relations in Romania	
Trade union organisation rate	44 – 60 %
Employer organisation rate	-
Collective agreement coverage rate	-

Collective bargaining in Romania takes place mainly at enterprise level but national and sectoral level agreements are also made. Collective bargaining is mandatory in companies with more than 50 employees but bargaining coverage is rather low.

In 2003, approximately 11,200 collective agreements were concluded, while the total number of companies with more than 50 employees was between 15,000 and 16,000 (representing only 5% of the total of 321,000 companies). One collective agreement was concluded at the national level in 2003 and 20 at multi-employer level, of which 10 were concluded at branch level and 10 for groups of companies. The total number of collective agreements fell in 2004 by over 2,600.

Tripartite concertation began in Romania with the establishment of the Tripartite Secretariat for Social Dialogue, which was initiated by a Government Decision (number 349/1993) in 1993, which was then amended in 1997. Unions, employer organisations and the government each hold an equal number of seats on the secretariat, and their main aim is to coordinate the actions of the social partners and to draft the legislation relating to the institutionalisation of the Economic and Social Council (ESC). The ESC's main aim is to achieve social dialogue between employers' associations, trade unions and the government at a national level, and is the most significant national structure of tripartite dialogue. The council is made up of 27 members, nine from the trade unions, employers' organisations and the government respectively.

Tripartite agreements are not concluded in a tripartite body but on the governments' initiative. They are all conducted at a national level and the provisions of the agreements are usually

⁸⁹ European Commission: Employment in Europe in 2004

applicable to all of the population, except in certain cases such as those agreements relating solely to employees of companies who are restructuring. The tripartite 'single national collective agreement' provides a minimum basic framework for employment conditions. Some tripartite dialogue takes part at sectoral and regional levels through the 'Commissions of Social Dialogue', but these discussions are purely consultative in nature.

There is a relationship between tripartite and bipartite dialogue in the sense that legislation requires tripartite agreements to form the basis and terms of reference for bipartite negotiations at national and sectoral level. There is a need to promote autonomous bipartite social dialogue in the country, especially at the sectoral level.

Bipartite 'Collective Work Contracts' are obligatory for all firms with more than 21 employees. These contracts are negotiated between employers' organisations and trade unions at all levels (national, sectoral and company) and are legally binding. The contracts have a "generalised applicability" in that they cover all workers in the company, sector or country depending on the level of the negotiations. There are no figures for how many contracts are concluded at company level, however 6 contracts have been made at national level since 1993 and in 2001 alone, 17 sectoral contracts were negotiated, including in the health and education sectors.

The creation and development of employers' organisations during the transition to the market economy has been difficult as they have gone through reorganisation, divisions and mergers in the context of the state owned sector which prevailed until 1997-1998. The organisations had to start from nothing as they initially had no resources and lacked specific knowledge. The issue of employer organisations does not appear to be high on the agenda and no debates have been initiated so far by the social partners or the government in relation to their activities. The exact organisation rate of employers is not known but the figures that are available for eight major organisations show that over 80,000 firms are represented.

The trade unionisation rate in the country has declined to 44 per cent according to some sources, but trade unions' own estimate stands at around 55-60 per cent. Traditionally their presence at local level is weak, although strengthening. A new trade union law was introduced in 2003, better defining the status and rights of the unions. The new law made significant changes to the position of trade unions in that it removed restrictions for trade unions in the emerging private sector, and workers and public servants were given the right to either set up or join a trade union organisation.

3.13.4 Social partners in the local and regional government sector

There are no CEMR members in the country at the moment. There are employers' organisations in the sector of Services of General Interest mandated to take part in collective bargaining. Some of the organisations in this sector are relevant also to the local and regional government sector.

The key trade unions in the sector are:

- **Fédération Syndicale Libre des Services Publics *FSLSP***
- **Federatia Nationala a Pompierilor din Romania *FNPR***

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- **SIGOL Federation - Public Services *PS-SIGOL***

SIGOL Federation was established in 1991 and now has a membership of 40,000 public sector workers and a coverage level of 65 per cent of the sector. It operates on a national level and participates in a national tripartite social dialogue commission, and is involved with collective bargaining over public sector wages at a national level. The union is a member of the national trade union confederation *Cartel Alfa*.

All the above mentioned unions are member organisations of EPSU.

Other trade unions in the sector of Services of General Interest are:

- Public Servants Trade Union (which was set up only very recently)
- Federatia Energetica - (member organisation of BNS - National Trade Union Bloc)
- Federatia Posta Romana (FSPR) – (BNS)
- SNCFR ELCATEL– (BNS)
- TRANSLOC – (BNS)
- Fedederatia Functionarilor Publici – (BNS)
- Aqua Rom – (CSDR - Democratic Trade Union Confederation of Romania)
- Federatia Hypocrat medical staff – (CSDR)
- Membru in Consiliu Director – Fed. Hypocrat – (CSDR)
- Federatia Servicii Publice – (CNSLR-FRATIA - Romanian Confederation of Free Trade Unions)
- Federatia Energia Mileniului 3 – (CNSLR-FRATIA)

In terms of employer organisations, the National Employers' Federation of Public Utilities Employers' Associations of Romania (FNPSPR) is the most dominant organisation in the sector. It operates on a national level with over a thousand employers represented, and is a member of CEEP. There are no CEMR members in Romania.

3.13.5 Collective bargaining in the sector

Minimum wages, minimum holidays and other basic key working conditions for all staff active in the sector of Services of General Interest are stipulated in the Labour Code, which is a tripartite agreement. Agreements are concluded once a year, and are always tripartite.

The national framework agreement for civil service employees was concluded in August 2004. This is the first of its kind and covers matters such as working time, leave, training, health and safety, rights and duties. It contains minimum provisions that cover all civil servants in both central and local administrations.

Terms and conditions for local government workers (other than civil servants) are set by a mixture of regional and enterprise level bi-partite collective bargaining on an annual basis.

Some social dialogue in the sector of Services of General Interest exists on key issues affecting the sector but the dialogue is very weak.

3.13.6 Key issues

Privatisation is the key issue affecting the sector. Other issues include the competitive tendering process for services, and the deficiency of local strategies for the development of public services.

3.14 Turkey

3.14.1 *Background to local governance*⁹⁰

The upper tier of the local self-governance structure in Turkey consists of 81 provinces while the municipality level of the local administration includes 16 large metropolitan municipalities and 3,200 other smaller towns. The lowest local administrative level consists of 50,000 village administrations. Provincial administrations have no autonomy or self-governance structure; they are administrative units of central government in the local sphere. Governors at this level are appointed by the government. There is no regional level administration in Turkey.

The responsibilities of municipalities and provinces in Turkey were set by the Municipalities Act of 1930, which was then superseded in 2005 by the Municipalities Law number 5272. These responsibilities include urban planning and implementation, land development, urban renewal, planning and construction of social housing, organisation and management of local public transport and parking, construction and maintenance of road networks and public areas, provision of water, sewage and public utility gas services, refuse collection and cleansing of public places, provision of fire prevention services, operation of slaughterhouse facilities, establishment and management of recreation-cultural-education-tourist facilities, provision of veterinary services, establishment and management of health and social welfare facilities, municipal policing and crisis management, regulation of industrial waste and conservation of areas of natural and historical value. However, the responsibilities of Greater City Municipalities (or metropolitan municipalities) were defined in 1984 with an amendment to the law taking place in 2004. Responsibilities at this level differ slightly from the responsibilities of standard municipalities.

There are a variety of ways in which municipal operations are financed. These include municipal taxes (from real estate, announcement and advertisement, entertainment, communication, electricity and gas consumption, fire insurance, environmental cleaning) which are collected by the municipalities except the communication tax which is collected by the State for the municipalities; taxes for provinces - 1.7 per cent of all taxes collected by the government are allocated to provincial administrations. Provinces also have their own tax revenue (but this only constitutes 1.5 per cent of overall revenue); village taxes (capitation tax and community service tax); grants from higher authorities for specific projects and needs; financial equalisation (proportion taken from the state budget by the municipalities corresponds the number of inhabitants and economic activities – poorer regions receive more money for development activities); borrowing; and finally, from other sources of income (e.g. profits, revenues, special funds) constitute 50.3 per cent of municipal funding and 80.8 per cent of provincial funding).

3.14.2 *Economic and labour market situation*

Economic growth in Turkey has been strong since 2002 (the GDP growth rate was 7.8 per cent in 2002 and 5.4 per cent in 2003). However, the country has struggled to recover from economic crises in 1999 and 2001. The labour market situation has deteriorated during the last 5 years. Registered employment has declined by about 600,000 persons since 1999. At the same time, the working-age population increased by 4.6 million persons.

⁹⁰ European Commission: *Country Profile – Turkey*.
Council of Europe: *Structure and Operation of Local and Regional Democracy* in 1998.

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Employment and unemployment in Turkey, 2004⁹¹	
<i>Employment</i>	
Overall employment rate	43.7 %
Employment rate of women	22.9 %
Employment rate of older workers	-
Temporary employment rate (% total employment)	-
Rate of part-time employment (% total employment)	-
<i>Unemployment</i>	
Overall unemployment rate	10.5 %
Unemployment rate – men	10.7 %
Unemployment rate – women	9.7 %

In 2002, the service sector was the dominant employer in Turkey, employing around 43 per cent of all workers, followed by industry and then agriculture. Recent developments in the Turkish labour market have seen unemployment increase from 6.4 per cent in 1998 to 10.5 per cent in 2004, and at the same time the working-age population has grown rapidly. The rate of long term unemployment stood at 3.2 per cent in 2002. There is also particularly high youth unemployment, with a rate of 20.5 per cent in 2003 and a very low female employment rate. Very low activity rates (in particular for women), high levels of youth unemployment, the large size of the informal economy and the strong rural/urban divide are the main labour market challenges.

3.14.3 Industrial relations

Industrial relations in Turkey	
Trade union organisation rate	10 %
Employer organisation rate	-
Collective agreement coverage rate	5 %

Social dialogue mechanisms in Turkey mainly exist in medium to large scale enterprises - collective bargaining in small businesses is rare – and exists at a workplace and sectoral level. This varies between the public and private sectors; most private sector agreements are concluded at a company level while public sector agreements tend to be made at a multi-employer level. Tripartite dialogue has little impact on bargaining. The Economic and Social Council (ESK) was set up in 1995 with dominant government representation, although the main trade union confederations, employer organisations and chambers are also represented. The council is a consultative body which does not have a bargaining function. While its aim is to form a consensus on economic policies and industrial relations, and to advise the government on social and economic issues, formal agreements rarely emerge from this process.

There has been an established system regarding trade union rights and collective labour agreements since the 1960s. However, at the moment there is still a strong need to develop and strengthen bi-partite social dialogue, especially in the private sector, where the share of the labour force covered by collective agreements is extremely low. It is difficult for smaller trade unions to participate in the bargaining process due to a threshold of representation of ten per cent of workers in the sector or at least 50 per cent of workers in a company. The European Commission is pushing to get these regulations removed, and it has also been a matter of complaint for the ILO for several years.

⁹¹ Figures provided by Genel-İş

Collective agreements only apply to members of the relevant union and also to non-members who pay a "solidarity fee" to the union, which is usually the equivalent of two-thirds of the normal membership fee. Around 1 million workers in Turkey are covered by collective agreements (of a total of around 20 million workers).

Overall trade union density is estimated to be around ten per cent of the total labour force, with around 2.7 million unionised workers, and around 70 per cent of which are employed in the public sector. However, this data is not frequently updated so most trade unions use the figure for collective bargaining coverage to also represent the number of unionised workers. There are three main trade union confederations active in Turkey, all of whom have different political allegiance. There are also three main public sector confederations and again, each of the three has a different political stand-point.

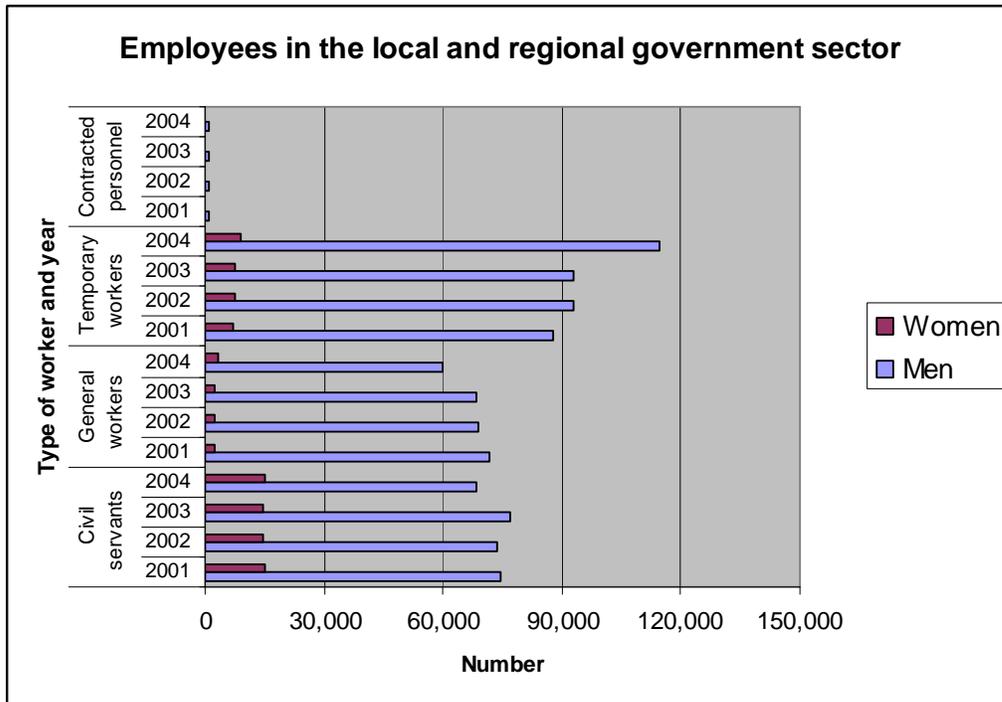
The organisation and type of employers' associations in Turkey varies, and each tends to be covered by a different statute and law. The associations can be primarily distinguished as chambers and employer organisations. There are three main confederations of chambers operating in Turkey, and one major confederation of employer organisations, TİSK (The Turkish Confederation of Employer Organisations), which represents Turkish employers as a whole, including public sector employers, and is the main organisation responsible for labour relations and employment issues. Other representative bodies for employers include the Association of Turkish Businessmen and Industrialists (TÜSİAD), which is a voluntary association as is set out by the Law of Association.

In the last 10-15 years Turkey has given top priority to the development of social dialogue. The scope of collective bargaining has widened from its main previous focus on wage levels and issues such as redundancy compensation. Issues such as training, quality, job enrichment, productivity and work organisation have recently been discussed and included in agreements. New institutions have employed social dialogue and management mechanisms with the participation of social partners. A Specialised Sub-Commission has been formed and operated with the participation of representatives of employees, employers and government, as well as academics. The aim of this Commission has been to develop social dialogue and participation mechanisms. Trade unions and employer organisations have also formed joint councils that operate above the standard collective bargaining function. The councils generally discuss matters relating to occupational health and safety, training and productivity.

3.14.4 Employment in the local government sector

Workers in the local government sector in Turkey are classified in two main ways; as civil servants and as general workers. However, within these groups there are those workers who have permanent employment contracts, temporary or seasonal workers and contracted workers. The category of contracted personnel was introduced by the Turkish government in 1982 with the aim of allowing public bodies to recruit staff quickly in times of need. Contracted personnel are awarded one year, renewable contracts, thus side-stepping the lengthy process of gaining the government permission required when recruiting permanent civil servants.

Overall, there are over 1.5 million civil servants in Turkey, with around 80,000 of these working in the local government sector. The total number of general workers is less clear, as according to legislation this category also includes some domestic workers who are not employed by municipalities, such as cleaning workers. The overall number of general workers in Turkey, including those not employed by municipalities, stands at just over 421,000. Because of the high level of contracting out and the unclear definitions of public sector workers, it is difficult to know how many of the workers in the sector are unionised. Data provided by Genel-İş estimates the number of unionised general workers in the municipalities to be around 250,000.



Overall, employment in the sector has increased by 4 per cent in the period 2001-2004. This figure does not reflect the significant changes that have occurred in this period within the different types of employees in the sector, however. There was a marked decrease in both civil servants and general workers, with a drop of seven per cent and 15 per cent respectively. Employment in the sector is characterised by a high level of temporary workers, with a growth rate of 29 per cent in this area between 2001 and 2004. While the number of contracted personnel remains low in comparison to the other types of employment in the sector, there was an increase of 24 per cent in the same period.

There is a very low rate of female employees in the local government sector, and while this is reflective of the general labour market situation in Turkey – the female employment rate has halved since the 1980s – other factors have impacted specifically on the sector. For example, in rural areas feudal traditions and values prevent woman from working in manual roles such as those held by general public sector workers.

3.14.4 Trade unions in the local government sector

The trade unions in the sector can be categorised by means of their representation of either general workers or civil servants. Broadly speaking, the unions representing general workers are affiliated to one of three confederations, namely Türk-İş, DİSK or HAK-İS; and civil service unions are affiliated to either KESK (The Confederation of Public Sector Trade Unions), Turk Kamu-Sen or Memur-Sen.

Trade unions representing public sector general workers

Public Services Employees Union of Turkey Genel-İş is a trade union representing employees of local governments and is active in national level negotiations. It was established in 1962 and currently has over 70,000 members (covering 17 per cent of all employees in the sector). Genel-İş is a member of DISK-Progressive Trade Unions Confederation of Turkey, EPSU at the European level, and PSI internationally.

The Union is not a member of any national bi-partite or tripartite information and consultation forum or representative body. The Union takes part in negotiating wages and other terms and conditions at a municipal level.

Between 1980 and 1992 the union activities of Genel-İş were suspended by the military government. However, it was the first Turkish trade union to be organised at a national level, and in 1980 it was the largest in the country.

Turkish Municipal and General Workers' Union *Belediye-İş*

Belediye-İş recently reached its 50th anniversary, although there have been some interruptions in this period – the union has changed its name several times and was established in its current state in July 1983. The union represents over 190,000 municipal general workers, some 45.4 per cent of all general workers in the public sector. At a national level, Belediye-İş is affiliated to the Türk-İş confederation, and internationally the union is a member of EPSU, PSI and ICEM (The Federation of Chemical, Energy, Mine and General Workers Unions). The union is also represented on the Economic and Social Council of Turkey through its affiliation with Turk-İş.

Municipal and Public Service Workers Trade Union *Hizmet-İş*

The union was founded in January 1979 and is one of the largest in the sector with a membership of around 105,000 workers - some 25 per cent of the total public sector general workforce. It is active in over 50 different localities across Turkey. The union is involved with collective bargaining at sectoral and national level and is affiliated to the HAK-İŞ confederation. Hizmet-İş is not a member of the national tripartite body and is not affiliated to any European or international organisations.

Trade unions representing civil servants

Union of All Municipality Civil Servants *Tüm Bel Sen*

TÜM BEL SEN is a sectoral trade union in the local government sector. It is active at national level. It was set up in 20 December 1990, it has 33,538 members. 42 per cent of the local government sector workers are members of this union. Tüm Bel Sen is a member of KESK – Federation of Public Workers Unions, PSI and EPSU. Furthermore, for the past 3 years, as Tüm Bel Sen is the local government union with the highest number of members, it has participated in joint meetings with government representatives, unions and federations. The union is involved in collective bargaining (in Turkey negotiations of wages and conditions is achieved through meetings) at municipality sector and national level.

Union of All Municipal Employees *BEM-BİR-SEN Tüm Belediye Emekçileri Sendikası*

The union was founded in Istanbul on October 20, 1990 and is organized throughout the municipalities with 15 branches. The union represents civil servants in the local government sector and has 18,200 members, representing 22.7 per cent of the sector's workforce. BEM-BİR-SEN is a member of Memur-Sen confederation at a national level.

The Turkish Local Services Union *Türk Yerel Hizmet-Sen*

The union was originally established (or became a legal entity) in 1992. Their first objective is to 'protect and develop the economic, social and employment rights of their members.' The union is a member of the Türk Kamu-Sen confederation.

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*Other trade unions active in the sector*⁹²

Energy, Road, Construction, Infrastructure, Public Works, Title Deed Land Survey Public Sector Employees Trade Union *Enerji-Yapı Yol Sen*

Enerji-Yapı Yol Sen was established in February 1996, and now has a presence in 80 Turkish cities, along with 13 general directorates in 30 branches. It has 29,800 members, 18% of which are women. It is a member of the Confederation of Public Sector Trade Unions (KESK) nationally and Public Services International (PSI) internationally.

Trade Union of Bureau Employees *BES*

The trade union is affiliated to KESK and is also a member of EPSU and PSI.

Trade Union of Public Employees in Health and Social Services *SES*

SES is a member of EPSU and is affiliated to the KESK trade union confederation.

Trade Union of Civil Officers Employed in Military Offices *Asim-Sen*

Asim-Sen was founded in Ankara on November 16, 1992. It is organized in military workplaces and has 16 branches and 6 representative offices across Turkey. It publishes a bimonthly periodical called "Asim-Sen". The Union reported 9,600 members in December 1997. The union is a member of EPSU.

3.14.5 Employer Organisations in the sector

There are several employer organisations active in the local and regional government sector in Turkey, which have collective bargaining rights under labour law. The three largest ones (who are all members of TISK - the Turkish Confederation of Employer Associations) are:

- Local Administration Public Employers' Association (MİKSEN)
- The Public Industries Employers' Association of Turkey (KAMU-İŞ)
- The Heavy Industries and Services Sector of Public Employers' Association of Turkey (TÜHİS)

There are also a number of other small employers' associations that have been established by municipalities.

3.14.6 Collective bargaining in the sector

The employment status of public sector workers can be classified as either civil servant or general worker. The way in which wages and other employment terms and conditions of employees in the local government sector in Turkey are determined depends on the status of their employment, as each category is governed by different legislation.

Civil servants have fewer rights regarding pay and conditions than general workers. Wages and conditions of employment for civil servants in the sector are set by the government at national level. Social partners are consulted about wages and conditions but even if the opinions of social partners are taken into account, the government makes the final decisions.

If agreements on salaries or other working conditions can not be reached for civil servants, even after meetings with the commission comprising of union representatives, these matters are referred to the Reconciling Committee. This mechanism has been in place for three years but the government has not yet recognised the decisions of the Reconciling Committee and has made unilateral decisions.

⁹² These unions are not organised specifically in the local government sector, but are organised in central government units.

The working conditions and salaries of civil servants working in local and central government are determined once a year. The last joint meeting took place on 15-30 September 2004.

The wages and conditions of general workers in the local municipality sector are determined by bi-partite collective bargaining between each municipality and trade unions. The negotiations usually take place every two years. According to the legislation, collective agreements are valid 1-3 years. For example, Genel-İş has a collective bargaining process with 500 different public employers and bargaining processes take place throughout the year.

There is social dialogue between employer and trade union organisations in the sector on other key issues affecting social partners in the local and regional government sector. Institutional management committees facilitate social dialogue between employers and unions. These committees meet once a year. However, because the decisions of these committees are not binding, they are not effective. Some municipalities do not implement the decisions of the committees because they can not be enforced. The main areas of debate/discussion are improving the economic and social rights of municipality employees and improving working conditions.

3.14.7 Key challenges facing social partners in the sector

One of the main problems facing local government workers is privatisation, with many of the latest legislative changes being aimed at the privatisation of public sector services. Another problem is that municipality employees are being transferred to other departments. For example, in the last 4 months, 250 municipality employees in Ankara have been transferred to committees linked to the Ministry of Education.

All issues regarding local governments, including legislation, are dealt by the central government leaving very little autonomy and decision-making power for municipalities. Although the opinions of the unions are sought, in practice they are not able to influence central government effectively.

There are still some restrictive provisions in place in Turkey relating to collective bargaining for public-sector employees. For example, a 10 per cent threshold for collective bargaining makes it difficult for small trade unions to participate in the bargaining process. Furthermore, still some limitations exist for certain public employees to join trade unions.

Other issues for the sector are:

- *Political employment and dismissals*
The trade unions note that some Mayors of local authorities follow a partisan employment policy and will only recruit those who either vote for, or are members of their political party. The employment of 'contracted' workers, who are awarded a one year, renewable contract, is common for political employment, as contracted workers are generally employed as consultants in highly qualified positions and the use of contracted workers side-steps the need for government permission to recruit new civil servants.
- *Political support for certain trade unions*
Many of municipalities in Turkey have the same political leadership as central government. As some trade unions in the local authority sector receive government support, it has been the case that some employees have been encouraged to become members of these unions over and above others. If employees do not affiliate to the unions they are requested to, wage payment may be delayed. Many workers fear dismissal and have a lack of job security as a result of being involuntarily affiliated to a union supported by the Mayor. This especially applies to those workers who have annual, renewable contracts – they tend to be afraid to join a union which is not supported by the Mayor and authorities in case their contract is terminated. This has been the case in

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Ankara, where six Genel-İş members have been dismissed for refusing to join the trade union which is supported by the Mayor. Some unions have also suggested that the unions who receive political support do not defend the rights of workers when forming collective agreements, leading to a regression in workers rights and conditions.

- *Collective redundancies*
A significant number of civil servants and general workers have been affected by collective redundancies in recent years. In some cases workers are later replaced by contracted (temporary) workers. Collective redundancies are especially frequent around the time of local government elections, as new mayors tend to employ their supporters.
- *Undemocratic employment relations*
There are only limited possibilities for employee involvement in the workplace. Also, municipal employers are dominant in industrial relations and employers often break collective agreements to suit their needs.
- *The use of temporary employees in the sector*
The number of temporary workers in the local government sector has increased dramatically over recent years, while the number of workers with a permanent position continues to decline. Temporary work was introduced in the sector to help address seasonal needs in localities; for example in Bodrum, the population stands at 30,000 in the winter but increases to around 1 million people in the summer months. However, as a result of the high unemployment rate in Turkey, temporary employment contracts are rapidly increasing and are being used on a de facto basis by municipalities to employ flexible labour. In some cases, workers have agreements with municipalities to work for six months of the year on a paid basis and the other six months unpaid in order to retain any paid work at all. Some union members have been continuously employed by municipalities for more than 20 years but their employment status remains temporary.

3.14.8 Key achievements

Trade unions in the sector are trying to establish bi-partite work committees to solve the problems with the employers. They also want to set up joint legal committees such as health and safety committees. Trade unions are particularly active.

4. OVERVIEW OF FINDINGS

4.1 Preamble

For the purposes of this study, the following definitions have been applied in respect of the terminology used to describe different types of collective interest intermediation and information, consultation and negotiating mechanisms:

Social dialogue – the term social dialogue is used to cover a wide range of bi-partite and tripartite information, consultation and negotiating arrangements. Collective bargaining (see below) is one specific form of social dialogue. Here the term “social dialogue” is used to deliberately distinguish between negotiations on wages and terms and conditions of employment (referred to as collective bargaining) and other information and consultation arrangements between social partners on issues affecting their sector (referred to as social dialogue). This use of the terminology has been chosen in order to highlight the fact that in many of the new Member States and accession countries, while there may be no collective bargaining on wages at sectoral level, there may be a dialogue between trade unions and representatives of municipalities on the main challenges facing the sector.

Collective bargaining – this term is used to refer to the negotiation of wages and terms and conditions of employment. Collective bargaining can take place at the *national, regional or local/enterprise level*. It can be *cross-sectoral, sectoral* or cover a single organisation and can be *bipartite* (involving only representatives of labour and management) or *tripartite* (involving government representatives). In circumstances where employees of regional and local government are civil servants, such negotiations involving representatives of State authorities are characterised as bi-partite rather than tripartite bargaining, as the State fulfils a dual function in such cases.

Tripartite concertation – this term is used to refer to institutionalised arrangements, usually at the national level, which allow social partner representatives to be informed and consulted on a wide range of policy issues.

4.2 Introduction

This overview presents the findings from this research, focussing on the following aspects with regard to the 'new' Member States and candidate countries:

- The development, role and responsibilities of local and regional government in the 'new' Member States and candidate countries and key trends affecting the sector.

This section will focus in particular on the significant changes in the organisation of local and regional government, particularly in the Central and Eastern European countries under study in the post-communist era. It will also look at the increasing trends towards restructuring, privatisation and contracting out of many services previously provided directly by municipalities, as well as the modernisation of internal structures and service delivery functions. This section also looks at employment patterns in the public sector.

- The key features of the framework for industrial relations in the 13 countries studied.

4. Overview of findings

We emphasise the difficult development of industrial relations structures in many countries following the transformation to market economies and the defining features of resulting arrangements, as these also have an impact on sectoral social dialogue structures.

- The development of collective bargaining and social dialogue structures for the regional and local government sector.

In this section we emphasise the developmental process of sectoral social dialogue arrangements highlighting key trends and drivers, as well as any remaining obstacles to the development of effective sectoral dialogue.

- Conclusions regarding the linkages between the issues affecting the local and regional government sector in the 'new' Member States and candidate countries and the sectoral social dialogue process at European level.

This section explores the lessons to be learnt regarding future priorities of the European sectoral social dialogue process. It will highlight the evident linkages between debates at European and national level in the 13 countries and highlights new potential areas for discussion at European level, feeding concerns at issues from the "bottom up".

The tables presented at the end of this section provide a brief, synthetic overview of the following for the 10 'new' Member States and three candidate countries respectively:

- The structure and responsibilities of local and regional government;
- The industrial relations framework
- Collective bargaining and social dialogue in the local and regional government sector
- Key challenges for the sector
- Employment in the sector.

4.3 The development, role and responsibilities of local and regional government and key trends affecting the sector

Introduction

In the Central and Eastern European countries which joined the European Union in 2004 the current structure of local and regional government post-dates 1989 and the transformation of these countries to market economies. A similar restructuring took place in Romania post-1989. As a result, regional and local government structures are historically relatively new and have continued their process of evolution over the past 15 years. The general trend has been towards a decentralisation of functions from the State to the regional and local level. Similar to developments in the 'old' member States, significant moves have also begun leading to the restructuring, contracting out and in many cases the privatisation of functions previously provided directly by local authorities.

Structure of local and regional government

Of the 13 countries studied, only one – Slovenia – operates a single tier local governance structure with 193 municipalities. In four countries (Czech Republic, Malta, Poland and the Slovak Republic) the highest sub-state administrative unit is the region. In a further four countries (Estonia, Hungary, Lithuania and Romania) these higher administrative functions are delivered at county level, while the district is the highest such administrative unit in Cyprus and Latvia. In Turkey, there are 81 provinces, however, these have no autonomy or self-governance structure, but are administrative units of central government in the local sphere.

The higher levels of administration (county, regional and district level) generally hold responsibility for functions, which cannot easily be provided by each smaller local authority area such as secondary education, cultural activities or the maintenance of main roads and highways, as well as regional transport infrastructure. The responsibilities of local authorities and municipalities are generally similar to those in the 'old' member States ranging from the maintenance of local infrastructure and parks; over the collection, disposal and treatment of waste; to local planning and the provision education, health and social care services. A more detailed description of the responsibilities of regional and local authorities in the different countries can be found in the table in appendix I.

Sources of local government finance

The sources of local government finance differ from country to country. In some countries there are no municipal taxes and local government revenue is therefore primarily drawn from central government allocations (e.g. Latvia, Malta, Slovenia). In other countries, funding is obtained through a mixture of local taxes and central budgetary allocations, as well as a share of central tax revenue. The instability of resources obtained from central government was raised as an important issue for local government (in terms of wages and services provided) in a number of countries. In Hungary, Latvia, Poland and Slovakia, for example, concerns were expressed over reductions in public sector funding in recent years.

The decline in public sector spending stands in contrast to the significant progress made by many of the new Member States in relation to economic growth. GDP growth in many of these countries has outstripped that of the 'old' Member States (for more information see table in appendix II of the report). What little data is available points to the fact that growth has not been reflected in increased investment in public sector infrastructure which is in many countries in need of updating. Overall employment data and information from the five case studies also seems to suggest that economic growth has not been reflected in job creation and indeed wage developments, at least in the public sector.

Employment in local and regional government

Throughout this study, lack of data availability has made it difficult to monitor the impact of these developments on employment in the sector. At EU level, comparable data is only available at an aggregated level for overall employment in public administration, employment in education and employment in health and social services (the latter two categories include both public and private sector employment). The tables in appendix V show the development of employment trends in these three key sectors between 1998 and 2003 for the 13 countries covered by this study. When looking at this data it must be borne in mind that as contracting out occurs, employment shifts from the public to the private sector, although a service is still provided on behalf of a public authority.

The Eurostat data presented in the 2004 Employment in Europe Report highlights the differing patterns of employment across the new Member States and the candidate countries. There is great variation in the percentage of people employed in the public administration⁹³ sector between the 13 countries, with the share of employment in Malta (9.5 per cent) being almost twice that of Lithuania (4.9 per cent). Employment in the sector has seen a significant degree of fluctuation. Six of the 13 countries have seen overall employment in the sector increase (Czech Republic, Hungary, Poland, Slovakia, Bulgaria and Romania), while three have seen an overall decline (Cyprus, Latvia, Lithuania). In Estonia, employment in the

⁹³ It is not possible to distinguish between central, regional and local public administration from this data. However, as many employees of regional and local authorities are civil servants, this data remains relevant.

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sector fell between 1998 and 2000, but recovered to 1998 levels by 2003. In Slovenia, employment rose significantly between 1998 and 2000, but has since dipped again, nevertheless remaining above 1998 levels.

In the health and social services sector, only Bulgaria and Poland have witnessed a decline in employment, whereas all other countries where data is available have seen employment increase in this sector. This is commensurate with patterns across the rest of the EU and is crucially affected by demographic patterns and advances in medical care and research.

In education the story is quite different, with nine of the 13 countries experiencing decreases in total employment in the sector between 1998 and 2003. Again, there is variation between the countries in terms of the share of total employment – while in Bulgaria, education only accounts for a 4.6 per cent share of employment, the figure in Lithuania is 9.4 per cent. The only country to experience an increase in employment in all three sectors was Slovenia.

When comparing the share of employment in the public sectors of the new Member States to the old Member States, it is possible to see variation between the two. It is only in education where the share of employment is higher in the new Member States – in both the public administration and the health and social care sectors, the share of total employment is higher in the old Member States.

Little was available in terms of more detailed data, breaking down regional and local government employment by sector and even were it did exist, figures were sometimes disputed between government, trade unions and employers' organisations. In some cases, future projections provided a national level point to the likelihood of significant future job losses in public administration, in some cases contrary to past trends illustrated in the Eurostat data. In Hungary for example, a 10% reduction in public administration staff is predicted in the coming years. Eurostat data from 1998-2003 so far indicated a rise in employment in this sector. The Estonian case study points to a decline in employment in regional offices with the transfer of responsibilities for fire and immigration services to the national level. Evidence from the Slovakian trade unions active in the sector suggests that the decentralisation of responsibilities and the lack of funding made available to municipalities to carry out their new tasks has led to redundancies and the closure of facilities such as kindergartens, primary schools and the loss of bed capacity in hospitals and social service facilities.

Turkey is the only case study country, which has witnessed an increase in employment in public administration. However, although employment overall has reportedly increased by 4% between 2001 and 2004, this masks the significant changes in the types of employees in the sector. The number of civil servants and general workers on open ended contracts has declined during this period while the number of temporary staff has increased significantly.

Employment in the local and regional government sector is characterised by significant vertical and horizontal segregation with the 'new' Member States replicating the familiar picture of women being concentrated in certain (often lower paid) sectors and occupations, as well as in lower occupational grades, with few women reaching higher managerial positions.

It is clear that further research and detailed data collection would be required to fully appreciate the impact of structural changes in local government on employment in general and different groups of employees more particularly.

Restructuring and modernisation of local and regional government services

The outsourcing, competitive tendering and the privatisation of previously publicly provided local government functions was perceived to be among the key challenges facing the local and regional government sectors in eight of the 13 countries covered by this study.

Privatisation is particularly widespread in the field of Services of General Economic Interest⁹⁴ such as energy supply, transmission and distribution, water supply and sewerage treatment, waste treatment and transport. In many countries where such services were previously supplied directly by municipalities, these have – or are increasingly being - privatised. In addition, in many Central and Eastern European countries a number of industrial enterprises were previously municipally owned and have now largely been privatised. A number of countries, such as the Czech Republic, for example, are considering the privatisation of health services and education. In addition, competitive tendering and contracting out often lead to the provision of services previously supplied in-house by external, usually private, providers. Competitive tendering in local government is used for a wide range of services ranging from cleaning, catering or transport to core functions such as HR management. Competitive tendering is regulated by EU and national regulations and is subject to certain value thresholds.

While the need to modernise public service provision is widely accepted, the means for achieving this is more controversially debated, especially in the context of the particular role played by Services of General Interest and the importance of retaining the principle of high quality universal service provision. The latter is crucial if EU goals in relation to regional development, equality and social cohesion are to be achieved.

It is by no means evident that contracting out and privatisation lead to lower prices for consumers, increasing quality, greater investment and technological innovation. However, whatever the arguments for or against privatisation and the long-term effects on the quality and sustainability of public services, there are a number of preconditions that are essential for it to take place:

- The need for a real market and competition between different potential suppliers (including a level playing field for potential in-house providers)
- The need for regulation to ensure competition and the maintenance of the universal service obligation
- The existence of consumer organisations capable of representing the rights of customers and ensuring the monitoring of developments of prices and quality
- The need for effective social dialogue to mitigate the consequences of privatisation and restructuring
- The need for effective local authorities to monitor contract compliance and the impact of new forms of service provision on territorial cohesion and social inclusion

The absence of many of the above factors can cause difficulties in the implementation of modernisation strategies through contracting out and privatisation and certainly requires the adequate monitoring of the outcomes of such processes. Evidence from our study suggests that this is currently not the case. Similarly, there is little information available of the actual impact of privatisation and contracting out on employment in the local government sector.

⁹⁴ "Services of General (economic) Interest" (SGI) are those services such as transport, water, electricity, gas, telecommunications, broadcasting and postal services, which are judged to be essential for the functioning of a modern society. Although classified as being "essential", these services may be provided by private as well as by public enterprises. [European Commission]

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Only the Hungarian case study points to a 30% reduction in staff resulting from the privatisation of the country's water industry in the 1990s.

As the trend towards modernisation, contracting out and privatisation is widespread in the 'old' as well as the 'new' Member States, it appears important for the sectoral social dialogue to provide a forum for the exchange of experiences regarding the outcomes of such practices on the quantity and quality of employment, social inclusion and territorial cohesion.

4.4 Key features of the framework of industrial relations

Dominance of tripartite and enterprise level bargaining

The findings of this study confirmed what has already been highlighted in other research reports regarding the nature of industrial relations systems in the new Member States. With a few exceptions, these systems are characterised by the strong central influence of the State in setting legislative norms regarding the employment relationship and State dominance in tripartite bodies. The most pronounced case of such centralised tripartism can be found in Slovenia where separate general national agreements are concluded for the private and public sector between the State and central trade union and employers' organisations. Any sectoral and enterprise agreements must comply with the relevant national agreements.

In most countries, collective bargaining - in the private sector in particular - usually takes place at the local, enterprise level with sectoral bargaining either non-existent or very much in its infancy. The Slovak Republic is a notable example among the former communist countries now in EU membership in that sectoral dialogue is more widespread. Bulgaria is another example outside the current EU where bargaining takes place at national, sectoral, municipal and enterprise level.

However, changes are under way in many countries, which place greater emphasis on bi-partite and indeed sectoral bargaining. In some cases this is linked to legislative changes providing greater leeway for employers' organisations to be involved in collective bargaining and broadening the spectrum of terms and conditions that can be subject to negotiation rather than national legislation. Moves in this general direction are currently under way in the Czech Republic, Estonia and Poland. These are explored in more detail below where we discuss developments in collective bargaining and the social dialogue in local and regional government. In the meantime, the rate of sectoral bargaining remains low, with only a limited number of sectoral agreements in place in most countries.

Differences in private and public sector collective bargaining structures

A distinction must be drawn between collective bargaining arrangements in the public and in the private sector. While in the private sector centralised bargaining at national or sectoral level is virtually non-existent, many countries use centralised bi-partite bargaining arrangements in the public sector. This mainly applies to civil servants (many local and regional government employees fall into this category), but in some countries covers all public sector employees. However, particularly in the Baltic countries, wages and terms and conditions for public sector workers are set by each individual local authority/region. The nature of collective bargaining in the public sector and in local and regional government in particular is described in more detail below.

Social dialogue structures outside the tripartite arrangements for concertation at national level are weak and indeed non-existent in many countries. There are exceptions to this with the Czech Republic, Poland and Turkey for example having structures to encourage social

dialogue at the sectoral or regional level (these examples are explored in more detail below). However, these arrangements are often weak, attract little public attention and are often perceived to be ineffective. Nonetheless, the further development of social dialogue structures is increasingly being encouraged by the State and by social partner organisations (and trade unions in particular) keen to develop such avenues for the exchange of information on issues affecting their sectors.

Trends in the development of employer and trade union organisations

Social partner organisations, and employers’ organisations in particular, are often weak as they often have but a relatively short history during which many have undergone several permutations through mergers and de-mergers. Many employers’ organisations continue to resist taking on a mandate for collective bargaining, which makes sectoral bargaining difficult or impossible. In a number of countries, current legislation currently forbids representative organisations – particularly in the public sector – from entering into collective agreements. Such legislation restricting the development of collective bargaining is currently under review, but it will require strong organisational development within social partner organisations in order to meet new challenges. This can be made difficult by a lack of resources facing many of these organisations.

Trade union membership has declined in many of the new Member States and candidate countries, largely as a result of changes in the economic structure of these countries and the demise of industrial sectors where trade union membership has traditionally been high. Membership density is therefore an issue in many countries and collective bargaining coverage is often low, ranging around 20%. In a number of countries, trade unions have risen to this challenge by offering new services and seeking to attract new members in non-traditional sectors.

4.5 The collective bargaining and social dialogue structure for the regional and local government sector

Our study looked both at the mechanisms for the setting of wages and terms and conditions for workers in the regional and local government sector, as well as any wider social dialogue arrangements allowing for exchanges of information and consultation on other issues affecting the sector in each of the ‘new’ Member States and candidate countries.

The collective bargaining structures for of the regional and local government sectors are affected by the status held by employees in the sector. Many workers directly employed in regional and local administrations hold the status of civil servants and are therefore covered by different legislation, collective bargaining arrangements, wages and terms and conditions than “general public sector workers”. In Estonia, Lithuania, Bulgaria, Romania and Turkey, terms and conditions for civil servants are set by national legislation and/or bi-partite collective bargaining between the State and the respective trade unions at national level. The wages and terms and conditions or general workers in the local and regional government sector, on the other hand, are set through bi-partite bargaining at local level with each authority.

In Cyprus, the Czech Republic, Hungary, Malta, Poland, the Slovak Republic and Slovenia wages and terms and conditions for all public sector workers are set through national level bi-partite bargaining with the State.

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In Estonia, Latvia and Lithuania (in the latter case with the exception of civil servants) bi-partite collective bargaining takes place at local level where trade unions are active. Where this is not the case, terms and conditions are set unilaterally by employers.

The lack of employers' organisations mandated to bargaining collectively makes it difficult for sectoral bargaining to take place. Such employers' organisations currently only exist in the Slovak Republic and in Turkey. A number of obstacles have been identified to the establishment of effective sectoral employers' organisations. In a number of countries (e.g. Poland, Estonia, Hungary, Czech Republic, Lithuania) legislation currently forbids or makes it difficult for organisations representing local government to formally act as employers and/or for sectoral level bargaining to take place. However, in some countries moves are under way to effect changes in these regulations to allow for a change in the status of organisations representing local authorities and for more sectoral bargaining to take place.

In the Czech Republic, work is currently under way to amend the Labour Code and Collective Bargaining Act to remove restrictions hampering the development of collective bargaining. The new Code is expected to come into effect in 2006 and should provide greater leeway for bargaining. In order for this to be effective in encouraging collective bargaining in the sector, reservations among some of the organisations representing local and regional authorities with regard to assuming the employers' role would need to be overcome. In Hungary, commentators have argued that the existing Labour Code has similar limitations, restricting possibilities for the development of sectoral collective bargaining. Significantly, sectoral bargaining does exist in Hungary in the water sector through a Sectoral Dialogue Committee for Water Services. One contributing factor towards the development of this sectoral dialogue committee was the participation of the trade union representing workers in the sector in a PHARE project exploring the potential benefits of sectoral social dialogue structures.

In Estonia, local government organisations currently only have the right to form associations to express and promote common interests, but not to act as employers' organisations. In 2004, the Minister for Regional Affairs set up a Working Group to address the regulatory issues preventing local government organisation from engaging in collective bargaining. Representative organisations were consulted and proposals were subsequently submitted to the Ministry of Social Affairs. Should the draft text be approved, a new law could be passed by the end of the year. Trade unions in Estonia are keen to engage in sectoral bargaining with employer counterparts, in particular to discuss the possibility of setting a minimum wage for the sector. Existing associations representing the interests of local authorities would have to amend their structures and procedures in order to fulfil such a new role. There are some indications of a greater willingness to engage with trade union organisations in a social dialogue on key issues affecting the sector.

In Poland, a new Labour Code calls for more collective bargaining (including at sectoral level) to take place post-2009. This will require either for new representative organisations to be established or for existing local government associations to acquire new skills and functions to allow them to participate in this process.

While sectoral social dialogue was virtually non-existent in most of the 13 countries only a few years ago, there are now some encouraging signs of more or less formal dialogue structures emerging. The lack of sectoral social dialogue structures was initially due to the weakness of local government organisations and their lack of employer status. In some cases, the low organisation grade of trade unions was clearly also a factor. However, as perceptions and the legislative situation regarding the status of local government organisations is starting to change, at least in some countries, social dialogue is slowly beginning to evolve. As well as the aforementioned changes, this can also be attributed to a number of other factors:

- The requirements of EU accession and the emphasis placed by the European Union on social dialogue processes and structures;
- Encouragement from national governments (sometimes as a result of the requirements of EU accession), firstly through the development of tripartite fora which can act as a launch pad for bipartite dialogue and through the required changes in legislation;
- Pressure from the trade union side to establish a more active exchange of views;
- Involvement in European funded projects (e.g. under PHARE or social dialogue budget lines) and European level social partner organisations and social dialogue processes.

Bulgaria and Turkey are the only countries, which currently have formalised sectoral social dialogue structures for the local and regional government sector. In Bulgaria, municipal councils for social co-operation provide a forum for discussion between trade unions and representatives of municipal authorities. In Turkey, institutional management committees facilitate social dialogue between employers and trade unions in the sector. These committees meet once a year. Slovakia – one of the two countries with an employers' organisation mandated to bargain collectively – also has somewhat less formal structures for sectoral social dialogue between trade unions and employers' organisations. Discussions have most recently focussed on issues relating to public sector reform such as the development of wage systems and their impact on employees.

As mentioned above, Hungary has a sectoral social dialogue committee for the water sector. Tripartite social dialogue also exists in national bodies including the National Public Sector Interest Reconciliation Council; the National Labour Council of Public Employees; the Interest Reconciliation Council of Civil Servants; and the National Interest Reconciliation Council of Civil Servants in Local Government. In Poland tripartite social dialogue takes place at the regional level some of the services delivered by local authorities.

In Estonia, trade unions are detecting an increasing willingness on the part of local government organisations to engage in a process of dialogue. In the past, the only formal dialogue on key issues affecting the sector took place between local government associations and central government, who met on a regular basis to exchange information and to co-operate in seven working groups (Finance, Education, Employment, Social Security and health Services; Culture, Environment, Land Management and Transport and Roads). However, in 2005 there have been a number of informal meetings between trade unions and local government associations to discuss issues such local authority budgets, the status of local government associations and the future of a sectoral social dialogue process.

In Lithuania there is an emerging dialogue through informal meetings between trade unions and local government associations to discuss issues such as extra social guarantees for employees, wage increases and holidays etc. However, the absence of a formal employers' organisation is restricting progress in this field and trade unions have called for changes to the legislation to allow local government associations to become involved in sectoral social dialogue. An emerging, but currently weak, sectoral social dialogue also exists in Romania in relation to the development of Services of General Interest.

On the whole social dialogue and collective bargaining in the sector presents a picture of slowly emerging from the legacies of the past and nascent development under the influence of the requirements of EU accession, government support, pressures from national social partner organisations (particularly from the trade union side) and experience with European social dialogue and co-operation. The emerging dialogues clearly reflect the specificities of the legislative and organisational structures of each country.

It could be considered as part of the European sectoral social dialogue process how these emerging structures and dialogue processes could best be supported. As repeatedly emphasised by the European Commission and European social partner organisations,

effective social dialogue processes are important in achieving not only the goals of the Lisbon strategy in relation to growth and employment creation, but also in relation to achieving successful public sector modernisation.

4.6 The key issues affecting the sector

Our research found a significant number of similarities between countries regarding the key issues facing the regional and local government sectors in the new Member States and candidate countries. Some of these issues are familiar even in the context of the sector in the 'old EU' – such as public sector modernisation - but there are clearly some significant differences between the EU15 and the countries covered by this study in relation to the stages reached in the process of reform and the way in which changes are being implemented. The latter largely relates to the lack or relatively recent nature of social dialogue structures and therefore the difficulties experienced in achieving a consensual implementation of reforms. This section will therefore concentrate on the main challenges arising from public sector reform and the drivers but also obstacles to achieving negotiated outcomes as a result of current bargaining arrangements. The section will also refer to way in which different countries are beginning to address these issues.

Public sector reform

The local and regional government sector has been undergoing a period of significant change over the past 10-15 years in many of the 'new' Member States and candidate countries. This has partly been the result of the fundamental social, political and economic changes facing most of the countries covered by this study since the demise of the Communist bloc and the introduction of market economies followed by accession to the EU. Not only have the structure and responsibilities of local and regional government been revised, but the way in which local public services are funded and delivered has also undergone fundamental transformation. The following effects of these developments have been highlighted in a significant number of 13 countries under study:

- Decentralisation (or in some cases re-centralisation) of functions and responsibilities has led to job losses and uncertainties over responsibilities in some areas;
- General budgetary stringency and the lack of local autonomy over the budgetary process have brought about low wages, wage freezes (and indeed effective wage reductions in the context of increasing consumer costs) and redundancies;
- Outsourcing and privatisation have become increasingly widespread phenomena, often leading to redundancies in the public sector.

On the whole, the trend in governance structures is towards greater decentralisation of responsibilities (although there are also examples of centralisations, for example in Estonia with regards to fire fighters), as well as towards contracting out and the privatisation a number of functions and services previously delivered by local and regional authorities. As was the case in the 'old EU', this applies in particular to the delivery of public utilities such as gas, electricity, water, waste management and in some instances transport infrastructure and services. Rapid and frequent changes in this field have meant differences to the way such services are managed with local authorities now performing outsourcing and contract management functions rather than acting as direct suppliers. This and other changes aiming to achieve the provision of new services and greater customer orientation have led to calls from trade unions for more and better training for staff. In Hungary, for example, a new act on administrative processes in the public sector was adopted in December 2004, which will bring about substantial changes to public administration systems with greater emphasis on service quality, greater customer orientation and e-governance. While everyone agrees on

the need for these changes, they do require revisions in working time and work organisations. Social partner organisations on both sides have recognised the need for better training measures and information provision regarding the impact of these changes for local government.

Planning for the future development of local and regional services is further hampered by the lack of stability and/or control over local government budgets which is evident in many countries. This lack of control and local accountability makes long-term planning difficult. In Estonia, for example, although representatives of municipalities have been involved in bi-partite discussions with the government over local budgets since 1994, central government has the final say over allocations and 2004 was the first year for six years that consensus over local budgets could be achieved in this forum. However, in recent months, local government organisations in Estonia have been more involved in long-term budgetary planning processes, with sectoral trade unions also keen to become involved.

Lack of financial control and general public sector cut backs have led to significant redundancies in the sector in some countries (through be no means all – see tables on employment data in appendix V). In Hungary, for example, nearly 7,000 positions were cut in public administration in 2004, with a further 8,000 redundancies set to follow in 2005. Trade unions in particular have expressed their concern regarding the impact of such cuts on service provisions, particularly in the more remote rural communities. In addition, privatisation has affected employment in the water sector in Hungary, with an approximate 30 per cent reduction in staff over the first few years of private operation. Social partners have held bilateral negotiations on privatisation and outsourcing in the water services and trade unions in particular refer to the importance of benefiting from the experience and learning from other countries, which can be, shared through membership of international trade union confederations. In Slovakia concerns have been expressed by trade unions that public sector cutbacks have led to the closure of kindergartens and primary schools as well as hospital beds and social care facilities. As mentioned above, in many countries public sector cutbacks and wage freezes stand in direct contrast to the significant growth rates achieved in the economy overall.

It is significant that these changes take place in the context of often weak social partner organisations and only emerging social dialogue and collective bargaining structures capable to achieving negotiated solutions to these challenges.

Lack of sectoral employers' organisations and social dialogue structures

Clearly, one of the key issues affecting the developing of social dialogue in the local and regional government sector is the absence, in most countries, of local government representative organisations on the employer side mandated to take part in collective bargaining. While in some countries moves towards forming effective employers' organisations are being resisted by local government organisations themselves, in other countries legislative barriers exist to local and regional government bodies performing employer functions. In the Czech Republic, Estonia and Poland processes are currently under way seeking to overcome these obstacles (see above).

As well as having weak employers' organisations, a number of countries also have weak trade union structures as a result of low membership density and the limited coverage of collective agreements.

Organisation fragmentation can also be an issue. In Hungary, for example, there are no less than seven organisations representing the interests of local government. The reasons for this fragmentation are political, historical and structural. There have been a number of attempts in

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the past to create an umbrella organisation, but these have failed, largely as a result of different political viewpoints.

However, as mentioned above, this situation is slowly changing with more social dialogue processes emerging and attempts at overcoming legislative barriers to sectoral collective bargaining. In the context of EU policy priorities and recommendations regarding effective governance, thought should be given to how these processes can be supported without interference.

4.7 Conclusions

This section seeks to summarise the conclusions from this study regarding the linkages between key issues for the sector identified in the 'new' Member States and candidate countries and the priorities for the sectoral social dialogue process at EU level. In addition, this section raises a number of questions for further investigation, which could be addressed as part of the discussions at the closing conference for this study and could subsequently be incorporated into the report.

There are clearly a number of significant similarities between the key issues facing the local government sector in the 'old' and the 'new' Member States and candidate countries. These primarily relate to the process of public sector modernisation and the desire to create greater efficiencies, customer orientation and quality services. The way in which countries have sought to achieve this is also similar (partly guided by European regulation), although different countries have clearly reached different stages with regard to the implementation of such reforms. Crucially, the following key changes should be mentioned:

- Contracting out of services (requiring local authorities to provide different functions, for example as contract managers)
- Privatisation (requiring local authorities to provide different functions for example regulation and monitoring)
- Reform of service provision for example through e-governance; amendments to the availability of services, for example in relation to opening hours etc. Many of these changes require amendments in work organisation and skills profiles
- Greater customer orientation (linked to the above)
- More emphasis on productivity and performance management

Linked to the above changes, and in addition to this, local and regional authorities need to manage changes in relation to changing demographic trends and new skill requirements.

The key difference between the way in which these challenges are being addressed in the 'old' and the 'new' Member States generally lies in the availability of sufficiently well established social dialogue processes capable of achieving negotiated approaches to meet these challenges. Such sectoral collective bargaining and social dialogue arrangements are generally well established in the 'old EU', but are only just emerging in most of the 'new' Member States and candidate countries.

Emphasis should therefore be placed on the sharing of information with regards to experiences and good practice in setting and achieving the goals of public sector reform (including the evaluation of outcomes); the implementation of effective human resources (HR) strategies to support these processes and capacity building to support the emerging social dialogue and collective bargaining arrangements in the countries where these are currently insufficiently developed. In doing so, the following questions should be borne in mind:

Public sector reform

- What are the precise goals set for public sector reform and modernisation?
- Who is involved in setting these goals, ensuring their implementation and evaluating the outcomes?
- Have formal evaluations of the impact of reform processes been carried out; what are the lessons learnt and how can these be shared?
- How has reform ensured that high quality universal services are maintained in the context of outsourcing or privatisation and has the impact of these developments been evaluated? What are the lessons learnt and how can these be shared?
- Which HR strategies have been adopted to support meeting the challenge of the modernisation process and to meet new skill requirements and address the impact of demographic changes?

The development of social dialogue structures

- Are there any legislative obstacles hindering the development of effective sectoral social dialogue and collective bargaining and if so what are they?
- How have these been overcome in other countries and can lessons be learnt?
- Is there a desire/willingness among national governments and social partner organisations to overcome these barriers?
- What are the appropriate structures at national/regional or local level to facilitate social dialogue?
- Are local government associations willing to fulfil the role of an employers' organisation?
- If not what are the reasons/barriers/obstacles?
- If so, what needs to be done to build sufficient capacity to fulfil this role effectively?
- Is the organisational profile of the trade unions sufficient to engage in sectoral collective bargaining?
- What is the organisational density of trade unions and local government organisations and is this sufficient to achieve regional or national coverage?
- If not how can this be overcome? Can lessons be learnt from other countries?
- What support is required/desired from national governments to support capacity building?
- What support is required/desired from the EU Commission to support capacity building?
- What support is required/desired from EU sectoral social partner organisations to support capacity building?

5. APPENDICES

5.1. Structure and responsibilities of local and regional governments

Country	Structure and responsibilities of local and regional governments
Cyprus	<ul style="list-style-type: none"> • Structure: 6 districts, 33 municipalities (urban areas), 576 community councils (rural areas) • Responsibilities at <i>municipal level</i>: Construction, maintenance and lighting of streets; collection, disposal and treatment of waste; protection and improvement of the environment and municipal areas; construction, development and maintenance of municipal gardens and parks; and the protection of public health.
Czech Republic	<ul style="list-style-type: none"> • Structure: 14 regions, 6258 municipalities, • Responsibilities: <ul style="list-style-type: none"> <i>Municipal level</i>: Local development; municipal police; water supply; household refuse; agriculture; primary education; housing; social assistance and urban planning. <i>Regional level</i>: Secondary education; road networks; social assistance; environment; public transport; regional development and health.
Estonia	<ul style="list-style-type: none"> • Structure: 15 counties, 39 towns, 202 rural municipalities • Responsibilities at <i>municipal level</i>: Kindergartens; education; cultural activities; social care; utilities; social housing; municipal transport and road maintenance; environment and the maintenance of public facilities.
Hungary	<ul style="list-style-type: none"> • Structure: 19 counties, 3158 municipalities • Responsibilities: <ul style="list-style-type: none"> <i>Municipal level</i>: Water supply; general education (pre-school and primary); basic health and welfare services; public lighting; maintenance of public roads and cemeteries; protection of rights of ethnic and national minorities. <i>County level</i>: Secondary and vocational education; libraries; archives; personal services for disabled and elderly people; special services for the homeless; families in crisis and hospitals.
Latvia	<ul style="list-style-type: none"> • Structure: 26 districts, 63 towns, 26 amalgamated towns, 444 rural municipalities • Responsibilities at <i>local/regional levels</i>: Public utilities and transport; management and maintenance of local/regional infrastructure; education; support to cultural activities; health and social care; housing; economic development; issuing permit and licences for trading activities; maintenance of public order; building and local/regional planning; protection of children; organisation of elections; maintenance of the civil register; collection of statistics; ensuring residents' representation in the regional Sickness Insurance Fund.
Lithuania	<ul style="list-style-type: none"> • Structure: 10 counties, 61 municipalities • Responsibilities: <ul style="list-style-type: none"> <i>Municipal level</i>: Education; nurseries; kindergartens; welfare; personal services for elderly and handicapped; special services; social housing, health services; culture & leisure & sports; provision of water & sewage and central heating; environmental services (refuse collection and disposal, street maintenance etc.); traffic and transport, urban development. <i>County level</i>: Road maintenance; educational and cultural activities.
Malta	<ul style="list-style-type: none"> • Structure: 3 regions, 68 local authorities • There is no division of responsibilities between regional and local authorities - functions and responsibilities are statutorily assigned to local councils. • Responsibilities: <ul style="list-style-type: none"> Waste management; changes to local traffic, building and planning schemes; street maintenance and lighting; citizens' advice; establishment, upkeep and maintenance of crèches, libraries, kindergartens, sport facilities and other educational services or buildings; establishment, upkeep and maintenance of health, care and rehabilitation centres and district offices; water management; public property administration; collection of Government property rents; and issuing of temporary trading licences.

5. Appendices

Country	Structure and responsibilities of local and regional governments
Poland	<ul style="list-style-type: none"> • Structure: 16 regions, 380 districts, 2489 municipalities, 40057 village administrations • Responsibilities: <ul style="list-style-type: none"> <i>Regional level:</i> Full responsibility for strategic (comprehensive, socio-economic) and spatial (physical) planning for the regions. <i>County level:</i> Specific planning responsibilities. Self-governmental character, but also perform specific tasks commissioned by the State. <i>Municipal level:</i> Obligatory functions: Development and physical planning; primary education; general health care; social services; public utilities; municipal housing; local roads; local public transportation; culture; recreation; public order; fire protection and physical planning. Delegated functions: Registration of marriages, births and deaths; the provision of identity cards and driving licences; civil defence; environmental protection and sanitary control.
Slovak Republic	<ul style="list-style-type: none"> • Structure: 8 regions, 2920 municipalities • Responsibilities: <ul style="list-style-type: none"> <i>Local level:</i> Local development; primary education; basic health care and long term care; housing and zoning and maintenance and management of local infrastructure. <i>Regional level:</i> Secondary education; regional transport and regional development.
Slovenia	<ul style="list-style-type: none"> • Structure: Single tier system of 193 municipalities. • Responsibilities: <ul style="list-style-type: none"> <i>Basic municipal level:</i> Primary education; primary health care; provision of essential utilities; municipal services; postal and banking services; library facilities; public buildings and administration; maintenance of public spaces. <i>Municipalities with city status:</i> Regulation of local public transportation; regulation of public spaces and construction of facilities; administration of a public network of primary, secondary, vocational and higher education institutions; secondary public health service; network of civil services; establishment of telecommunication centres plus local media; support for cultural activities and administration of housing matters.
Bulgaria	<ul style="list-style-type: none"> • Structure: 26 districts, 264 municipalities • Responsibilities: <ul style="list-style-type: none"> <i>Municipal level:</i> Collection and treatment of household waste; urban development; construction and maintenance of streets, squares, parks, gardens, street lights; operation of public transport on the territory of municipality; general and detailed town plans; maintenance and further development of local sports, tourist and other recreational facilities; municipal schools - grammar, primary, and secondary schools (including remuneration and social security payments of the respective staff), municipal hospitals and social institutions, social services centres, cultural, historical, and architectural monuments of municipal importance; municipal kindergartens; municipal theatres, orchestras, museums and their art collections, libraries, etc.; defining the fees for municipal services; management of municipal property for the benefit of the citizens; management of municipal companies and enterprises; and adoption and implementation of the municipal budget. Activities linked to the management of healthcare, education, social security and culture are shared between the municipalities and the national government
Romania	<ul style="list-style-type: none"> • Structure: 42 counties, 86 municipalities, 280 towns, 2800 communities • Responsibilities: <ul style="list-style-type: none"> <i>Local authorities:</i> Local economic development; local urban development; land administration and development; administration of cemeteries; protection of the environment; housing; water supply; sewage; maintenance of local public roads; local transportation; primary education; health care; local public security; fire protection; social services; cultural and sports activities and libraries and cultural centres. <i>County administrations:</i> Civil protection; secondary and vocational education; kindergartens and nurseries; town and regional planning; environmental protection and regional roads and transport.
Turkey	<ul style="list-style-type: none"> • Structure: 81 provinces, 3200 municipalities (of which 16 are large metropolitan areas), 50000 village administrations • There is no regional/provincial level administration in place – all services are the responsibility of the municipal administration. • Responsibilities:

Strengthening social dialogue in the local and regional government sector in the 'new' Member States and candidate countries

Country	Structure and responsibilities of local and regional governments
	Urban planning and implementation; land development; urban renewal; planning and construction of social housing; organisation and management of local public transport and parking; construction and maintenance of road networks and public areas; provision of water; sewage and public utility gas services; refuse collection and cleansing of public places; provision of fire prevention services; operation of slaughterhouse facilities; establishment and management of recreation-cultural-education-tourist facilities; provision of veterinary services; establishment and management of health and social welfare facilities; municipal policing and crisis management; regulation of industrial waste and conservation of areas of natural and historical value.

5.2. Industrial relations framework

Country	Industrial relations framework
Cyprus	<ul style="list-style-type: none"> • System based on voluntarism and tripartite concertation. • Mainly bi-partite collective bargaining at enterprise or sectoral level. • Strong tripartite system for consultation.
Czech Republic	<ul style="list-style-type: none"> • Bi-partite collective bargaining mainly at company and sectoral level. • Tripartite concertation takes place in the Council of Economic and Social Agreement.
Estonia	<ul style="list-style-type: none"> • Social dialogue is better developed at national than at other levels. • Bi-partite collective bargaining is conducted at enterprise level. • There are only 7 sectoral and 10 sub-sectoral agreements in place.
Hungary	<ul style="list-style-type: none"> • Bi-partite collective bargaining primarily takes place at enterprise level, although sectoral bargaining has developed more in recent years with the creation of sectoral social dialogue committees. • National tripartism is strong.
Latvia	<ul style="list-style-type: none"> • Bi-partite bargaining mainly at company level; only 10 sectoral agreements have been concluded. • Tripartite concertation through the National Tripartite Council
Lithuania	<ul style="list-style-type: none"> • Tripartite partnership at national level is more developed than bipartite relations between trade unions and employer organisations. • Tripartite concertation is focussed on the Tripartite Council of the Republic of Lithuania. • Tripartite agreements are binding under 2002 labour code. Any bipartite agreements are endorsed at tripartite level.
Malta	<ul style="list-style-type: none"> • All collective agreements in the private sector are negotiated at company level. • Public sector wages are set through bi-partite agreement at national level.
Poland	<ul style="list-style-type: none"> • Collective bargaining mainly takes place at enterprise level. • There are a number of tripartite social dialogue institutions at national and regional level (e.g. the Tripartite Social and Economic Committee; the Voivodship Committees on Social Dialogue; the Joint Committee for Central and Local Government).
Slovak Republic	<ul style="list-style-type: none"> • Collective bargaining mainly takes place at sectoral level - around 40% of the workforce is covered by a sectoral agreement. • Negotiations at the tripartite level are concluded either in the form of non-binding recommendations or general agreements which establish mutual relationship frameworks.
Slovenia	<ul style="list-style-type: none"> • Collective bargaining is highly centralised with two general national agreements being concluded (one for the private and one for the public sector). • Sectoral and enterprise agreements must comply with relevant national agreements. • Tripartism is strong.
Bulgaria	<ul style="list-style-type: none"> • Collective bargaining is organised at three levels: <ul style="list-style-type: none"> - Sectoral level - Municipal level - Enterprise/company level • Tripartite concertation takes place through the National Council for Tripartite Cooperation
Romania	<ul style="list-style-type: none"> • Most collective bargaining is bi-partite at company level; however, there are also national (1) and sectoral (10) agreements. • Tripartite concertation takes place through the Tripartite Secretariat for Social Dialogue.
Turkey	<ul style="list-style-type: none"> • Bi-partite social dialogue mainly exists in large scale undertakings and in the public sector. In SMEs it is virtually non-existent. • The Government has set up a special sub-Commission to encourage the development of social dialogue.

5.3. Collective bargaining in local and regional government sector and social dialogue arrangements

Country	Collective bargaining in local and regional government sector and social dialogue arrangements
Cyprus	<ul style="list-style-type: none"> • Bi-partite bargaining with State for civil servants (most workers in the sector). Once agreed terms and conditions are set by government decree for 3 years. • No sectoral bargaining or social dialogue arrangements.
Czech Republic	<ul style="list-style-type: none"> • Annual bi-partite negotiations with government on key terms and conditions. Additional benefits are negotiated between trade unions and each individual municipality. • New Labour Code due to come into force in 2006 to provide greater leeway for sectoral bargaining. • No sectoral social dialogue arrangements.
Estonia	<ul style="list-style-type: none"> • Minimum wages set nationally • Wages and terms and conditions set between trade unions and each individual municipality on annual basis. • New proposals could see legislation passed allowing local government representative organisations to act as employers' organisations. • Some first steps towards greater dialogue in the sector.
Hungary	<ul style="list-style-type: none"> • Wages and terms and conditions set through annual negotiations in tripartite National Public Service Interest Reconciliation Council (trade unions representing health care workers negotiate directly with the Department of Health). • Different legislation governing civil servants and other public employees. • Currently no sectoral bargaining due to limitations in the Labour Code. • Water sector has sectoral bargaining through Sectoral Dialogue Committee for Water Services. • There is tripartite sectoral dialogue and some moves towards bi-partite dialogue.
Latvia	<ul style="list-style-type: none"> • Bi-partite collective bargaining takes place with each municipality. Where no trade union is represented wages are set unilaterally. • No sectoral social dialogue
Lithuania	<ul style="list-style-type: none"> • Wages and terms and conditions for civil servants are set unilaterally by the government. • Local or regional level collective bargaining for other public sector employees in areas where trade unions are active. • Emerging sectoral social dialogue to discuss issues such as wages and terms and conditions.
Malta	<ul style="list-style-type: none"> • Bi-partite collective bargaining at national level for all public sector workers between government and trade unions. • Some sectoral social dialogue on issues such as budgets, health and safety, qualification allowances etc.
Poland	<ul style="list-style-type: none"> • Terms and conditions set at national level through legislation governing civil servants, municipal administration employees and other employees (through the Labour Code). • There is tripartite social dialogue at national and regional level.
Slovak Republic	<ul style="list-style-type: none"> • Tripartite collective bargaining at national level leading to separate agreements for civil servants and general public sector employees. • Social dialogue takes place between employers and trade union organisations on key issues affecting the sector.
Slovenia	<ul style="list-style-type: none"> • National level bargaining between trade unions and the State.
Bulgaria	<ul style="list-style-type: none"> • Terms and conditions for civil servants determined unilaterally by the State through legislation. Wages of other public sector workers are set through bi-partite

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Country	Collective bargaining in local and regional government sector and social dialogue arrangements
	negotiations at local and regional level. <ul style="list-style-type: none"><li data-bbox="412 275 1385 327">• Municipal councils for social co-operation provide a forum for discussions between unions and representatives of municipal authorities on issues affecting the sector.
Romania	<ul style="list-style-type: none"><li data-bbox="412 348 1385 422">• Annual tripartite negotiations on wages and terms and conditions for civil servants. Terms and conditions for other public sector workers are set at local or regional level.<li data-bbox="412 432 1385 453">• Some sectoral social dialogue on issues affecting the sector.
Turkey	<ul style="list-style-type: none"><li data-bbox="412 474 1385 527">• Wages and terms and conditions for civil servants are set in negotiations between the government and the trade unions.<li data-bbox="412 537 1385 590">• Collective bargaining for other public sector workers takes place between trade unions and each municipality.<li data-bbox="412 600 1385 651">• Institutional management committees facilitate sectoral social dialogue between employers' organisations and trade unions on key issues affecting the sector.

5.4. Key challenges for local and regional government sector

Country	Key challenges for local and regional government sector
Cyprus	Privatisation wage freezes retirement age of public sector workers
Czech Republic	Privatisation lack of employers' organisation
Estonia	Moves towards legislative change to allow for the establishment of employers' organisations in the sector of local/regional government. Lack of independent/stable budgets. Low wages and regional salary differences. Low unionisation rates. Changes in municipal responsibilities. Outsourcing and competitive tendering
Hungary	Fragmentation of representation of local government organisations. Lack of employers' organisations. New pay scheme for civil servants. Privatisation. Low wages. Reductions in public spending. Changes in responsibilities of different levels of local government. New administrative procedures
Latvia	<ul style="list-style-type: none"> Lack of social partner involvement due to low unionisation rates and institutional weakness. Lack of fiscal autonomy of local authorities.
Lithuania	Absence of employers' organisation. Law is required to allow employers' organisations in the sector to bargain collectively. There are now efforts to create such a new law. Lack of financial autonomy.
Malta	Privatisation. Introduction of Public Private Partnerships. Greater customer orientation. Different working patterns. Job security
Poland	Financial constraints. New Labour Code Requirements, which call for collective agreements to be concluded between trade unions and employers' organisations from 2009. Status of municipal civil service.
Slovak Republic	Financial constraints. The Association of Cities and Municipalities of Slovakia refused to sign the 2004 collective agreement as it considered that insufficient financial resources were allocated to municipalities
Slovenia	Low level of autonomy for municipalities. 2003 Public Sector Wages Act restricted salaries for public officials.
Bulgaria	Lack of financial independence leading to disproportion between rights and responsibilities. Poor standard of municipal infrastructure. Moves towards privatisation.
Romania	Privatisation Conditions for competitive tendering Deficiency of local strategies for the development of public services.
Turkey	Privatisation Dismissals and collective redundancies Late payment of wages and benefits.

5.5. Growth rate of GDP - percentage change on previous year ⁹⁵

Country	2003	2004	2005 ⁹⁶
Belgium	1.3	2.9	2.2
Czech Republic	3.2	4.4	4.0 ^(f)
Denmark	0.7	2.4	2.3 ^(f)
Germany	-0.2	1.6	0.8 ^(f)
Estonia	6.7	7.8	6.0 ^(f)
Greece	4.7	4.2	2.9 ^(f)
Spain	2.9	3.1	2.7 ^(f)
France	0.8	2.3	2.0 ^(f)
Ireland	4.4	4.5	4.9 ^(f)
Italy	0.3	1.2	1.2 ^(f)
Cyprus	1.9	3.7	3.9 ^(f)
Latvia	7.2	8.3	7.2 ^(f)
Lithuania	10.4	7.0	6.4 ^(f)
Luxembourg	2.9	4.5	3.8 ^(f)
Hungary	2.9	4.2	3.9 ^(f)
Malta	-1.9	0.4	1.7 ^(f)
Netherlands	-0.1	1.7	1.0 ^(f)
Austria	1.4	2.4	2.1 ^(f)
Poland	3.8	5.3	4.4 ^(f)
Portugal	-1.2	1.2	1.1 ^(f)
Slovenia	2.5	4.6	3.7 ^(f)
Slovakia	4.5	5.5	4.9 ^(f)
Finland	2.4	3.6	3.3 ^(f)
Sweden	1.5	3.6	3.0 ^(f)
UK	2.5	3.2	2.8 ^(f)

⁹⁵ Eurostat, 2005.

⁹⁶ (f) = forecast

5.6. Public sector employment data⁹⁷

Employment in public administration⁹⁸													
	Cyprus	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Malta	Poland	Slovakia	Slovenia	Bulgaria	Romania	Turkey ⁹⁹
Total employment (in thousands)													
2003	24	305	35	288	62	71	14	866	163	49	228	459	-
2000	26	305	30	263	72	74	-	765	160	53	194	428	-
1998	-	279	35	252	64	75	-	-	155	41	-	380	-
Employment growth (in per cent)													
1998 – 2003	-	9.3	0.0	14.3	-3.1	-5.3	-	-	5.2	19.5	-	20.8	-
2000 – 2003	-7.7	0.0	16.7	9.5	-13.9	-4.1	-	13.2	1.9	-7.5	17.5	7.2	-
Employment share (in per cent)													
2003	7.6	6.6	6.2	7.4	6.3	4.9	9.5	6.5	7.5	5.6	8.1	5.2	-
Employment in education¹⁰⁰													
	Cyprus	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Malta	Poland	Slovakia	Slovenia	Bulgaria	Romania	Turkey
Total employment (in thousands)													
2003	21	284	50	320	71	135	12	1,063	160	62	213	402	-
2000	17	289	42	309	81	160	-	985	161	57	210	436	-
1998	-	288	52	305	84	138	-	-	166	59	-	445	-
Employment growth (in per cent)													

⁹⁷ European Commission, Employment in Europe 2004

⁹⁸ Includes all public administration workers and not solely those in local and regional government

⁹⁹ Comparable data is unavailable for Turkey. For further information, please refer to the Turkish case study in the report annex.

¹⁰⁰ Includes all employees in education, both private and public sector

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1998 – 2003	-	-1.4	-3.8	4.9	-15.5	-2.2	-	-	-3.6	5.1	-	-9.7	-
2000 – 2003	23.5	-1.7	19	3.6	-12.3	-15.6	-	7.9	-0.6	8.8	1.4	-7.8	-
Employment share (in per cent)													
2003	6.6	6.1	8.8	8.2	7.2	9.4	8.1	7.9	7.4	7.1	7.6	4.6	-
Employment in health and social services¹⁰¹													
	Cyprus	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Malta	Poland	Slovakia	Slovenia	Bulgaria	Romania	Turkey
Total employment (in thousands)													
2003	14	291	33	268	62	95	10	800	146	46	156	376	-
2000	11	281	27	246	46	91	-	927	146	46	165	316	-
1998	-	260	32	237	50	92	-	-	143	41	-	341	-
Employment growth (in per cent)													
1998 – 2003	-	11.9	3.1	13.1	24	3.3	-	-	2.1	12.2	-	10.3	-
2000 – 2003	27.3	3.6	22.2	8.9	34.8	4.4	-	-13.7	0.0	0.0	-5.5	19	-
Employment share (in per cent)													
2003	4.4	6.3	5.8	6.9	6.3	6.6	6.8	6.0	6.8	5.2	5.5	4.3	-

¹⁰¹ Includes all employees in health and social services, both private and public sector



***EPSU** the European Federation of Public Service Unions is a member of the ETUC. 8 million workers organised in their 216 trade unions are members of EPSU. These workers deliver services to the public in health and social services, local, regional and central government, and the utilities in energy, water and waste. EPSU organises workers in both public and private companies including large transnational companies.*



***The Council of European Municipalities and Regions (CEMR)** is the representative organisation of over 100,000 local and regional authorities federated through 47 national associations in 34 European countries. Its **Employers' Platform (CEMR-EP)** is a recognised partner in the European sectoral social dialogue for local and regional government, where it represents the employers.*

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