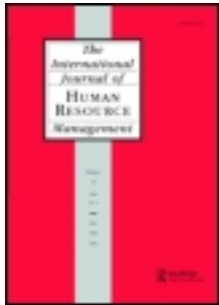


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### Industrial relations in South-Eastern Europe: disaggregating the contexts

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## Industrial relations in South-Eastern Europe: disaggregating the contexts

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This study critically evaluates industrial relations (IR) in South-Eastern Europe and points towards future practical and research-oriented opportunities in the region. A survey of organizational policies and practices has been used to explore the state of IR in both private and public organizations in this region. Specifically, the data, collected in 2009–2010 (including the latest changes due to the economic crisis), cover 840 different organizations located in Slovenia, Serbia, Bulgaria, Greece and Cyprus. We discuss the development of ‘regional-specific’ IR policies, the ‘importing’ of varieties of capitalism models, the diffusion of the European Union social model and the role of foreign MNCs in changing IR in the region.

**Keywords:** Bulgaria; Cyprus; Greece; industrial relations; Serbia; Slovenia; South-Eastern European organizations

### Introduction

We know much less about human resource management (HRM) in South-Eastern Europe (SEE) than we do about HRM in North-Western Europe. But developments in these SEE countries may be of real significance for our understanding of the way HRM works. The ex-communist SEE states are a test bed of many of our ideas of management, HRM and industrial relations (IR). The latter, in particular, is the focus of this paper. This is a region where the model of IR that existed in 1990 totally collapsed, leaving the field open for a variety of alternatives to be tried. To use the basic distinction drawn by [Hall and Soskice \(2001a\)](#), should these states follow a carefully regulated, collaborative Germanic approach – act as a Co-ordinated Market Economy (CME) – or a regulation-free, competitive US approach, or a Liberal Market Economy (LME) as these authors term it? Hall and Soskice argue that countries can be successful at either end of this spectrum but systems that are mixed are much less likely to be successful. More immediately for our purpose here, what models of IR would emerge? Like many of the other varieties of capitalism (VoC) specialists, [Hall and Soskice \(2001a,b\)](#) have very little to say about their non-ideal-type countries so their position is open to exploration. The same applies to the multi-variety models of comparative capitalisms. For example, although the social systems production approach ([Amable 2003](#)) includes Greece as an example of the Mediterranean market economy and the national business systems approach ([Whitley 1999a](#)) discusses Slovenia extensively, there is still much to learn about IR in these states. However, since this approach has been developed for business systems with distinctive patterns of behaviour and differences in relationships

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between entrepreneurs, managers and employees (Morgan 2005, 2006; Gooderham, Nordhaug and Ringdal 2006), we can support the view that even on the simple dichotomous model, different ex-communist SEE states have made different decisions about which model to follow.

Many of the SEE countries were in the former Soviet bloc or members of the Yugoslav state. Events since the November 1989 collapse of the Berlin Wall, and what it stood for, have been dramatic and, for the lives of some ordinary citizens of these countries, traumatic. The switch from planned to market economies has been momentous: wealth (and inequality) increased; GDP growth was well above the average compared to the countries that were previously in the European Union (EU). The economic crisis that began in 2008 hit some of the countries in the region harder than most of the more established economies; it had a particularly visible effect in their near neighbour and trading partner Greece. Many of these countries have acceded to the EU; some have joined the Eurozone. Borders have been opened for the free movement of capital, goods and labour. These are countries where economies and lives have changed considerably in a short period of time. They have been classified as 'transition economies' (Stark and Bruszt 1998). While it is clear what they are transitioning *from*, it is not clear exactly what they are transitioning *to*, or whether, in fact, they represent a new VoC in contrast with other emerging market economies in other places of the globe (Batt, Holman and Holtgrewe 2009; Kuruvilla and Ranganathan 2009).

A related question concerns the extent to which foreign multinational corporations (MNCs) have introduced new or at least foreign IR in these countries. The economies of the SEE countries tend to be dominated by large numbers of small- and medium-sized enterprises (SMEs) – many of them very small – and public sector employment, but the fervent wish to attract foreign inward investment that followed the upheavals of the early 1990s has led a number of MNCs to establish a presence in the region. MNCs are powerful, particularly in the context of countries where systems and procedures are in flux and far from fully entrenched, and where governments are desperate for foreign investment. But they are not unconstrained: there are national and in some cases organizational cultures and local institutional arrangements (education systems, labour markets, laws, fiscal policies and trade unions) to be taken into account (Wood, Psychogios, Szamosi and Collings 2012). In other words, MNCs need to be more flexible because these systems in ex-communist countries consist of diverse national and international institutional forms that make them far more complicated (Morgan 2007). How easily and how successfully MNCs can introduce IR policies and practices from elsewhere is, therefore, a matter for empirical investigation (Brewster, Wood and Brookes 2008; Fardale, Brewster and Poutsma 2008; Brewster and Bennett 2010).

In this paper, we draw on an international survey of employers to establish some of the similarities and differences in the current position of IR in five SEE countries, namely Bulgaria, Cyprus, Greece, Serbia and Slovenia. These countries are an interesting amalgam of contexts, having old (Greece), new (Bulgaria, Cyprus and Slovenia) and potential (Serbia) members of the EU. Also, three of them (Bulgaria, Serbia and Slovenia) are ex-communist countries, belonging though to different blocs: the former Soviet bloc (Bulgaria) or the Yugoslav state (Serbia and Slovenia). Since the collapse of their communist regimes, they have experienced different fortunes – with Slovenia being comparatively successful economically and Bulgaria economically unsuccessful. They have also seen dramatic changes in their IR systems. However, previous studies of ex-communist countries have suggested that even though their economies were in transition, employees have shown more support for strong trade unions and state

intervention in the job market in comparison to liberal market economies (Blanchflower and Freeman 1997). Moreover, Greece and Cyprus, although not ex-communist bloc states (despite having had communist governments in the past), cannot be included in the LME group where work flexibility, for instance, is much more accepted (Katz 1993; Holman, Frenkel and Sørensen 2009; Van Jaarsveld, Know and Frost 2009). Nevertheless, both countries have seen substantial deregulation of their IR systems in the last few years and due to the current debt crisis face a rapid deconstruction of their IR systems (at the time of writing, 2013, this is still continuing).

Hence, this study attempts to explore empirically some of the similarities and differences in the IR systems of these SEE states and identify what they mean for our theories of capitalism generally and IR in particular. In the first part of the paper, we outline some of the existing theories and background factors for those states that may explain their similarities and differences. Then we present our methodology and our findings and draw some conclusions as to the current and potential future of IR in SEE.

### **Theorizing industrial relations in SEE region**

Various theories in the field of international business suggest that organizations are embedded in their national context (Whitley 1999a; Dore 2000; Amable 2003; Hall and Soskice 2001b; Kostova and Roth 2002).<sup>1</sup> Foreign firms will want to bring in to their subsidiaries their own versions of 'best practice', but they will also need to understand and adapt to the local context in order to become and remain legitimate and efficient. There are both institutional and cultural arguments for this (Brewster 2004; Sorge 2004). According to Wood and Lane (2012), recent research on institutions emphasizes the uneven and polymorphic nature of capitalistic development in different contexts. Therefore, it is important to understand the emerging economic contexts, attempting to explain their operation theoretically.

The VoC literature provides a potential explanatory framework for this purpose (Dore 2000; Hall and Soskice 2001b). CMEs take a wider stakeholder approach to employment issues, there are higher levels of job security (Croucher, Wood, Brookes and Brewster 2012) and protected employment conditions and, therefore, employers are more open to investing in the development of their employees, since there is less chance of talented employees' leaving the employer (Goergen, Brewster and Wood 2009; Psychogios and Wood 2010). It is accompanied by higher levels of delegation (Whitley 1999a). CMEs tend to be mainly focused on opportunities to produce high quality, value-added manufacturing of refined, mature products (Dore 2000; Hall and Soskice 2001b; Thelen 2001; Psychogios, Szamosi and Wood 2010b). On the other hand, LMEs are focused on increased competition that makes employment relations more flexible in terms of employees' job security, representation and turnover. They are associated mainly with knowledge intensive and technology sensitive industries but with a strong focus, also on lower-value service sector activities.

This dichotomy seems to be less adequate regarding the economies of the SEE region. For instance, Harcourt and Wood (2007) criticize these approaches as broadly ignoring the different nature of SEE countries. Moreover, Whitley (1999a) notes that key-interest groupings and their interactions with workers and organizations vary greatly from country to country. Therefore, other authors went beyond the VoC approach to take a more nuanced view of comparative capitalisms (Jackson and Deeg 2008) and attempted to concentrate on a wider range of institutional characteristics (Whitley 1999a; Wood and Frynas 2006). According to Whitley (2006), the available evidence coming from Central

and SEE countries supports the view that these countries should be treated as a distinctive group.

Hence, a major target of the current literature regarding IR systems in SEE countries, and especially those belong to post-communist (PC)/transition economies, is either to position it as another type of VoC (Lane 2007; Babos 2010) or to establish the different types of capitalism within the SEE grouping. Lane (2007) points out that ex-communist economies can be divided into middle, low and very low income categories. Some countries appear to be following the continental European capitalism (Lane 2007), the best examples being the new EU and Eurozone member-states (e.g. Slovenia and Slovakia), since they accept strong pressures associated with Europeanization and the requirements to form common institutional arrangements. Also, in both Slovenia and Slovakia, the system is less corrupt, enjoying a macroeconomic stability. Other countries (Bulgaria, Croatia, Latvia, Lithuania and Romania) are considered less developed and appear to be trying to follow LME arrangements (Lane 2007). As Buchen (2007) argues, this does not suggest that there are not common features among these countries. For example, there are common aspects regarding shareholder approaches to corporate governance. Crowley (2004) reaches similar conclusions by arguing that most transitional SEE countries appear to be moving firmly towards the liberal market model, with the possible exception of Slovakia that has appeared to share many common features with Slovenia. However, it is clear that those states had a range of different models to use as exemplars. These 'transforming' or 'transitioning' economies (Stark and Bruszt 1998) have been developing their approach to capitalism for over two decades now: have they become a specific variety of capitalism, or several varieties, or are they still in flux?

A wider view of the SEE region includes relevant states that were not formerly part of the Soviet Communist or Yugoslav blocs (even though they may have had or have communist governments). For example, Greece and Cyprus, although SEE states, are part of the Mediterranean capitalism variety (Amable 2003; Psychogios and Wood 2010). Both of them encounter a historical tradition of centralism as well as the long existence and operation of state-owned enterprises, some MNCs and a lot of, mainly family-owned, SMEs (Psychogios et al. 2010b). According to Zambarloukou (2007), the pre-existing institutional arrangements and economic structures found in Greece and Cyprus, with many small enterprises, rigid labour laws and inflexible labour arrangements, are typical of the Mediterranean variety of capitalism (Amable 2003; Zambarloukou 2007).

### **Understanding the SEE context of industrial relations**

IR is a good touchstone for such issues, since national business systems are not just about external co-ordination or competition, but also about internal relationships – typically evidenced in the legitimacy of and role for trade unions (Whitley 1999a). Many authors have attempted to analyse specific aspects of the IR system in Central and SEE. Iankova (2002), for example, suggests that there are three elements of this group of countries that differentiate their tripartite social partnership structures from Western European countries: multi-level bargaining, involvement of a broader range of social groups and emphasis on political negotiations rather than on economic and social issues. Moreover, in many countries, there is a lack of nationally coherent IR institutions (Martin and Cristescu-Martin 2006). Particular attention has been paid to the core values underlying IR systems in Central and SEE. So Howard (2003) argues that there is a widespread mistrust of formal organization and organizational participation, and Roney (2000) supports the view that there is a wider emphasis on family and informal networks rather than on increased levels



of social trust. The existing evidence led [Martin and Cristescu-Martin \(2006\)](#) to argue that the IR system in Central and SEE is highly segmented. In particular, they claim that there are four major segments that need to be taken into account, namely, the state budget segment (under continuing crises since 1989), the privatized segment (which provoked a turbulence in IR systems within the region), the private segment (characterized by limited collective bodies and informal IR) and the multinational corporate segment (which seems to follow the international trends with reductions in employment levels, increased flexibility and rationalization of work). According to these authors, the fourth segment provides some evidence of convergence between Central and SEE countries and those in western Europe.

More recent literature clusters together the Central and South-Eastern European countries that are members of the EU (Czech Republic, Hungary, Poland and the Slovak Republic) in comparison to other that are not ([Sahadev and Demirbag 2012](#)). [Nölke and Vliegthart \(2009\)](#) call this form of capitalism 'Dependent Market Economies'. Other emerging economies from SEE, which are not EU member-states, operate within their own institutions and share a socialist legal origin ([Botero, Djankov, La Porta, Lopez-de-Silanes and Shleifer 2004](#)). The above arguments support a view of fundamental differences between different transition economies. The main field of these distinctions concerns the nature and depth of neo-corporatism, and the power and sustainability of various institutions and employment practices ([Jackson and Deeg 2008](#)).

These distinctions are key to the IR system. As an example, although trade union membership there has declined markedly in the last couple of years, Slovenia is characterized by a development towards a neo-corporatist culture, since there are well-organized and structured trade unions, firm works councils and collective wage agreements as well as quite powerful associations of employers ([Buchen 2007](#)). Other transitional countries seem to have followed a different route. For example, Romania and Bulgaria have fundamentally weak trade unions and work councils, as well as less-structured employer associations.

The developing literature on comparative capitalisms suggests that these transitional economies have still to become fully integrated into any particular variety of capitalism, either through converging with another variety of capitalism or as a fully formed model in its own right. Even though the countries constituting the SEE region of Europe have some similarities, their size, political importance and economic performance differ dramatically ([Schwartz and McCann 2007](#)). This is likely to affect the nature of IR development in each one of them. Given that transitions tend to be uneven affairs, it is likely that internal diversity will be particularly advanced in such contexts ([Boyer 2006](#)). In recent years, dramatic and possibly traumatic change has also occurred in other states in the region. Notoriously, Greece and Cyprus have in recent years been struggling with an economic crisis that has caused numerous international interventions and created concern and unrest throughout the country. We need a clear understanding of the differences between exemplar states in the region.

## **Countries in our study**

### ***Bulgaria***

The Bulgarian economy has struggled in recent years. Since its re-establishment as an independent country, Bulgaria has, compared to its ex-communist neighbours, had lower growth, lower foreign investment, lower labour productivity ([Vatchkova 2009](#)) and has developed a reputation for having higher levels of corruption ([Brewster and Bennett 2010](#)). On many measures of development, Bulgaria comes out at or near the bottom of the group: it would fit comfortably into the low-income category of SEE countries ([Lane 2007](#)).

Like many of the ex-communist states, Bulgaria has a mix of organizations with many of the old approaches persisting in some form alongside dynamic modern businesses (often linked to foreign MNCs), which have adopted westernized ways. Bulgaria has a largely formal IR system, but at the same time it is characterized by a wage informalization (Williams, Kedir, Nadin and Vorley 2013). Indirect employee representation is dominated by trade unions (European Industrial Relations Observatory [EIRO] 2009a). There are areas of strong trade unionism, with around a third of larger organizations having more than 50% union memberships, while many others having much less and perhaps another third having no union representation at all (Vatchkova 2009). Although around 40% of organizations had a joint consultative committee or works council a decade ago (Nedialkova 2001), this is far from the case now (EIRO 2009a) and indirect representation other than through trade unionism is limited to representation on committees for the protection of employees' economic and social interests, information and consultation (under Council Directive 14/2002 EC) and health and safety committees (EIRO 2009a). Trade union membership and influence have declined dramatically in recent years: in the last decade, the proportion of larger organizations dealing with unions dropped from around three quarters to only just above one quarter. Conversely, bypassing unions through direct verbal communication and electronic communication (which has comparatively very low use) have increased. This may partly reflect the privatization and shrinkage of the public sector, in which the unions were strong, but public opinion polls reveal that trade unions do not enjoy high levels of confidence among Bulgarian citizens. This does not explain the lower use of joint consultation structures, though it has been argued that this may be because employers were concerned that their powers would be undermined, while trade unions were afraid of being ousted by other bodies protecting workers' interests (Vatchkova 2009). The evidence shows Bulgaria lagging behind other countries in other areas too. Vatchkova (2009) points out that less information is passed to the workforce in Bulgarian organizations than in most countries throughout Europe – a fifth of the managers, even, are not informed about the company's financial results.

### *Cyprus*

It has been argued that the IR system in Cyprus showed caution on the part of both employer and employees associations over recent decades. This was a result of the governments' policies towards the enhancement of active participation of workers, the limited involvement of the state and the production of procedural agreements (Papalexandris and Stavrou-Costea 2004). In particular, the IR system in Cyprus is based on tripartite cooperation. According to Soumeli (2009), there is a long tradition of social dialogue, where the application of IR policies and practices comes from the social dialogue between the government, the employer organizations and the trade unions. The main structures of indirect representation are the trade unions and safety committees (EIRO 2009b). Collective representation is high, since three quarters of Cypriot organizations with over 100 employees stated that at least three quarters of their staff belong to trade unions (Papalexandris and Stavrou-Costea 2004). The Cypriot trade union movement, both in the private and in the semi-public sector, was firmly established and well-organized both in terms of direction and structure (Soumeli 2009).

Employment has been based, to a large extent, on the provisions of collective agreements, either at the sectoral or at the organizational level. However, the system can be defined as quasi-formal (Williams et al. 2013), since there are some features that are less formal. A prime example is the lack of legal system related to employment relations. In the



absence of relevant law, collective agreements are considered as ‘gentlemen’s agreements’ (Yannakourou and Soumeli 2005). In the last few years, there has been growing pressure on Cyprus to harmonize its legislation with the EU and this has led to a number of terms and conditions of employment being legally enforced, providing minimum terms and conditions of employment for non-unionized employees and employees in smaller enterprises and those that have not agreed to or signed a collective agreement (Yannakourou and Soumeli 2005; Soumeli 2009). However, the laws that exist are rarely enforced. In short, the IR system in Cyprus appears to mix elements of an LME, since it is based on the liberal and voluntary tradition, with little legislative backup (Stavrou-Costea 2004), and a quasi-formal system reflected on the predominance of waged informalization (Williams et al. 2013) of a Mediterranean system, with a predominance of family owned businesses, long-term employment, paternalism and little legislative enforcement.

### *Greece*

Greek capitalism is internally diverse, reflecting specific historical legacies of a highly interventionist state and periodic experiments in centralized authoritarianism and regional diversity with large enterprises placed in a few major cities (Lane and Wood 2009). Moreover, Greece has a lot of similarities with most other countries in the ‘Mediterranean and South Eastern model of capitalism’ (Amable 2003) or the so-called ‘Mixed Market’ Economies (Hall and Soskice 2001b; Hancké, Rhodes and Thatcher 2007; Molina and Rhodes 2007). Beyond these arguments though, it can be argued that Greece is a distinct case, having less common features with other especially Mediterranean countries like Italy and Spain (Psychogios and Wood 2010). This is due to the situation in employment relations as well as on the unfortunate role of being a pioneer in implementing further neoliberal reforms following the economic crisis that began in 2008, which may eventually lead to the development of new institutional orders (Sorge 2004).

In this respect, the Greek IR system is a dualistic one: there is the heavily unionized and regulated state and large firms sector, and there is the very large underground economy (Psychogios and Wood 2010) with trade unions, works councils and health and safety committees (EIRO 2009c). In the SME sector, there is a culture of non-compliance with labour law (Mihail 2004). The lack of trade union representation in SMEs has not led to the adoption of alternative forms of representation within those enterprises (EIRO 2009c), so the resultant IR practices are likely to be non-procedural, flexible, highly personal and at the same time arbitrary; this is often matched by poor terms of employment and working conditions (Psychogios and Wood 2010). Hence, in Greece the IR system is formal and, at the same time, informal that is mainly driven by the market (Williams et al. 2013). The current debt crisis (2008–2009) has further accelerated the declining importance of the state sector, which has negatively affected trade union membership and led to significant industrial conflict. At the same time, the role of the state has been weakened since the debt crisis has resulted in an attrition of national autonomy, due to the involvement of transnational institutions like the International Monetary Fund and the leading Eurozone countries.

### *Serbia*

Serbia stands around the middle of the group of ex-communist countries in terms of economic development, despite its recent turbulent history (Lane 2007). The unique background of participative structures in the former Yugoslavian countries, greatly

influenced by the system of self-government, developed in the second half of the twentieth century (Szlávicz 2006; Svetlik et al. 2010). Serbia had a decisive political role among the republics of the former Yugoslavia. Following the disintegration of the country, the Federation of Serbia and Montenegro took over as the legal successor of the state's rights and obligations. Since 2005, and the secession of Montenegro, Serbia constitutes as a separate state. It has, of course, had a troubled history over the last few years and this continues to be reflected in high unemployment and low growth rates, although the country has recently attracted considerable inward investment. Serbia is an example of 'wild capitalism' (Upchurch and Marinković 2011).

In the last decade, Serbia has shown a strong effort towards democratization of IR, since this is one of the necessary conditions for its European integration. However, employee representation still seems to be uncertain (Mihailović 2001). In addition to the old 'party' unions in the Confederation of Autonomous Trade Unions of Serbia, there are numerous 'new' trade unions, often set up in opposition to the former unions, many of which are not affiliated to any trade union centre (Arandarenko 2001). The extensive fragmentation of the union movement means that they are generally weak and have little influence. They are highly competitive between and within themselves but quiescent as far as employers or the state are concerned. They are faced with numerous problems (Stajić 2006), both of adjusting their own ways of operating and of achieving acceptance. In short, trade unionism and representation in Serbia seems to be weak, unclear and dominated by conflicts.

### *Slovenia*

Slovenia shares some of the same history as Serbia in terms of being a part of Yugoslavia, but has developed very differently and is the most successful of the ex-communist countries in our sample (Lane 2007). Historically, Slovenia was economically the most developed Yugoslav republic and the one most intensively connected with western markets. Following a massive general strike in 1992, the privatization process in Slovenia accentuated internal buy-outs where all key players – the state, managers and workers – were included in a major redistribution of the former social property. This strongly, and probably decisively, contributed to pacification of the strike movement at the time (Stanojević 2003).

Accession to the EU in 2004 led to the development of transitional state-managerial capitalism. The institutionalized tripartite formation of wage restraint policies, i.e. the chain of instrumental pacts (Brandl and Traxler 2010), was assured by the relatively developed, highly centralized, inclusive collective bargaining system. The employment system in Slovenia is less formalized. According to Williams et al. (2013), Slovenia displays a solidarity-oriented, own-account informalization. The basic features of the system meant the core workforce enjoyed strong job and payment protection. Slovenia joined the Eurozone and a newly elected coalition government announced a package of radical neoliberal reforms, which were opposed by the trade unions. In the context of the political turn to the right, the announced reforms, conflicts and new policies by the Chamber of Commerce and Industry, there was a rapid decline in trade union membership.

Indirect employee representation is mainly undertaken by trade unions and works councils. The majority of companies (60–70%) have trade unions. Work councils can be found in around three quarters of large companies and in around a quarter of SMEs (EIRO 2009d). Public opinion surveys reveal that over the last four or five years Slovenian trade unions have probably suffered the most dramatic membership loss in their recent history,

although they remain higher than most of the other countries in our sample. Relationships between the unions and the employers and government have continued to deteriorate, the unions are getting weaker and there is only fragmented dialogue.

### **The rationale of the study**

In IR terms we can categorize our selected SEE countries into two major groups. On the one hand, there are some PC states that are trying to promote their economies by formulating a more stable management system. Within this group, there are countries at different stages of development: Slovenia is a complete member of the EU, and the Eurozone and its economy seems to be much more integrated in comparison to the majority of these states; Bulgaria, although a new member of the EU, is not fully financially integrated in the Eurozone; and Serbia is not a member-state of the EU, although its current government has a strategy to become a member in the future. On the other hand, there are Greece and Cyprus, which were never part of the communist bloc. These countries are also trying to find their own economic balance, though from different perspectives. Greece, a long-time member-state of the EU and part of the Eurozone, currently faces a huge debt crisis and an enormous deregulation of its systems (including IR) in order to meet international requirements and remains part of both the EU and the Eurozone. Cyprus, like Slovenia, is a complete member of EU and the Eurozone, is currently divided so that the northern 40% of the country does not recognize the authority of the government of the Republic of Cyprus (which, only recently had a communist president) and accepts strong pressures to integrate its system in order to follow its EU counterparts, despite the negative impact from the global financial crisis.

These are all countries in which there has been little research on IR (Psychogios, Szamosi and Wood 2010a) and the research that has been done was generally undertaken before the 2008–2009 depression and the resultant downsizing, job insecurity, etc. Moreover, the majority of the existing studies that can be found in SEE IR literature are generic and fragmented. Institutions are dynamic and evolving (Boyer 2006). Therefore, there is little doubt that the process of change in regulation and practice in SEE countries has been an uneven, contested and uncertain process. The literature review of the SEE IR systems discussed above indicates that purely dichotomous approaches to capitalist diversity cannot adequately explain the nature of institutions or practices in many transition economies, most notably in the SEE region. Particularly at this period of time, the countries in the region, for different reasons, have been undergoing a tortuous evolution, characterized by reforms introducing greater liberalization, Europeanization and co-ordination. Nevertheless, the ultimate direction for these countries remains unclear. In this respect, this study aims to expand our understanding and knowledge of the IR system within the changing context of SEE states by empirically exploring similarities and differences. This study is a first attempt to close some of these research gaps.

### **Methodology**

The SEE countries investigated in this study are Bulgaria, Cyprus, Greece, Serbia and Slovenia. The evidence comes from Cranet, a substantial international comparative survey of the senior human resource specialists in more than 40 countries. The questionnaire is designed by a multicultural team and translated and back-translated (Brislin, Lonner and Thorndike 1973; Brislin 1976) into the appropriate language or languages of the host country. The questionnaire is answered in about 70% of cases by the most senior person in

the HRM department of the organization (and in the other cases, mainly the smaller organizations, mostly by the CEO or a senior manager whose responsibilities encompass, but are not limited to, HRM). Respondents are from organizations with more than 100 employees. The survey is a full population survey in each of these countries and it is broadly representative of the economy of these countries, though tending to over-represent the proportion of larger organizations. The survey questions are as far as possible restricted to factual issues with numbers or yes/no answers. This facilitates translation and enables us to check with other databases on, for example, trade union membership, that our results are (for organizations of more than 100 employees) in line with existing knowledge, and ensures that the results are not subject to too much perceptual or cultural interpretation.

Using this database, we explore a variety of IR issues in our selected countries. Response rates for these full-population surveys range, depending on country, from 14% to 20%. Table 1 shows the total sample from each SEE country in the study as well as how this number is distributed among SMEs and larger organizations. It also shows the sample of organizations in non-communist (Non-C) and PC countries.

More than 82% of the total responses are from organizations in Bulgaria, Greece and Slovenia, while the smallest samples come from the smaller populations of Serbia and Cyprus. The majority of organizations (68%) are in the private sector, while the public organizations constitute 18.5% and the rest are, more or less, equally distributed among not-for-profit organizations, mixed (public–private) organizations and other types of organizations. The sample is almost equally distributed among larger organizations and smaller organizations (see Table 1). The majority of the organizations (66%) have a dedicated HRM department, rather than having HRM included in general administrative tasks. The data refer to organizations and were gathered in 2009–2010, including the latest changes following the economic crisis.

The respondents were asked about a series of IR issues and challenges associated with current organizational practices. To facilitate the data analysis, specific control variables have been used so that the effect of the independent variable can be tested in relation to them. Specifically, the control variables used are: (i) whether the data are from a country in the PC or Non-C group (we also checked for individual country); (ii) the size of organizations in terms of total number of employees; (iii) the type of organizations (local/national or international/MNC); and (iv) the sector in which organizations are operating (public, private and mixed). Some of these variables have been used in similar studies analysing their effects on the convergence of employment practices in Europe (see, for example, Tregaskis and Brewster 2006; Sahadev and Demirbag 2012). The type of organization (local or international/MNCs) becomes significant since the majority of these

Table 1. Sample of organizations from each SEE country (showing size of organizations).

<i>SEE countries</i>	<i>SMEs</i>		<i>Large</i>		<i>Total</i>	
	<i>N</i>	<i>Mean</i>	<i>N</i>	<i>Mean</i>	<i>N</i>	<i>(%)</i>
Bulgaria	194	74.88	73	915.57	267	31.8
Cyprus	47	141.74	43	853.74	90	10.7
Greece	66	178.62	148	2483.24	214	25.5
Serbia	31	119.90	19	702.47	50	26.1
Slovenia	130	153.39	89	1166.07	219	6
Total	468	121.02	372	1586.07	840	100
Non-communist	113	163.28	191	2123.04	304	
Post-communist	355	107.56	181	1016.10	536	

economies are dominated by local SMEs, but at the same time there is a wave of MNCs that may wish to transfer IR policies and practices within their SEE operations (Martin and Cristescu-Martin 2006). The dependent variables used refer to a variety of IR issues and practices and can be classified in the following categories:

- (1) Trade unions influence and developments: existence of trade unions and other representative bodies (work councils), and their degree and development of influence on organizational policies and practices.
- (2) Downward internal communications: the methods that management uses to communicate major issues to employees.
- (3) Upward internal communications: the methods that employees use to communicate their views to management.

Different sets of parametric tests were carried out using SPSS software. These tests investigate whether there are significant differences between groups, a methodology that has been used in similar studies (Tregaskis and Brewster 2006). Independent samples *t*-tests were used to compare the mean scores of two different groups. One-way analysis of variance (ANOVA) tests were conducted with *post hoc* tests (Tukey) to identify which groups differed. Additional tests, besides descriptive statistics, included bivariate correlations and  $\chi^2$ .

## Findings

Overall, many of our control factors confirm that IR in SEE follows similar patterns to those in the rest of the world. Thus, as anticipated, and as elsewhere in the world, larger organizations are more likely to include both a higher number and a higher proportion of trade union members to recognize trade unions for collective bargaining, to have consultative or works committees and to be more influenced by the unions. They are also more likely to be members of an employers' association. And, again as expected, sector is an important element of the analysis. There are statistically significant differences between private and public sector organizations, with the mixed public–private sector organizations aligning with the public sector ones: strong trade unions, active works councils and significant influence on management processes.

In more detail, Table 2 shows the correlation analysis made between the proportions of employees participating in trade unions controlled for the size of the organization. Clearly, the larger the organization, the more employees participate as members in the trade unions ( $p = 0.00$ ) and the more trade unions play a significant role and influence decisions and policies ( $p = 0.00$ ). Similarly, collective representation of employees within larger companies and organizations means more recognition of these entities as part of collective bargaining. The same happens less within small- and medium-sized organizations ( $p = 0.00$ ). At the same time, the latter seem to neglect other representation bodies like work councils or consultative committees that are more common in larger organizations ( $p = 0.00$ ), confirming the evidence from western Europe that trade unionism and other forms of collective representation are correlated (Brewster, Wood, Croucher and Brookes 2007). Finally, Table 2 shows larger organizations, and especially those operating in the private sector, tend to participate more in employers' associations in SEE countries ( $p = 0.00$ ).

Table 3 shows the extent to which trade unions' influence on organizations is related to the type of organization. Within indigenous local organizations, IR practices play a significantly lesser role than they do in the MNCs. In other words, within international large organizations, formalized IR practices and systems are more common than they are

Table 2. Participation in trade unions and organizational size.

<i>Group statistics</i>							
		<i>Company size</i>	<i>N</i>	<i>Mean</i>	<i>SD</i>	<i>Standard error mean</i>	
Proportion of employees that are members of a trade union		SME	426	2.97	2.199	0.107	
		Large	347	3.86	1.921	0.103	
<i>Independent samples test</i>							
<i>t-test for equality of means</i>							
			<i>t</i>	<i>df</i>	<i>Sig. (two-tailed)</i>	<i>Mean difference</i>	<i>Standard error difference</i>
Proportion of employees that are members of a trade union	Equal variances assumed		-5.950	771	0.000	-0.895	0.150
	Equal variances not assumed		-6.032	767,202	0.000	-0.895	0.148

Table 3. Influence of trade unions and organizational type.

<i>Group statistics</i>							
		<i>Organizational type</i>	<i>N</i>	<i>Mean</i>	<i>SD</i>	<i>Standard error mean</i>	
Extent to which trade unions influence organization		Local/national SMEs	379	1.08	1.146	0.059	
		International/MNCs	360	1.46	1.170	0.062	
<i>Independent samples test</i>							
<i>t-test for equality of means</i>							
			<i>t</i>	<i>df</i>	<i>Sig. (two-tailed)</i>	<i>Mean difference</i>	<i>Standard error difference</i>
Extent to which trade unions influence organization	Equal variances assumed		4.513	737	0.000	-0.385	0.085
	Equal variances not assumed		4.511	733,211	0.000	-0.385	0.085

in other types of organizations. In particular, employee participation in trade unions ( $p = 0.00$ ), the influence of the latter on management decisions ( $p = 0.00$ ) and their involvement in collective bargaining ( $p = 0.001$ ) as well as the existence of other collective representation bodies ( $p = 0.001$ ) seem to be part of the agenda of large MNCs organizations, but less commonly so for indigenous organizations.



Table 4. Trade union influence and sector of the organization.

<i>Descriptives</i>					
<i>Sector</i>	<i>N</i>	<i>Mean</i>	<i>SD</i>	<i>Standard error</i>	
Private	522	1.07	1.120	0.049	
Public	148	1.85	1.157	0.095	
Mixed	67	1.72	1.204	0.147	
Total	737	1.29	1.183	0.044	
<i>Test of homogeneity of variances</i>					
<i>Levene statistic</i>		<i>df1</i>	<i>df2</i>	<i>Sig.</i>	
0.388		2	734	0.679	
<i>ANOVA</i>					
	<i>Sum of squares</i>	<i>df</i>	<i>Mean square</i>	<i>F</i>	<i>Sig.</i>
Between groups	83.013	2	41.507	32.190	0.000
Within groups	946.428	734	1.289		
Total	1029.441	736			
<i>Multiple comparisons</i>					
<i>Tukey honestly significant difference test</i>					
<i>(I) Sector</i>	<i>(J) Sector</i>	<i>Mean difference (IJ)</i>	<i>Standard error</i>	<i>Sig.</i>	
Private	Public	-0.777*	0.106	0.000	
	Mix	-0.642*	0.147	0.000	
Public	Private	0.777*	0.106	0.000	
	Mix	0.135	0.167	0.699	
Mixed	Private	0.642*	0.147	0.000	
	Public	-0.135	0.167	0.699	

\*The mean difference is significant at the 0.05 level.

The third organizational factor, sector, is shown in Table 4. There are clear statistical differences between them. Public organizations are better well-organized and active in terms of IR issues – more trade unions ( $p = 0.00$ ), with more active members in them ( $p = 0.00$ ), more active work councils ( $p = 0.005$ ) and greater recognition of trade unions for collective bargaining ( $p = 0.039$ ). The communist heritage in Bulgaria, Serbia and Slovenia still seems to influence the IR practices of public organizations, while at the same time, in both Greece and Cyprus, there is also a long tradition of well-established and powerful trade unions in the public sector. The mixed public–private organizations in SEE countries are generally public enterprises where the main stakeholder is the state, but they have been put at arms-length in an attempt to get them to operate more like private companies. This does not seem to be altogether successful. In Greece, for example, some of them are monopolies and tend to maintain strong trade unions with a considerable amount of influence.

### Exploring geographical effects on IR systems in SEE

We explored the differences between the PC and Non-C countries: between Serbia, Slovenia and Bulgaria, on the one hand, and Greece and Cyprus, on the other, which have

Table 5. Trade unionism and collective bargaining in PC and Non-C countries.

<i>t</i> -tests			
	<i>Non-communist Mean value</i>	<i>Post-communist Mean value</i>	<i>Independent sample test Sig. (two-tailed)</i>
Proportion of employees that are members of a trade union	3.75	3.14	0.000
Extent to which trade unions influence organization	1.57	1.11	0.000
$\chi^2$ tests			
	<i>N</i>	<i>Pearson <math>\chi^2</math></i>	<i>Sig. (two-tailed)</i>
Recognize trade unions for collective bargaining	713	83.051	0.000
Member of employers association	774	34.547	0.000

a lot of common linguistic, political, cultural, historical and economical features although they maintain distinct characters.

Table 5 shows differences in trade unionism and collective bargaining between these two groups of countries. First, it seems that PC countries are dominated more by small and medium organizational entities, while in Non-C countries the majority of the organizations do belong in a larger group ( $p = 0.00$ ), and many of them are the subsidiaries of MNCs. Moreover, it seems that trade unionism is less developed and organized in the PC countries compared to the Non-C ones. Statistically, the latter have more active collective employee representation: more participation of employees in trade unions and employee representatives that have more influence on decisions, policies and practices of the organizations that employ them. Organizations in PC countries are less likely to recognize trade unions for collective bargaining ( $p = 0.00$ ) and less likely to be members of employers' associations ( $p = 0.00$ ). A critical explanation of the above results lies in the fact that the PC countries attempted to 'run away' from their communistic culture and practice in order to promote their economies more within the European capitalistic system. In contrast, Greece and Cyprus have a long tradition of strong IR institutions that dominates both in larger businesses and in the public sector.

The communist past does, however, seem to influence some management practices in PC countries, since they follow more formal methods of communication in comparison to Non-C countries. Table 6 confirms that Non-C countries use more informal and more modern (electronic) methods of communicating in comparison to PC countries. In particular, organizations in PC countries are more likely to utilize representative staff

Table 6. Downward internal communications in PC and Non-C countries.

	<i>Non-communist Mean value</i>	<i>Post-communist Mean value</i>	<i>Independent sample test Sig. (two-tailed)</i>
Direct to senior managers	1.11	1.34	0.030
Verbally	3.02	2.84	0.031
Direct	2.75	2.32	0.000
Electronic ways	2.53	1.92	0.000
Team briefings	2.54	1.95	0.000

Table 7. Formality of briefing among different working groups.

	Pearson $\chi^2$ sig. (two-sided)		
	<i>Business strategy</i>	<i>Financial performance</i>	<i>Organization of work</i>
Management	0.237	0.123	0.025
Professional	0.000	0.000	0.000
Clerical	0.000	0.000	0.000
Manual	0.000	0.027	0.000

bodies to communicate major issues to the staff ( $p = 0.00$ ) and less likely to use verbal ( $p = 0.031$ ) and direct communication ( $p = 0.00$ ), and tend to use written or electronic ways of communication with employees significantly less ( $p = 0.00$ ): they prefer more official ways of communicating. They make less use of teams and team briefings in order to communicate with employees in comparison to organizations in Non-C countries ( $p = 0.00$ ).

This formality in PC countries extends to formally briefing professional, clerical/administrative and manual staff about business strategy, financial performance and organization of work. Such staff tends not to be so briefed in the Non-C countries (Table 7). In one respect at least, that of formally communicating with employees, it seems that the PC countries are closer to the EU model than the (longer established EU members) Greece and Cyprus where communication tends to be more flexible and informal. The above conclusions are replicated in upward communication systems.

Table 8 shows that in PC countries there are more organized and centrally decided practices for this communication process. For instance, organizations in PC countries are more likely to use workforce meetings ( $p = 0.017$ ) and suggestion schemes ( $p = 0.00$ ) for employees to communicate their views to management and less likely to have direct communication with senior manager, team briefings ( $p = 0.028$ ) and electronic communication ( $p = 0.026$ ).

Despite these overall findings, we carried out indicative tests of the differences within these groupings. The numbers we had for each country were too small to allow us to do anything more comprehensive. There were significant differences between the countries: despite a common Soviet bloc or Yugoslav heritage for three of these countries, during which period there were claims that their IR systems were very similar, in fact each country maintains its own distinctive 'recipe'. This applies just as strongly when SMEs are examined separately. The statistical analysis shows strong distinctions between countries

Table 8. Upward internal communications in PC and Non-C countries.

	<i>Non-communist Mean value</i>	<i>Post-communist Mean value</i>	<i>Independent sample test Sig. (two-tailed)</i>
Direct	2.09	1.94	0.103
Immediate supervisor	3.11	2.90	0.007
Trade union representative	1.22	1.31	0.354
Work council	0.59	0.85	0.005
Regular workforce	1.3	1.55	0.017
Team briefings	1.73	1.5	0.028
Suggestion schemes	0.94	1.26	0.000
Attitude surveys	1.15	0.99	0.113
Electronic communication	1.66	1.41	0.026

in SEE in terms of their IR systems. There are significant differences between SEE countries in almost every single employment relations issue. In other words, both trade unions' influence and developments, as well as internal (upward or downward) communications, seem to vary from country to country in our sample. Moreover, our analysis shows that these differences are not only among large, mainly MNC organizations, but also among the SMEs that dominate SEE economies. In short, it seems that the extent to which both trade unionism and internal communication processes takes place within SMEs depends strongly on their country of location.

## Conclusions

The overall results show many expected findings, which gives confidence in the data. Insofar as larger organizations are more formalized in their IR and public sector organizations are more heavily unionized, the SEE states are following worldwide and well-understood patterns. Similarly, the fact that MNCs not only show elements of adaptation to the local environment but also bring in more formalized practices reflects experience elsewhere (Brewster et al. 2008; Farndale et al. 2008). Despite anti-MNC rhetoric in some quarters, in these countries they tend to be more unionized and consult more. MNCs are distinct from endogenous organizations, supporting Morgan's (2007, p. 139) view that MNCs 'become a source of diversity inside institutional contexts'. It is true that MNCs, in order to respond to a drastically evolved business environment, attempt to reshape local institutions like IR by finding new ways of engagement with local societies and firms, but at the same time it seems to be influenced by a lot of local institutions attempting to follow their logic and adapt.

A major interest of the paper lies in the distinctions in IR practice within the overall findings between the ex-communist countries and the Non-C countries, and the distinctions within those categories. There are clear differences between these groups in the IR practices of organizations. Despite this, a closer look within these categories indicates the power of the national 'recipes', built on the culture, institutions and historical developments in each country. These findings suggest that transforming economies is, of course, complex, and clusters of organizations within a country will not change radically, consistently or quickly (Whitley 1999a). The emerging literature on comparative capitalism in the ex-communist states (Buchen 2007; Lane 2007; Bandelj 2009; Crowley and Stanojević 2011) suggests that most transitional economies are still far from any 'end stage', either in convergence with another variety of capitalism or as a fully formed model in their own right.

The findings raise issues in terms of the Hall and Soskice view that only 'pure' LMEs and CMEs can be successful. The multi-model theories of comparative capitalism (Whitley 1999a; Amable 2003) offer a challenge to such theories, pointing to, for example, the Nordic countries as a separate category encompassing the most successful economies in the world. The only currently successful country in our database is Slovenia, which would give credence to the Hall and Soskice view but, as we have shown, while Slovenia may share some of the characteristics of a CME, it has been moving away from that model quite dramatically. Whether this is the result of the impact of politics in these states, thus fitting the argument that politics may be a pre-eminent factor (Roe 2003) or whether this reflects a tendency towards general liberalization of markets, as argued by, for example, Streeck (2010) takes us beyond our subject of interest and beyond our data but is an important topic for future analysis.

Do we see, perhaps, the emergence of a South-Eastern model of capitalism? It seems that both ex-communist and Non-C countries of SEE can be clustered under the same

umbrella, at least in terms of IR. Although these systems seem to have a lot of things in common with other systems like the Mediterranean model of capitalism (Amable 2003) or the Mixed Market Economies (Hall and Soskice 2001b; Hancké et al. 2007; Molina and Rhodes 2007), there are other critical features that make them a different case. In particular, their past history of authoritarianism (for both ex-communist and Non-C countries), their labour markets, the process of neoliberal reforms, the relative size of their informal economies, the expanded undeclared work and the weaknesses of their institutions contribute to understand these systems as quite distinct.

The findings do, overall, address the question of the degree of path dependence (Whitley 1999b) and the autonomy that states have in choosing relative developmental paths. Most of the ex-communist states seem to have moved towards an LME type of capitalism, either because actors chose ideologically to do so or perhaps because, given the weaknesses in the Balkans in the institutional capabilities bequeathed by the fall of communism, they had little real choice. This would tend to offer support for the recent attempts (Hancké et al. 2007; King 2007; Thelen 2009) to infuse elements of world systems theory (Wallerstein 1979) into the literature of comparative capitalism. Intuitively, we reject the elements of determinism inherent in the world systems theory and there does seem to be evidence in the region that determined political actors (as in Slovenia and to some extent Slovakia) can choose to adopt elements of the CME model.

Our findings provide valuable information and insights into developments in SEE but these can only be preliminary. There is a wide field of research possibilities in the ‘test bed’ region where institutions have been, and continue to be, changing faster than is typical elsewhere. Tracking those changes in all the countries – but particularly perhaps in Slovenia – will be a valuable task, and comparing them to elements of HRM such as the IR we have focused on here, or to varying working practices or pay systems would be a valuable activity. Whether we see the development of a separate category of market economy for these countries or whether they diverge towards other forms will tell us much about the value of these kinds of analyses.

## Note

1. For a discussion of this literature, see Wood, Croucher, Brewster, Collings and Brookes (2009).

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