

## UNLOCKING THE POTENTIAL OF INCLUSIVE GROWTH AT THE LOCAL LEVEL

Support for a rich dialogue between employers, unions, local governments and other stakeholders

Proceedings from the Regional Forum for Social and Economic Policy EU11 organised by the Friedrich Ebert Stiftung (FES) with the support of Central European Labour Studies Institute (CELSI) on 24 – 25 October 2019.

## 1. INTRODUCTION

This policy brief summarizes the most relevant and stimulating thoughts on how to unlock the potential of inclusive growth in the Central and Eastern European (CEE) countries by greater involvement of employers, trade unions, local and central government and other stakeholders. The brief draws on presentations and discussions held during the **EU11 Regional Forum for Social and Economic Policy**. The EU11 Forum welcomed representatives the following EU member states: Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

2019 was a year of relevant milestones. One of them was the 15th anniversary of the enlargement of the EU by member states in the CEE region. The election of the new European Parliament as a pillar of democracy yielded a shift in the balance of powers between the conservatives and social democrats on the one hand, and the liberal and green-oriented parties on the other hand. In addition, several large EU member states challenged the election of the German candidate to become the President-elect of the European Commission, illustrating thus **the power of coalition-building based on common interest in the EU**.<sup>1</sup>

In the context of these important developments, the EU11 Forum offered an opportunity to discuss the way forward in the current political and economic context in the CEE region. Participants from among social partners, policy makers, experts and practitioners aligned on the idea that any kind of convergence across the EU needs not to be designed and implemented only in a top-down perspective, but also facilitated via actions within particular Member States. This recognition leads to the question how to unlock the potential offered by national resources to facilitate convergence across the EU.

The CEE Member States face significant challenges to secure sustainable and inclusive growth. At the same time, there is undoubtedly an **unlocked potential for inclusive growth**

**within these countries**. In turn, local and regional stakeholders may play a crucial role in facilitating inclusive growth.

**The common ground that motivates stakeholder involvement at the local level is clear: development towards smart regions and cities that assures inclusive growth.** This leads to the necessity of useful and efficient cooperation by various kinds of stakeholders, such as trade unions, employers, investors, municipal administration, non-governmental organizations, representatives of the educational system and others that could contribute to regional and local development. Moreover, such action offers new routes to strengthening regional and local social dialogue as well as civil dialogue.<sup>2</sup>

The 2018 EU11 Forum organised by FES addressed relevant questions on convergence in wages and social/employment policies between the EU member states located in Western/Northern/Southern Europe and CEE. Discussions focused on identifying the actors, policies and initiatives that drive the convergence process and economic growth. These discussions led to a conclusion that there is a general **lack of coordination and dialogue about potential future scenarios**, especially at the local level. These insights have stimulated the 2019 EU11 Forum to continue this discussion while zooming in at the local and regional level. The focus has moved from questions of economic growth to the **concept of inclusive growth**. The key question is thus how the value added, which emerges through regional and local economic activities, including the substantial activities by start-ups and enterprises, is shared and distributed among all parts of the society in the region. In other words, the presentations and discussions during the 2019 EU11 Forum evolved around the argument that **interactions and cooperation at the local level is inevitable in order to make different segments of society benefit from inclusive growth**.<sup>3</sup>

<sup>1</sup> Matthias Weber, Director of FES Regional Project on Labour Relations and Social Dialogue for Central Eastern and Southeast Europe; welcome remarks at the EU11 Forum in October 2019, Bratislava.

<sup>2</sup> Ibid

<sup>3</sup> Kahanec, M. (2019) The 2018 Forum highlights and follow up; contribution at the EU11 Forum in October 2019, Bratislava.

The following sections present the main ideas of the keynote speeches delivered by Aleš Chmelař, Deputy Minister of Foreign Affairs of the Czech Republic and Monika Uhlerová, Vice-President of the Confederation of Trade Unions of the Slovak Republic, supplemented by the thought-provoking facts provided by Josef Středula, President of the Czech-Moravian Confederation of Trade Unions (Section 2). Marta Kahancová, the Managing Director of CELSI, portrays the inclusive growth bases on the OECD framework and the role of social partners therein (Section 3). The three success stories of stakeholders' fruitful cooperation contributing to inclusive growth at the regional and local level in

Georgia, Lithuania and Sweden provide the essence of the case, preconditions and achievements, and summarize the lessons from these good practices for CEE Member States (Section 4). The key ideas and policy implications (Section 5) of the event are summarized based on a stimulating panel discussion led by Martin Kahanec, the Scientific Director of CELSI, with contributions from Anton Marcinčin, Economist at the Ministry of Finance of the Slovak Republic; Victoria Stoiciu, Programme Coordinator at FES Romania and Josef Středula, President of the Czech-Moravian Confederation of Trade Unions as well as other participants of the EU11 Forum.

## 2. STATE OF THE ART OF INCLUSIVE GROWTH – EXPLORING THE POTENTIAL

Inclusive growth is an inevitable component of persistence of peace and **cooperation among states in order to prevent conflict in a geospatial sense**. The process of mitigating an asymmetrical distribution and payment imbalances caused by globalization aims at avoiding further tension between countries often attached to the concepts of the 'core' and the 'periphery'.<sup>4</sup>

Regional differences are a result of imbalances in trade, but also in material and financial flows in a regional and an individual perspective. **Regional disparities should be narrowed by policies that integrate local production and local consumption**. For that purpose, the EU has two tools allowing for positive discrimination: (a) support of small and medium enterprises; and (b) support for local products.<sup>5</sup>

An international comparison of labour costs in the EU Member States in 2018 reveals a huge difference between the average hourly labour cost of 9.70 EUR in the CEE Member States and 34.10 EUR in the most developed EU Member States. The comparison of the wages in a Swedish company in Czechia and Sweden **indicate social dumping and a profit-driven interest of Western and Nordic organizations operating in the CEE region**. This finding is supported by evidence on high capital outflow in the form of dividends from all CEE Member States. The CEE region is thus caught in a **"middle-income trap", which is reinforced and maintained by a policy of cheap labour** and low exchange rate, comparably lower wages, lower aggregate labour productivity, lower value-added, lower product valuation, lower tiers of processing value chains and lagging technological investments in the CEE region compared to other EU Member States.<sup>6</sup>

The potential to achieve a more inclusive society and inclusive growth then also resides in **finding a way out of the middle-income trap** through a revision of the currently existing detrimental social model of a low-wage policy and long working hours in many CEE Member States.

While exerting coordinated pressures onto the European Commission to facilitate such revision is important<sup>7</sup>, a need to shift from a national to a regional level of social dialogue also emerges. This would allow addressing the regional disparities by utilizing local strengths, advancing democratization by getting closer to citizens and solving problems directly where they emerge. A better match up between the education system with the regional labour market is essential, targeting social and family services, creation of private-public partnership endeavours, reasonable use of local sources of energy, production, workforce and capital are potential issues to be addressed at the regional level. Two models of cooperation are possible: (a) a model of regional corporatism involving traditional social partners and (b) a model of regional pluralism encompassing multilateral social partnership and civil society representatives.<sup>8</sup>

Examples of such cooperation at the local level in Slovakia would include regional councils with involvement of regional structures of social partners. While such councils existed in the past, they were dissolved in the early 2000s. Currently, the regional structures are absent and there is a lack of political will and lack of trade union capacity to engage in their re-establishment. A restoration of **regional councils requires not only financial capacities, but also a reassertion of the political will and redefinition of competences**.

<sup>4</sup> Chmelař, A. (2019) State-of-art of inclusive growth at the local level - looking for the potential; keynote speech at the EU11 Forum in October 2019, Bratislava.

<sup>5</sup> Ibid

<sup>6</sup> Středula, J. (2019) Unlocking the potential of Inclusive growth at the local level - where we are; presentation at the EU11 Forum in October 2019, Bratislava

<sup>7</sup> Ibid

<sup>8</sup> Uhlerová, M. (2019) State-of-art of Inclusive Growth at the Local Level Regional Social Dialogue. Keynote speech at the EU11 Forum in October 2019, Bratislava

### 3. INCLUSIVE GROWTH IN CENTRAL AND EASTERN EUROPE AND THE ROLE OF SOCIAL PARTNERS

Inclusive economic growth, according to the OECD definition, creates **opportunities for all groups of the population while benefits are widely shared and distributed**, both in monetary and non-monetary terms, fairly across society. Inclusive economic growth puts various stakeholders and the people at the heart of policy making.<sup>9</sup>

The agenda of inclusive growth is sparking attention in policy dialogue for years. Nevertheless, recently this agenda has gained importance in light of new challenges arising in the labour market, such as digitalization and climate change. These challenges are expected to impact production, services, jobs and fundamental governance principles. How such forces are managed to the benefit of inclusive growth depends on **policies** that create **opportunities** for all people and **distribute** the gains of rising prosperity **more evenly** across the society.<sup>10</sup>

The inclusive growth stands on **three pillars**:

- Investment in people and places left behind;
- Support for business dynamism and inclusive labour markets;
- Rebuilding trust with efficient and responsive governments.

Based on the indicators covering the three pillars, the following tasks relate to specific CEE Member states:

- Fostering employment growth (BG, HR, PL, RO, SK);
- More equal distribution of wealth (BG, LT, LV, RO);
- Improving air pollution parameters and addressing environmental questions (BG, CZ, HR, HU, LT, LV);
- Improving trust in the legal system (cooperation on law-making, e.g. VET and law implementation in the regional/local context).<sup>11</sup>

**The role of the social partners in facilitating these tasks on the trajectory towards inclusive growth is undeniable.** This holds not only for national-level social dialogue between social partners, but in particular at the regional level, which is only marginally referred to in the agenda of social dialogue in the CEE Member States. At the regional level, social partners should jointly address skill development, vocational training, and labour market needs. In addition, unions, employers and local governments should cooperate to ensure the integration of vulnerable groups into the education system and the labour market as well as facilitating decent working conditions for all. Addressing these challenges at the regional/local level is likely to significantly influence inclusive growth. The activity of social partners in the local/regional context on the above issues should be supported by public institutions responsible for specific needs of particular regions.<sup>12</sup>

Lessons from the OECD Policy Framework for inclusive growth suggest that social partners in the CEE Member States should define their strategies and launch a dialogue on the following issues:

- Empowering workers and employers beyond workplaces
- Identifying topics for regional social dialogue
- Building local structures of trade unions and employer organisations
- Seeking synergies between country-wide policies and regionally-specific initiatives by the government and social partners
- Supporting the emergence of a collaborative legislative framework based on existing evidence that stakeholders cooperate when there is a legal framework/motivation for such cooperation.<sup>13</sup>

### 4. SUCCESSFUL COOPERATION TOWARDS INCLUSIVE GROWTH AT THE LOCAL LEVEL

Social partners' initiatives embracing cooperation at the local/regional level to facilitate inclusive growth. To support the above arguments with more empirical evidence, the EU11 Forum welcomed guests from Georgia, Lithuania and Sweden to present success stories of regional/local cooperation with involvement of social partners towards inclusive growth.

Each case identified the preconditions necessary for emergence of such cooperation, the main achievements and contribution to inclusive growth, as well as lessons learned in order to encourage the transferability of these practices throughout the CEE Member States.

<sup>9</sup> OECD Policy Framework for Inclusive Growth

<sup>10</sup> Kahancová, M. (2019) Inclusive Growth in Central and Eastern Europe and the Role of Social Partners. Presentation at the EU11 Forum in October 2019, Bratislava.

<sup>11</sup> Kahancová, M. (2019) Inclusive Growth in Central and Eastern Europe and the Role of Social Partners. Presentation at the EU11 Forum in October 2019, Bratislava.

<sup>12</sup> Ibid

<sup>13</sup> Ibid

# EMPLOYMENT PROTECTION, COLLECTIVE BARGAINING, AND LABOUR MARKET TRANSITION

*S Presented by Samuel Engblom  
(Swedish Confederation of Professional Employees)*

Employment Security Councils (Swedish: Trygghetsrådet) are established by the Swedish social partners upon so-called transition agreements (Swedish: omställningsavtal) to offer **services to dismissed workers for economic reasons**. The Councils are founded upon an agreement between the Confederation of Swedish Enterprises (SN) and the Councils for Negotiations and Co-operation (PTK), which embrace 26 private sector trade union federations organizing 850,000 white-collar employees. The councils cover 32,000 employers with a total of 700,000 employees. With 230 employees in 40 offices throughout Sweden, the councils' turnover is about one billion SEK/year (approx. 110 million EUR).<sup>14</sup>

Although the councils have been established since the 1970s, their relevance has remained stable in constructing effective measures in assisting employees in re-qualification and finding a new job. In 2017, the OECD's Employment Outlook presents the Swedish security councils as a good practice where social partners play an active role and tailor the needs of the dismissed workers to labour market conditions.<sup>15</sup> The presentation reiterated this point especially **in the context of the upcoming transformation of the labour market due to technological changes** brought by the so-called fourth industrial revolution).

The Employment Security Councils are **financed by contributions from all employers** that are covered by the relevant transition agreement. The contributions are calculated as a percentage of the employer's wage sum. These contributions should not be confused with statutory employers' contributions that are paid to the state. Instead, it is the social partners that have agreed on the contribution and the payment obligation is established in a collective agreement.

The functioning of Employment Security Councils is preconditioned by the Swedish context of industrial relations and labour law, which stands out in several aspects:<sup>16</sup>

- **A high degree of organisation** among employers and employees assures high collective bargaining coverage;
- **A semi-mandatory labour law** in which derogation from the statutory labour law is possible upon social partners' joint stipulation in a collective agreement;
- **Sufficient trade union leverage** serving as a compliance mechanism over employer commitment to collective agreements;
- **The seniority principle in dismissals**, grounded in the labour law, where derogation allows other principles to apply upon social partners' agreement;

- **No severance pay for dismissed workers** and no obligation for employers to elaborate a dismissal plan for workers concerned.

The current transition agreement between SN and PTK regarding the Councils, dated 1997, stipulates contributions at 0.30 per cent of the overall employee wage sum. Employers that have reached an agreement with the trade unions at the workplace level use their own staff to assist dismissed employees in finding a new job. In this case, an opt-out option of parts of the transition agreement is available and fees are lowered to 0.18 per cent of wage. Companies that are not members of an employers' organisation can opt-in at a higher fee of 0.70 per cent of the wage sum.

Apart from economic benefits, redundant employees benefit from a personal advisor from among the Council's staff. This leads to an assessment of the individual's position in the labour market and help in finding a new job, often through the Council's own network of connected employers, a practice commonly referred to as outplacement. Redundant employees can also receive support in starting their own business, which is a common practice of between five and 10 per cent of the Council's clients. In recent years, the success rate of finding a new job has been as high as 80 to 90 per cent of the Council's clients.<sup>17</sup>

Compared to the CEE Member States, the Swedish labour law is extensively more flexible and offers derogation possibilities to agree on different standards via collective bargaining. This option motivates trade unions to substantiate their bargaining arguments in the sector-level **collective bargaining, which allows them to provide tailored solutions for their members in a particular sector or region**. Moreover, high organisation rates allow reaching effective agreements covering a large share of employees.

In the CEE Member states (especially Bulgaria, Croatia, Czechia, Estonia and Slovakia), dismissed employees are covered by compulsory unemployment insurance managed by public authorities. In many countries, labour offices register unemployed persons and their role is providing assistance in re-employment. However, the efficiency of such assistance is considerably lower than that of the Swedish Employment Security Councils. Also, in contrast to Sweden, these countries face a low and further declining level of organization on the side of workers as well as employers. As a result, collective bargaining is mostly decentralized to the establishment level and yields highly heterogeneous outcomes. At the same time, social partners address their claims via legislation, which further undermines sector-level collective bargaining.<sup>18</sup>

<sup>14</sup> Ibid.

<sup>15</sup> Engblom, S. (2018) Employment protection, collective bargaining, labour market adaptability. The Swedish employment security councils in a comparative context. *Giornale di diritto del lavoro e di relazioni industriali* n.160, 2018, 4 (ISSN 1720-4321, ISSNn 1972-5507)

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Based on the reflection of the presented case by the participants at the EU11 Forum in October, Bratislava

# CONSTRUCTIVE PARTNERSHIPS OF THE EDUCATORS AND SCIENTISTS FREE TRADE UNION OF GEORGIA TO SUPPORT POLICY CHANGES <sup>19</sup>

*Presented by Maia Kobakhidze (President of Educators and Scientists Free Trade Union of Georgia) and Mari Alugishvili (Executive Vice-President of Educators and Scientists Free Trade Union of Georgia)*

The Educators and Scientists Free Trade Union of Georgia (ESFTUG) is the largest member-based trade union organisation in Georgia affiliated to the Georgian Trade Union Confederation (GTUC). The organisation unionized over 100,000 members in 42,000 kindergartens, public/private schools and two universities. Despite being the largest union, in the period of 2010-2012, the government forced all members to quit the union.

Despite the government's attack, the union succeeded in restoring its membership and its relevance. **ESFTUG facilitated meaningful partnerships both at the regional and the national level** and concluded 2,300 establishment-level collective agreements in school and kindergartens. Moreover, in 2017, ESFTUG witnessed a historical achievement in signing the only **sectoral agreement with the government concerning working conditions and the quality of education in Georgia**. This collective agreement stipulates, e.g. socially acceptable forms of a generational change among teachers. In result, teachers reaching the age of pension entitlement benefit from receiving a two-year salary when leaving the profession, thus opening possibilities for young teachers. Additionally, the union successfully initiated a healthcare package retained to the end of teachers' professional lives.

The long-term advocacy of ESFTUG for continuous professional development led to the **foundation of the Teachers' Professional Development Centre**. The Centre organizes regular professional development sessions in the regions and created topic-oriented training modules for 681 schools and preschools. The unions created a **vital social network of teachers, promoting the profession, empowering teachers** and utilizing their right of freedom of expression. The network became an open space for critical thinking and public expression on key issues to attract social attention.

Another ESFTUG achievement lies in influencing the amendment of the preschool legislation towards **mandatory involvement of trade unions in determining the terms of an employment contract**. Prior to such legislation, kindergartens had been subordinated to municipalities and the lack of common standards caused multiple challenges. ESFTUG succeeded to legally stipulate that "The municipality shall approve the mandatory terms of the employment contract with kindergarten employees in consultation with the trade union". The law also obliges the Government of Georgia to **set the minimum wage for teachers, even applying it to the**

**regional municipalities and self-governing regions**. Adoption of these norms allows the regional representation of **the union to exercise control over the implementation** and enforcement of the labour and social rights of kindergarten employees.

To sum up, the initiatives of the Georgian teachers' trade unions contributed to inclusive growth by:

- **Bridging the local and regional level** of union activity and partnerships with national-level policy-making;
- **Improving the quality of education** and working conditions in education;
- **Beginning to harmonize working conditions across regions**, especially at kindergartens;
- Contributing to a **national harmonization of regulation**, making the teachers' profession more secure, attractive and thus sustainable.

The main precondition of the ESFTUG's success is built on **strong organisational resources**, especially in conditions of lacking political, membership and even legal support for union activities. Organisational resources encompass:

- Clear vision and strategy;
- Capable leadership;
- Commitment to regional union structures from the beginning of ESFTUG activities;
- Grassroots' mobilization achieved by strong regional presence and direct interaction with thousands of teachers and transposing their interests to the national level.

The main lessons learned from the Georgian case include a strong **commitment to establish and nurture regional structures** within a particular organisation. Continuous development of regional trade union units has proven inescapable for regional social dialogue.

Sectoral differences in terms of **homogeneity of professions and workers' interest** are relevant for successful cooperation at the regional level. The considerable leverage of certain professions, such as teachers and healthcare workers, is assured as the highly educated individuals can unify their interests and facilitate bridging between local needs and central regulation. This is more difficult in industry and services where the diversity of skills and workers' interests are more dispersed. The legal framework facilitating regional social dialogue is beneficial, but sector-specific characteristics and organization on the employers' side at the regional level are also equally relevant. In sum, regional social dialogue has a potential to provide beneficial solutions and prevent precarious work (e.g. dismissals, part-time, work content) even in the case of central wage regulation when employers face constraints in implementing wage increases and overtime/holiday pay.

<sup>19</sup> Kobakhidze, M., (2019) Constructive partnerships of the Educators and Scientists Free Trade Union of Georgia to support policy changes in education and organise teachers in the regions; presentation at the EU11 Forum in October 2019, Bratislava.

# REGIONAL TRIPARTITE COUNCILS IN LITHUANIA BOOST COOPERATION AT THE LOCAL LEVEL

Presented by Tomas Jakutavičius  
(Youth President of the Lithuanian Trade Union Confederation)

In 2009-2011, the Lithuanian **government failed to consult the social partners before adopting restrictive legislation**. Moreover, the National Agreement obliging the government to apply austerity measures and the trade unions to abstaining from organizing protests, turned out to be only an instrumental tool to ease public discontent as the restrictions have been not lifted.<sup>20</sup>

Based on these experiences, trade unions **sought to enhance representation for citizens regarding labour and economic issues and competences to regions via social dialogue**. In result, the Regional Tripartite Councils (RTC) were established. These involve representatives of trade unions, employers, municipal administration and non-governmental organisations. Several projects, co-financed by the European Social Fund to promote regional social dialogue and capacity building supported the founding and operation of the RTCs.<sup>21</sup>

By the end of 2013, twenty-three RTCs were in place. In 2019 the councils are operating in Anykščiai, Kaunas town and Kaunas Klaipėda, Mažeikiai, Radviliškis, Ukmergė, Utena districts.<sup>22</sup>

Achievements prove the vital role of the councils towards inclusive growth. In general, the following achievements can be attributed to RTCs:

- **Decreased fragmentation** of the employers and trade unions;
- **Activated local communities** and municipalities;
- Contributed to more effective **forward-looking regional development policies**.

Tangible achievements of the RTCs include increased **sustainability of local services and economy**. For example, the regional social dialogue in Kaunas city prevented the privatization of public transportation, thereby decreasing prices and preserving affordable service for residents. The RTC also **mitigated the consequences of reorganization** of the local forest enterprises, resulting in fewer job losses and influencing a change of the national legislation on forests. By preventing the unlawful fusion of the Kaunas City and Kaunas District, the RTC avoided job and budget cuts in the public sector.<sup>23</sup>

The preconditions of success of the Lithuanian RTCs include:

- Without the initial external investment through the ESF projects, the quality of the regional social dialogue and the establishment of RTCs would have been challenged;

- The councils are strongly dependent on the political situation and commitment of the municipality. For example, the composition of the 2019 assembly of the Kaunas City and its tendency to focus on profit-oriented services is currently restraining the operation of the RTC;
- The councils cannot solve all emerging challenges; their functions depend on the competences of the regional administration. For example, a change in taxes or study programs of the local universities to adjust to local labour market needs can be initiated at the local level but approved only by national policy makers;
- The Lithuanian councils are “open door” institutions without strict rules on membership and operation. Except for the traditional social partners, also relevant NGOs and public-sector representatives are invited into dialogue, thus contributing to an effective solution and supporting civil society participation in the decision-making.<sup>24</sup>

The main lesson learned from the Lithuanian RTCs is that **all social actors can benefit from regional social dialogue**:

- **Trade unions can increase their membership** and awareness of social issues;
- **Employers can consolidate their representation** at the local level and address their demand for a qualified workforce by influencing the creation of sustainable and inclusive policies;
- **Representatives of the local municipalities** can activate and involve social partners in local development and benefit from first-hand information regarding the challenges and opportunities at the enterprise level.

Regional social dialogue can be created regardless of the district size, but will be conditioned by the population and economic structure. If there is a lack of employers in the region, dialogue may be bipartite. **The councils may address multiple issues such as improving skills** of employees, addressing a shortage of housing or finding solutions to the skills-mismatch when attracting new companies and investors to the region.<sup>25</sup>

The RTCs have a **good potential of transferability** to other countries. In Lithuania's neighbouring country Latvia, trade unions' regional centres are already in place and thus are an excellent base to transform into local tripartite councils conditioned by initial funding. In Estonia, regional social dialogue is already a part of the national tripartite council and needs formalization to transform into an independent local institutions.<sup>26</sup>

<sup>20</sup> Blaziene, I., Gruževskis, B., Lithuanian trade unions: from survival skills to innovative solutions; in Bernaciak, M., Kahancova, M. (2017) Innovative union practices in Central-Eastern Europe, ETUI.

<sup>21</sup> Ibid.

<sup>22</sup> Based on the consultation with Ms. Aušra Bagdonaite, the coordinator of the national tripartite at the Ministry of Social Security and Labour of the Republic of Lithuania.

<sup>23</sup> Jakutavičius, T., (2019), Regional Tripartite Councils in Lithuania to boost cooperation and social dialogue at the local level; presentation at t EU11 Forum in October 2019, Bratislava.

<sup>24</sup> Ibid.

<sup>25</sup> Based on the participants' reflection of the case at the EU11 Forum in October 2019, Bratislava.

<sup>26</sup> Ibid.

## 5. KEY IDEAS AND POLICY IMPLICATIONS

The following ideas and indication of further steps in this section are the outcome of the panel discussion led by Martin Kahanec, Scientific Director of CELSI and participants' reflection on case studies presented at the EU11 Forum.

The activities of trade unions in the entire CEE region are predominantly targeting national legislation. However, the current uneven capital and profit distribution requires mobilization of individuals at the local and regional levels via powerfully-articulated topics. This requires **thinking out of the box and bring together more partners for cooperation**. For example, to gather NGOs, academia, social partners and other coalitions to fight for a decent life and look on growth from the workers' side. In Romania, legislators managed to pass a law obliging the statistical office **to calculate a living wage, which now equals twice the amount of the statutory minimum wage**. In the future, inspired by the model in France, Romania wishes to propose dedicated legislation on distribution of the profit to workers, which will be optional for the companies.<sup>27</sup>

The mentality of "nothing can be done about it" needs to be overcome and **trade unions leaders have to exert pressure from the outside by adopting a pragmatic approach to problem solving**.

The paradigm is obvious – low wages hamper development and diminish profit – thereby potential is blocked. **The interests are conflicting only seemingly because several actors claim to be fighting for the same piece of the pie**. But business needs workers with updated skills to raise profitability and that requires cooperation and dialogue.<sup>28</sup>

The importance of trade unions in the current situation is indisputable. Governments are changing but trade unions have a good institutional memory and 150 years of experience. **The current role of trade unions is to point out vis-à-vis the government** that the 30 years of capitalism (nearly as long as the previous communist period) did not facilitate improvements in labour and social rights.<sup>29</sup>

For regional/local development, the CEE Member States need **local decision-making capacity, local partnerships and capitalization of local socio-economic relations**. However, local partnerships make little sense if all decisions are influenced by capital holders. In Slovakia, certain practical issues such as public transport, elementary and secondary schools, roads, and the travel industry are already co-decided at the level of self-government regions, but not at the level of a local economy.

Even if structures of local partnerships exist, for example in the form of the Association of Towns and Villages of Slovakia (ZMOS), the Association of Self-governmental Regions (SK8) and the Union of Cities of Slovakia (UMS), they are not real partners for dialogue with the central government. The self-governmental regions and cities need to negotiate individually in the capital city, where decisions are taken and finances are distributed.

**Unlocking the potential at the local level is also a question of transparency versus decision-making behind the doors** at the central level.<sup>30</sup>

**Even if structures and incentives for partnerships are already present, current practice does not exploit their full potential.**

Employers discuss all essential issues more so in the national tripartite council. Incentives for local partnership are related to public transport, local living conditions, educational curricula and dual education. Even if some commercial chambers started demanding partnerships, self-governments in regions are rarely prepared for involvement into dialogue.

Mayors of cities do not hold regular meetings with trade unions concerning development strategies. Nevertheless, **a regional development plan is a useful instrument for bringing all stakeholders to the same page**.<sup>31</sup>

In addition, in less-developed regions, self-employment is the dominant form of employment, which further complicates trade union organizing.

Civil society organisations (CSOs) operate mostly via centrally-distributed projects. Groups of local stakeholders are often partners in a project. The work of many CSOs could be used more extensively to the benefit of local development.

There is an active call for new international solidarity within trade unions. Debates over the European minimum wage have sparked great trade union attention since 2019. Some voices state that the establishment of the EU minimum wage would decrease the power and responsibility of national actors. Others say that a statutory EU minimum wage would empower the national trade unions and be the starting point for further negotiations at the sectoral or company level. Further negotiations on wage increases based on a statutory EU minimum wage are challenged, however, by insufficient data on actual wages at the regional and local levels because of small sample sizes.<sup>32</sup>

<sup>25</sup> Based on the participants' reflection of the case at the EU11 Forum in October 2019, Bratislava

<sup>26</sup> Ibid.

<sup>27</sup> V. Stoiciu, Programme Coordinator at FES Romania; contribution in the panel discussion at the EU11 Forum in October 2019, Bratislava.

<sup>28</sup> Ibid.

<sup>29</sup> J. Středula, President of the Czech-Moravian Confederation of Trade Unions; contribution in the panel discussion at the EU11 Forum in October 2019, Bratislava.

<sup>30</sup> A. Marcinčin, Economist at the Ministry of Finance of the Slovak Republic; contribution in the panel discussion at the EU11 Forum in October 2019, Bratislava.

<sup>31</sup> Ibid.

<sup>32</sup> Based on the discussion at the EU11 Forum in October 2019, Bratislava.

**The sustainability and challenges of digitalisation should be addressed by involvement of workers' representatives in decision making.** This is the situation of Germany, where in some companies substantive questions are discussed by a board consisting of 50% shareholders-owners and 50% employees.<sup>33</sup>

**In sum, there emerges a need to facilitate active industrial and regional policies, with involvement of all relevant stakeholders,** to boost the potential for inclusive growth.

Moreover, trade unions should be prepared to discuss the topics of cohesion, future industrial development and pay systems at the EU level. For example, representatives of the new European Labour Authority (ELA) should also be consulted about the situation and need for better working condition standards, mitigating divergence not only between the 'old' and 'new' Member States but across the whole EU. **All citizens of the European Union are in need of a better social model.**<sup>34</sup>

This policy brief is based on the contributions, discussion and participants' reflections of the presented ideas at the Regional Forum for Social and Economic policy EU11 organised by the Friedrich Ebert Stiftung (FES) with the support of Central European Labour Studies Institute (CELSI) on 24 – 25 October 2019 in Bratislava, Slovakia. The purpose of this document is to summarize and disseminate the key points and thought-provoking notions how to stipulate social dialogue at the local and regional level, in order to utilise human, economic and other resources to assure inclusive growth, which will benefit the broadest possible population.

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<sup>33</sup> Ibid.

<sup>34</sup> Ibid.