

# **Forschungsstelle Osteuropa an der Universität Bremen**

Research Centre for East European Studies at the University of Bremen

## **Changing Europe Summer School III Central and Eastern Europe in a Globalized World**

**Bremen, 28 July – 2 August 2008**

sponsored by the Volkswagen Foundation

[www.changing-europe.org](http://www.changing-europe.org)

### **Veronika Pasyukova:**

## **Labour Policy in New European Union States: From National to Common**

About the author:

Veronika Pasyukova has an MA in Sociology. She is working towards the Candidate of Political Sciences degree at the Department of Political Science and Sociology at the European University of St. Petersburg (Russia).

Email: [pasyukova@mail.ru](mailto:pasyukova@mail.ru)

©

Publikationsreferat / Publications Dept.

Forschungsstelle Osteuropa an der Universität Bremen

Research Centre for East European Studies at the University of Bremen

Klagenfurter Straße 3

28359 Bremen

Germany

e-mail: [fsopr@uni-bremen.de](mailto:fsopr@uni-bremen.de)

Language editing: Hilary Abuhove and Christopher Gilley

## Abstract

The paper deals with the transformation process of labour markets and labour policy regulation in the Central Eastern European states that joined the European Union after 2004. The specific features of the EU as an economic union caused social and labour policies to become a priority for the EU member countries. Recently, responsibility for labour policy has been concentrated in the EU institutions. As labour policy is regulated at the EU level, national institutions are being reformed to ensure a common labour policy. The paper seeks to consider the mechanisms used by the new EU members to regulate labour policy and the legislation introduced to make it 'common'.

The theoretical background of the research includes the neo-institutional approach and public policy analysis, with particular reference to the definition and structuring of the issue dimensions in labour policy, the analysis of institutions that elaborate and provide labour and social policy at the national and EU levels and the evaluation of the labour policy regulation process. The methodological base of the research is the comparative analysis approach and focus-oriented comparison that includes a detailed analysis of the Polish case and a general analysis of the Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Slovenia, the Baltic States, Romania and Bulgaria that is used to provide a comparative context.

Moreover, the analysis of the EU and Central Eastern European labour legislature is made with reference to the changes in Polish labour legislation and an evaluation of common EU labour policy based on the analysis of the institutional mechanisms of labour policy regulation in Poland. The research results include an analysis of mechanisms for regulating labour policy in the new EU states with regards to changes in labour legislation, employment and unemployment rates, and restructuring national and EU institutions.

\*\*\*

The process of post-communist transformation in the Central Eastern European region resulted in fundamental social, economic and cultural changes that provided a transition to a market economy, the emergence of new labour markets, as well as institutions regulating labour policy. As a result, certain changes took place in labour legislation, state and local labour authorities and the relationships between individuals, work collectives, employers and the state. The enlargement of the European Union (in 2004, Poland, the Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Slovenia and the Baltic States became EU members; in 2007 Romania and Bulgaria were recognised as the EU members) resulted in new changes in the labour market, and the formulation and implementation of a common labour policy on the basis of national economies.

The specific features of the EU as an economic union caused social and labour policies to become a priority at the EU government level. Recently, responsibility for social policy has been concentrated in the EU institutions (the European Commission and European Council). As new labour policy regulation institutions appear at the EU level, national institutions, national employers' associations and trade unions are being reformed to ensure a common labour policy within the single labour market.

To analyse the mechanisms of the 'Europeanisation' of labour policy in the new EU states, we should refer to the neo-institutional approach and public policy analysis to consider the EU-driven changes in labour legislation and institutions.

The EU has issued detailed statements of its requirements since the European Commission published its 1995 White Paper on regulatory alignment. The Commission actively monitored the progress of candidate countries in annual reports, starting in 1997 with its opinion on the Central Eastern European countries' membership applications. The EU has become directly involved in the process of alignment<sup>1</sup>. The legal basis of EU labour policy consists of the Treaty on European Union and the Treaty Establishing the European Community. Treaty-based social and employment provisions relate to the free movement of workers,

1 Schimmelfennig, Frank / Sedelmeier, Ulrich: Introduction: Conceptualizing the Europeanization of Central and Eastern Europe, in: Schimmelfennig, Frank / Sedelmeier, Ulrich (eds): *The Europeanization of Central and Eastern Europe*, Ithaca and London: Cornell University Press, 2005, pp. 1–28, here p. 2.

employment policy, social policy, the promotion of economic and social cohesion and the protection of health<sup>2</sup>.

There are three main components of EU labour policy: labour legislation, policies requiring member state coordination and the European social dialogue. Treaty law serves as the basis for EU labour legislation, in particular directives that require transposition into national law and implementation by member states. Moreover, EU employment guidelines require the coordination of member state policies around annual guidelines set jointly by the member countries<sup>3</sup>. The adoption of EU labour policy and legislation will be considered below with the main focus on the case of Poland.

## 1. Pre-Accession Labour Policy and Legislation

During the communist period, the state-planned economy in Central Eastern European countries ensures high levels of employment and equality in workers' wages. There were no unemployment protection programmes since the state guaranteed the full employment of the population. However, the state-planned economies failed because of the excessive social expenses that made post-communist governments start market reforms and the fundamental transformation of labour markets. The decrease in production and global economic crises that followed after the economic reforms in the 1990s changed not only the rate and structure of employment but also the wage level and the salary distribution within the population wages<sup>4</sup>.

In Poland, by the 1990s, labour force participation had reached 90 percent and included large flows of labour migrants from the rural regions to the cities. Many rural workers were underqualified, with about 30 percent possessing deficiencies in their education. Communist government policy did not provide a system of unemployment benefits; labour offices had been working on specialised programs that turned out to be ineffective in dealing with the large numbers of the unemployed during the transitional period of liberal reforms<sup>5</sup>. As the Polish labor market reacted to the structural changes, registered unemployment increased from 55,000 people (0.2 percent) to 1,125,000 (6 percent) and continued to grow to about 3 million (16 percent) in 1994. In response to the developing crisis, the Polish government enacted an Employment Law in January 1990, which established policies for unemployment benefits, employment services and limited active labour programmes including small business loans, loans to employers for job creation, training, public service employment and wage subsidy programmes. The largest part of the funding was from the state budget<sup>6</sup>. More than a half of the funds were spent on unemployment benefits and the development of a system of vocational education. Another focus was the reinforcement of the institutional structure of the national and local employment services; these programmes were financed by World Bank during the transition period<sup>7</sup>.

The low rates of employment against the backdrop of the economic growth in Central Eastern European countries can be explained by the increase in production based on the rationalisation of the workforce, the use of innovative technologies and improvements in management without increases in staff. As a re-

2 Sissenich, Beate: The Transfer of EU Social Policy to Poland and Hungary, in Schimmelfennig, Frank / Sedelmeier, Ulrich (eds): *The Europeanization of Central and Eastern Europe*, Ithaca and London: Cornell University Press, 2005, pp. 156–177, here p. 157.

3 Ibid., p. 158.

4 Henderson, Karen: The Challenges of EU Eastward Enlargement, in: *International Politics*, 2000 (Vol. 24), No. 1, pp. 1–17, here p. 12; Williams, Colin C.: *Surviving Post-Socialism: Coping Practices in East-Central Europe*, in: *International Journal of Sociology and Social Policy*, 2005 (Vol. 25), No. 9, pp. 65–77.

5 Filinson, Rachel / Chmieliewski, Piotr / Niklas, Darek: Back to the Future: Polish Health Care Reform, in: *Communist and Post-Communist Studies*, 2003 (Vol. 36), No. 4, pp. 385–403.

6 Barr, Nicholas (ed.): *Labor Markets and Social Policy in Central and Eastern Europe. The Accession and Beyond*, Washington, D.C.: The International Bank for Reconstruction and Development, 2005, here p. 84.

7 Kolarska-Bobińska, Lena: The EU Accession and Strengthening of Institutions in East Central Europe: The Case of Poland, in: *East European Politics and Societies*, 2003 (Vol. 17), No. 1, pp. 91–98.

sult, the increase in production did not stimulate labour demand, leading to a drastic growth in unemployment and a decrease in the participation of the labour force<sup>8</sup>. After the communist period, the rates of high labour force participation fell rapidly because of the voluntary or forced non-participation of workers who had been unsuccessful in finding a new job. There are, however, some differences in employment levels and participation rates. While employment rates were low in all Central Eastern European countries, unemployment was low (8 percent) and non-participation was high in Hungary, while in Poland, which had the highest level of unemployment (18 percent) in the region, non-participation was low. High unemployment (from 10 to 20 percent) was also evident in Bulgaria, Slovakia and Lithuania<sup>9</sup>.

The structure of employment in Central Eastern European countries changed in four ways. First, there was a shift from heavy industry and agriculture to the service sector, which accordingly increased its share of employment. At the same time, in Poland and Romania, employment in agriculture increased as the population migrated from urban to rural regions with traditionally large agricultural sectors. Second, the contraction of the public sector led to a shift in employment from public to private sector jobs. However, the private sector in the East European countries remained smaller than in the old EU countries. Third, the permanent contracts of indefinite duration that had been the norm during the communist period were replaced by more flexible temporary contracts. This shift meant less job security for workers. Last, the formal sector gave way to self-employment and informal employment<sup>10</sup>.

At the beginning of the 1990s, Central Eastern European countries started market-oriented reforms with the goal of developing the private sector and providing the basis for economic growth as the necessary conditions for joining the European Union. The reforms were supposed to open up product markets for domestic and international competition and bring about the privatisation of state enterprises. In the process of the liberalisation of state-planned economies, employment dramatically dropped resulting in mass unemployment in Central Eastern European countries. A further consequence of this policy was violent inflation and a fall in the population's wages<sup>11</sup>.

By the end of 1990s, the process of economic liberalisation accompanied by foreign investments and the use of innovative technologies had created rapid economic growth in the region, contributing to rises in wages and employment. These results could hardly have been possible without constant pressure from trade unions on the post-communist governments<sup>12</sup>.

However, the economic growth was not followed by a rise in employment because of inflexible legislation and administrative constraints on job creation, high payroll taxes and poor employment protection programmes. The regulation of labour policy in that area was limited by the fact that pension reforms were not accompanied by changes in the tax policy to promote employment<sup>13</sup>. Labour taxes in the region were even higher than in the EU as a result of inefficient social insurance programmes. In order to promote the

---

8 Matthes, Claudia-Yvette / Terletzki, Peggy: Tripartite Bargaining and its Impact on Stabilisation Policy in Central and Eastern Europe, in: *The International Journal of Comparative Labour Law and Industrial Relations*, 2005 (Vol. 21), No. 3, pp. 369–403, here p. 395.

9 Howes, Victoria: Challenges of European Enlargement: Regulation of Health and Safety in Hungary and Poland, in: *The International Journal of Comparative Labour Law and Industrial Relations*, 2004 (Vol. 20), No. 2, pp. 253–275; Barr, Nicholas (ed.): *Labor Markets and Social Policy in Central and Eastern Europe. The Accession and Beyond*, Washington, D.C.: The International Bank for Reconstruction and Development, 2005, here p. 85.

10 Barr, Nicholas (ed.): *Labor Markets and Social Policy in Central and Eastern Europe. The Accession and Beyond*, Washington, D.C.: The International Bank for Reconstruction and Development, 2005, here p. 63–64.

11 Pollert, Anna: Ten Years of Post-Communist Central Eastern Europe: Labour's Tenuous Foothold in the Regulation of the Employment Relationship, in: *Economic and Industrial Democracy*, 2000 (Vol. 21), pp. 183–210.

12 Matthes, Claudia-Yvette / Terletzki, Peggy: Tripartite Bargaining and its Impact on Stabilisation Policy in Central and Eastern Europe, in: *The International Journal of Comparative Labour Law and Industrial Relations*, 2005 (Vol. 21), No. 3, pp. 369–403.

13 Vanhuyse, Pieter: The Pensioner Booms in Post-Communist Hungary and Poland: Political Sociology Perspectives, in: *International Journal of Sociology and Social Policy*, 2004 (Vol. 24), No. 1/2, pp. 86–102, here pp. 88–89.

flexibility of the labour market and employment growth, it was necessary to develop new labour legislation, wages regulation and tripartite negotiations between trade unions, employers and the state.

To some extent, Central Eastern European countries inherited pro-communist labour legislation with strong workers' protection that made dismissals of workers difficult. For example, Croatia and Slovenia still have strict employment protection legislation; in contrast, Estonia has made its firing costs very low and created a lot of new jobs as a result. All the countries of the region have relatively high minimum wages, about 40 percent of the average wage, that reduced employment in the low-wage bracket. The activity of the trade unions at the national level was largely responsible for the increases in minimum wages. Former official trade unions and new independent trade unions acted as participants in the social dialogue and were able to influence governmental policies, including social protection, relatively high minimum wages and job growth<sup>14</sup>.

Trade unions were most effective in social protection and bringing about increases in wages in Hungary, Poland and Slovakia. At the beginning of the 1990s, these countries were the first to implement the legislation on unemployment benefits and social protection. Similar laws were passed later in other countries of the regions, including the Czech Republic; however, the Czech trade unions did not exert a great influence on the reform of the labour market<sup>15</sup>.

Another important policy in the Central Eastern European labour markets was the attempt to improve workers' skills to meet the new economic requirements. First, educational systems were reformed, and then national employment services were established in order to introduce programmes devoted to training and re-training the long-term unemployed. Moreover, these programmes included entrepreneurs' educational support and social insurance actions. In Poland, the Czech Republic, Slovenia and Hungary, the programmes' success relied on state financial support; however, in all the cases their impact was limited<sup>16</sup>.

During the transition period, Central Eastern European countries used the existing social protection programmes as a basis for new programmes to protect unemployed workers. In order to make the market-oriented reforms more popular among population, new programmes were introduced, covering unemployment benefits, pensions and retirement support<sup>17</sup>. Later different programmes to support the long-term unemployed were elaborated, though since the costs turned out to be too high the programs were cut back in most Central Eastern European countries (with the exception of Slovenia) and only officially unemployed workers were eligible to receive the benefits. As a result, by 2004 the level of benefits in East European countries was much lower when to compare to the EU averages<sup>18</sup>.

---

14 Casale, Giuseppe: Evolution and Trends in Industrial Relations in Central and Eastern European Countries, in: *The International Journal of Comparative Labour Law and Industrial Relations*, 2003 (Vol. 19), No. 1, pp. 5–32, here p. 26.

15 Crowley, Stephen: Explaining Labor Weakness in Post-Communist Europe: Historical Legacies and Comparative Perspective, in: *East European Politics and Societies*, 2004 (Vol. 18), No. 3, pp. 394–429, here pp. 402–403; Weiss, Manfred: Enlargement and Industrial Relations: Building a New Social Partnership, in: *The International Journal of Comparative Labour Law and Industrial Relations*, 2004 (Vol. 20), No. 1, pp. 5–26.

16 Welz, Christian / Kauppinen, Timo: The Role of Social Dialogue in the Acceding Countries during the Preparatory Phase for Economic and Monetary Union (EMU), in: *The International Journal of Comparative Labour Law and Industrial Relations*, 2004 (Vol. 20), No. 4, pp. 583–603; Butler, Eamonn: Hungary and the European Union: The Political Implications of Societal Security Promotion, in: *Europe-Asia Studies*, 2007 (Vol. 59), No. 7, pp. 1115–1144.

17 Vanhuyse, Pieter: The Pensioner Booms in Post-Communist Hungary and Poland: Political Sociology Perspectives, in: *International Journal of Sociology and Social Policy*, 2004 (Vol. 24), No. 1/2, pp. 86–102, here p. 91.

18 Sarfati, Hedwa: Interaction between Labour Market and Social Protection Systems: Policy Implications and Challenges for the Social Partners, in: *The International Journal of Comparative Labour Law and Industrial Relations*, 2003 (Vol. 19), No. 2, pp. 253–265.

## 2. Adoption of EU Labour Policy and Legislation

There is a common view that accession to the EU could affect Central Eastern European labour markets positively. Due to the EU enlargement, the new EU members would get access to production and labour markets of the entire EU. Before 2004, it was expected that investments would increase and contribute to a rise in employment in Central Eastern European countries.

The basic requirements for accession countries' labour policy were the alignment of the standards of workers' protection with the common EU rules and the adoption of the European Employment Strategy. The first criteria for the candidates meant that any worker should have a similar level of protection regardless of their place of work. The general principles of workers' protection in the EU are based on opposition to discrimination on account of gender or other reasons, the promotion of health and safety conditions, the provision of information for employees, the specification of hours of work and the participation of social partners, including trade unions and employers, in the elaboration of national labour policy<sup>19</sup>. It was presumed that the principles of EU labour legislation could be implemented by providing workers with information and advice on their contracts, their rights after the sale of an enterprise or bankruptcy and the equal treatment of men and women. The last principle was introduced by the Amsterdam Treaty and the European Community Treaty (Article 141); these stressed that the elimination of gender, race, religion and other kinds of inequalities and discrimination on the labour market were the primary goals of European cooperation. The principle was implemented in the EU Strategy on Gender Equality for 2001–2005<sup>20</sup>. Similar strategies were elaborated in the accession countries with the aim of eliminating all types of discrimination including inequalities in the labour market<sup>21</sup>.

The Single European Act (1987) established common EU rules for health and safety conditions at work. This policy was oriented to the protection of workers in various areas such as health risks, professional illnesses and underage workers. The candidate countries received the recommendation to meet these criteria and most of them (including Romania and Bulgaria) were considered to be in compliance with the EU protection requirements by 2004<sup>22</sup>.

The accession countries were also required to adopt and implement the European Employment Strategy. Its main objective, articulated in 2000 in Lisbon, is to move the EU toward full employment and make the EU the most competitive economy in the world. The performance of the labour market may be influenced by various policies that are reflected to some extent in the European Employment Strategy. It mainly refers to four general policy areas, including the promotion of economic growth, the promotion of labour market flexibility, the enhancement of labour market skills and the provision of social protection benefits<sup>23</sup>. In order to put the European Employment Strategy into practice, investments in skills, developing entrepreneurship and equal opportunities should be provided through special policies by national governments. To join the EU, East European countries started to elaborate national labour policies requiring substantial financial support from the state and changes in labour legislation.

All East European accession countries are now members of the European Council and have adopted the European Social Charter whereby they agreed to ensure the social rights of their citizens. The rights directly relate to labour policy and include the right to just conditions of work (Article 2), the right to safe

19 Verdun, Amy: Policy-Making and Integration in the European Union: Do Economic Interest Groups Matter?, in: *The British Journal of Politics and International Relations*, 2008 (Vol. 10), No. 1, pp. 129–137.

20 Barr, Nicholas (ed.): *Labor Markets and Social Policy in Central and Eastern Europe. The Accession and Beyond*, Washington, D.C.: The International Bank for Reconstruction and Development, 2005, here p. 71.

21 Ladó, Maria: EU Enlargement: Reshaping European and National Industrial Relations?, in: *The International Journal of Comparative Labour Law and Industrial Relations*, 2002 (Vol. 18), No. 1, pp. 101–124.

22 Bojkov, Victor D.: Neither here, not there: Bulgaria and Romania in Current European Politics, in: *Communist and Post-Communist Studies*, 2004 (Vol. 37), No. 4, pp. 509–522.

23 Barr, Nicholas (ed.): *Labor Markets and Social Policy in Central and Eastern Europe. The Accession and Beyond*, Washington, D.C.: The International Bank for Reconstruction and Development, 2005, here p. 72.

and healthy working conditions (Article 3), the right to fair remuneration (Article 4), the right to protection in cases of termination of employment (Article 24) and the right to be informed and consulted in collective redundancy procedures (Article 29)<sup>24</sup>. Labour policies in the new EU members are now regulated by the European Employment Strategy and the European Social Charter.

The labour legislation of Central Eastern European countries is constantly evaluated by the European Committee of Social Rights. According to its criteria, only Slovenia meets the requirement of a minimum wage at 60 percent of the average wage<sup>25</sup>. The level of social protection in most new EU member states is also considered to be lower than it is in the old EU member states.

The differentiation between the new and old EU members is also significant in the sense of ensuring workers' rights. The old EU countries have well elaborated protective institutions based on labour legislation, trade union activity and collective bargaining process. Labour institutions in different EU countries may work in different ways regarding not only the unemployed, but also those in work<sup>26</sup>. Different countries have markedly different systems for financing social protection, depending on whether they favour social security contributions or general government funding. In 2005, Romania, Bulgaria and the Baltic states had the lowest expenditure on social protection, and the countries with the highest rates were Hungary and Poland. The disparities between countries are partly related to different levels of wealth, but they also reflect differences in social protection systems, demographic trends, unemployment rates and other social, institutional and economic factors<sup>27</sup>.

There are potential contradictions between the EU social protection policy and the main goal of the European Employment Strategy to create jobs and increase employment in the new EU states. After the enlargement of the EU in 2004, the average employment rates in the EU dropped because of the low rates of employment and high level of unemployment in the accession countries from Central Eastern Europe<sup>28</sup>. Accession countries have to follow the European Employment Strategy and to increase employment. The common EU employment policy encourages formal employment, small- and medium-sized enterprises and reductions in taxes. The new EU countries, according to the general EU criteria, had to make adopting policies to tackle administrative constraints and corruption a priority. Moreover, East European countries were required to continue restructuring enterprises by providing them with benefits and cutting taxes.

The monitoring of the EU labour market shows that changes on the labour market determine the growth of the demand for a qualified workforce. The use of knowledge-based technologies makes the labour market need high-qualified specialists. Following the European Employment Strategy, the new EU countries recognised that programmes on professional skills development were necessary in order to reduce unemployment and to increase employment. EU Active Market Programmes were adopted by Central Eastern European national governments to improve the level of qualifications among the unemployed<sup>29</sup>.

The active labour market policy is widely used in the EU and post-communist economies. It is encouraged by the European Employment Strategy and additional documents on policy implementation in the accession countries. The active labour market programmes should be considered in the general context of social protection policy. The goal of the active labour market programmes is to stimulate individuals to

24 Barr, Nicholas (ed.): *Labor Markets and Social Policy in Central and Eastern Europe. The Accession and Beyond*, Washington, D.C.: The International Bank for Reconstruction and Development, 2005, here pp. 72–73.

25 Šabič, Zlatko / Brglez, M...: *The National Identity of Post-Communist Small States in the Process of Accession to the European Union: the Case of Slovenia*, in: *Communist and Post-Communist Studies*, 2002 (Vol. 35), No. 1, pp. 67–84.

26 Kolarska-Bobińska, Lena: *The EU Accession and Strengthening of Institutions in East Central Europe: The Case of Poland*, in: *East European Politics and Societies*, 2003 (Vol. 17), No. 1, pp. 91–98.

27 Petrášová, Alexandra: *Social Protection in the European Union*, in: Eurostat. *Statistics in Focus*, 2008 (Vol. 46), [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-SF-08-046/EN/KS-SF-08-046-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-08-046/EN/KS-SF-08-046-EN.PDF), accessed 25 May 2008.

28 Vermeersch, Peter: *EU Enlargement and Immigration Policy in Poland and Slovakia*, in: *Communist and Post-Communist Studies*, 2005 (Vol. 38), No. 1, pp. 71–88.

29 Barr, Nicholas (ed.): *Labor Markets and Social Policy in Central and Eastern Europe. The Accession and Beyond*, Washington, D.C.: The International Bank for Reconstruction and Development, 2005, here p. 81.

return to the labour force and reduce unemployment benefits. Moreover, the programmes of the active labour market ensure the social protection of population in the restructured economies and may make national governments and their reforms more popular.

The active labour market policy has been implemented throughout the national employment services under the control of the various Ministries of Labour. Employment services establish local and regional offices to work with the population. The programmes may be financed from payroll taxes, as in the Czech Republic and Hungary<sup>30</sup>, or from payroll taxes and the state budget, as in Poland<sup>31</sup>. Moreover, the programmes in the new EU member states are supported by the European Social Fund and the World Bank. The World Bank encourages the monitoring and evaluation of programs in East European countries<sup>32</sup>. In some Central Eastern European countries, unemployment benefits can be paid for from payroll taxes and the financial support for the active labour market programmes can be reduced. At the same time, the effective programmes need lower expenses when they cover about 50 percent of the unemployed population<sup>33</sup>.

By 1997, the active labour market programmes has been successfully elaborated and implemented in Poland. The unemployment rate declined to 11 percent in 1998. The number of employees in the employment services increased; the National Labour Office was established under supervision of the Ministry of Labour to coordinate more than 500 offices. In 2002, in order to meet the EU accession criteria of , the Polish government adopted the National Employment Strategy. It aimed to increase employment, the equal treatment of workers regardless of gender, race and religion, and support for small- and medium-sized enterprises. The first results of the active labour market policy in Poland demonstrated that in spite of substantial financial support, the unemployment rates increased to 17 percent in 2003, with the rate of labour participation only at 56 percent. In order to improve the situation, the government started to decentralise labour management and dissolved the National Labour Office<sup>34</sup>. However, with the realisation of the active labour market programme was continued by the local offices lower financial support. The Ministry of Labour had to cut back on the programme and adopted some EU recommendations in their policy. In 2005, expenditure across the EU on labour market services accounted for less than 15 percent of total labour policy expenditure, and only in Slovakia, the Czech Republic and Lithuania did the share exceeded 20 percent<sup>35</sup>. The situation in Poland improved slightly in 2007, when the employment rate increased from 56 percent in 2005 to 58 percent<sup>36</sup>.

Before accession, the priority areas in Polish labour policy were identified in compliance with the EU Joint Assessment of Employment Priorities as education reform, refining wage, tax, and benefits systems, increasing the role of social partners, addressing high unemployment and gender gaps, and strengthening employments services. As N. Barr notes, Poland is making significant advances in developing and implementing employment policies to respond to the market economy. In spite of these advances, employment

30 Farkas, Orsolya: Economic versus Social Convergence in Hungary Preparing for EU Membership, in: *The International Journal of Comparative Labour Law and Industrial Relations*, 2003 (Vol. 19), No. 1, pp. 33–54.

31 Howes, Victoria: Challenges of European Enlargement: Regulation of Health and Safety in Hungary and Poland, in: *The International Journal of Comparative Labour Law and Industrial Relations*, 2004 (Vol. 20), No. 2, pp. 253–275.

32 Weresa, Marzena Anna: Can Foreign Direct Investment Help Poland Catch Up with the EU?, in: *Communist and Post-Communist Studies*, 2004 (Vol. 37), No. 4, pp. 413–427.

33 Casale, Giuseppe: Evolution and Trends in Industrial Relations in Central and Eastern European Countries, in: *The International Journal of Comparative Labour Law and Industrial Relations*, 2003 (Vol. 19), No. 1, pp. 5–32, here pp. 24–27.

34 Howes, Victoria: Challenges of European Enlargement: Regulation of Health and Safety in Hungary and Poland, in: *The International Journal of Comparative Labour Law and Industrial Relations*, 2004 (Vol. 20), No. 2, pp. 253–275; Barr, Nicholas (ed.): *Labor Markets and Social Policy in Central and Eastern Europe. The Accession and Beyond*, Washington, D.C.: The International Bank for Reconstruction and Development, 2005, here p. 84.

35 Gagel, Sabine: Expenditure on Labour Market Policies, 2005, in: Eurostat. *Statistics in Focus*, 2008 (Vol. 45), [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-SF-08-045/EN/KS-SF-08-045-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-08-045/EN/KS-SF-08-045-EN.PDF), accessed 23 May 2008.

36 Romans, Fabrice: Labour Market Latest Trends – 4th quarter 2007 data, in: Eurostat. *Data in Focus*, 2008 (Vol. 14), [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-QA-08-014/EN/KS-QA-08-014-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-QA-08-014/EN/KS-QA-08-014-EN.PDF), accessed 18 May 2008.

conditions had regressed and labour force participation rates had dropped, and the government did not appreciate the necessity of the active labour market programme, regarding it as expansion of the European Social Fund<sup>37</sup>.

The post-communist transformations of labour markets in Central Eastern European countries brought about the fall of employment and dramatic unemployment growth. These problems were not solved during the EU enlargement process and integration. Moreover, the labour markets of the old EU members are now under the threat of a flow of cheap labour force and goods from the new EU members. The labour policy and legislation of Central Eastern European countries are being constantly transformed to respond to the challenges of the national labour markets and the single EU labour market.

---

37 Barr, Nicholas (ed.): Labor Markets and Social Policy in Central and Eastern Europe. The Accession and Beyond, Washington, D.C.: The International Bank for Reconstruction and Development, 2005, here p. 85.