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Baltic Corporatist Arrangements

A Comparative Analysis of Tripartite Arrangements in Estonia, Latvia
and Lithuania

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Abstract

The subject of this thesis is the development of tripartite arrangements between representatives of the trade union organisations, the employers' organisations and the government or the state bureaucracy in Estonia, Latvia and Lithuania after the three countries regained their independence from the Soviet Union in 1991. I have studied and compared the contents of tripartite agreements and the work of tripartite councils. I have divided the time into the two periods from 1991 to the end of 1995 and from the beginning of 1996 to the end of 2001. I started the research with some assumptions. The first was that pressure from the EU after the three countries applied for membership in late 1995, would pull the countries towards developing stronger systems for tripartite bargaining at state level. Secondly, I assumed that openness of economy, measured as high value of trade as a proportion of GDP, would have a favourable effect on the development of tripartite arrangements. Thirdly, I assumed that long time of social democratic or socialist parties in government would have positive effect on the development of tripartite arrangements. Finally, I assumed that bloc politics combined with occurrence of radical shifts of all government parties simultaneously, would have negative effect on the development of tripartite arrangements at state level.

When I had compared the systems of tripartite arrangements at state level, my major finding was that Estonia and Latvia were closer than Lithuania to a model of democratic corporatism by the end of 2001. I also found that all three countries were closer to a model of democratic corporatism on state level by the end of 2001 than by the end of 1995. These findings, combined with historical elaborations of the different factors, gave support to the assumption that pressure from the EU had contributed to strengthen the systems of tripartite arrangements at state level. Openness of economy could not explain the differences between the cases. The findings did not support the assumption about the role of social democratic or socialist parties in government. Lithuania was furthest from the model of democratic corporatism by the end of 2001, despite the fact that the social democratic party formed the government alone from late 1992 to late 1996. The only factor, which could explain the differences between the cases by the end of 2001, was the occurrence of bloc politics combined with radical shifts of governments. The conclusion is that this can explain why Lithuania was further away from a model of democratic corporatism than Estonia and Latvia by the end of 2001.

1: Introduction:

What factors have influenced the corporatist arrangements at state level in post communist Estonia, Latvia and Lithuania? The subject for this thesis is the development of democratic corporatist arrangements in these countries. Philippe Schmitter has developed a distinction between state corporatism and societal corporatism. State corporatism described the systems in some authoritarian and totalitarian countries where the organisations were created by the state and kept as auxiliary and dependent organs of the state (Schmitter 1974: 20). The corporatist system, which was forced upon the Baltic republics during the Soviet occupation, was extremely state corporatist.¹ Societal corporatism described the systems in some democratic countries where interest group organisations acted independently from the state² (ibid: 20 – 21). This thesis is devoted to the development of the latter kind of corporatism in the time after the three countries regained their independence in 1991. In the place of societal corporatism, I have chosen to employ the concept of Katzenstein – democratic corporatism (Katzenstein 1985: 32). The concept of democratic corporatism in this thesis is a revision of Katzenstein’s concept, and consists of the following three components: A centralised system of interest groups, a concentrated system of interest groups and a system of bargaining between central trade union organisations, central employers’ organisations and the government at state level. Katzenstein also included ‘an ideology of social partnership expressed at the national level’ (ibid: 32). I will consider this as a factor favourable to the development of democratic corporatism, but not as a part of democratic corporatism itself.

I have two different approaches to my topic of research. On one side, I will emphasise strongest the last part of the concept - the system of bargaining between central trade union organisations, central employers’ organisations and the government at state level. The reason is that, I view democratic corporatism as a phenomenon, which does not necessarily rely upon broad membership in trade unions. It can also be initiated as elite co-operation on state level. That’s why I have given membership rates in trade unions and coverage of employers’ organisations only secondary importance in defining democratic corporatism. The same

¹ Schmitter himself sorted the systems in authoritarian Portugal, Spain Brazil, Chile, Peru Mexico, and Greece – as well as the defunct experiences of Fascist Italy, Petainist France, National Socialist Germany and Austria under Dollfuss under the label of state corporatism (Schmitter 1974: 22).

² Schmitter found that Sweden, the Netherlands, Norway and Denmark came closest to the model of societal corporatism (Schmitter 1974: 22).

applies to centralisation of the systems of interest group organisations. It is far from obvious that corporatist arrangements become weaker, when the number of central organisations increases. The situation in a number of Western European countries where corporatist arrangements function well with several central trade union organisations indicates this. I have solved the problem of how to define democratic corporatism in the following way. I have included all components from the concept of Katzenstein except ‘ideology of social partnership’. I have put an extra stress upon the system of bargaining between the central organisations and the government and governmental institutions at state level. When I finally compared the level of democratic corporatism between Estonia, Latvia and Lithuania, I gave this component the decisive weight. Chapter 3 will consider this concept of democratic corporatism more thoroughly in a theoretical perspective, as well as present the way I have measured the level of democratic corporatism in Estonia, Latvia and Lithuania.

This is a comparative analysis, which includes two steps. The first step aims to compare the levels of democratic corporatism between the three countries in the two time periods from the regaining of independence in 1991 to the end of 1995 and from the beginning of 1996 to the end of 2001. I have chosen the beginning of 1996 as a cutting point because of occurrences in the late 1995. All three countries signed Europe Agreements in June 1995 and applied for membership in the European Union in the late 1995 (Nørgaard and Johannsen 1999: 169-170, 200). The Europe Agreements included a promise of eventual membership in the EU, provided that each country was able to meet the preconditions for membership, the so-called Copenhagen criteria (ibid: 170, Commission of the European Communities 2002a: 19). This means that the three countries had to start the process of political reforms necessary for the future EU accessions. In the conclusion of the first part, I will simplify all my findings on the three components of democratic corporatism in order to divide my six cases into two groups – cases with a relatively high level and cases with a relatively low level of democratic corporatism.

The second step involves analysing different factors, which may have affected the development of democratic corporatism. I will consider each of the cases in accordance to each of the factors in order to decide whether it possesses the factor or not. It further involves applying comparative methods to single out those factors, which most likely can explain the differences in level of democratic corporatism between the countries in the two time periods. In the first comparative analysis, I will single out the most likely explanations by looking for

factors, which coexist with the same level of democratic corporatism in all cases. If all cases possessing a certain factor have a high level of democratic corporatism, I will conclude that this factor has been explanatory to high level of democratic corporatism. If all cases not possessing a certain factor have a relatively high level of democratic corporatism, I will conclude that absence of this has been explanatory to high level of democratic corporatism. In the second comparative analysis, I will only look at cases sharing as many as possible of the factors expected to influence the level of democratic corporatism, but one of the cases has a different level of democratic corporatism than the other cases. Here I will conclude that the factors that occur only in this case and are absent in the others (or vice-versa) are likely to have caused the different level of democratic corporatism in the deviant case. The first analysis will follow John Steward Mill's Method of Agreement. The second analysis will be a combination of this method and Mill's Indirect Method of Difference (for a thorough elaboration of these methods, see Ragin 1987: 36 – 42).

Both steps involve considerable judgements. The judgements in the first step will serve to reduce the abundance of information about each of the three components of democratic corporatism in each of the six cases into a binary classification between cases with relatively low and relatively high level of democratic corporatism. In the second step the factors expected to affect the level of democratic corporatism will be subject for the same kind of judgements serving to create a binary classification. Abundant information about each of the factors considered, have to be assessed in order to decide whether each of the cases either possesses or does not possess each of the factors. Out of this it is clear that the conclusion of this thesis depends very much on these judgements. If the judgements are unsound, the conclusion cannot be reliable. Because of this, I will thoroughly present and discuss the premises upon which my judgements are based. Hence it will be possible for the reader to assess whether the judgements are reasonable and the conclusion rests on solid ground. This means that a large part of the thesis will be devoted to elaborations of the conditions connected to each of the four components of democratic corporatism and each of the factors expected to have influenced these in each of the countries. I will present and discuss my use of comparative method in combination with historical and sociological elaboration more thoroughly in chapter 4.

An additional, but not insignificant, value of this thesis lies in the exploration itself. The role of interest group organisations in state politics in these three post-communist countries has not been treated systematically before.

I do not expect that the comparative analysis alone will give well enough evidence that the detected factors can explain the difference in level of democratic corporatism. There have to be some kind of explanation of how this factor can have influenced the level of democratic corporatism in these specific cases. That's why I will complete the final analysis of chapter 7 with an investigation of how the factors detected in the comparative analysis, may have influenced the level of democratic corporatism. To investigate this I will draw from the historical elaborations of the development of democratic corporatism and each of the possible explaining factors in chapter 5 and 6. I will also draw from the answers from the persons I have interviewed who were involved in tripartite bargaining at state level in each of the three countries.

So what factors can we expect to have affected the development of democratic corporatism in post communist Estonia, Latvia and Lithuania? There are some similarities between the countries. All three countries were occupied by the Soviet Union after World War 2 and remained a part of the empire until 1991. The Soviet Union had a totalitarian system of trade unions, which had extremely high membership rates³, but were completely controlled by the Communist party. In the terms of Schmitter, the Soviet system represented state corporatism to an extreme extent. After regaining independence all three countries have become liberal parliamentary democracies, private business is established and trade unions and employer organisations' have organised themselves after the Western European prototype. I expect the process of transforming the industrial relations from the Soviet system to a system based upon market economy and the right of the organisations to have another opinion than the government, to take time. Therefore I expect the level of democratic corporatism, or societal corporatism in Schmitter's terms, to be higher in all three countries in period from 1996 to the end of 2001 than in the period from 1991 to the end of 1996.

Another common factor between the three countries is that they have all gone through the process of being admitted as members of the European Union (EU). All three applied for

³ It is estimated that approximately 98 per cent of the Soviet workforce were members of trade unions in the early 1980s (Ruble 1986: 28).

membership in the EU in late 1995 (Nørgaard and Johannsen 1999: 200). They completed their negotiations for membership on the Copenhagen summit in December 2002, after the Commission had recommended conclusion of negotiations with ten candidate countries in October (for the press release from the Commission on the 9th of October see EU web c, 03.05.03). The three countries signed the Treaty of Accession in Athens on the 16th of April 2003 (for a full text version of the Treaty, see EU web b, 03.05.03).⁴ Provided that the voters embrace membership in the referenda, all three will be members of the EU from the 1st of May 2004. The three Baltic countries are the only countries, which used to be a part of the Soviet Union that applied for membership in the EU and did not become members of the Commonwealth of Independent States (CIS). Scholars have noticed a revitalisation of corporatism in Western Europe in the 1990s after corporatism was declared dead in the 1980s (e.g. Schmitter 1989, Schmitter and Grote 1997).⁵ That's why I expect that the EU has brought its influence to bear on the development of systems for bargaining between the interest group organisations and the governments in the applicant countries. This could contribute to a development giving a higher level of democratic corporatism in the later period in all three countries.

In the middle of the 1980s, Peter J. Katzenstein called the Western European countries the Netherlands, Switzerland, Austria, Denmark, Sweden and Norway for *Small States in World Markets* (Katzenstein 1985). In Katzenstein's thesis the open economies of these countries explain their development of democratic corporatist policies. They were dependent on the world market and vulnerable to international imposed economical changes. Therefore they developed comprehensive structures for and wide practices of bargaining between the interest group organisations and the government in order to achieve consent on national policies aimed at doing the best of possible out of the international imposed economical situation. It is tempting to call Estonia, Latvia and Lithuania for *Small States in New Markets*. They are small and, as chapter 6.1 will show, they have open economies in the form of being active traders in the world markets. They are also newcomers on these markets, shielded or imprisoned as they used to be in the economical system of the Soviet Union. Is the argument of Katzenstein valid also for these three Eastern European countries? In that case one could

⁴ All web addresses are listed in appendix G.

⁵ In 1996 the EU Commission President Jacques Santer even proposed to construct a European social pact aiming at making the member states able to combine acquirement of the EMU convergence criteria without raising unemployment. The proposal was however turned down (Pochet and Fajertag 1997: 17).

expect that the three countries developed democratic corporatist arrangements at state level in the time after regaining independence in 1991.

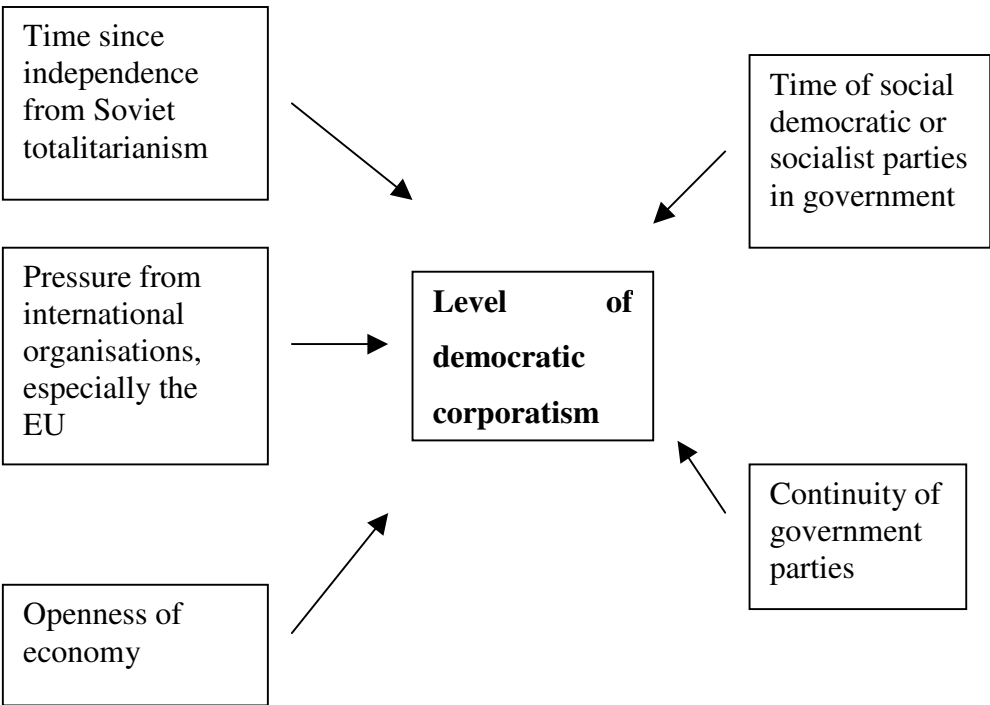
But there are also important differences between the countries. On its 20th Party Congress in December 1989, the Lithuanian Communist Party declared itself independent from the Communist Party of the Soviet Union. The independent communist party was very active in the struggle for independence and contributed to Lithuania being the first Republic to declare full independence on the 11th of March 1990 (Vardys and Sedaitis 1997: 152, 156). After independence the successor party of the communist party, the Lithuanian Democratic Labour Party (LDLP), has been a very competitive social democratic party. The LDLP formed government alone, with a majority of the Members of Parliament, in the time between the parliamentary elections in 1992 and 1996. At the time of writing in April 2003, the party has been forming government since July 2001 together with the centrist New Union. In Latvia and Estonia, the voters have marginalized the successor parties of the communist parties. The Estonian nascent social democratic party, the Moderates, has been represented in three governments, but always together with economically rightist parties (Zarates Political Collections web a, 07.05.03). In Latvia, no social democratic party has been in government for more than the four months the Social Democratic Workers Party was in a wide government coalition with economically rightist parties in 1999 (Zarates Political Collections web b, 07.05.03). Many observers have perceived social democratic parties as guardians and initiators of democratic corporatist arrangements in Western Europe (i.e. Castles 1978, Shalev 1983). The extremely close ties that the Soviet Communist Party had to the Soviet trade union movement, is yet another reason to expect that a social democratic party in government, which also is the successor party of the Soviet era Communist Party, has contributed to develop corporatist arrangements at state level. Has this implied that Lithuania has developed a more comprehensive system of corporatist bargaining on state level than Estonia and Latvia?

It is reasonable to expect that corporatist arrangements involving the government are less exposed to setbacks with high continuity of government parties. In Latvia, Latvia's Way was continuously in government from the Popular Front supported government of Ivars Godmanis resigned in July 1993 until it failed to enter parliament in the October 2002 election. At the time of writing in April 2003, the For Fatherland and Freedom Union has been in all governments since the December 1995 election. The situation in Lithuania seems to be

contrary to that in Latvia. The parliamentary elections in 1992 forced through a shift of the Popular Front supported government with a LDLP government. After the election in 1996, the situation was reversed. The LDLP government had to resign to the favour of a government where the successor party of the Popular Front, the conservative Homeland Union, was the biggest party. Has the greater continuity of government parties in Latvia contributed to develop a more comprehensive system of corporatist bargaining on state level than in Lithuania? In that case: Has the continuity of government parties in Latvia been more important in developing corporatist structures and filling them with state level bargaining than the time and power the LDLP in government in Lithuania? In chapter 3, I will discuss these initial questions in a broader theoretical perspective, and I will also present my way of measuring the characteristics that the questions deal with. Figure 1.1 is a rough model of the thesis, presenting external factors to the left and factors related to the governments to the right. Each of these independent variables is subject for closer scrutiny in chapter 6. The examinations in that chapter will serve to evaluate and further develop the definitions of the factors.

Figure 1.1 illustrates the logic of my thesis. I will explore what factors can have influenced the level of democratic corporatism. I have placed possible external causes, not a part in tripartite arrangements their-selves, on the left side of the figure. Factors related to the government are placed to the right.

Figure 1.1: Model of the thesis



Possible implications of the findings

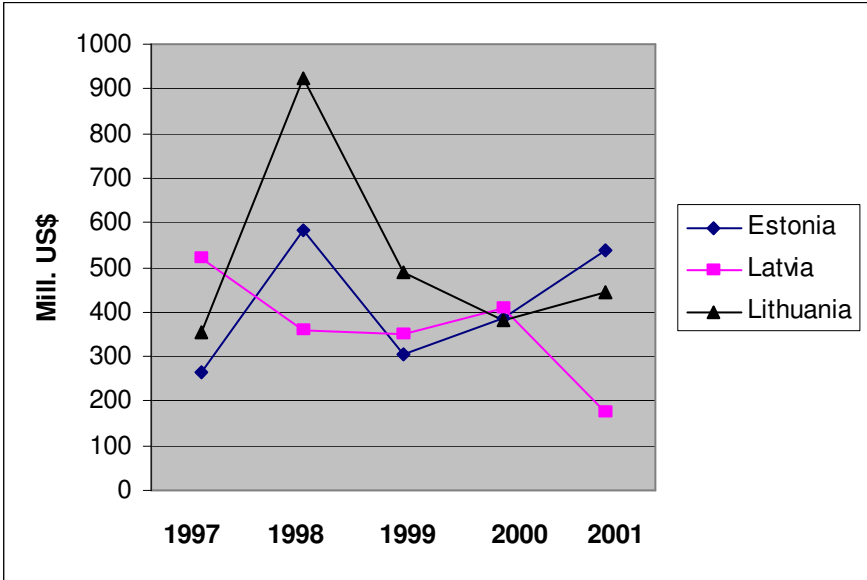
Enormous changes in working life that have occurred in the three countries since the middle of the 1980s. Out of a democratic principle that those concerned and affected should be listened to, people should have some influence on policies from their workplace through interest group organisations. This means that a lack of development of mechanism where the organisations of workers and employers can influence the state policy-making would represent a deficit in the democratic consolidation process. According to Linz and Stepan a consolidated democracy is composed of five major inter-relating arenas. These are a free and lively civil society, a relatively autonomous and valued political society, rule of law to ensure legal guarantees for citizens' freedoms and independent associational life, a state bureaucracy that is usable by the new democratic government, and an institutionalised economic society. By an economic society they refer to "a set of socio – politically crafted and socio-politically accepted norms, institutions, and regulations that mediates between state and market" (Linz and Stepan 1996: 11). A consolidated democracy is characterized by an interacting system between these arenas (ibid: 7 - 13). Interest group organisations, like trade unions and employer's federations form an important part of both a civil and an economic society. The way I interpret Linz and Stepan, a system of industrial relations where trade unions and employers' organisations constitute a part of state politics, is a necessary characteristic of any consolidated democracy. When interest group representation in politics is viewed as a matter of democratic consolidation, this is a very good reason to study interest group representation in post communist and post Soviet countries like Lithuania, Latvia and Estonia.

All three countries directed large shares of their exports to the EU countries in 2001/ 2002. Especially Estonia had a large share of her export to this market where she hardly participated at all during Soviet times. Estonia directed 68% of her exports to the EU countries in 2002. Latvia directed 61% of her exports to the EU countries during the ten first months of 2001. Lithuania directed 48% of her export to the EU countries in 2002. At the same time the market of the successor countries of the Soviet Union, which were members of the Commonwealth of Independent States (CIS), had become a minor destination for exports. In 2002 only 5% of Estonian exports had a CIS country as destination, while 10% of Latvian exports during the first ten months of 2001 went to the CIS countries. In Lithuania a larger share of 19% of all merchandise exports went to a CIS country in 2002 (Statistical Office of

Estonia web a, 07.05.03; Statistics Lithuania web c, 07.05.03; Ministry of Economy of the Republic of Latvia 2001: 32, figure 3.14)

Figure 1.2 illustrates the net inflow of Foreign Direct Investments to the area.

Figure 1.2: Net inflows of FDI in current US\$



Source: Various World Bank⁶

Figure 1.2 show that net inflows of Foreign Direct Investment had increased to a considerable level by 1998 and 2000. Estonia had an increased inflow of FDI from 266 million US\$ in 1997 to 539 million US\$ in 2001. In contrast, the net inflow of FDI to Latvia declined from 521 million US\$ in 1997 to 177 million US\$ in 2001. The inflow of FDI to Lithuania was on 355 million US\$ in 1997 and 446 million US\$ in 2001. Net inflows of FDI to Lithuania was on remarkably 926 million US\$ in 1998.

Measured per capita, especially Estonia had a high density of Foreign Direct Investments. Estonia attracted 276 US\$, Latvia 170 US\$ and Lithuania 105 US\$ in FDI per capita in 2000. The World Development Indicator Database of the World Bank Group shows that only the Czech and the Slovak republics out of the nine Eastern European countries taken up to be members of EU from 2004 attracted larger sums of FDI per capita than Estonia. In addition to

⁶ Sources: World Development Indicators. Values for 1997, 2000 and 2001: The World Bank Group web a, b and c, 07.05.03. Values for 1999: The World Bank 2001b: 340 – 341, table 6.7. Values for 1998: The World Bank 2000: 334 – 335, table 6.7

these three countries also Poland attracted a larger sum of FDI per capita than Latvia. Only Slovenia and Romania attracted a smaller sum of FDI per capita in 2000 than Lithuania. On the other hand, the amount of FDI per capita to Lithuania was larger in 1998, amounting to 257 US\$ per capita⁷ (World Bank Group web a, b, c and d, 07.05.03).

The two clearly largest countries of origin for FDI to Estonia by the end of September 2002 were Sweden and Finland. 67.2% of the total amount of FDI to Estonia at this time came from these two countries (Bank of Estonia web, 04.03.03). At the same time Sweden was followed by Germany as the countries of origin of the largest sums of FDI to Latvian companies (Ministry of Foreign Affairs of the Republic of Latvia web, 04.02.03). By the 1st of October 2002, Sweden and Denmark were the two countries of origin of the largest sums of FDI to Lithuania. 67.3% of the cumulative amount of FDI to Lithuania by this time came from these countries (Lithuanian Development Agency web, 04.03.03)

In the beginning of the new millennium Estonia, Latvia and Lithuania had the main shares of their export directed towards the EU countries. At the same time they were recipient countries of large shares of Foreign Direct Investments, and much of these came from Western Europe. Hence industrial relations in Estonia, Latvia and Lithuania should be of interest for Western European investors and employers in the area and for the employees and the governments in the European trading partner countries. It should also be of interest to employees and trade unions in the investor countries. As chapter 2 will show, the three Baltic countries, along with other Eastern European countries, have significantly lower wage levels than the Western European countries. Strong trade unions have been accredited for the increase in wages of most workers in the time after the Second World War in countries like the Scandinavian countries and Germany. If the Baltic countries do not develop a similar model, where bargaining between strong organisations of employers and employees serve to upgrade wages and safety and health regulations at the workplace, production costs may be held artificially low. This may make the three Baltic countries attractive to employers, which aim to maximise surplus by giving very low wages and at the cost of the health, security and environment on the workplace and the job-security of the employees. This scenario is very unfortunate for both employees in three Baltic countries and for the employees in other countries who risk

⁷ The calculations to per capita values are my own for all the countries.

losing their job because the company decides to move the production to these countries where the production costs are lower.

In this way a lack of development of corporatist arrangements in Estonia, Latvia and Lithuania, could become an even bigger problem when these countries become members of the European Union. EU countries with no participation of the labour organisations in state politics could in worst case represent a threat to the rights of workers and the industrial democracies in Western Europe as well. On the other side there is a possibility that since these three countries are amongst the first eight Eastern European countries to be admitted as members of the EU, their models of interest group representation will serve as prototypes for other Eastern European countries seeking to become members of the EU in the future. This would imply that the development in these three countries have implications for the development of interest group representation in a wider range of countries.

Still my findings from Estonia, Latvia and Lithuania cannot be used to draw generalisations valid for a wider range post-communist Central and Eastern European (CEE) countries. These three countries are not representative for the group of CEE countries, which never were republics of the Soviet Union. Neither are they representative of the successor states of the Soviet Union, which all are considered to be much less democratic. The three Baltic countries constitute a group on their own as they are the only former Soviet republics who were accepted to become members in the EU in the first round of enlargement eastwards and did not become members of the CIS.

An outline of the contents

Chapter 2 is a presentation of the historical background for the key factors of the analysis. The main subjects of this chapter will be the history of trade unions and employers' organisations in the time of the pre-war republics and some features of the Soviet system of trade unionism. I will also look at some economical indicators through the transitions and the emergence of the new political elites. The last section deals with the placement of tripartite structures in the new political systems in a very broad outline. In *chapter 3*, I will lay down the theoretical framework for the analysis. Here I will also develop the framework of how I will measure the level of democratic corporatism in the three countries. *Chapter 4* deals with methodological issues of my comparative design. The main concern is related to the process of singling out

independent variables explaining the differences in level of democratic corporatism. *Chapter 5* is the elaboration of the level of democratic corporatism in each of the three countries in the period from regaining independence in 1991. Here I will introduce a division of the three countries into six cases. Each of the countries in each of the periods from 1991 to the end of 1995 and from 1996 to the end of 2001 constitutes one case. *Chapter 5.1* deals with the aspect of ideology of social partnership amongst the elites. *Chapter 5.2* is about concentration and centralisation of interest group organisations. *Chapter 5.3* deals with the aspect of developing a system of bargaining between central trade union organisations, central employers organisations and the government at state level. The conclusive *chapter 5.4* simplifies the findings from the rest of chapter 5 and divides my six cases into the two categories of relatively high level and relatively low level of democratic corporatism. *Chapter 6* deals with factors that may have influenced the development of corporatist arrangements at state level in the three countries. *Chapter 6.1* is about openness of economy measured as the value of imports and exports in proportion to the size of the Gross Domestic Product (GDP). *Chapter 6.2* is devoted to governments and the factors of occurrence of bloc politics combined with radical shifts of governments, staying time of the longest staying government parties, and the length of time with socialist or social democratic parties in government. *Chapter 6.3* deals with pressure from the international organisations ILO and EU. In *chapter 7*, John Steward Mill's Method of Agreement and Indirect Method of Difference are applied in a comparison of the cases in order to find likely explanations of the differences in level of democratic corporatism between the countries in the two time periods. In *chapter 8* you will find the conclusion to what factors can most likely explain the difference of the level of democratic corporatism between the cases. In this chapter I will also look shortly back on the thesis to interpret the meaning of my findings.

2: Historical background for the key factors of the analysis

Chapter 2 is a presentation of the historical background for the key factors of the analysis. The chapter briefly presents the history of trade unions and employers' organisations in the time of the pre-war republics. Then some features of the Soviet system of trade unionism will be touched upon. After that I will look at some economical indicators through the transitions. Then I will deal with the emergence of the new political elites. The last section is a presentation of the placement of tripartite structures in the new political systems in a very broad outline. These arrangements will however not be elaborated in detail before in chapter 5.

Table 2.1: Some facts

	Estonia	Latvia	Lithuania
Time of first modern state	1918	1918	1918 ⁸
Three largest ethnic groups (1999)	Estonians: 66% Russians: 27% Ukrainians: 3%	Latvians: 57% Russians: 29% Belarusians: 4%	Lithuanians: 84% Russians: 7% Poles: 6%
Official language	Estonian (Finno-Ugrian)	Latvian (Baltic)	Lithuanian (Baltic)
Main religions	Lutheran, Russian orthodox	Lutheran, Roman Catholic, Russian orthodox	Roman Catholic

Sources: Norbalt 2 survey (ethnic groups); Misiunas and Taagepera 1993: 8 – 10 (time of first modern state)

Table 2.1 presents only a few introductory facts about the three countries. The large Russian minorities, especially in Latvia and Estonia, could be a factor influencing the direction of the development of central trade union organisations. Still, none of the ethnic minorities have ever founded their own central trade union organisation in any of the countries, in the post-

⁸ The first Lithuanian state was established in the 1240s, and Mindaugas was crowned as king of Lithuania in 1253 after he defeated the Brothers of the Sword (Kiaupa et. al. 1999: 41). Lithuanians still celebrate the anniversary of the crowning of King Mindaugas on the 6th of July (The Baltic Times 21.02.02 a).

Soviet time. On the contrary, in both Latvia and Estonia associations organising predominantly employees from the Russian, or other Slavic, minorities have been affiliated to the same central organisations as the associations consisting mainly of members from the indigenous majorities. Because of this I will not focus upon ethnic relations in this thesis.

The simultaneous collapse of the Russian and German empires during the First World War gave the three Baltic peoples an opportunity to create their own states. Lithuania and Estonia declared their independence on the 16th and the 24th of February 1918, while the Latvians made their declaration on the 18th of November the same year. Still the three countries could not take their independence for granted before they after several battles concluded peace treaties with the Soviet state in 1920 (Misiunas and Taagepera 1993: 8 - 10). All three countries adopted liberal democratic constitutions and exercised democratic politics. In Lithuania the democracy did not last longer than to 1926 when the army installed the small Nationalist Union in government. One of their leaders Antanas Smetona became President (Vardys and Sedaitis 1997: 36). In Estonia and Latvia the authoritarian regimes of Konstantin Päts and Karlis Ulmanis took power in 1934 (Misiunas and Taagepera 1993: 12).

In 1930, manufacturing engaged 17.4 % of the labour force in Estonia and 13.5 % of the labour force in Latvia. On the other side, manufacturing engaged only 6 % of the labour force in Lithuania (Misiunas & Taagepera 1993: 11). Trade unions were established in the region during the 1905 revolution. The first congress of Estonian trade unions was held on the 30th of August 1919. It is worth noticing that the government disbanded this congress. The second national congress of trade unions in 1922 elected the United Central Council of Estonian Workers' Unions. The Ministry of the Interior issued a decree in 1924, which stopped the activity of the united trade union organisations. The Central Union of Estonian Workers' Associations was established on the national conference of Workers' Unions in 1927, as a central organisation of trade unions. On its first congress in 1928, the union decided to join the international trade union association ETK RAL. In March 1934, President Päts used the new authoritarian constitution to declare a state of emergency and deactivate the Parliament. He ruled by decree until 1938 (Misiunas & Taagepera 1993: 12). The new Labour Law of 1936 obstructed the development of the trade unions. A new government friendly trade union association, the Estonian People's Work Union, was founded. The cooperation with the international trade union association ceased. In 1940 the Central Union of Estonian Workers'

Associations started its political left oriented activity, though the activity of trade unions stopped during wartime 1941 – 44 (Confederation of Estonian Trade Unions web, 11.11.02)⁹.

A central organisation of trade unions was established in Riga in July 1920. This organisation joined the international trade union organisation in Amsterdam. There were 40 trade unions with about 50 000 members in Latvia in 1933. The new authoritarian government disbanded the trade unions and prohibited strikes in 1934. A new trade union organisation was established under the authority of the Ministry of Interior the next year (Balodis 1990: 215 – 216). The Christian democratic Lithuanian Labour Federation (LLF) was established in 1919 and recreated in 1991 (LLF web, 11.11.02).

Employers' organisations existed in all three countries. The Union of Lithuanian Traders, Industrialists and Handicraftsmen was founded in April 1930. The Confederation of Lithuanian Industrialists claim to be the heir-taker of this organisation¹⁰. The Estonian Chamber of Commerce and Industry was established in 1925 (ECCI web 06.11.02). All three countries were members of the International Labour Organisation (ILO) from 1921, two years after the organisation was established.

The Soviet occupation

In 1985 Estonia, Latvia and Lithuania had been republics of the USSR for forty years. The economical and industrial systems of the three republics were a part of the planned economy of the USSR. The emphasis of the USSR on heavy industry was implemented also in the Baltic republics. According to Misiunas and Taagepera, industrial production increased by a factor of 20 in Estonia, 19 in Latvia and 24 in Lithuania between 1940 and 1980 (Misiunas and Taagepera 1993: 361). Even though these numbers come from Soviet sources, and may well be overestimating Soviet production, there is little doubt that grand industrialisation took place in the Baltic republics during Soviet times. From the 1960s, Moscow ministries controlled more and more of the industrial production. By 1971 Latvian Soviet authorities controlled 10 per cent of industrial production, mostly food and light industry (Misiunas & Taagepera 1993: 228). This system meant that even the directors at enterprises had little

⁹ I have translated the text from Estonian.

¹⁰ On their web site they state that when CLI held their constituent congress, the union that functioned in pre-war Lithuania was restored (CLI web a, 11.11.02).

opportunity to make their own decisions, because they had to follow detailed directives from Moscow. What was the employees' influence on issues concerning their workplace?

According to the ideology, the USSR was the state of the workers. So trade unions had a central place in the Soviet political system. It is estimated that approximately 98 per cent of the Soviet workforce were members of trade unions in the early 1980s (Ruble 1986: 28). The tenth Soviet Communist Party Congress in 1921 drew up the principle for the work of trade unions throughout the Soviet period. It has been referred to as; "the doctrine of dual functioning trade unions" and "classic dualism". According to this doctrine, trade unions had two functions. First and foremost they were supposed to mobilise labour production. Second they were supposed to protect the rights and interests of the members. In order to achieve the first principle, all employees in a given sector of economy, both workers and managers, were members in the same union. This can be understood by considering the Soviet political ideology. According to this, social conflicts between workers, employers and owners of enterprises could not exist in the socialist society of the Soviet Union. The Communist Party was seen as the representative of the interests of the workers. Because the Communist Party owned all enterprises, the workers in the principle owned all enterprises through the Communist Party. Since the enterprise directors followed the directives from the central ministries, which were controlled by the Communist Party; they also served the interests of the workers.

Even though any fundamental cleavage between the state as employer, directors and employees in the principle could not exist, short-term differences in priorities and preferences might persist. This implied some room for participation of workers through trade unions in order to resolve any disagreement and "*ensure it did not disturb the overriding harmony of relations between labour, management, party and government*" (Pravda and Ruble 1986: 3). This meant that trade unions had to subordinate the protection of the interests of their members to the promotion of party and government policies. Directives and communications generally flew vertically downwards, and all contact between union locals was channelled through higher bodies. The nomenklatura and party executives received all the important union appointments, and all communist unionists formed party caucuses to make sure that union decisions complied with party policy. Only at the enterprise level did trade unions possess anything approaching autonomy. Nevertheless, close collaboration between management and party officials within the enterprise severely limited independent union

activity, especially because management rather than workers usually dominated the trade union committees. Within the enterprise trade unions were seeking to achieve their ends through collaboration and not confrontation (ibid: 1, 3 - 5).

Even though trade unions were not channels of political influence for workers, they had a central position at enterprise level. Because the main responsibility of trade unions was to increase productivity, a large part of the Soviet social and welfare policies were channelled through the trade unions. This meant that the trade unions distributed a wide range of social welfare benefits, including places in vacation centres and sanatoria, kindergartens and pioneer camps, the allocation of housing and the administration of the bulk of the state social security system. Because of the role as welfare distributors and the total dominance of the communist party over trade unions, the 1994 deputy director of the official Russian trade union federation called Soviet trade unions “*not trade unions at all, but the social and welfare department of the central committee of the Communist Party of the Soviet Union*” (CPSU) (quoted in Clarke and Fairbrother 1994: 370). Even though the Communist Party and the management dominated the trade unions, the unions could in some cases defend the interests of the workers. The unions had to approve any revision of norms at enterprise level, and no worker could be dismissed without approval from the union (ibid: 369 – 370).

Clark and Fairbrother described the strategy of using trade unions to mobilize the Soviet workforce and increase production as not successful on the great majority of the Soviet workers (ibid: 370). On the other hand Soviet workers were responding to the lack of influence on the organisation of their working life through the significant degree of control they imposed over work speed, job organisation and product quality (Filtzer 1992: 112). This meant that labour turnover and absenteeism were high and productivity and product quality were low compared to Western standards. One observer described this reaction of the workers as taking the “*freedom not to work to hard*” (Ruble 1986: 40). Even though Baltic labour efficiency was markedly above the Soviet average, it was low compared to Western standards (Misiunas & Taagepera 1993: 236). Nevertheless, the production quotas should be achieved. The result was often *storming*, which was the breakneck attempt to clear out backlogs at the end of the month, quarter or year (Filtzer 1992: 113, Misiunas & Taagepera 1993: 189). Since the managers needed cooperation from the workforce to fill the quotas, especially if storming was necessary, a sophisticated informal system of bargaining over areas of control developed between workers and management at the individual enterprises. The employees could not

decide their own work speed on all workplaces. The workers in high intensity production such as textiles, the garment industry and assembly line production in light engineering (e.g. watch manufacture), was subject to higher intensity of labour than other workers, for instance in heavy industry. Mostly women worked in these high intensity industries, while mostly men worked in heavy industry. Filtzer pointed out that Soviet industry had a severe and reproducible labour shortage since the introduction of the five years plans (Filtzer 1992: 116). This meant that work was easy to find. Also in the Baltic republics in the 1980s it was easy for workers fired for “*continual tardiness, absence and drinking on the job*” to find work elsewhere (Misiunad & Taagepera 1993: 237)

Wage inequality in the Soviet Union decreased somewhat as the result of major wage reforms in 1956 and 1968 (Ruble 1986: 45). Still large inequality existed in the Soviet Union. In the Baltic republics as elsewhere in the Soviet Union there were special stores for Communist Party leaders, and pharmacies reserved special items for these privileged persons. Foreign lingerie used to be distributed at top-level party meetings even in the late 1970s (Misiunas & Taagepera 1993: 225 – 226).

The conclusion of this section about working life in the Soviet period is that Baltic workers did not have any real influence on decisions concerning their working life, unless they didn't actually mean the same as the Communist Party. Though they had, at least in theory, some influence on decisions taken at their workplace through trade unions. This influence was severely constrained by the dominance of the Communist Party over trade unions. Baltic employers also had very limited opportunities to take their own decisions. Most of big enterprises were fully or partly under the control of all-Union ministries, which also set the production quotas. The Baltic people did not live in a society featured by economical equality and equal access to goods and services, but in a society featured by privileges to the nomenklatura of the Communist Party. Nevertheless, some protection against absolute poverty existed in the form of minimum wage, socialised medicine, and not at least, through the abundance of work.

Coping with the Soviet legacy

The Soviet legacy should be important for how people evaluate trade unions in the post communist countries. Anton Steen measured the level of people's confidence in trade unions.

The Norbalt 2 survey contained a question about trust in trade unions for 1999. The following table is a contraction of these data:

Table 2.2: Confidence in trade unions
Percentage of persons with confidence – percentage of persons without confidence in trade unions in 1992, 1997 and 1999

	Estonia		Latvia		Lithuania	
	Difference	Don't know/ no answer	Difference	Don't know/ no answer	Difference	Don't know/ no answer
1992	-32	27%	-52	21%	-38	32%
1997	-30	32%	-30	30%	-30	46%
1999 ¹¹	-6	48%	-29	29%	-24	45%

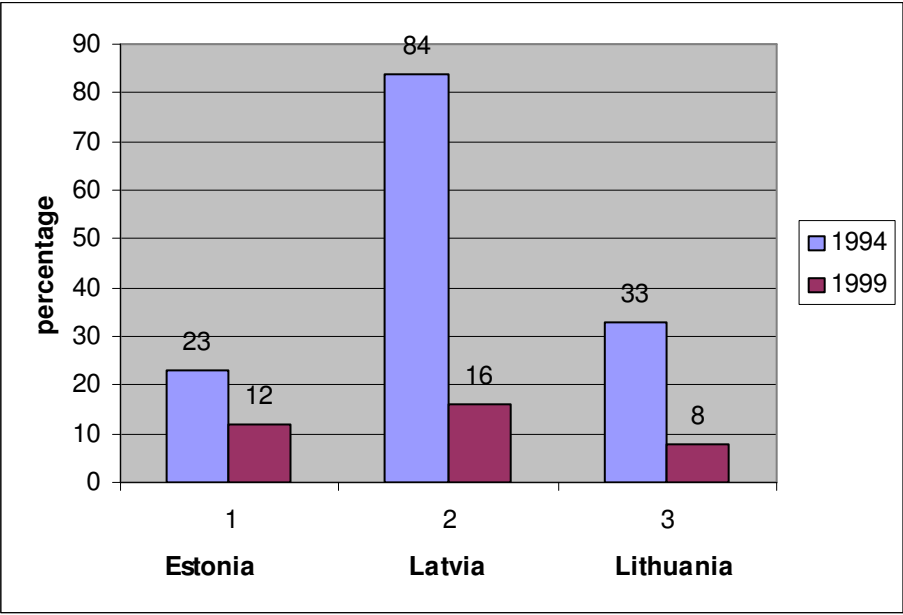
Sources: 1992 and 1997: Steen 1998: 12 – 13, table 2. 1999: Norbalt 2 survey

The level of trust or confidence can be measured as the shares of respondents distrusting (1999) or not having very much confidence or not at all having confidence (1992 and 1997) in trade unions subtracted from the shares of the respondents trusting (1999) or having a great deal or quite a lot of confidence (1992, 1997) in trade unions. Out of this we see that there were more distrusters than trusters of trade unions in all the three countries in all three years. The largest difference was in Latvia in 1992 (52 percentage points). The difference has however been declining in all three countries between 1992 and 1999. In 1999 there were only six percentage points more distrusters than trusters of trade unions in Estonia, while the difference in favour of distrusters was still 29 percentage points in Latvia and 24 percentage points in Lithuania. It is worth noting the high frequencies of respondents, which did not know or had not answered. These shares were increasing over the period in all three countries. This indicates a widespread insecurity about the work of trade unions in the 1990s. The low level of confidence or trust, especially in the beginning of the 1990s, may reflect the soviet legacy of trade unions being under the authority of the communist party. It may also be a result of the legacy of the past in another way, reflecting that trade unions could not deliver the same amount of social security and goods that they provided in the Soviet times.

¹¹ The Norbalt 2 survey of 1999 asked about trust and distrust.

Figure 2.1 shows the percentages of ordinary employees and persons engaged in lower, middle and higher management in the three countries that were members in a trade union in 1994 and in 1999.

Figure 2.1: Membership in trade unions

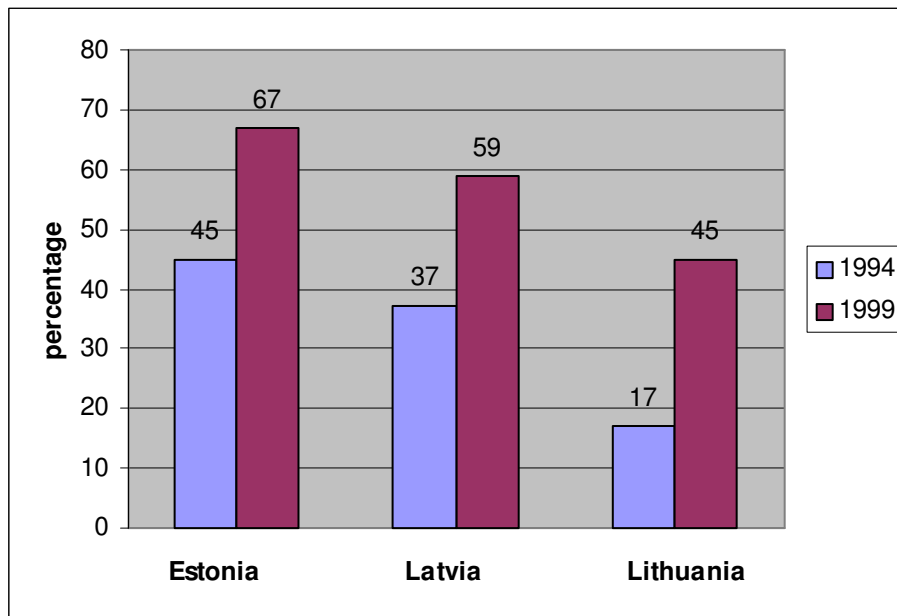


Source: Norbalt 1 and 2 survey.

As figure 2.1 shows the membership in trade unions declined sharply in the 1990s. In 1999 the membership rates in trade unions amongst employees and persons engaged in management were very low in all three countries. The membership rates were lowest in Lithuania on 8%, on 12% in Estonia and on 16% in Latvia. It is also clear that the decline in membership rates started later in Latvia than in Lithuania and Estonia. In 1994 Latvia had still an extremely high membership rate on 84%. Presumably most of the members gained their membership in the Soviet times. In Lithuania, and especially in Estonia, union membership had already fallen to a low level by 1994.

In the Soviet times the state was the only employer. Especially private employers are alive to the necessity of being organised in employer’s organisations. Therefore increasing employment in private enterprises is critical to the development of employers’ organisations. Figure 2.2 on the next page shows the percentage of employees in private companies in 1994 and 1999.

Figure 2.2: Employees in private companies



Sources: Norbalt 1 and 2 survey

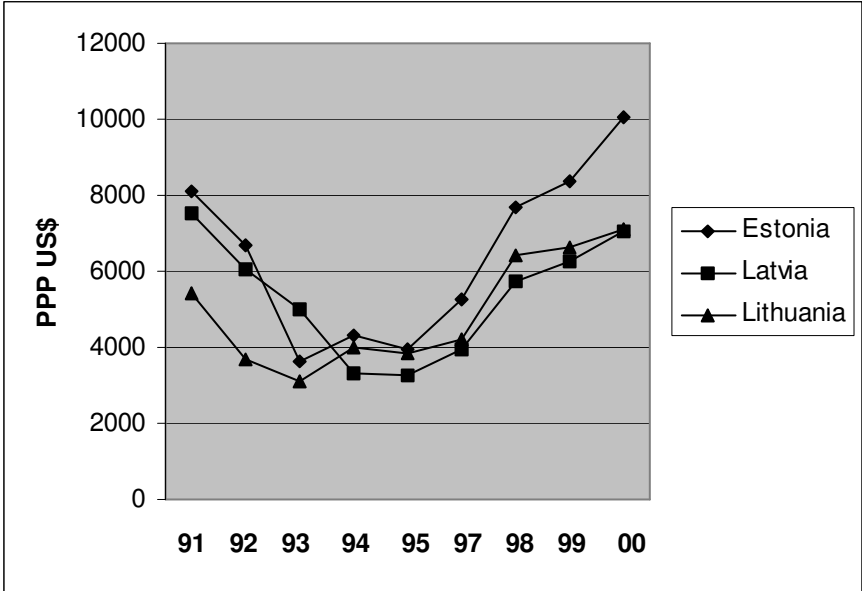
Figure 2.2 shows that Estonia had a considerable share of 45% of employees in private companies already in 1994. This share increased to impressive 67% by 1999. Latvia came in a middle position, having 37% of employees in private companies in 1994, increasing to 59% by 1999. The increase in employment in private companies until 1994 was much more modest in Lithuania, than in Estonia and Latvia. Only 17% of the employees in Lithuania worked in private companies in 1994. On the other hand, the increase in employment in private companies from 1994 to 1999 was on 28 percentage points in Lithuania, compared to smaller 22 percentage points in Estonia and Latvia. Private employers had emerged in all three countries by 1994. In 1999 they employed the major shares of employees in Estonia and Latvia, and almost half of them in Lithuania. This should be most favourable for the development of employers' organisations in all three countries - most favourable for the development in Estonia and least favourable for the development in Lithuania before 1994.

Some economic indicators through the transitions

The following sections presents some economic indicators aimed at illustrating the situation that employees, employers and people generally have lived in during the 1990s. This is

relevant background information the economical context the interest group organisations and the governments are functioning in.

Figure 2.3: Real GDP per capita (PPP US \$) 1991 - 2000



Source: UNDP: Human Development Indicators 1993 - 2002 (UNDP web, 07.05.03)

Gross Domestic Product per capita is the value of the total output of all goods and services produced in a country divided with the number of inhabitants (UNDP 2002: 264). When measured in Purchasing Power Parity US\$ (PPP US\$), the value is comparable between countries since one PPP US\$ has the same purchasing power as \$1 has in the United States (ibid 266 – 267). Figure 2.3 reflects the economical development in the countries between 1991 and 2000. One should however interpret the data from the beginning of the 1990s with care, because overestimation from the Soviet period might remain. Yet there is little doubt that the transformation of the economies followed by price hikes and bankruptcies, resulted in an economical decline during the first years of the 1990s. The economy has been recovering in all three countries after 1995. The growth between 1995 and 2000 was strongest in Estonia, which had a significantly higher GDP per capita than Latvia and Lithuania in 2000. The economical growth in Latvia and Lithuania seems to have slowed down in the aftermath of the Russian financial crisis in 1998.

Table 2.3: Income distribution

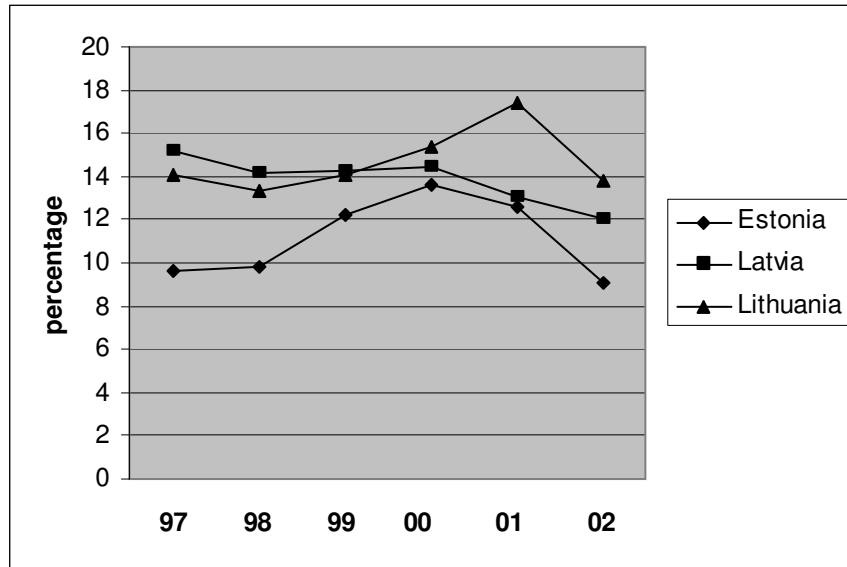
	Estonia		Latvia		Lithuania	
	Gini coefficient	Decile ratio (90/10)	Gini coefficient	Decile ratio (90/10)	Gini coefficient	Decile ratio (90/10)
1990	0.24	3.31	0.24	3.08	0.25	3.11
1994	0.34	5.05	0.41	8.92	0.36	6.56
1997 – 1999 ¹²	0.37	4.70	0.32	4.13	0.37	4.89

Sources: Values for 1990 and 1994: Nørgaard 1999: 124, table 4.6. Values for 1997 – 1999: World Bank 2000: 425, 428.

The decile ratios (90/10) refer to the income of the upper tenth income group as a factor of the income of the bottom tenth income group. The Gini coefficients are more general measures of inequality, as they include all income groups and not only the top and bottom tenth. The World Bank data in table 2.1 show that income inequality radically widened between 1990 and 1994 in all three countries. Latvia had the largest income inequality in 1994. At that time the top 10 per cent of persons had almost 9 times the income of the bottom 10 percent. The income inequality in Latvia narrowed after 1994. The income distribution in Latvia in 1997 – 1998 was somewhat more equal than the income distribution in Lithuania in 1999 and in Estonia in 1998. Compared to other post-communist European and Central Asian countries, the three Baltic countries, together with Poland, figured with a middle term income inequality. On one side the Czech Republic, Hungary and Slovenia had all Gini coefficients on 0.25 showing considerably lower income inequality. On the other side all the Caucasian and Central Asian countries, as well as Russia, had Gini coefficients between 0.4 and 0.5, showing much higher income inequality (World Bank 2001: 421 - 433).

¹² Estonia 1998, 4th quarter, Latvia 1997 – 1998 and Lithuania 1999.

Figure 2.4: Unemployment rates



Sources: Various sources ¹³

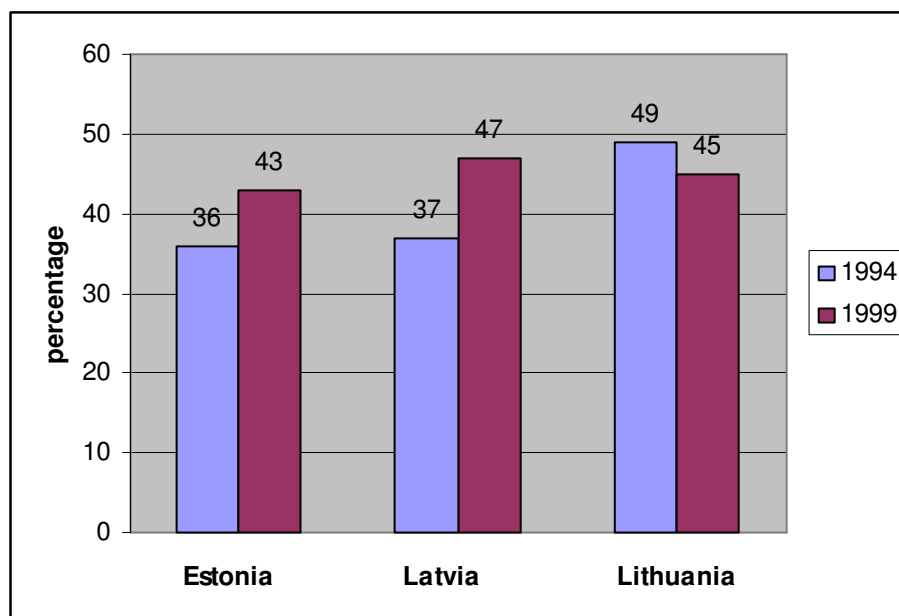
The unemployment rates in figure 2.4 refer to the ILO definition. According to this, an unemployed person is a person that does not work anywhere, is not temporarily absent from work, is available for work within two weeks and is actively seeking work (Statistical Office of Estonia 2001b: 281). Using this concept, the surveys report higher unemployment rates than the rates based on persons registered at the state employment boards. The Estonian unemployment rate for 2002 is for the third quarter. All other are average annual numbers. The figure shows that unemployment increased in Lithuania from 14.3% of the labour force in 1997 to 17.4% in 2001, when it was clearly higher than in Latvia and Estonia. By 2002 the Lithuanian unemployment rates had declined to 13.8%. During the same period the Latvian unemployment rates decreased from 15.2% of the labour force in 1997 to 13.1% in 2001 and 12.0% in 2002. The Estonian unemployment rates increased from 9.6% of the labour force in 1997 to 13.6% in 2000. After that it declined sharply to 9.1% in the 3rd quarter of 2002. The unemployment rates in each of the three countries in 2001 were higher than in all of the EU countries. Greece and Spain, with unemployment rates on 10.5 % and 10.6 %, were closest to

¹³ Sources: Lithuania 1997 – 2000: Statistics Lithuania 2001c: 28, table 3.2. Lithuania 2001 –2002: Statistics Lithuania web d: 4, 07.05.03. Estonia 1997 – 3rd quarter 2002: Statistical office of Estonia web c, 07.05.03. Latvia 1997 – 2002: Central statistical Bureau of Latvia web d, 07.05.03.

the unemployment rates of the three Baltic countries¹⁴ (Commission of the European Communities 2002: 111).

In the Norbalt 1 survey of 1994, 458 respondents between 18 and 62 years of age, who were currently without work and having previously been employed, were asked about the main reason why they did not work. In the Norbalt 2 survey of 1999, 791 respondents between 18 and 68 years of age in the three countries without work, who had previously been employed, were asked about the main reason they had stopped working. The results are presented in figure 2.5.

Figure 2.5: Share of persons previously employed, but currently without job, that lost their job because of closures or redundancies



Source: Norbalt 1 and 2 survey

Figure 2.5 shows that in Estonia the share of persons previously employed, but currently without job, that lost their job because of closures or redundancies increased from 36% in 1994 to 43% in 1999. The Latvian figure increased from 37% in 1994 to 47% in 1999. The Lithuanian figure decreased slightly from a very high 49% in 1994 to 45% in 1999. The

¹⁴ Some regions and districts were affected much harder than other. The Ida-Viru county in North-eastern Estonia had an ILO unemployment rate on 18.9% in 2002 (Statistical Office of Estonia d, 08.05.03). In the Rezekne district in South-eastern Latvia 27.6% of the economically active population were registered as unemployed (Central Statistical Bureau of Latvia web e, 08.05.03). In November 2000 the Siauliai county in central Lithuania had an ILO unemployment rate on 19.3% (Statistics Lithuania 2001b: 37, table 5.6).

general picture is that very high shares of persons that had quitted from their job, had to do this because of closures or redundancies. In 1994 the situation was the worst in Lithuania, while in 1999 it was just as bad in Estonia and Latvia. In Estonia and Latvia the situation was worse in 1999 than in 1994.

Since 1995 the share of long-term unemployed has been increasing in Estonia. 32% of the unemployed had been without work for more than 12 months. In 1996 this share had increased to 55%. In 2000 the share having been without work for more than a year was on 69%, and 26% of the unemployed had been without work for more than two years (Statistical Office of Estonia 2001b: 105, Eamets et al. 1999: 38). In Lithuania 52% of the unemployed had been without work for more than a year in 2000, compared to 39% in 1999 and 55 percent in 1998 (Statistics Lithuania 2001 c: 36). In Latvia 58% of the unemployed had been without work for more than a year in May 2001. 29% of the unemployed had been without work for more than three years, and 16% was without work for more than 60 months. In May 2000, 56% of the unemployed had been without work for more then one year. The figure for November 1996 was 59% (Central Statistical Bureau of Latvia 2001a: 46, own calculations to percentages).

Persons who have been unemployed for more than 6 months in Lithuania and 9 months in Estonia and Latvia are not eligible to receive unemployment benefits. The state financial insurance for unemployed in all three countries has been very small. In Estonia 400 Estonian Kroons (EEK) was granted each month in 2000 (Estonian Ministry of Social Affairs web c, 02.10.02). This amounted to only one third of the national minimum subsistence level. In Lithuania, the Law on Support of the Unemployed of 1990 (revised 1996) regulates unemployment benefits. An amount between 135 and 250 Litas was granted each month, depending on the length of the period the recipient had been paying to the mandatory state social insurance system (Ministry of Social Security and Labour web b and c, 02.10.02). The minimum subsistence level of the same year was on 125 Litas per month. In Latvia, the average 2000 the average unemployment benefit in 2000 was 45 Latvian Lats a month. (Ministry of Welfare of the Republic of Latvia 2001: 31). This amounted to only 53% of the national minimum subsistence level.

Workers have paid the bitter prise for enterprises not able to cope in the new market economy, not only through redundancies and enterprise closures. Sometimes the salaries have failed to

appear. 21% of the working respondents in Lithuania in the Norbalt 2 survey of 1999 reported that they had experienced delays in receiving salaries during the last twelve months. The figures for Latvia and Estonia were on 15 % and 14 %. Out of these, 28 % in Lithuania reported that the delay had lasted less than one month. 40 % reported a delay between one and two months. 28 % said the delay had lasted between two months and a year, and 1 % (four respondents) had experienced a delay on more than one year. The figures for Latvia were respectively 46%, 35%, 18% and 0.4 % (one respondent). In Estonia the figures were 53%, 28%, 17% and 2% (seven respondents). In March 2000, workers from the bankrupt Inkaras sports shoe factory in Kaunas, Lithuania's second largest city, were on hunger strike for more than two weeks to have their wages, which they had not received for a year (The Baltic Times (TBT) 16.03.00, 23.03.00 and 30.03.00¹⁵, see also Woolfson and Beck 2002: 750).

Monthly average gross wages and salaries in the fourth quarter of 2002 were very low in Lithuania, Latvia and Estonia compared to the wages in Western European countries. Still they were somewhat higher in Estonia (436 US\$) than in Latvia (311 US\$), while Lithuania (346 US\$)¹⁶ was in between (Statistical Office of Estonia web b, 11.04.03; Central Statistical Bureau of Latvia web b, 04.05.03, Statistics Lithuania web b, 11.04.03). The same year, the minimum legal gross wage was on 111 US\$ in Estonia, 97 US\$ in Latvia and 117 US\$ in Lithuania¹⁷ (translation of Estonian tripartite agreement of 25.09.01, interview Jaunzeme 14.12.01, Ministry of Social Security and Labour web a, 04.05.03).

The political elites

The subject of this thesis is cooperation and negotiations at elite level. After all, corporatist arrangements on state level involve negotiation between elite persons in the central organisations and in the state bureaucracies or the government. Therefore I will draw some historical lines aimed to tell something about the conditions for elite relationships in the three countries.

Anton Steen and Jüri Ruus have called the Soviet elite monolithic in nature. All members were communists, approved by the top level of the Party and obliged to profess Marxist-

¹⁵ Appendix D is a list of references to the articles from the Baltic Times.

¹⁶ The values in US\$ for all three countries are calculated from the currency rates at the end of 2002. Source: IMF web, 28.04.03.

¹⁷The values in US\$ for all three countries are calculated from the average currency rates of 2002. Source: IMF web, 28.04.03.

Leninist ideology. Dissent and factions within the Party were prohibited (Steen and Ruus 1999: 4 – 5). The appointment of Mikhail Gorbachev to the general secretary of the Communist Party of the Soviet Union (CPSU) in March 1985 and the following implementation of the political programs of *perestroika* (restructuring) and *glasnost* (openness) meant legalisation of some kinds of political movements outside the Communist Party. The result was a number of interacting political campaigns. The term *movement society*, which Rein Rutssoo applied to Estonia from 1986 to 1991 (see Arter 1996: 124), could also describe the Latvian and Lithuanian societies. The popular fronts were very important parts of the movement societies and the independence forces. These fronts held their inaugural conferences in all three countries in 1988 (Misiunas & Taagepera 1993: 318). Large shares of the political elites in the independent countries including important personalities had a common past in the popular fronts. When the communist parties became minority parties in the Supreme Councils of the three republics from 1990, the popular fronts took over as the governing party. The popular front controlled the government in Estonia until January 1992, in Lithuania until November 1992 and in Latvia until July 1993 (Zarates Political Collections web a, b and c, 07.05.03). Furthermore, several new political parties emerged from the popular fronts.

Only in Lithuania, the successor party of the pro-independence wing of the communist party was successful after independence. The Lithuanian Democratic Labour Party (LDLP) had a majority of the members in the Seimas and formed government alone from December 1992 to November 1996 (Zarates' Polical Collections web c, 07.05.03). Important personalities from the communist parties went over to other parties in Estonia and Latvia. Arnold Rûutel, the chairman of the Presidium of the Supreme Council from 1983 to 1992, became the leader of the Estonian Country People's Party (Nørgaard 1999: 73, Misiunas & Taagepera 1993: 352). He was elected to President of Estonia in September 2001 (TBT 27.09.01). Club 21 was founded before the 1993 parliamentary elections in Latvia, as a meeting point for both Latvian and Russian speaking elites. This club was the forerunner of the centre – right party Latvia's Way, which was a member of all governments between July 1993 and November 2002 (Steen 1997: 353, Zarates' Political Collections web b, 07.05.03).

More homogenous elites than populations

Table 2.4 shows that the elites were more homogenous than the populations, according to important demographical and an attitudinal criteria. This may be related to the common past of large parts of the political elites in addition to requirements of proficiency in the Baltic languages for Members of the Parliament and civil servants. The data on attitudinal differences are based on the response to the statement: “Income must be made more equal / individual initiative must be stimulated materially. The values refer to the share of respondents that situated themselves from 1 to (including) 4, on a scale with the ‘more equal’ extreme on 1 and the ‘stimulated materially’ extreme on 10.

Table 2.4: Differences between elites and populations in 1993/ 94

	Estonia		Latvia		Lithuania	
	Elite	Population	Elite	Population	Elite	Population
Demography						
Indigenous ethnicity	89	66 *a	83	57 *a	95	83 *a
Previous membership in the Communist Party	53	7	63	6	48	5
Higher education	94	15	91	15	94	16
Attitudes						
Agree that ‘individual initiative must be stimulated materially’	94	66	91	55	80	59
Agree that ‘Income must be made more equal’	3	20	4	29	5	21

Source: Reconstructed from various tables of Steen 1997¹⁸

The elites in Steen’s survey are members of the parliament, political and administrative leaders of ministries in the state bureaucracy, leaders of state owned business activities and banks, leaders of private companies and financial institutions, leaders of political parties and movements, leaders in higher education, mass media and culture institutions, judges in courts and prominent lawyers, and political and administrative leaders in local government (Steen 1997: 21). Table 2.2 shows that in 1993 – 1994 much higher shares of the elites than of the

¹⁸ Elite ethnicity: Steen 1997: 46, table 3.8. Elite previous membership in the Communist Party: Ibid: 36, table 3.2. Population previous membership in the Communist Party and higher education: Ibid 250, table 14.1. Elite higher education: Ibid: 60, table 4.1. Attitudinal variable: Ibid: 253, table 14.2. Population ethnicity: Norbalt 1 survey. Steen’s data are based on interviews conducted in the spring 1993 in Latvia, the late autumn 1994 in Lithuania and the spring 1994 in Estonia. The Norbalt 1 survey is from 1994.

populations were of indigenous ethnicity. The elites also distinguished themselves from the populations by having an extremely high frequency of higher education. More than 90% of the elites in all of the three countries had higher education, in contrast to the 15% – 16% of the populations. Further, more than half of the elites in Latvia and Estonia and almost half of the elites in Lithuania had previous membership in the Communist Party, while the shares in the populations were only 5% – 7%. Finally, the elites were much less divided than the populations in their attitudes towards income-equality. In each of the countries, 5% or less of the elites placed themselves on the egalitarian side, opposed to the great majorities of the elites, which meant that individual initiative should be stimulated materially. On the other side, the populations were more divided on this question. A share of 20% or more of the population placed themselves on the egalitarian side¹⁹.

Altogether the common demographical features and the very small opposition to economically liberal attitudes amongst the elites, indicate that the elites were more homogenous than the populations. This may provide good conditions for an ideology of social partnership functioning on elite level. This may again provide a good foundation for state level corporative arrangements gathering elite persons from the central interest group organisations and the government or the bureaucracy. On the other hand, if the ideology of social partnership is restricted to elite level, it may impose restraints for the development of corporative arrangements on enterprise level

Tripartite structures placement in the new political systems

In all three countries, the participants in tripartite councils and tripartite agreements at state level are representatives from the government or the state bureaucracy and the central organisations of employees and employers. The other state branches, as the parliament or the president, have not been involved in these formal corporatist negotiations. This means that tripartite councils and agreements may be advisory or binding to the government, a ministry or a state institution. Tripartite decisions can however not bind the legislature. This means that the tripartite negotiations at state level can influence the preparation of draft laws, which the government pass on to the parliament. The conclusion of the social partners can however not

¹⁹ Steen found the same pattern of more homogenous distribution of attitudes amongst the elites than the populations, regarding the attitudes to private versus public responsibility for welfare and ownership in business and industry (see Steen 1997: 253 – 254 (table 14.3 and 14.5).

hinder the parliament in rejecting or amending a draft law. The social partners can also bring their influence to bear on decisions of the government, which do not need approval from the parliament. A very important issue here is the stipulation of the legal minimum wage rates. In all three countries, the law provides that the government stipulates the minimum rates of hourly and monthly wages, and that these rates are valid for all employees in the countries, irrespective of whether they are members of a trade union or not. All three countries have also developed a practice where the government, and the central organisations of employers and employees meet on state level to stipulate the minimum wage rates.

Tripartite negotiations may also have decisive or advisory influence on state institutions, which make important decisions on their own. The Lithuanian State Social Insurance Fund Council is an example of this. This council has approved the budget of the State Social Insurance Fund and the quarterly budgets for pension funds since the council was established in 1991. Another example is the Estonian Council of the Health Insurance Fund. Since the council was established in 2000, it has approved the development plan, the budget and the structure of the Health Insurance Fund.

3: Theoretical Chapter

In this chapter I will lay down the theoretical framework for the analysis. First I will very briefly present two different ways of understanding the emergence of democratic corporatism in general. I will proceed by presenting Schmitter's and Katzenstein's definitions of societal corporatism and democratic corporatism, with the particular stress on the latter. After that I will discuss a small selection of literature related to the emergence of democratic corporatism in post-communist Eastern Europe, before I present my way of measuring democratic corporatism with the starting point in Katzenstein's definition. After that I will discuss what factors may have influenced the level of democratic corporatism in Estonia, Latvia and Lithuania. Finally I will present my way of measuring these factors.

Bottom-up versus top-down approaches to democratic corporatism

Studies of democratic corporatism or the study of the relationship between government and interest groups like trade unions, employers' federations and farmers' organisations, can be divided between a bottom-up and a top-down approach. The bottom-up approach is represented by amongst others Stein Rokkan (1966). This approach considers cooperation between interest groups and government in policy making a result of the emergence of organisations. These organisations are mobilising large groups of workers, employers and farmers and controlling important resources essential to the state, as workforce, capital (factories, business etc) and agricultural products. Accordingly, the integration of the interest groups is considered as a result of the strength of the organisations. The strength of the organisations is again based upon the membership. An organisation is very strong if the members constitute major parts of the population and the voters and control the essential resources the state needs to exist and the people need to live. According to this approach, the origin of democratic corporatism is the political mobilisation of the people of the different economical sectors in society, mainly the workers, the capital owners and the businessmen and the farmers and the fishermen (Rokkan 1966: 105 - 110). Following this, you would not find democratic corporatism without strong organisations representing the interests of the main economic sectors of the society. This means that high membership rates in trade unions and farmers organisations and employers federation covering important parts of the economy, is considered as one of the defining hallmarks of democratic corporatism. According to

Francis Castles, the corporatist system has been seen as the “instrument by which working-class organisations have been politically integrated into the fabric of capitalist society” (Castles 1978: 131). In this way strong labour organisations and socialist or social democratic parties are seen as a precondition for the emergence of corporatism.

In this thesis I will follow the top-down approach to democratic corporatism, presented by Peter J. Katzenstein. In “*Small states in World Markets*” (1985) he seeks the historical origins of democratic corporatism in small European states in the responses of the governments and the leaders of the main interest group organisations to the economical crisis of the 1930s (Katzenstein 1985: 136 – 137). At this time the Netherlands, Belgium, Austria, Switzerland, Denmark, Norway and Sweden were facing high unemployment and witnessing the rise of the extreme right in large parts of Europe and the takeover of power by the Nazis in Germany. On this background, compromises and agreements between the main organisations of trade unions and the employers’ organisations and between agrarian and social democratic political parties were reached. These arrangements set the path for cooperation and regular bargaining between the central interest group organisations and the government, as well as a tradition for cross party cooperation and bargaining aimed at compromising. Democratic corporatism has emerged out of these arrangements.

Defining democratic corporatism

Philippe Schmitter distinguished between corporatism and interest intermediation, which he called concertation. Corporatism distinguished itself from its polar opposite pluralism. In corporatist countries, interest groups were relatively large in size and relatively small in number, and they were organised into national peak organisations. While in pluralist countries, interest group organisations were smaller, dispersed, overlapping and in lesser extent hierarchically organised into national peak organisations. Concertation distinguished itself from its polar opposite ‘pressure’. In countries with concertation, organised affected interests were incorporated within the policy process as recognized indispensable negotiators and were made jointly responsible for the implementation of policy decisions, which took on a characteristically semi-public or para-state quality. In countries distinguished by ‘pressure’, affected interests remained essentially outside the policy process, as consultants or combatants, and the implementation took place exclusively under the responsibility of public authorities (Schmitter 1982: 263 – 264; see also Lijphart 1999: 172). Schmitter emphasized

that corporatism was clearly not something a polity had or did not have. His position was that the concepts were defined as polar opposites, but the real world was always located somewhere in between (ibid: 265).

Katzenstein's three defining hallmarks of democratic corporatism were the following: 1. An ideology of social partnership expressed at the national level. 2. A relatively centralised and concentrated system of interest groups. 3. Voluntary and informal coordination of conflicting objectives through continuous bargaining between interest groups, state bureaucracies and political parties (Katzenstein 1985: 32). Also Katzenstein made it clear that corporatism was not a matter to be or not to be in a state. He viewed democratic corporatism as a matter of degree. It could exist nowhere and everywhere, but it appeared in its strongest degree in mentioned small Western European states (ibid: 34). Katzenstein further distinguished between the liberal and the social model of democratic corporatism²⁰. Because of the limited scope of this thesis, I will not attempt to employ these two models to describe the systems in Estonia, Latvia and Lithuania.

When democratic corporatism is considered as the strategy of the political elite and the government to handle economical changes, it may exist without high membership rates in the main interest group organisations. The reason is that democratic corporatism is considered created from above by the government and the elites in the peak interest organisations, and not from below from political mobilisation of workers, industrialists, farmers and fishermen.

²⁰ Still a few words of Katzenstein's distinction between the two models here: Katzenstein sketched out the social democratic corporatist model from similarities between Denmark, Austria and Norway. He further outlined the liberal democratic corporatist model from similarities between the Netherlands, Belgium and Switzerland. Sweden shared the characteristics of both models and was considered as a combination. In the countries constituting the social model (with Austria as the prime example), business was weaker and nationally oriented, while trade unions were stronger and centralised (Katzenstein 1985: 129). Katzenstein called the strategies followed in the social model to compensate for internationally imposed economical change, for national adaptation and public compensation. By national adaptation, Katzenstein referred to protectionist measures as raising tariffs, bringing anti-dumping cases to the GATT and fostering of industrial concentration, including developing of national champions as a defence against foreign corporations (ibid: 112, 113, 115). By public compensation, Katzenstein referred to taking use of public measures, as increasing public employment and public expenditures for social transfers and social security and implementing large public employment programs (ibid 117 – 120). In the countries constituting the liberal model (with Switzerland as the prime example), business was stronger and internationally oriented, while trade unions were weaker and decentralised. Katzenstein called the strategies followed in the social model to compensate for internationally imposed economical change, for global adaptation and private compensation (ibid: 129). By global adaptation Katzenstein referred to more out-turned strategies, as increasing the streams of Foreign Direct Investment (FDI) out of the countries and increase production in foreign subsidiaries (ibid: 115). By private compensation, Katzenstein referred to having lower taxes and trying to attract foreign investments to repressed areas instead of taking use of public measures (ibid: 118 – 119).

The best way to measure this kind of corporatism is hence not in membership rates in interest group organisations, but by the integration of the interest groups in state politics.

Nevertheless, it is reasonable to expect that this strategy is more likely to be successful and to contribute to democracy, social stability and economical growth if the population follows along with the cooperation and bargaining at state level. Since this requires some degree of membership, one should also look at membership rates to draw daring implications about the chances of success for the corporatist strategy in the long run. Still, low membership rates are by no means a proof of the failure of a top-down initiated democratic corporatist strategy. If the states are at the present in an institution-building phase, a successful completion of this phase may raise membership in the interest group organisations later. One might even argue that well developed institutions at state level, providing a meeting place for the interest group organisations, the bureaucracy and the government, in spite of low membership rates; is an indication of a positive attitude from the government towards democratic corporatism. The fact that the government has not made use of low membership rates as an excuse for excluding the main interest organisations from power may be considered as a proof of their commitment to consensus building across society. On the other side one could reply that a not consensus oriented government may find including interest group organisations with few members in state politics less threatening to its power than including interest group organisations with broad membership. Nevertheless, using membership rates to separate between democratic and undemocratic top-down initiated corporatism is not recommendable. The governments alone do certainly not determine membership rates in organisations in democratic countries, and membership rates in interest group organisations may well be lower than the governments wish them to be.

When one view democratic corporatism as a strategy to handle economical crisis more than an ideological project, it is not necessary a project initiated by strong social democratic or socialist parties. It was not only the entry of social democratic parties to government that facilitated the corporative arrangements of small Western European states in the 1930s, but also the emergence of coalitions between parties that had not cooperated before (see Katzenstein 1985: 139 – 150). I will follow Katzenstein's concept of democratic corporatism. Hence I will not measure democratic corporatism by membership rates and economical resources of interest group organisations. I will focus on the level of integration of the interest group organisations in policy making at state level.

Development of democratic corporatism in post-communist countries in Eastern Europe

In 1992 Hans Slomp compared the present situation of the Central and Eastern European countries with reconstruction periods in Western and Southern European countries. This was the situation in the Scandinavian countries in the 1930s and in the reconstruction period after World War 2, in Germany in the reconstruction period after World War 2 and in Spain in the transition to democracy after the death of general Franco in 1975. These countries pursued a strict wage policy to offset the effects of scarcity of consumer goods and to prevent running inflation. The wage policies formed a part of a more general state involvement in the economy, including the central coordination of large investments and a number of social measures like the implementation of systems of social security and worker participation within enterprises. This was accomplished through bargaining between the national governments, employers and trade unions. The unions got real power over state policies in these fields as a form of compensation for the wage restraint. The two conditions for the development of these forms of corporatism were that wage policy was made to a part of a larger package of social and economic policies and that trade unions and employers had to be consulted and, preferably, had to agree with these policies (Slomp 1992: 19 – 21). Slomp reminds us that Western and Southern European countries undergoing reconstruction periods have granted trade unions a place at the table with the government and legitimacy as political players in compensation for wage restraint. The same kind of mechanisms may have resulted in democratic corporatist arrangements also in post-communist Estonia, Latvia and Lithuania.

In an analysis of the development of labour's rights in Lithuania, Charles Woolfson and Matthias Beck also looked at the emergence of tripartite structures. The ILO and the EU had recommended Lithuania to develop such structures. In the view of these authors, this had evolved into a faltering and half-hearted social dialogue, developed from above due to the low level of workers' participation (Woolfson and Beck 2002: 760). Referring to the low membership rates in trade unions, the authors found that labour had increasingly become a silent bystander in Lithuania's capitalist transformation (ibid: 761). The desire of the Lithuanian elites to create a business friendly regulatory environment, attractive to foreign investors, had weighted the political process heavily towards the interests of capital. At the same time a large part of the population was economically marginalized (ibid: 766). Woolfson and Beck pointed out the danger that the corporatist arrangements have not any real functions,

but only exist in order to fulfil requirements from the EU and the ILO. If that is the case, they can hardly be a good start for the development of a sustainable democratic corporatism, existing of real channels of influence to the political system for employees and employers. On the other hand, the authors did not rule out the best-case scenario. This was that full recognition of the requirements associated with the accession to the EU together with an acknowledgement of the domestic necessity of the participation of organised labour in politics would lead to the adoption of tripartite policies, which work for all the parties (ibid: 766). I have investigated the role of pressure from international organisations, especially the EU and the ILO, on labour policies and the development of tripartite structures at state level in the three countries in chapter 6.3.

Measuring democratic corporatism in Estonia, Latvia and Lithuania

To measure democratic corporatism, I have taken Katzenstein's definition of democratic corporatism as my starting point. The components of this definition are: 1. An ideology of social partnership expressed at the national level. 2. A relatively centralised and concentrated system of interest groups. 3. Voluntary and informal coordination of conflicting objectives through continuous bargaining between interest groups, state bureaucracies and political parties (Katzenstein 1985: 32).

I have chosen not to include ideology of social partnership in my analysis. The most important reason for this is that I expect an ideology of social partnership amongst the political elites, including the personnel in central organisations of employees and employers, to be a favourable condition for development of corporatist arrangements on state level. It is very likely that a feeling of partnership between the elites in the employers' organisations, trade union organisations, the government and the bureaucracy makes the development of institutionalised negotiations through tripartite arrangements at state level easier. This means that I consider an ideology of social partnership at state level as a factor influencing the development of democratic corporatism, rather than a part of democratic corporatism.

The second trait of democratic corporatism by Katzenstein's definition is a relatively centralised and concentrated system of interest groups. According to Katzenstein centralisation is a measure of the degree of hierarchical control. "*Interest groups in corporatist systems are aptly called "peak associations" because power is exercised at the*

summit over a relatively compliant base. Concentration is a measure of the degree of inclusiveness. Peak associations in corporatist systems are broadly based and organize a very large proportion of producers and workers” (Katzenstein 1985: 33). Following this I will treat concentration and centralisation as two separate features. I will compare the degree of concentration of the systems of interest groups in the three countries by comparing membership rates of employed persons in trade unions and by comparing the coverage of enterprises and employment by the members of the employers’ organisations. To compare centralisation, I will study the development of central organisations of employees and employers and the representation of such organisations in tripartite councils at state level and in tripartite agreements concluded at state level. I will follow the concept of Katzenstein, where centralisation is a measure of hierarchical control. I view this as a situation where the mandate to negotiate in tripartite consultations and sign tripartite agreements on state level are distributed to few central organisations. I will interpret a high degree of centralisation as few central organisations existing or many central organisations existing, but only a few of them participate in tripartite arrangements with mandate to negotiate on behalf of the others.

The third of Katzenstein’s characteristics of democratic corporatism is “*voluntary and informal coordination of conflicting objectives through continuous bargaining between interest groups, state bureaucracies and political parties.*” (Katzenstein 1985: 32). I will not follow Katzenstein’s definition strictly. First, I will not focus upon bargaining with all political parties, but concentrate on the bargaining between the interest group organisations and the government. After all, political parties form governments in all three countries. Second, I will focus upon formal rather than informal bargaining. I will compare tripartite councils and tripartite agreements at state level between the countries. By doing this, I will compare formal tripartite bargaining along three aspects – power, continuity and broadness. I will compare power by considering whether the tripartite councils are decision-making or only advisory. I will further compare the degree of government participation in the councils, as it measures how close the councils are to the executive branch of state politics. The level of interest that the government put in a council may be rising with the power of the council. I will also compare the contents of the tripartite agreements and specificity of the obligations they provide. I will compare continuity by measuring the time periods between each new agreement on adjusting the minimum legal wage and by counting the number of tripartite agreements concluded at state level in each period. Finally, I will compare the broadness by

counting tripartite councils operating at state level, as an indication of where the broadest parts of state politics have been subject for discussions in tripartite councils.

Identifying and measuring the tentative explanations

Openness of economy was Katzenstein's main independent variable. In his argument the small Western European countries distinguished themselves from larger industrialised countries by the openness of their economy, both in the time of economical crisis in the 1930s and in 1985 when he published "*Small States in World Markets*". Katzenstein gave several reasons why the small Western European countries tended to depend on trade and have open economies. First, they could not offer the necessary economies of scale to a number of industries absolutely critical to the functioning of a modern economy. Second, small domestic markets lead the small European states to seek their specialisation and economies of scale in export markets (Katzenstein 1985: 81). Further, fear of economic retaliation by larger and less vulnerable states inhibited protectionist policies (ibid: 39 – 40). Their open economies and dependence on trade and foreign investments had serious implications for these countries. The economies in the small states were very dependent on the world economy. In contrast to larger US these states could not transport the costs of economical changes in the world marked to other states by adopting protectionist trade policies. Neither could they do as bigger Japan; conduct large-scale ambitious industrial policies to transform the industrial structure along with the incentives of the world market. Because the small states could not escape from economic change that was thrust upon them from the international economy, they needed to form strategies to live with these changes and to compensate for negative impact. To do this they needed consent and cooperation from the different economical sectors, different parts of society and from workers and employers. This developed into the democratic corporatism we know from the small European states (ibid).

Following Katzenstein, I will consider whether openness of the economy can be an explanatory variable to placement on the axis between interest group pluralism and democratic corporatism also in post-communist Estonia, Latvia and Lithuania. To measure openness of economy I will compare the value of trade measured as a share of Gross Domestic Product (GDP).

Looking at 36 democracies worldwide, Arend Lijphart found a strong correlation between interest group pluralism and the frequency of minimal winning one party governments (Lijphart 1999: 244). Focusing on dividing democracies between the Westminster model and the consensus model by looking at ten variables in a factor analysis (ibid: 246), Lijphart did not look for reasons why democratic corporatism and low frequency of minimal winning one-party governments correlated. I will however examine frequency of one party majority governments as an explanatory variable to democratic corporatism.

I expect high frequency one-party majority governments to be unfavourable to democratic corporatism, if the one-party majority governments occasionally are replaced. The reason for this is that it may lead to a situation where a new government totally changes the corporative institutions, which the former government initiated. At the same time the parties of the former government cannot hinder this because they are in minority in opposition and generally excluded from power. Replacements of coalition governments with another coalition or party, which is ideologically distant from the former government parties, can also lead to this situation. Therefore I set forward the hypothesis that existence of bloc politics combined with radical shifts of governments has negative effect on the level of democratic corporatism. Bloc politics means that a clear-cut left–right political cleavage combines with institutionalised government alliances that do not encompass both leftist and rightist parties.

When governments, and particularly coalition governments, are replaced, the implied governmental shift can be more or less radical. One can imagine that most of the parties of the old coalition reappear in the new government. On the opposite end of the scale none of the parties of the old government can be found in the new government. In between these two extremes one can imagine varying degrees of radicalism in government shifts - depending on the number and/ or size of the parties, which are retained in both governments. I have chosen a very restrictive definition of “radical” in terms of governmental shifts: Radical shifts of government mean replacement of all government parties when all the parties in the old government are on different side of the main political cleavages than the parties in the new government.

I will also add the variable of staying time of the longest staying government party, because a party staying in government for a long time has the possibility to build networks between the state and interest group organisations, to institutionalise these networks and to establish stable

relationships with the interest group organisations. The two last mentioned variables have somewhat overlapping characters. It is impossible, at the same time, to have parties with long staying time in government and high frequency of replacements of all government parties simultaneously.

To identify occurrence of bloc politics combined with radical shifts of governments, I will present some of the models of political cleavages that other authors have identified in the three countries. In this way I will consider which of the countries have the clearest divide between leftist and rightist parties and where the same parties are allied against the same opponent parties on the main important political issues. Bloc politics will finally be known by a situation where governments are mainly formed by single parties or party coalitions where the engaged parties define each other as politically close on the left–right divide and hence as the only possible coalition partners. Coalition governments between the same parties have been repeated, while coalition governments between parties on opposite sides of the left – right cleavage have not appeared at all. Radical shifts of governments will be identified by replacements of all government parties simultaneously, in cases where all the parties in the new government are situated on the different side of the political left – right cleavage than the parties in the old government. To compare the staying time of the longest staying government parties, I will compare the longest staying government party in each of the countries.

The bottom-up approaches consider democratic corporatism as a product of mobilisation of the working class through strong socialist parties and labour movements. Therefore I will consider the time that social democrat or socialist parties have been in government as an independent variable to democratic corporatism in Estonia, Latvia and Lithuania. To compare the time of social democratic and socialist parties in government, I will calculate the percentages of days of such parties in government.

Finally, and drawing from the perspective of Woolfson and Beck, I will attempt to identify the effect of pressure from the ILO and the EU on the development of democratic corporatism in the three countries. I will compare influence from the ILO by studying the number and contents of ILO Conventions that the countries have ratified and co-opted in the national legislations since they regained their membership in the organisation in 1991 and 1992. I will attempt to discover influence from the EU on the development of corporatist arrangements by three sorts of indications. The first kind of indication is that corporatist arrangements and

labour laws are introduced or amended after the EU Commission has called for such measures through its annual reports on progress towards accession. The second kind of indication is when the social partners state in agreements that the measures they have agreed to take will be in accordance with recommendations or directives from the EU. Finally, I will consider EU funding that is directed into projects where the interest group organisations are participating.

4: Methodological Chapter

The first part of this section is devoted to a few considerations concerning the way that I have measured democratic corporatism and the factors expected to influence this phenomenon. Here I have also included a section mentioning some of the ways that I have obtained the necessary information. After this I have presented my research design and explained the logic of the comparative methods of John Stewart Mill that I have applied. This leads into some considerations about the place of my work in the traditions of variable- and case-oriented comparative research. The final part of the chapter deals with some methodological challenges that I have met. I have conducted a feasibility test of application of Ragin's Boolean contribution to the comparative methods. In the final sections you will find the reason why I could not employ this method in my research.

Measuring democratic corporatism and obtaining information

The concept of democratic corporatism consists of three different aspects, which I again have measured in several ways. I will emphasize strongest the last part of the concept - the system of bargaining between central trade union organisations, central employers' organisations and the government at state level. This is again divided into the three aspects of power, continuity and broadness. Here I consider power to be most important and broadness to be least important. I have measured power and continuity by three variables each, and broadness by one variable. The justification for measuring democratic corporatism in such a many-sided way is that I strive to encompass the whole picture of democratic corporatism in the three countries. Such a many-sided phenomenon needs a manifold definition. The problem is that it is difficult to simplify the abundant information on each of the parts of the concept into a clear division between cases with a relatively high and a relatively low level of democratic corporatism. Such a division is also against the wisdom of both Katzenstein and Schmitter who claims that corporatism is not something a country has or does not have, but a matter of degree. Despite of all this it is necessary to make a binary classification to apply the logic of Ragin's binary comparative method. Out of this it is clear that the division of the cases into relatively low and relatively high level of democratic corporatism must rely on considerable judgements. Therefore I will thoroughly present and discuss the premises upon which my judgements are based. This means that I will elaborate each of the aspects of democratic

corporatism very thoroughly in each of the countries and periods. Hence it should be possible for the reader to evaluate my assessments.

I have collected information from an abundance of different sources. I have studied translations of tripartite agreements concluded at state level.²¹ I have further collected information about the agreements, the work of tripartite councils, the employers' and trade union organisations and the government through personal interviews. Altogether, I conducted nine interviews in November and December 2001 - four in Estonia, three in Lithuania and two in Latvia.²² I have also studied other types of documents, including by-laws, lists of member organisations in the different central organisations and internal information sheets. All these documents have been English translations. Some of the documents I have obtained from my interviewees, while other are collected from the Internet. The fact that I do not read Lithuanian, Latvian or much Estonian, represent a restraint on the access to information here. I have also studied law texts. For all three countries, official English translations of the most important legislation are available on the Internet.²³ I have also employed statistical data from a number of sources, including the Norbalt 1 and 2 living condition surveys of the Norwegian Fafo Institute for Applied Social Science for the three countries in 1994 and 1999. Finally, I have found useful information in the literature. Not at least, I have taken advantage of the informative articles of the newspaper – The Baltic Times.

The research design

This thesis contains of two main parts. The first part aims to compare the levels of democratic corporatism between the three countries in the two time periods from 1991 to the end of 1995 and from the beginning of 1996 to the end of 2001. The second part aims to discover what factors can explain the difference in level of democratic corporatism between the three countries in the two periods. This part starts with an historical elaboration of the factors expected to influence democratic corporatism. The final comparison in chapter 7 is based on a combination of John Stewart Mill's comparative methods, the Method of Agreement and the Indirect Method of Difference.²⁴ The comparative methods aim to discover causal relations

²¹ Appendix A is a chronological table of tripartite agreements.

²² Appendix B is a list of interviews.

²³ Appendix E is a list of references to laws in English translations.

²⁴ For a thorough presentation of Mill's Method of Agreement and Indirect Method of Difference, see Ragin 1987: 36 – 42.

through logical elimination. The Method of Agreement follows the principle that only independent variables, which are similar between cases, can explain a similar outcome between the same cases. Table 4.1 is an illustration of the Method of Agreement.

Table 4.1: The Method of Agreement

	Case 1	Case 2
Independent variables	A	Not A
	B	Not B
	C	Not C
	X	X
Dependent variable	Y	Y

Because x is the only independent variable that exists in both case 1 and case 2, the Method of Agreement indicates that x is the cause of y.

The Indirect Method of Difference follows the principle that only independent variables, which are different between cases, can explain a different outcome between the same cases. Table 4.2 is an illustration of the Indirect Method of Difference.

Table 4.2: The Indirect Method of Difference:

	Case 1	Case 2
Independent variables	A	A
	B	B
	C	C
	X	Not X
Dependent variable	Y	Not Y

The Indirect Method of Difference indicates that x is the cause of y because x is the only independent variable that exists in case 1 and not in case 2.

Application of these methods requires all variables to be arranged with only two possible values, present and absent. This is the reason why I have divided my cases into two

categories, both regarding the level of democratic corporatism and on each of the six independent variables.

There are six cases in my research. These are the three Baltic countries in the period from 1991 to 1995 and from 1996 to the end of 2001. When I chose to study the three Baltic countries from the beginning of the 1990s to 2002, I simultaneously chose several sets of factors that the three countries shared. They were all republics of the Soviet Union from 1945 to 1991. After this they all chose a return to Europe, and from 1995 they were all in the process of being admitted as members of the EU. I wanted to explain differences between the three countries. Concretely, I wanted to find what differences between the three countries could explain the different strength of corporatist arrangements at state level between the three countries in the periods from 1991 to 1995 and from 1996 to the end of 2001. Therefore I eliminated all the factors being equal between the countries in my search for explanations.

The seminal work of Przeworski and Teune on “*The Logic of Comparative Social Inquiry*” may have come to the mind of the reader at this point. My selection of countries of research fits into what these authors would refer to as a ‘*most similar systems*’ design. Such designs consist of cases with as many as possible common characteristics, while the topic of research represents a difference between the cases. In this way, and in accordance with the logic of the Indirect Method of Difference, the common characteristics are viewed as controlled for, while differences between the cases are considered as explanatory to the difference in the topic of research (Przeworski and Teune 1970: 32 - 34).

All this in mind, I do not exclude the possibility that I will find patterns compatible to what Przeworski and Teune would refer to as a ‘*most different systems*’ design, between some of the cases in the comparison. Such designs focus upon cases being similar in the topic of research, but having predominance of differences in the factors seen as relevant to this topic. The explanatory factors are then identified in the few factors, which are similar between the cases (ibid: 34 – 39). If I discover that, for example, three of the cases have a relatively high level of democratic corporatism while the other three cases have a relatively low level of democratic corporatism, I will consider similar factors between the cases with a high level of democratic corporatism, and factors that these cases share in contrast to the cases with a low level of democratic corporatism, as explanatory to a high level of democratic corporatism. In my opinion, the original designs of Mill as presented by Ragin are somewhat more simplistic

than the designs of Przeworski and Teune. For my purpose, I give preference to simplicity before sophistication. Therefore I have chosen to employ Mill's designs and terminology, as presented by Ragin.

Case-oriented versus variable-orientated comparative research

Charles Ragin distinguished between case-oriented and variable-oriented comparative methods. In his view case oriented research involves considering the combinations of variables within the cases. In this way the researcher avoids to separate the variables from the cases, as some of the variable-oriented statistical research tend to do (see Ragin 1987: 34 – 68).

Case orientation may be viewed as part of a similarity design. The Baltic states share certain relevant characteristics that may be construed as systemic variables, e.g. the relatively low membership rates in trade unions may be seen as a reaction to the experience of Soviet style unions, an experience unique to the Baltic states among the EU applicant countries. Mill's comparative methods, which I have applied, are illustrative of this point. Each case is divided into variables, and variables being equal, eventually unequal, between the cases are excluded as possible explanations of an equal, eventually unequal, outcome. This approach that I have followed, is undoubtedly case oriented in the sense that the variables are treated as compositions within the cases. But this does not mean that the starting point of my analysis was exclusively cases, and not variables. My cases are countries in certain time periods. Such large cases include an almost indefinite number of variables. My topic of interest was the development of democratic corporatist arrangements at state level. The numbers of factors that may have influenced such arrangements are very large. Still I have chosen to explore only six independent variables. The conclusion is that my research has a case oriented comparative orientation. Still, I have taken as my starting point - not the whole cases, but a chosen and very limited set of variables from the cases.

Some methodological challenges

I have only six cases in my analysis. Still, my analysis includes six independent variables. There exist 64 possible combinations of these variables. I can cover maximum six of these. This means that I might have come to other results if I had included more countries in my

analysis. It is my intention to study democratic corporatist structures in Estonia, Latvia and Lithuania alone, and I do not intend to generalize my findings to a wider range of countries. Application of the Method of Agreement or the Indirect Method of Difference may also produce what Ragin calls over-determined cases (see Ragin 1987: 98). Over-determined cases in the Indirect Method of Difference have more than one set of unequal independent variables, and all may have caused the different outcome on the dependent variable. In the Method of Agreement, over-determined cases have more than one set of equal independent variables, which may have caused the equal outcome on the dependent variable. Since I have as many independent variables as I have cases, the possibility of ending up with over-determined cases is large. Therefore I will supplement the comparative analysis with the historical elaboration of the variables, singled out by the comparative analysis. In this way I will apply a mixture of comparative and historical methods.

The idea that over-determination is a problem comes from the view that the Method of Agreement and the Indirect Method of Difference only serve to identify single-variable explanations and cannot handle complex causal relationships. Taking the opposite view, more than one set of crucial similarities or differences between cases, indicate that the combination of these factors explain the outcome. In this way Theda Skocpol identified a combination of three factors as explanatory to the successful revolutions in France, China and Russia by applying the Method of Agreement between these three cases and the Indirect Method of Difference between these and a set of failed social revolutions (Skocpol 1979, see also Skocpol and Somers 1980: 184 – 186). I will take the same position in this thesis. If my application of the comparative methods brings out several sets of similar independent variables, I will interpret the combination of these as explanatory.

My comparative analysis can only handle one dependent variable. My dependent variable is democratic corporatism. This is again a conglomerate of three different variables - centralised system of interest groups, concentrated system of interest groups and the level of bargaining between representatives of the interest group organisations and the governments at state level. Out of this, I will create a binary classification, where the countries at the different points of time are divided into the two categories of relatively higher and relatively lower level of democratic corporatism. This does not mean that there cannot be some interaction between the different components of the dependent variable. It is actually very likely that concentrated systems of interest groups, meaning that trade unions have high membership rates and

employers' organisations cover large part of the economy, have a positive effect on the development of corporatist arrangements at state level. Neither is it unlikely that a divided system of interest group organisations has an unfavourable effect on the development of corporatist arrangements at state level, when the different interest group organisations on each side cannot agree amongst themselves.

The program FsQCA (Qualitative Comparative Analysis) singles out possible causal relationships by applying a variant of the comparative method called Boolean minimisation. Boolean minimisation is a logical method to eliminate variables from several combinations of independent variables. As for Mill's comparative methods, the presupposition for standard Boolean minimisation is that all variables are arranged with only two possible values – present or absent (1 or 0 if you like).²⁵ This method implies setting up the combinations of variables as Boolean expressions, where a letter codes each variable. The value of present is coded by capital letters, while small letters code the value of absent. Each expression reveals a hypothesised causal relationship between several independent variables and one dependent variable. The rule for eliminating variables from the expressions and from the causal relationships is the following: If two expressions with the same value on the dependent variable differ only on one independent variable, this variable is considered irrelevant and eliminated (Ragin 1987: 93). The Boolean method has the advantage that it can discover combinations of independent variables, by taking use of the logic known from experimental designs, where only the experiment variable is allowed to vary²⁶.

I have conducted a feasibility test of application of FsQCA for my analysis. I entered my six cases and the dichotomised values they had on each of the independent variables, as well as on the dependent variable of level of democratic corporatism, into the program. Then the program set up a Boolean truth table for me. In this table the combinations of factors in my

²⁵ Ragin has also developed a fuzzy set Boolean analysis, which handles variables with a continuous range of values. For an introduction to this analysis, see Ragin and Giesel 2002: 67 – 88.

²⁶ For a thorough presentation of the Boolean approach to qualitative comparison, see Ragin 1987: 85 – 171.

analysis were presented as Boolean expressions. The next step in the process was to eliminate variables from the expressions, and hence eliminate these from the explanatory model. FsQCA could not accomplish this. The reason was that too many independent variables differed between the cases, both between those with a relatively high and between those with a relative low level of democratic corporatism. This made it impossible to eliminate variables by the logic of Boolean minimisation. The conclusion was that Boolean minimisation could not help me to identify combinations of independent variables. I therefore had to resort to Stewart Mill's original, albeit somewhat more simplistic method²⁷.

²⁷ In practice, this means that I do not follow as strict rules, when I exclude factors as explanatory to the level of democratic corporatism, as I had to be if I had followed the Boolean method. But again, my findings are not based only on the comparative methods applied. As mentioned, I will supplement the comparative analysis with the historical elaboration of the variables, singled out by the comparative analysis. In this way, I have applied a mixture of comparative and historical methods.

5: Exploring and comparing democratic corporatism at state level

Chapter 5.1, 5.2 and 5.3 are devoted to exploring and comparing democratic corporatism at state level. I will compare the six cases of Estonia, Latvia and Lithuania in the periods from 1991 to the end of 1995 and from 1996 to the end of 2001. Chapter 5.1 deals with the second trait of democratic corporatism by Katzenstein's definition. This is a relatively concentrated and centralised system of interest groups. I will treat concentration and centralisation separately as two different features. The first part of the chapter is devoted to comparing the degree of concentration of the systems of interest groups. To do this, I will compare membership rates of employed persons in trade unions and coverage of enterprises and employment by the members of the employers' organisations. In the next part of this chapter I will compare the degree of centralisation of the systems of interest groups. To accomplish this, I will compare the number of central organisations of employees and employers that have been represented in tripartite councils and agreements in each of the countries in the two periods.

Chapter 5.2 is devoted to the systems of bargaining between central trade union organisations, central employers' organisations and the government. By focusing upon tripartite agreements and councils, I will attempt to measure the power of the tripartite arrangements and the continuity and broadness of the bargaining that fills these arrangements. At the end of this chapter I will divide the six cases between those with a relatively high and those with a relatively low score on the variable of power, continuity and broadness of tripartite bargaining at state level, measured as one.

In chapter 5.3 I will compare the level of democratic corporatism at state level with basis in the elaborations of the three components of the concept from chapter 5.1 and 5.2. I have attached most weight to the third component, being power, continuity and broadness of the tripartite bargaining through agreements and councils. The reason is that I view this variable as a direct measure of the strength of the structures of corporatist arrangements at state level. In the end of chapter 5.3, the six cases are divided into a simple dichotomy between cases with relatively high and a relatively low level of democratic corporatism at state level.

5.1: The degree of concentration and centralisation of the systems of interest groups

The second trait of democratic corporatism by Katzenstein's definition is a relatively centralised and concentrated system of interest groups. According to Katzenstein, centralisation is a measure of the degree of hierarchical control. *"Interest groups in corporatist systems are aptly called "peak associations" because power is exercised at the summit over a relatively compliant base. Concentration is a measure of the degree of inclusiveness. Peak associations in corporatist systems are broadly based and organize a very large proportion of producers and workers"* (Katzenstein 1985: 33). In the first part of this chapter, I will compare the degree of concentration of the systems of interest groups by comparing membership rates of employed persons in trade unions and coverage of enterprises and employment by the members of the employers' organisations. I will use membership rates in trade unions from 1994 as an indication of concentration in the first period, and membership rates in trade unions from 1999 together with data on the size of the main employers' organisations from 2001/ 2002 as indications of concentration in the latest period.

In the next part of this chapter, I will compare the degree of centralisation of the systems of interest groups between the countries in periods from 1991 to the end of 1995 and from the beginning of 1996 to the end of 2001. To accomplish this, I will compare the development of central organisations of employees and employers and the representation of such organisations in tripartite councils at state level and in tripartite agreements concluded at state level. I will follow the concept of Katzenstein where centralisation is a measure of hierarchical control, where only a few central organisations have the mandate to negotiate in tripartite consultations and sign tripartite agreements on state level. I will interpret high degree of centralisation as few central organisations existing or as many central organisations existing, but only a few of them are included in tripartite arrangements with mandate to negotiate on behalf of the others. I will first focus on trade union organisations. After this, I will deal with employers' organisations.

Mobilizing employees and employers (concentration)

The following table is based on data from the Norbalt surveys of 1994 and 1999. I have only included persons employed as ordinary employees or in lower, middle or higher management.

Table 5.1.1: Membership rates in trade unions in different age groups amongst employees and persons employed in management

	Estonia		Latvia		Lithuania	
	1994*	1999*	1994*	1999*	1994	1999*
All	23%	12%	84%	16%	33%	8%
18 – 29	18%	6%	76%	8.5%	26%	5%
30 – 44	22%	13%	80%	17%	40%	9%
45 – 59	25%	14%	92%	21%	31%	8%
60 +	26%	14%	88%	19%	22%	14%

Source: Norbalt 1 and survey

* The differences between the age groups are statistical significant on below .05 level.

The top row in table 5.1.1 shows that membership rates of ordinary employees and persons engaged in lower, middle and higher management were very low in all countries in 1999. They were lowest in Lithuania and highest in Latvia. Latvia distinguished herself with a very high membership rate on 84% in 1994. The de-unionisation of employees between 1994 and 1999 was sharpest in Latvia. The rest of the rows show the membership rates in trade unions in different age groups. We see that in Estonia and Latvia 1994 the membership rates were lowest in the age group from 18 to 29 years. In 1999 the membership rates were clearly lowest in the youngest age group in all three countries. Only between 5% (Lithuania) and 8.5% (Latvia) in the age group from 18 to 29 years were members of a trade union in 1999. This shows that the trade unions in all three countries to a very low extent mobilised young employees.

The re-emergence of trade union organisations

The Confederation of Estonian Trade Unions (CETU) was founded at the 20th Congress of Estonian trade unions on the 12th of April 1990 (Kaadu 1999: 152). CETU represented some

continuity with the Soviet past, since it was founded on the 20th Congress of the Soviet trade union organisation and the organisation claimed in its statutes of April 2000 to be the “*legal successor of the central organisation of trade unions having operated in Estonia in the period 1940 – 1990*” (see appendix F, a: § 2). On the other hand the same paragraph also claimed continuity with the first Estonian republic: “*CETU carries on the activities of and represent the principal aims of The Confederation of Estonian Workers’ Unions (1919 – 1940....)*” (ibid: § 2). It was an important break from the Soviet past that CETU from the very beginning declared its role as an organisation of political independent trade unions (ibid: §1, Kaadu 1999: 152). This still counted for the 2000 statutes, which stressed to cooperate with political parties on a pragmatic basis: “*CETU co-operates with all trade unions and political parties operating in Estonia which share close views with CETU in the national social and economic policies...*” (ibid: § 3).

On the other hand, the general secretary of CETU and former chairman Raivo Paavo was a Member of Parliament for the social democratic party, the Moderates, from 1995 and vice chairman of the Social Affairs Committee from 1999 (Riigikogu web a, 12.12.02, interview Kriis 07.12.01). In the interviews co-ordinated by Smith-Sivertsen in 1999, CETU pointed out the Moderates as the friendliest political party (Smith-Sivertsen 2000: 231). CETU has a democratic structure, where the Congress is the highest managing body. According to the 2000 statutes, it shall meet once every fourth year. The members of CETU nominate their representatives to the Congress (interview Taliga 01.11.01). CETU joined the International Confederation of Free Trade Unions (ICFTU) In December 1994. The organisation joined the European Trade Union Confederation (ETUC) with observer status in December 1997 (Kaadu 1999: 153). Also this represented important breaks with the soviet past. In the late 1990s the three largest member unions of CETU were the Estonian Federation of Food and Agricultural Trade Unions with 24 000 members, the Estonian Light Industry Workers’ Union with 8600 members and the Estonian Energy Workers Trade Union with 7600 members (ibid: 178). Altogether CETU had approximately 110 000 members in 1999 (Eamets, Philips and Annus 1999: 58). CETU had a central staff on 12 persons in March 1999 (Smith-Sivertsen 2000: 231, table 9.3).

In 1992 the trade unions representing employees engaged in science, education, culture and health, split out of CETU and formed the white-collar Estonian Professional Employees’ Unions Association (EPEUA). In the late 1990s the largest member associations in EPEUA

were the Teacher's Union with 23 000 members, the Engineers' union with 10 000 members and the Cultural Workers Union with 7000 members (Kaadu 1999: 153). Altogether EPEUA had approximately 50 000 members in 1999 (Eamets, Philips and Annus 1999: 58). Also EPEUA was independent in its relations to political parties (ibid: 154). EPEUA had observer status in the Confederation of European Trade Unions (ETUC) in 2002 (ETUC web, 07.11.02).

The Free Trade Union Confederation of Latvia (FTUCL) held its inaugural congress in May 1990. It had many linkages to the past Trade Unions of the Latvian Soviet Socialist Republic (TULSSR). The last chairman of the TULSSR was also the first chairman of the FTUCL. Further, the Latvian state granted property that previously belonged to TULSSR to FTUCL and some of its member associations. As an important break from the past, FTUCL declared independence from all political parties. The new democratic statutes of the organisation were another break with the past (Blasum 1999: 207). FTUCL united 27 branch and professional trade union associations with altogether about 200 000 members in 2001 (see appendix F, c: 1). FTUCL had observer status in the Confederation of European Trade Unions (ETUC) in 2002 (ETUC web, 07.11.02). Still in 2003 FTUCL was the only central trade union organisation in Latvia. The strong position of the successor organisation of the Soviet trade union organisation and the fact that it did not split, may have contributed to that the decrease in membership rates in trade unions started later in Latvia than in Estonia and Lithuania. FTUCL had a central staff of 15.5 persons in March 1999 (Smith-Sivertsen 2000: 231, table 9.3).

The Lithuanian Labor Federation (LLF) was established in 1919 and re-established in 1991. In 2002 it had about 20 000 members²⁸. According to the Secretary General, the organisation followed a "*Christian Social Doctrine*" in its work, and this was only possible together with Christian organisations. Yet they had no close relations with any political party, "*but always agreed with every party program, which was good for workers and social partners*" (e-mail correspondence with Rekesiene 19.11.02). The legal advisor of another trade union organisation, the Lithuanian Trade Union Unification (LTUU), perceived LLF as working with the Christian Democratic party (Interview Pivoras 19.11.01). From 1996 LLF was a full

²⁸ This makes the membership in LLF very modest compared with the membership in Christian trade union organisations in other catholic countries, like Solidarnosc in Poland.

member of the World Confederation of Labour (WCL). From 1999 LLF united 10 branch associations in addition to regional organisations in all regions of Lithuania (LLF web, 11.11.02). LLF had a central staff on 3 persons in March 1999 (Smith-Sivertsen 2000: 231, table 9.3).

After independence, the Lithuanian branch of the Soviet All-Union Central Council of Trade Unions changed name to the Confederation of Free Trade Unions (CFTU). CFTU and eight other trade unions founded the Lithuanian Trade Union Centre (LTU Centre) in March 1993. The social democratic successor party of the independence minded Communist Party, the Lithuanian Democratic Labour Party (LDLP) took over the government in November 1992. Following this, the LTU Centre inherited most of the facilities that once belonged to the Soviet organisation (Vardys and Sedaitis 1997: 211). Some have claimed that the LTU Centre represented the most conservative and least effective of the trade unions in the country (Dovydeniene & Casale 1999: 229). According to the legal advisor of the LTUU, the LTU Centre consisted of “*old method workers*” (interview Pivoras 19.11.01). Still it was the largest of the central trade union organisations, with more than 80 000 members (LTU Centre web, 14.10.01). The organisation had close ties to the Lithuanian Social Democratic Party (LSDP).²⁹ In 1997 the LTU Centre appointed Juozas Olekas, a Member of Parliament since 1996 for the LSDP, to leader of their organisation. Olekas was re-elected to the Seimas in 2000 (ibid, Seimas web a and b, 11.11.02). The LTU Centre united 14 branch associations in 2001 (LTU Centre web, 14.10.01). LTU Centre had a central staff on 9 persons in March 1999 (Smith-Sivertsen 2000: 231, table 9.3). The LTU Centre merged with the Lithuanian Trade Union Unification to form the Lithuanian Trade Union Confederation (LTUC) in 2002 (LTUC web, 06.11.02; interview Pivoras 19.11.01).

Progressively thinking leaders of eight industry trade unions split away from the CFTU in 1992 and established the Lithuanian Trade Union Unification (LTUU). The organisation gained full membership in the International Confederation of Free Trade Unions (ICFTU) in 1994 (Dovydeniene & Casale 1999: 229; interview Pivoras 19.11.01). Through an agreement between LTUU and the Lithuanian Social Democratic Party, two of their members were

²⁹ Until January 2001 there were two different social democratic parties. These were the successor party of the Communist Party, the Lithuanian Democratic Labour Party (LDLP) and a smaller Lithuanian Social Democratic Party (LSDP) that was founded in 1989 by the Soviet dissidents and political prisoners, Sakalas and Andriukatis (The Baltic Times: 21.02.02 b). Even though LSDP generally placed itself to the left of LDLP, the two parties competed on a common list in the 2000 elections for the Seimas. These two parties, as well as the other Lithuanian parties, will be discussed in detail in chapter 6.2.

elected to the Seimas in 1996 (interview Pivoras 19.11.01). None of them were members of a political party, so they could be perceived of as representatives in the Parliament for the LTUU. The Chairperson of LTUU, Algirdas Sysas, was elected to the Seimas in 1996. Still being Chairperson of LTUU, he was re-elected to the Seimas for the period 2000 – 2004 (Seimas web g and f, 24.04.03). In contrast, Olekas was already MP for the Lithuanian Social Democratic Party before he was appointed to leader of LTUC. Sysas was leader of the Committee on Social Affairs and Labour 2000 – 2004 in the Seimas (Seimas web c, 06.11.02). Legal advisor, Roma Dovydeniene, was the other member of LTUU who was elected to Seimas. She was first elected in 1996 and re-elected in 2000. She was also a member of Committee on Social affairs and Labour, and she was Minister of Culture in the Social Democratic Party³⁰ and New Union government from July 2001 (Seimas web c, d and e, 06.11.02). The LTUU had about 45 000 members in 2001 (interview Pivoras 19.11.01). The organisation listed 12 branch member associations on their web site in 2001 (former LTUU web, 14.10.01). The LTUU had a central staff on 7 persons in March 1999 (Smith-Sivertsen 2000: 231, table 9.3).

The third Congress of LTUU in 1999 adopted a decision to establish a joint working group to prepare a merger of LTUU and the Lithuanian Trade Union Centre. A joint congress was set up with the aim to form a joint organisation (former LTUU web, 14.10.01; interview Pivoras 19.11.01). Consequently the two social democratic trade union organisations merged in 2002 to form the Lithuanian Trade Union Confederation (LTUC). Adding the estimates on 80 000 members of former LTUC and 45 000 members of LTUU, Lithuanian Trade Union Confederation was from the beginning the largest trade union organisation in Lithuania by a very wide margin. In 2002 LTUC united 25 branch trade union associations (LTUC web, 06.11.02).

The Lithuanian Workers Union was established in 1990 as an outgrowth of the Popular Front (Sajūdis) and a competitor to CFTU (Vardys and Sedaitis 1997: 211). LWU had 52 000 dues-paying members in March 1999. At the same time the organisation had a central staff on 6 persons (Smith-Sivertsen 2000: 231, table 9.3). There are many indications that LWU did not support the successor party of Sajūdis, the conservative Homeland Union. When the Vice – President of LWU in 1996 was elected to the Seimas for the Homeland Union, he

³⁰ The two social democratic parties, the Lithuanian social Democratic Party (LSDP) and the Lithuanian Democratic Labour Party merged in to form the Social Democratic Party (SDP) January 2001.

subsequently lost his position in the trade union organisation (Smith-Sivertsen 2000: 231, table 9.3). 500 members of LWU gathered in a protest outside the government building in Vilnius against the economic policies of the Homeland Union led coalition government in February 2000. Quotes from the president of LWU Aldona Balsiene and a spokesman from the Homeland Union Prime Minister, Andrius Kubilius, indicated strong disagreement between LWU and HU. The trade union leader Balsiene blamed the government of “*toadying to the World Bank*” and other foreign interests while “*there are fewer and fewer social guarantees, social benefits, fewer and fewer working places, and people very often only are employed for short-term agreements*”. On the other side spokesman for the Prime Minister Audrius Baciulis was quoted: “*Jobs are more plentiful in Vilnius and Klaipėda, places where foreign investment is the highest. Maybe people who are protesting against investors cannot understand that they are protesting against their jobs*” (TBT 02.03.00, a).

The protest was by no means only against international financial institutions and foreign interests. LWU issued a list of demands amongst others including a request not to submit the current draft law on labour dispute regulations to the Seimas, because it would reduce the role of the trade unions in the disputes and lessen fines for employers paying wages late (ibid). The government reacted negatively to the demands of LWU, pointing out that it was impossible to talk with the government in the language of ultimatums and claiming that the trade unions wanted money that the government did not have. At the same time LWU had established their own Economy Party, and had eight candidates in the March 2000 municipal elections (ibid). In March 1999 LWU pointed out the social democrats as the least friendly political parties (Smith-Sivertsen 2000: 231, table 9.3). At the same time, the LTUU and the LTU Centre were cooperating with the Lithuanian Social Democratic Party. In this respect there was a political cleavage between LWU on the one side and LTUU and LTU Centre on the other side.

Out of this we can identify important differences between trade union structures in the three countries. Estonia had two central organisations from 1992. The EPEUA represented mainly white-collar employees with higher education, while the CETU represented mainly blue-collar employees with lower education. In Latvia, there has only been one central trade union organisation. The FTUCL was the successor organisation of the central organisation of trade unions from the Soviet period. From 1992 to 2002 there were four different central trade union organisations in Lithuania, and two of them were sympathetic to the Lithuanian Social

Democratic Party (LSDP). LTU Centre even appointed a Member of Parliament for the LSDP to leader of their organisation in 1997. LTUU got two of their members elected to the Seimas from 1996 through an agreement with the LSDP. These were however not members of the party. The LWU had affiliations to the Popular Front in the early 1990s, but later acted more independently. They even established their own Economy Party to compete in the March 2000 municipal elections. The LLF based their work on a 'Christian Social Doctrine'. The LTU Centre was the successor of the soviet era trade union organisation. Therefore there was also a possible cleavage between the LTU Centre on the one side and the LWU, being established in opposition to the LTU Centre, the LTUU, a 1992 outbreak of the LTU Centre, and the LLF, being a heir of a pre-war organisation, on the other side. The merger in 2002 between the LTU Centre and the LTUU may reduce the importance of this cleavage. Nevertheless, Lithuania had clearly the most politically divided structure of existing trade union organisations in both the periods before 1996 and before 2002.

The re-emergence of employers' organisations

The following section deals with the extent employers have been mobilised through membership in the largest employers' organisation in each of the countries. The Confederation of Estonian Industry (CEI) was established in November 1991. Already in April 1992, the CEI signed the tripartite Framework Agreement on Social Guarantees of 1992 on behalf of the employers. In May 1995 the CEI was reorganized into the Confederation of Estonian Industry and Employers (CEIE) (Kaadu 1999: 155). Associations from the unions of the service and business sectors united to form the Confederation of Estonian Employers' Organisations (CEEEO) in November 1995. Following a recommendation from the ILO, the CEIE and the ECEO started to negotiate about merger in September 1997. Soon after the two organisations merged into the Confederation of Estonian Employers and Industry (CEEI) (Kaadu 1999: 155). In 2001 the organisation changed name to the Estonian Employers Confederation (EEC) (interview Kriis 07.12.01). On their web site in November 2002, the EEC listed 49 members from both public and private sector, representing a wide spectre of the Economy. 29 of the members were companies, the rest were associations. Also the Estonian Farmers Federation and the Central Society of Estonian Consumers were amongst the members (EEC web a, 07.11.02).

The Estonian Chamber of Commerce and Industry (ECCI) was established in 1925 to represent the interests of businessmen, bankers, industrialists and ship owners. The organisation was re-established in 1989. In the end of December 2001, the organisation had 3171 members, which according to its web site included the majority of the Estonian large enterprises. Still the bulk of the ECCI members were small and medium size businesses (ECCI web, 06.11.02). Out of this it is clear that many enterprises were members of both the EEC and the ECCI, and that a clear difference existed between the organisations. The EEC represented the interests of employers while the ECCI represented the interests of companies and businesses. The ECCI was not representing the interests of employers in the state level consultations with the trade union organisations and the government, in the same way as the EEC. The Estonian Association of Construction Entrepreneurs was for example member of both the ECCI and the EEC. They emphasized that they could fulfil their role as a social partner through the EEC (EACE web 08.11.02). The Estonian Business Association was founded in 1996. It was a supporting member of the Estonian Chamber of Commerce and Industry, and from 1997 an associated member of the EEC (EEC web a, 07.11.02). In 1988 the Estonian Association of SME-s (Small and Middle Enterprises) was founded (EAS web, 07.11.02). This organisation was also a member of the EEC (ibid).

The Latvian Employers' Confederation (LEC) was founded in mid-1993 as an umbrella organisation of several industry associations. The Latvian Employers Central Union (an organisation of state owned enterprises) and the Latvian Private Enterprise Union were the two founding members. A later change in the statutes allowed direct membership of individual companies. In 1997 it had about 70 direct members, of which 14 were associations. Nearly all industries and sectors were represented. Roughly 20% of the members came from agriculture and forestry, 30% from construction or manufacturing industries, 20% from transport and tourism, and the rest came from financial services (e.g. insurance companies and banks) (Blasum 1999: 211). According to an internal paper of the National Tripartite Co-operation Council (NTCC) secretariat, LEC members employed close to 300 000 employees in 2001. In addition there existed several business organisations, like the Latvian Industry and Trade Chamber, the Union of Latvian Small and Middle Enterprises Organisations, the Latvian Association of Commercial Banks, the Latvian Association of Tradesmen and the Latvian Chamber of Commerce and Industry (see appendix F, c and Blasum 1999: 213). Further, there was a special organisation for state owned enterprises, the so-called Directors' Club. Only the LEC was member in the International Organisation of Employers. The other

organisations rarely claimed to represent their members as employers. The Latvian Chamber of Commerce and Industry (LCCI) was for example a pure business organisation, living mainly of selling its services. Most of the larger enterprises were members of both the LEC and the LCCI (Blasum 1999: 213).

The Association of Lithuanian Industrialists was established in June 1989. It changed name to the Confederation of Lithuanian Industrialists (CLI) in March 1993. The members included 38 branch organisations, 8 regional associations and some individual enterprises in 2002. The members were mainly manufacturing companies, although some banks, trade, commercial enterprises, subsidiaries of foreign firms, research institutes and educational institutions were represented. By its own words, the organisation represented more than 2700 enterprises in 2003, covering all the main branches of industry (CLI web a, 25.04.03). Bronislovas Lubys, the president of CLI from 1993, was Prime Minister from December 1992 to March 1993 (CLI web b; Lithuanian Government web, 07.11.02). Generally the CLI represented medium and big enterprises, while the Confederation of Lithuanian Business Employers (CLBE) represented small and sometimes medium enterprises (interview of Zickute 27.11.01). According to the Ministry of Justice, there were there were 11 employers' organisations registered at national level in January 1997 (Dovydeniene & Casale 1999: 231).

Out of all this we see that it is difficult to count employers' organisations in all three countries. The EEC, the LEC and the CLI were however clearly the largest organisations of employers in each of the countries. The members of these organisations covered large shares of the economies. Only these organisations were represented in the International Organisations of Employers (IOE) and the Union of Industrial and Employers' Confederations of Europe (UNICE). The EEC gained membership in the IOE in March 1998 and was accepted as an observing member in the UNICE in July 1999. The LEC gained membership in the IOE in June 1994. In 2002 the CLI was member of the IOE and observer in the UNICE (UNICE web, IOE web a, b and c, 05.11.02). The employers' organisations sought influence through lobbying. A legal advisor of the CLI put this very clearly: *'the main activity of CLI is lobbying'* (interview Zickute 27.11.01). All three organisations had presented their views in the parliamentary committees (interview Zickute 27.11.02; Kriis 07.12.02 and Jaunzeme 14.12.02). The CLI had relations to different political parties on a very pragmatic basis. Officials from the CLI had been sitting in the meetings of both the liberal, the conservative and the social democrat fraction in parliament. Some of the member

enterprises, but not the organisation, supported particular candidates to the parliament financially (interview Zickute 27.11.01). The LEC did not support any specific political party (interview Jaunzeme 14.12.02). Also the EEC sought influence in politics through presentations in the parliamentary committees or they tried to influence the commissions near the ministries. The EEC did not support any specific party because the organisation was dependent on being friend with all of the parties. Still, members of the board of the organisation had contributed to political parties on their own (interview Kriis 07.12.02).

Table 5.1.2: Main employers' organisations

	Estonian Employers' Confederation	Latvian Employer's Confederation	Conf. of Lithuanian Industrialists
Time of foundation	November 1991	Mid 1993	June 1989
Number of member companies	1254 through 30 branch organisations. 33 large enterprises direct members. Altogether 1287 (2001)	81 employers' organisations (2001)	More than 2700 through 41 branch organisations, 8 regional associations and individual members (2002)
Persons employed by member companies	Ca. 125 000	Ca. 300 000	Ca. 140 000
Percentage of the country's employed persons	23%	37%	12%
Size of staff (March 1999)	8	3	20

Sources: Various sources³¹

Table 5.1.2 presents the time of foundation and size of the main employers' organisations. The table shows that the Latvian Employers' Confederation was the largest organisation with

³¹ The data on membership and employment for EEC are from their internal business report (EEC web c, 05.05.03). The number of employees in member companies of CLI is a November 2002 estimate by CLI legal advisor Laura Zickute (e-mail correspondence 21.11.02), while the number of member companies through is collected from CLI web, 07.11.02. The data on member companies in LEC and their employees are from an internal information sheet from the Secretariat of the National Tripartite Co-operation Council (appendix F, c). The data have on number of staff are from interviews co-ordinated by Smith-Sivertsen (2000: 235, table 9.6).

81 member organisations, employing altogether 300 000 employees in 2001. There were 817 600 employees in Latvia in May 2001, excluding employers, self-employed and unpaid family workers (Central Statistical Bureau of Latvia 2001: 14, table A1). This means that members of the LEC employed approximately 37% of the employees in Latvia. The CLI was the oldest of the organisations, established already in June 1989 (CLI web a, 25.03.03). This organisation had about 2700 member enterprises, 41 branch member organisations and 8 regional member organisations, altogether employing approximately 140 000 persons. There were 1 186 500 employees in Lithuania in November 2000, excluding employers and self-employed and contributing family workers (Statistics Lithuania 2001b: 19, table 2.5). Hence CLI members employed approximately 12% of all employees in Lithuania. The Estonian Employers' Confederation (EEC) covered a smaller number of employees than the LEC and the CLI, but a larger share of the employees in the country than the CLI. Estonia had 553 000 employees in 2000, excluding employers, own-account workers and unpaid family workers (Statistical office of Estonia 2001 b: 72, table 29). Members of the EEC employed about 23% of these. The size of staff is an indication that the CLI had the clearly highest organisational capacity with their staff of 20, compared to the EEC with a staff of eight persons and the LEC staff of only three persons. The estimates of employment coverage are somewhat uncertain. Still, it seems safe to conclude that in all three countries, the shares of employees employed by a member of an employers' organisation in 2001/ 2002 were clearly larger than the shares of employees who were members of a trade union in 1999. On the other hand, in March 1999 the central trade union organisations had altogether larger numbers of staff than the main employers' organisations in all three countries. The difference was largest in Latvia and smallest in Lithuania.

The conclusion of the first part of this section is that in 1999 very small proportions of the employees in all three countries were members in trade unions. This year, 16% of ordinary employees and persons engaged in management were members in trade unions in Latvia, while the membership rates in the same group were 12% in Estonia and only 8% in Lithuania. The membership rate was a very impressive 84% in Latvia in 1994. The same year the membership rates were on 33% in Lithuania and 23% in Estonia. The membership rates from 1994 are however very difficult to interpret because the countries had only been independent from the Soviet Union for three years. Presumably most of the members in trade unions gained their membership in Soviet times, when membership rates were extremely high. The much higher membership rates in Latvia than in Estonia and Lithuania in 1994 simply means

that the demobilisation of employees out of trade unions started later in Latvia. A possible explanation of this may be that the successor organisation of the Soviet trade union organisation was in a better position to retain the bulk of its Soviet times members in Latvia than in Estonia and Lithuania. This will be discussed in the next part of this chapter. Concerning employers, the conclusion of this section is that all three countries scored high on concentration of employers organisations in 2001/ 2002, measured as rather high coverage rates of the economy and the employment of the countries by the largest central employers' organisations.

My conclusion is that Latvia scored high on concentration in the earliest period before the end of 1995, while the other countries scored low on this variable both periods. The reason for this conclusion is the low membership rates in trade unions in all other cases than Latvia in 1994. The scores on concentration of trade unions and employers' organisations are summed up in table 5.1.3.

Table 5.1.3: Concentration of trade unions and employers' organisations³²

	Estonia 1994	Estonia 1999/ 2002	Latvia 1994	Latvia 1999/ 2001	Lithuania 1994	Lithuania 1999/ 2002
Concentration of trade unions	Low	Low	High	Low	Low	Low
Concentration of employers' organisations	-	High	-	High	-	High

The scores for trade unions are based on data from 1994 and 1999 while the scores for employers' organisations are based on data from 2001/ 2002. I consider the earliest data an indication of concentration in the period from 1991 to the end of 1995, and the latest data an indication of concentration in the period from the beginning of 1996 to the end of 2001.

³² The scores for trade unions refer to 1994 and 1999 while the scores for employers' organisations refer to 2001/ 2002. I consider the earliest data an indication of concentration in the period from 1991 to the beginning of 1996, and the latest data an indication of concentration in the period from the beginning of 1996 to 2002.

Centralisation of organisations

To measure centralisation of trade union organisations, I have counted the total number of central trade union organisations and calculated the percentage of these, being represented in tripartite councils and tripartite agreements on state level. Table 5.1.4 presents the results.

Table 5.1.4: Central trade union organisations in tripartite consultations

	Estonia 91 - 95	Estonia 96 - 01	Latvia 91 - 95	Latvia 96 - 01	Lithuania 91 - 95	Lithuania 96 - 01
Number	2	2	1	1	4	4
Represented in tripartite councils at state level	100%	100%	100%	100%	100%	100%
Represented in tripartite agreements at state level	50%	100%	100% (Only bipartite agreement)	100%	100%	100%

Table 5.1.4 shows the number of central trade union organisations and the share of them, being represented in tripartite councils working at state level and in tripartite agreements concluded at state level. I will discuss the history and the functions of the different councils as well as the history and contents of the tripartite agreements in the next chapter. The FTUCL was the only central trade union organisation in Latvia in the whole period. Estonia has had two central trade union organisations since 1992. Still, only the CETU signed the three tripartite agreements, which were concluded in the period from 1991 to the end of (see appendix B, agreements E2 – E4). After the EPEUA received one seat in the Estonian Council of the ILO from 1994, both organisations have been represented in this council (e-mail correspondence with Hindov: 18.12.02). Both organisations were included in three of the twelve tripartite agreements concluded at state level from January 1996 to the end of 2001 (see appendix B, agreements E5 – E16). Both organisations have had representatives in the

Social and Economic Council, since this council started to meet in 1999. In Lithuania, all the four central trade union organisations signed the ‘Agreement on tripartite partnership of 1995’ and the ‘Agreement on tripartite cooperation of 1999’ (see appendix B, agreement LI1 – LI2). All the four organisations have also had representatives in the Tripartite Council of the Republic of Lithuania since the council was established in May 1995.

The conclusion of this section is that Latvia in both periods had the most centralised system of trade union organisations. There existed only one central trade union organisation in both periods. Estonia had a somewhat less centralised system of trade union organisations in both periods. There were two central trade union organisations. Both were represented in tripartite agreements and councils at state level in the latest period. In the first period only one of them was represented in tripartite agreements, while both were represented in tripartite councils. Lithuania in both periods had the least centralised system of trade union organisations. There were four central trade union organisations in both periods. All of them signed the tripartite agreements of 1995 and 1999 and were founding members of the Tripartite Council of the Republic of Lithuania (TCRL). In the beginning of 2002 the number of central trade union organisations was reduced to three. All of these were represented in the TCRL.

Centralisation of employers’ organisations

To measure centralisation of employers’ organisations, I have counted the number of central organisations represented in tripartite councils and tripartite agreements on state level. Table 5.1.5 presents the results.

Table 5.1.5: Number of employer organisations in tripartite agreements and councils

	Estonia		Latvia		Lithuania	
	91 –95	96 - 01	91 - 95	96 - 01	91 - 95	96 - 01
Tripartite agreements	1	2	1 (bipartite)	1	2	3
Councils	1	2	1	1	2	2

From November 1995 through 1997, the Estonian employers were split between two major employers' organisations - the Confederation of Estonian Industry and Employers (CEIE) and the Confederation of Estonian Employers' Organisations (CEEEO) (Kaadu 1999: 155). Both the CEIE and the CEEEO signed 'the Agreement on development of participatory democracy of 1996' and 'the Agreement on method of calculating the subsistence level' of 1997 (see appendix B, agreement E5, E8). Both organisations were also members in the Estonian Council of the ILO in 1997 (e-mail correspondence with Hindov: 17.12.02). The two organisations merged and established the Confederation of Estonian Employers and Industry (CEEI) in 1997 (Kaadu 1999: 155). The CEEI changed name to Estonian Employers' Confederation in the autumn 2001 (interview Kriis 07.12.01). From November 1997 the CEEI/ EEC has been representing employers alone in all tripartite agreements concluded at state level except in the very broad 'Agreement of a common action plan for employment for the period 2001 – 2004'. Also the Chamber of Commerce and Industry signed this agreement in 2000 (see appendix B, agreement E14). The EEC was also the only employers' organisation represented in the Social and Economic Council (SEC) in 2001 (Estonian Ministry of Social Affairs web b, 25.04.03).

The LEC was the only organisation representing its members as employers in Latvia in both the first and the second period. There existed several business organisations, but these were not active in the social dialogue (Blasum 1999: 213). In the Tripartite Consultative Council, which may be considered as the highest in the hierarchy of tripartite organs before 1999, the presidents of the LEC and the FTUCL as well as the Minister of Welfare were the most prominent members. The only state level bipartite agreement concluded between the LEC and the FTUCL, was the 'General Agreement on the Principles of Social Partnership' of 1996 (Blasum 1999: 217; interview Jaunzeme 14.12.01). The National Tripartite Co-operation Council (NTCC) started to work in 1999. The By-law of the council is a tripartite agreement. The first paragraph provided that the LEC, the FTUCL and the government were the founders of the council. Section 3, paragraph 6 and 7, provided that the council should exist of seven representatives from each of the parties and that the government should appoint its representatives by order of the cabinet of ministers. The LEC and the FTUCL should appoint the rest of the representatives (see appendix B, agreement LA2). Hence the LEC was the only organisation having the mandate to appoint representatives of the employers in the NTCC.

In Lithuania, The CLI was the central organisation of employers with the clearly highest coverage of the economy in both periods. Also the president of the Lithuanian Businessmen Association (LBA) signed the 'Agreement on tripartite partnership' of 1995 (see appendix B, agreement LI1). The president of CLI, the president of the Lithuanian Businessmen Employers' Confederation (LBEC) and the president of the National Businessmen Confederation (NBC) signed the 'Agreement on tripartite co-operation' of 1999 (see appendix B, agreement LI2). The Tripartite Council of the Republic of Lithuania (TCRL) was established in 1995, according to the tripartite agreement of the same year. The regulations of the council, approved in November 1998, provided that national employers organisations and national trade union organisations should appoint the representatives of employers and employees in the council (see appendix F, other documents e: § 4 – 4.2). The use of plural forms here gave all central organisation of employers and employees, which were organised on a national basis, the right to appoint representatives to the council. The LBEC, representing smaller enterprises, had two representatives in the 2001 TCRL while the CLI had three representatives (TCRL web b, 07.11.02). Even though there could be different views between the CLI and the LBEC on such an important issue as settlement of the minimum wage, the CLI regarded the relationship between the organisations as very good. The organisations were partners rather than competitors (interview of Zickute 27.11.02).

Centralisation is measured as hierarchical control, where few central organisations have the mandate to negotiate in tripartite consultations and sign tripartite agreements on state level. A high degree of centralisation can be interpreted as few central organisations existing, or many central organisations existing, but only few of them are included in tripartite arrangements with the mandate to negotiate on behalf of the others. This means that Latvia had a centralised system of employers' organisations in both the period from 1991 to the end of 1995 and the period from 1996 to the end of 2001. Estonia had a centralised system of employers' organisations in the earliest period. The country had a less centralised system of employers' organisations in the latest period. There were two central employers organisations represented in tripartite agreements and councils in 1996 and 1997, while the Chamber of Commerce and Industry represented business in addition to the CEEI in a tripartite agreement in 2000. In Lithuania, two employers' organisations were among the founding members of the Tripartite Council of the Republic of Lithuania (TCRL) in 1995. Both of them signed the 'Agreement on tripartite partnership' of the same year. Three organisations signed the Agreement on tripartite co-operation of 1999 on behalf of business and the employers. This means that the

system of employers’ organisations was more centralised in Latvia in both periods and in Estonia than in the first period than in the other cases.

Central employers’ organisations and trade union organisations considered together, I conclude that Latvia in both periods scored highest on centralisation of the system of interest group organisations, followed by Estonia in the first period. Estonia in the latest period and Lithuania in both periods had less centralised systems of interest group organisations. I have dichotomised the scores on centralisation of interest group organisations in table 5.1.6.

Table 5.1.6: Centralisation of interest group organisations

Estonia 91 – 95	Estonia 96 – 01	Latvia 91 – 95	Latvia 96 - 01	Lithuania 91 – 95	Lithuania 96 – 01
Lower	Lower	Higher	Higher	Lower	Lower

The dichotomised conclusion in table 5.1.6 is a simplification, covering up differences within each category. The Estonian system of interest group organisations in the first period was certainly more centralised than the Lithuanian systems in both periods. Still, Latvia is clearly distinguished in both periods from all other cases. Only one central organisation of employers and one central trade union organisation have been represented in the state level tripartite arrangements in Latvia.

5.2: The systems for bargaining between central trade union organisations, central employers' organisations and the government

The third of Katzenstein's characteristics of democratic corporatism is "voluntary and informal coordination of conflicting objectives through continuous bargaining between interest groups, state bureaucracies and political parties." (Katzenstein 1985: 32). I will not follow Katzenstein's definition strictly in my analysis. First I will not focus upon bargaining with all political parties, but concentrate on the bargaining between the interest group organisations and the government. After all, political parties have formed governments in all three countries, at least since the last popular front government stepped down in Latvia in July 1993. Secondly, I will focus upon formal rather than informal bargaining.

The first part of this chapter deals with tripartite councils, while the second part deals with tripartite agreements. I will compare formal tripartite bargaining along three aspects - power, continuity and broadness. I will compare power by looking at to what extent the tripartite councils were decision-making or only advisory. I will also compare the degree of government participation in the councils, as it reflects how close the councils were to the executive branch of state politics. I will also compare the different extents of specific obligations laid down in the tripartite agreements. I will compare continuity by looking at the time periods between each new agreement on adjusting the minimum legal wage, and by counting the number of tripartite agreements concluded in each period. Finally, I will compare broadness by counting tripartite councils operating at state level. At the end of this chapter, I will conclude what countries in what period scored highest on the variable measured as one. I will attach most weight to power, second most importance to continuity and least to broadness. Table 5.2.1 on the next page summarises my way of measuring.

Table 5.2.1: Measuring the systems for tripartite bargaining at state level

Power	<ul style="list-style-type: none">- Status of the tripartite councils: Decision-making or advisory- Degree of government participation in the councils- The degree of specific obligations laid down in tripartite agreements
Continuity	<ul style="list-style-type: none">- Number of tripartite agreements concluded at state level in each period- Time between each new agreement on adjusting the minimum wage
Broadness	<ul style="list-style-type: none">- Number of tripartite councils operating at state level

The emergence of tripartite councils

The Estonian Council of the ILO was established in January 1992, as the first tripartite council in post-communist Estonia. This council, which was still working in 2002, was established to assist the government and the Ministry of Social Affairs to fulfil the duties arising from ILO membership. The advisory council operated at state level and was composed of four representatives from the central trade union organisations, four representatives of the employers and six representatives of the government. Through this council the social partners have been able to give their advisory comments on ILO conventions before they were ratified in Riigikogu (EEC web b, 15.10.02; interview Hindov 04.12.01). The advisory Work Environment Council was established in 1997. This council included five representatives from each of the partners. Its main function was to present the proposals and express the opinions of the social partners on the implementation of the work environment policies. The foundation of advisory tripartite vocational councils started in 1998, in accordance with the Vocational Educational Institutions Act, passed in June the same year. By 2000, vocational councils on twelve economic sectors, divided into 66 working groups, had started to work. The vocational councils had the function to record the positions and proposals of various institutions and to reach agreements for elaborating, implementing and developing the workers' qualification and vocational system. They further synchronised the vocational and professional qualification of the workers with the labour market (EEC web b, 15.10.02).

The Estonian Social and Economic Council started to meet in 1999, as an advisory organ under the Ministry of Social Affairs (Ministry of Social Affairs web a, 31.10.02). Still in November 2002, it did not have an office on its own (e-mail correspondence with Raul Eamets, 19.11.02). The composition of the council was recommended by the Minister of

Social affairs and approved by the Prime Minister. From the 1st of January 2001, the General Secretary of the Ministry of Social Affairs was Chairman of the council. The EEC and the CETU had one vice chairman each. Five representatives of the EEC represented the employers. One representative from the CETU, one from the EPEUA, and two representatives from the two branch associations, the Telecommunication Workers Union and the Society of Economy workers' Unions, represented the employees. On the government side only one of the representatives, an advisor of the Ministry of Finance, came from the ministries. The other government appointees were external experts (Ministry of Social affairs web b, 25.04.03). Their mandates were very free. This means that the government was hardly participating in the SEC. During an interview in December 2001, Raul Eamets, a researcher and labour relations expert who was member of the council at the government side, indicated that the activities of the council recently had been low because of the very broad spectre of issues being discussed. A lot of the members had only been to a few of the meetings the last year, because they could not see any significant results of the meetings (interview Raul Eamets 06.12.01).

The Council of the Health Insurance Fund was established in 2000. This council, consisting of five representatives from each of the partners, was the highest body of the Health Insurance Fund. Its mandate was to pass the development plan, the budget and the structure of the Health Insurance Fund. It also appointed the chairperson and the members of the managing board (EEC web b, 15.10.02). From 1999 tripartite councils have also emerged on the regional level.³³

In 1993 the Latvian cabinet of ministers accepted a conception on basic principles and necessity of forming a system of tripartite cooperation. Three advisory tripartite councils were established on state level in 1993 and 1994. The Tripartite Labour Protection Consultative Council (TLPCC) was established in August 1993. This Council consisted of 15 members, five representatives from each of the partners. Until 1999 it was advisory in technical questions on a wide range of labour safety and labour standards issues. The Tripartite Consultative Council of Employers the State and Trade Unions of Latvia (TCCESTUL),

³³ In accordance with a tripartite agreement concluded on state level in 1999, tripartite employment councils were established the same year in Tallinn. According to the agreement the councils were advisory, and their function was to assist the local employment boards to develop and implement action plans (translation of 01.09.99 agreement). From 2000, employment councils were being formed at each of the 16 regional employment offices, consisting of three representatives from each of the partners (Labour Market Board web a, 12.11.02; EEC web b, 15.10.02).

started to operate in December 1993. It might be considered as the highest organ in the hierarchy of tripartite councils until 1999, because the Minister of Welfare and the presidents and vice-presidents of the FTUCL and the LEC were members of the council. The council dealt with a variety of topics with focus on social and labour issues. In addition, the TCCESTUL received controversial cases the other councils could not solve. Cases of technical character were transferred in the adverse direction. According to Blasum, the trade union side initiated most of the topics. Minimum wage was amongst the topics agreed upon in the council. The council further made recommendations to the government on labour legislation. According to Blasum, both employers' organisation and trade union representatives often felt that the state management institutions at the meetings of the council did not take them seriously enough. The advisory Tripartite Social Security Council (TSSC) held its first meeting in May 1994. This council submitted its proposals to the cabinet of ministers and other state management institutions on a wide range of new draft laws, dealing with social and health insurance, social security and social taxes (Blasum 1999: 215 – 218; see also appendix F, c: 2).

The Prime Minister, the president of the LEC and the president of the FTUCL signed the by-law of the National Tripartite Co-operation Council (NTCC) as a tripartite agreement in late October 1998. The first section of the by-law mentioned a wide range of functions of the council. The council had the mandate to consider draft laws from the cabinet of ministers and to submit proposals to the ministries on the state budget and a wide range of social economic and labour issues (see appendix B, agreement LA2: § 2). The second section guaranteed the council all the necessary information from the state chancellery and the state administration, including minutes of the meetings of the cabinet of ministers (ibid: § 5.1, 5.2). The council also had the right to request the ministries to suspend the movement of a project to the cabinet of ministers for five days until the project had been considered in the council (ibid: § 5.4). According to the third section, each partner appointed seven representatives including the chairman and his deputy (ibid: § 6). The same section provided for the establishment of sub-councils (ibid: § 12 – 13). The fourth section provided that a secretariat of the council should be established with three full time employees³⁴ (ibid: § 14 – 16). In the final provisions, it was provided that the NTCC was the heir of rights, duties and responsibilities of the TCCESTUL, and that the regulations were valid from the 1st January 1999 (ibid: § 37 – 38).

³⁴ Still, only two employees worked at the secretariat in 2001 (Interview Bilzena: 09.11.01).

It was however paragraph 26 in the fifth section, which made the NTCC exceptional among tripartite councils in the three Baltic countries: “*the Council makes decisions by agreement of all parties. The decisions are binding to all parties.*” (Ibid: § 26). This meant that the government was obliged to change the contents of draft law and regulations according to the agreements concluded in the NTCC before they were sent to the Saeima for voting.

Already in January 1999, the Social Security Sub-Council was established. This took over many of the functions of the Tripartite Social Security Council. A tripartite agreement, signed by the Minister of Welfare, and the presidents of the LEC and the FTUCL, established the by-law of the Labour Issues Tripartite Co-operation Council in March 2000. This sub-council took over the functions of the Tripartite Labour Protection Consultative Council (see appendix B, agreement LA3). The Minister of Welfare and the presidents of the two central organisations signed the by-law of the Professional Education and Employment Tripartite Co-operation Sub-council in July 2000 and the by-law of the Health Care Branch Sub-Council in March 2001 (see appendix B, agreement LA4, LA5). The division of functions between the main council and the sub-councils were the same as it used to be between the TCCESTUL, the TLPCC and the TSSC. Controversial cases not agreed upon in the sub-councils were sent to the main council, while cases of technical characters were transferred in the adverse direction (interview Bilzena: 09.11.01).

One of the striking features of the NTCC was the high positions of the representatives meeting on a regular basis. The leader of the cabinet side in the main council was the Minister of Welfare. In addition the Minister of Economy and the Minister of Finance were regular members. By their sides they had state secretaries from the Ministry of Agriculture, the Ministry of Justice, the Ministry of Environmental Protection and Regional Development and the Ministry of Education. The president of LEC was leading the employers. The directors of five large enterprises as well as the president of the Latvian Commercial Bank Association were also members on the employers’ side. The chairman of the FTUCL was leading the trade union side. By his side was the vice chairman of the FTUCL as well as the chairmen of five branch trade union associations (NTCC Secretariat 2001 b, interview of Bilzena 09.11.01).

The prime minister had the right to be an observer in the NTCC main council, and he has often done so. The prime minister could also introduce topics for discussions in the NTCC through the NTCC secretariat. In the autumn of 2001, 68 persons died in Estonia after drinking black market liquor consisting of methanol (TBT: 30.01.03). Following this, Prime

Minister Berzins ordered the secretariat of NTCC to gather information about alcohol policies for future discussions in the tripartite council (Interview Bilzena 09.11.01).

Vice state secretaries and heads of ministerial departments and divisions represented the government in the sub-councils. The chairman and the vice chairman of the FTUCL were leading the trade union side in the Social security Sub-council and the Labour Issues Sub-council. The FTUCL vice chairman was leading the Professional Education and Employment Sub-council. In addition, representatives of the trade union associations most concerned in addition to a few FTUCL experts represented the trade unions in the sub-councils. Directors of individual enterprises and representatives of the associations most concerned, as the Hospital Association in the Health Care Branch Sub-Council, represented the employers in the different sub-councils (Interview Bilzena: 09.11.01; NTCC Secretariat 2001 c).

The oldest tripartite council in Lithuania was the State Social Insurance Fund Council (SSIF council). It was established in 1991, consisting of five representatives from each side (Dovydeniene 2000: 23). The Minister of Social Security and Labour or her direct representative was leading the council. Its mandate was amongst others to approve the budget of the SSIF, to nominate the director of the SSIF and to adopt resolutions on important issues related to the management of the SSIF (Dovydeniene and Casale 1999: 238, Lithuanian Ministry of Social Security and Labour 2001: 78). The council was also supervising the implementation of the legal acts regulating the state social insurance. Further it could submit proposals to the government about amongst others the rate of the insurance contributions. Territorial councils of the SSIF have been established from February 1998 (Lithuanian Ministry of Social Security and Labour 2001: 71). The Tripartite Committee of the Labour Exchange of the Republic was also established in 1991, together with Tripartite Committees for local labour exchanges in the cities and regions (Dovydeniene 2000: 23).³⁵

The Commission on Safety at Work was established in 1994 and reorganised into the Commission on Safety and Health at Work in late 2001. The advisory council had 15 members, five from each of the parties (Lithuanian Ministry of Social Security and Labour

³⁵ 46 regional tripartite commissions were working at each of the 46 territorial labour exchanges in 2000 (Lithuanian Ministry of Social Security and Labour 2001: 73).

2001: 72, see also Dovydeniene 2000: 23). The permanent commission for tripartite consultations on labour standards implementation was established in 1995 (Dovydeniene 2000: 24). The Council of Experts at the Lithuanian Labour Exchange Training Service was established in 1996. This was an advisory council, with the objective to help develop the system of vocational training and consulting of the labour market (Lithuanian Ministry of Social Security and Labour 2001: 73). The Employment Council was established under the Ministry of Social Security and Labour in 1996. This council submitted proposals to the ministry on labour market policy and unemployment insurance rates. It further established the procedures for the formation and use of the Employment Fund and approved the annual estimate and report of this fund. This council consisted of five members from each side (Lithuanian Ministry of Social Security and Labour 2001: 72).

The Compulsory Health Insurance Fund Council was established as an advisory body to the Compulsory Health Insurance Fund in 1997. This council had two trade union representatives. The same year the advisory Council of the Fund to Fulfil Employees' Claims Related to Labour Relations of Bankrupt Enterprises and Enterprises under Bankruptcy (CFFE) was established (Dovydeniene & Casale 1999: 238). In 2001 the Guarantee Fund was established to compensate employees in bankrupt companies, and the tripartite Council of the Guarantee Fund took over the functions of the CFFE. This council governed the resources of the Guarantee Fund, adopted decisions on its allocation and submitted proposals to the government regarding the activities of the fund. The advisory Lithuanian Council of Vocational Training was founded in 1998 (Lithuanian Ministry of Social Security and Labour 2001: 72). From 1995 tripartite boards of experts were also established in the largest cities.³⁶

The Tripartite Council of the Republic of Lithuania (TCRL) was established in accordance with a tripartite agreement concluded in May 1995 (see appendix B, agreement LI1) The council had its first meeting the same month (TCRL web a, 12.11.02) The Secretariat of TCRL was established at the Ministry of Social Security and Labour in 1998 (TCRL web c, 12.11.02). The tripartite cooperation agreement of 1999 increased the status of the TCRL, because the government agreed to submit all draft laws concerning labour, social and economic issues to discussion in the TCRL. The government further agreed to record conclusions from the TCRL in the explanatory papers following the draft laws to the Seimas

³⁶ In 1995 advisory Boards of Experts that works under the supervision of the Lithuanian Labour Market Training Service in the largest cities were established (Dovydeniene: 23, Dovydeniene & Casale 1999: 238). In 2000 these services existed in six cities (Lithuanian Ministry of Social Security and Labour 2001: 73).

(see appendix B, agreement LI2: § 3.1.2 – 3.1.3). The TCRL established four standing commissions for considering social, economic and labour problems in 1999, also this in accordance with the 1999 agreement (ibid: § 6).

The Lithuanian laws did not regulate the activities of the National Tripartite Council until the amendments of the Law on Collective Agreements entered into force on 1st January 2002. Article 1 dealt with tripartite and bilateral councils, specifically the TCRL. According to the law the council shall consist of an equal number of members with equal rights, from the central trade union organisations, the employers' organisations and the government. Further, the parties must provide the necessary information to the council related to the issues being considered. Finally, the law underscores that the government must assess the opinion of the trade unions and employers' organisations represented in the TCRL when adopting decisions or submitting draft laws about urgent labour, social and economic issues to the Seimas (see appendix F, e: Article 1). According to the lawyer of the Lithuanian Trade Union Unification in 2001, these amendments considerably increased the status of the agreements reached in the TCRL (Interview of Pivoras 19.11.01). State secretaries of the Ministry of Social Security and Labour, the Ministry of Justice, the Ministry of Agriculture and the Ministry of Economy as well as the vice minister of finance represented the government in the TCRL in 2002. The presidents or chairmen of the four central trade union organisations represented the trade unions. The presidents of the CLI and the LBEC and the director of a Kaunas enterprise represented the employers (TCRL web b, 07.11.02).

In March 2000, the TCRL and its standing commissions considered a package of proposals from the Provisional Labour Market Liberalisation Group - also called the Sunrise commission. The central trade union organisations rejected a number of the proposals, especially those related to redundancy pay and the procedure for concluding and cancelling employment contracts (TCRL web d, 30.10.02).

In November 2000, a new economically liberal government coalition adopted many of the proposals of the sunrise commission to a packet of proposals to liberalise the labour relations. The four central trade union organisations reacted unanimously to the proposals by threatening nation-wide industrial action. Still these measures, officially aimed at reducing unemployment, were included in draft law amendments. In March 2001, the Seimas passed the new legislation amending simultaneously the Law on Employment Contracts, the Law on Wages, the Law on Holydays and the Law on Trade Unions. Due to these amendments, a new

non-compulsory sample labour contract replaced the former principle of a mandatory labour contract in the Law on Employment Contracts. Further, the new amendments to this law reduced severance pay for dismissed employees significantly. The trade unions reacted by holding protest pickets outside the homes of the Members of Parliament (MPs) from the government parties, and more than a hundred trade unionists from all over Lithuania showed up as silent witnesses to the plenary debate on the new legislation in the Seimas. Opposition Social Democratic coalition MPs who sponsored the action in the parliament, unsuccessfully called on the President not to ratify the new law (Woolfson and Beck 2002: 762 - 763). Later a discussion started in the TCRL whether the drafts of the law amendments had been considered in the council. The trade union representatives were at a point of time threatening to boycott future discussion in the council. They never went that far, though (ibid: 763; TCRL web d, 30.10.02). The fact that the labour legislation on such important issues for employees was amended without the trade union representatives giving consent to these amendments in the TCRL - it was even discussion in the TCRL whether these draft laws had been discussed at all - shows the strictly advisory status of this council. This incident clearly proved that the government did not need consent from the other two partners in the TCRL when formulating draft legislation on issues deeply concerning them. Table 5.2.2 on the next page is a chronological presentation of the emergence of tripartite councils at state level.

Table 5.2.2: The emergence of tripartite councils at state level

	Estonia		Latvia		Lithuania	
	Advisory	Making binding decisions	Advisory	Making binding decisions	Advisory	Making binding decisions
1991					1	1
1992	1					
1993			2			
1994			1		1	
1995					2	
Operative in 1995	1	0	3	0	4	1
1996					1	1
1997	1				1	1
1998	1 ³⁷				1	
1999	1			1 + 1 sub council		
2000		1		2 sub councils		
2001				1 sub councils		
Operative in 2001	4	1		1 + 4	7	3

The conclusion of this section is that Lithuania had most tripartite councils at state level by the end of 1995. The State Social Insurance Fund Council in Lithuania was also the only council being not only advisory but having decision-taking power. This means that in the period from 1991 to the end of 1995 Lithuania scored highest on power and broadness of bargaining in tripartite councils. Lithuania still had the largest number of tripartite councils at state level in the end of 2001. Now also the Employment Council and the Council of the Guarantee Fund had decision-taking power in the Employment Fund and the Guarantee Fund.

³⁷ Vocational councils. By 2000 vocational councils on twelve economic sectors divided into 66 working groups had started working.

By this time, also Estonia had established a similar tripartite council, namely the Council of the State Social Insurance Fund, with decision-taking power in this Fund. Still, I consider the structure of tripartite councils at state level in Latvia to be of the clearly most powerful by the end of 2001. This evaluation is based on the close ties of the National Tripartite Co-operation Council with the government as well as the high interest the government has put in the council. But most of all, the NTCC was exceptional in the three countries because the agreements concluded there were binding for all of the partners. This means that in that in the latest period, after the NTCC started to function in the beginning of 1999, Latvia scored highest on power of bargaining in tripartite councils.

Concluding tripartite agreements at state level

Different sorts of tripartite agreements on state level have been concluded within or outside the tripartite councils. These can be classified as; a) general agreements, where each of the social partners accepts the other partners as legitimate political players of equal worth and agrees to conclude agreements on specific topics in the future, b) agreements stipulating the level of the minimum wage, tax free income or unemployment benefits and c) agreements on other specific topics, as establishing a new office or council, or framework agreements concerning the development in a certain field where each of the partners commits themselves to implement certain tasks. The first part of this section is devoted to the legal framework for collective agreements. After that I will deal with the different sorts of tripartite agreements in the mentioned order.

Legal framework for collective agreements

The government and the Parliament lay the foundations for collective agreements by preparing and passing legislation that provides for these agreements. Estonia adopted her 'Collective Agreements Act' in 1993. The act also dealt with tripartite agreements at state level between the central organisations of employees and employers and the Government. Paragraph 9.3 provided that *'The parties are required to comply with the terms and conditions of a collective agreement during the term of the collective agreement and refrain from calling a strike or lock-out in order to amend the terms and conditions provided for in the collective agreement'* (see appendix E, Law c: § 3.4 and § 9.3). This meant that collective agreements

were binding to the parties by law in Estonia both in the end of the earliest period from 1993 to the end of 1995 and in the whole latest period from 1996 to the end of 2001.

The Latvian ‘Collective Agreements Act’ adopted in 1991, did not deal with the government as party in collective agreements in the same way as the Estonian law. Article 2 of this law however provided that administration institutions could sign general agreements with trade unions and the organisations of employers. The article further provided that the obligations and regulations included in a general agreement were compulsory for the parties (see appendix E, Law j: Article 2). The new ‘Labour Law’ in force from July 2002, deals with general collective agreements on territory level between central organisations of employees and employers. Section 18.3 provides that the agreements are binding on the members of the organisations or associations having signed the agreement. Section 18.4 provides that if an organisation or association of employers’ that employ more than 60% of the employees in a sector signs an agreement, the agreement shall be binding on all employees in the sector (see appendix E, Law k: Section 18.3 and 18.4). This means that collective agreements were binding to the parties by law in Latvia in both periods before 1996 and 2002.

Article 5 of the Lithuanian ‘Law on Collective Agreements’ adopted in April 1991 provided that *‘agreements shall be binding to its parties as well as to the legal successor of the employer’*. This law only dealt with collective agreement between representatives of employees and employers at enterprise and branch level (see appendix E, Law n). The first chapter in the ‘Law on Collective Agreements and Collective Labour Agreements’ as amended in April 1996, dealt with collective agreements between the government and the organisations of employees and employers. Article 5 provides that disagreements and disputes on conclusion or implementation of a collective agreement shall be settled according to the procedures established in the ‘Law on the Regulation of Collective Disputes’ (see appendix E Law o: Article 1, 5). The last was maintained in Article 3 in The Law On Amending and Supplementing Chapter 1 of the Law on Collective Agreements and Employment Contracts, which entered into force on the 1st of January 2002 (see appendix E, Law s: Article 3). Out of all this we see that in both time periods the national legislation in all three countries treated tripartite agreements.

Table 5.2.3 summarises when the national legislation on collective agreements was passed in each of the countries.

Table 5.2.3: Legislation on collective agreements

	Estonia	Latvia	Lithuania
1991		Collective Agreements Act	Law on Collective Agreements
1993	Collective Agreements Act		
1996			Law on Collective Agreements and Collective Labour Agreements
2002		New Labour Law	Amendments in the Law on Collective Agreements and Collective Labour Agreements

General cooperation agreements

It should be a good start for further tripartite arrangements that the partners officially accept each other as legitimate political players and declare their intentions for future co-operation. The Estonian government and the Confederation of Estonian Trade Unions (CETU) did this already in February 1991, by signing the ‘Framework Agreement on Social Guarantees for 1991’. The intention of the agreement, which was laid out on the top of the document, was to secure the inhabitants in Estonia social guarantees and to subdue social tensions during the transition to market economy. The agreement contained eight paragraphs. In the first paragraph the CETU and the government declared their intentions to exchange information and hold consultations at least four times a year about social policy questions, as well as initiatives in ‘*questions concerning legislation*’ (see appendix B, agreement E1: § 1.1). The latter might be interpreted as an intention to include the CETU in the process of making draft laws. In the second paragraph, the government promised to work out and publish means to subdue the effects of the social-economical crisis in Estonia. These means included, stipulation of minimum subsistence level and adjustment of this no later than February 1991 according to the cost-of-living index. Further minimum rates for pensions, social support and scholarships as well as minimum wages had to be stipulated and adjusted according to the

cost-of-living index. The government also promised to initiate compensation for the decrease in living standard of the inhabitants in case costs of living increased by more than 10 per cent. The government further promised to award employees who lost their employment as a consequence of reorganisation or liquidation of enterprises and who had not found employment corresponding to their qualifications by three months, re-education scholarships for up to three months. The government guaranteed six months unemployment benefits to persons having accomplished re-education courses if the employment market could still not provide jobs for them. Further the government agreed to award trade unions economical support from the social budget and to cover necessary material recourses to arrange camps for children and for sanatoria treatment of children. The government guaranteed to award exemption from taxation for expenses of employers to educational, cultural, medical, and sport and training arrangements for employees. Further the government guaranteed employees at last three weeks holyday a year and agreed to initiate negotiations with the CETU in April the same year on extending the minimum holyday. In the final sub-paragraphs the government undertook to work out laws regulating working life, the health system, social insurance and pensions (ibid: §2.1 - 2.14).

In the third paragraph the CETU undertook amongst others to guarantee the government 'domestic peace' with regards to all topics included in the agreement, to initiate processes for conclusions of agreements on all levels and to go into dialogue with the government before taking use of extreme means in conflict situations. The CETU further agreed to work out the statutes of an insurance fund for the unemployed and a system for payment of unemployment insurance (ibid: § 3.1 – 3.10). The agreement was declared to be valid from the 1st of January to the 31st of December 1991 (ibid: § 7).

The Confederation of Estonian Industry (CEI) signed a tripartite agreement on state level half a year after it was established in November 1991. The 'Framework agreement on Social Guarantees for 1992' was also a declaration of social partnership where the parties acknowledged each other as partners of equal worth in bipartite and tripartite negotiations. The partners declared that the intention of the agreement was to strengthen the development of the Estonian economy and at the same time provide social and economical protection for all of the inhabitants in Estonia (see appendix B, agreement E1). The social partners amongst others agreed to initiate negotiations about stipulation of wages and tax-free income every month, within five days after the Statistical Office had published the costs-of-living index

(ibid: § 1). The partners further recognised the rights of employees in budgetary institutions to collective bargaining, especially regarding wages (ibid: § 2). They agreed to initiate payment of wages every week from April because of the radical rise in costs-of-living (ibid: § 3). They agreed to present a draft law on implementing 40 hours workweek to the Supreme Council (ibid: § 4). They further agreed to follow the ILO principle that the government, the employers and the employees together worked out draft laws regulating labour relationships (ibid: 5).

In the tripartite ‘Agreement on major questions concerning social guarantees’ signed in April 1993, the social partners amongst others agreed to initiate consultations on expert level about the contents and structure of next year’s agreement on income policy and to negotiate about the level of minimum wage (see appendix B, agreement E2: § 1, 2). The partners further agreed that it was necessary to work out a principle plan about social taxes and fees and the distribution of these between employees and employers. The partners also agreed to work out a draft law on social insurances, including pensions, health insurance, unemployment insurance and insurance for occupational accidents and diseases (ibid: § 3 a, b). Furthermore, the social partners agreed that it was necessary to inform the employers’ and employees’ organisations about assets put out for privatisation and the terms related to these, especially those regarding employment (ibid: § 5). In addition, the partners agreed that it was necessary to establish labour dispute courts. The representatives of the trade unions should prepare a draft for this reform within October 1993 (ibid: § 6). Finally, and in continuity with the 1992 agreement, the partners agreed to work out of laws regulating labour relations and social questions in common, and to present proposals to amendments or supplements of existing laws (ibid: § 7). The final point underscored the possibility of the government not to follow up proposals of the other two parties. The government was to inform the organisations of employees and employers in cases when their proposals regarding labour relations and social questions were not followed up (ibid: § 8). These two tripartite and the one bipartite agreement laid out the common ground for tripartite cooperation at state level in Estonia.

The agreement of 1998 establishing the by-law of the National Tripartite Co-operation Council (NTCC) was the first binding tripartite agreement at state level in Latvia (interview Bilzena: 09.11.02; see also appendix B, agreement LA1). Nevertheless, the government started to meet with the central organisations of employers and employees at a regular basis when the Tripartite Labour Protection Consultative Council (TLPCC) and the Tripartite

Consultative Council of Employers, the State and Trade Unions of Latvia (TCCESTU) started to work in 1993 (Blasum 1999: 215). This can be regarded as the beginning of the state level system of tripartite partnership in Latvia. In mid-1996, the Latvian Employers Confederation (LEC) and the Free Trade Union Confederation of Latvia (FTUCL) signed a general agreement on 'Principles of Social Partnership' (Blasum 1999: 221). According to the General Director of LEC in 2001 Ieva Jaunzeme, this agreement contained principles, which were later included in the Employers Organisations Act of 1999. In the agreement the LEC and the FTUCL agreed to have consultations about minimum wage and indexation of this each time after the Central Statistical Bureau published the quarterly report on economical development. They further declared that employers should respect trade unions, sign collective agreements with them and provide concrete information to employees. Further the associations of employers should conclude agreements with the trade union associations. The bottom of the agreement stated that it was valid until a new agreement was signed (interview with Jaunzeme 14.12.01). Yet, no more such agreements had been signed by December 2001. FTUCL had proposed to sign a new agreement including minimum wage. According to Jaunzeme, the LEC rejected this proposal because a lot of the trade union members received their salaries from the state budget. The state budget could not afford a rise in minimum wage, because it was still difficult to fulfil the obligations connected to the minimum wage increase of 1999 (ibid).

According to the web site of the Secretariat of the National Tripartite Council in Lithuania, the trade union organisations were the most active proponents of implementing tripartite co-operation. In a common resolution the 4th of February 1993, they demanded that a general agreement with the government should be signed within the 10th of March the same year. The trade union organisations further threatened to '*take measure of exerting pressure on the Government*' in case it failed to give a positive answer before the 10th of February (TCRL web c, 12.11.02). A meeting between the representatives of the trade union organisations and President Algirdas Brazauskas followed on the 6th of February. On the 26th of February, Prime Minister Bronislavas Lubys, from the Democratic Labour Party, and the representatives of six trade union associations signed an agreement. In the agreement the Government and the trade union associations approved the ILO principles of tripartite co-operation. On the 15th of April the representatives of the trade union organisations met with Prime Minister Adolfas Sletevicius, and they agreed to co-operate on a regular basis. Further they discussed to establish a commission considering economic and social-economic problems. Prime Minister

Bronislavas Lubys signed the agreement with the trade union organisations on behalf of the government in February 1993. In November the same year, he was meeting with representatives of the Lithuanian Trade Union Centre (LTU Centre), as president of the Confederation of Lithuanian Industrialists (CLI). The presidents of the CLI and the LTUC signed a joint statement, declaring the necessity to start bilateral co-operation between the trade unions and the employers' organisations and to initiate tripartite cooperation to avoid strikes and social conflicts (ibid).

The government, the four central trade union organisations and the two employers' organisations, the CLI and the LBA, concluded the 'Agreement on Tripartite partnership' in May 1995. Prime Minister Adolfas Slezevicius and the presidents or chairmen of the different organisations signed the document. The aim of the agreement as formulated on the top of the document, was to co-ordinate the interests of the parties to solve social economic and labour problems in a more efficient way and to improve the social concord. For this purpose, the partners agreed to solve social, economic and labour problems on tripartite basis, to co-operate in implementing social economic and labour policies and to annually sign tripartite agreements on solving social and economic and labour problems (see appendix B, agreement LI1: § 1 – 3). As a consequence of this the Tripartite Council of the Republic of Lithuania (TCRL) had its first meeting already on the 30th of May 1995 (TCRL web c, 12.11.02).

On the other hand, the partners failed to sign other tripartite agreements until the 'Agreement on Tripartite Co-operation' of February 1999. The 1999 agreement included the same four central trade union organisations, having signed the 1995 agreement. The National Businessmen Confederation (NBC), the Lithuanian Businessmen Employers' Confederation (LBEC) and the CLI represented the employers this time. Prime Minister Gediminas Vagnorius from the conservative Homeland Union signed the agreement on behalf of the government. The aim of the agreement was to continue the development of the tripartite co-operation initiated by the 1995 agreement (see appendix B, agreement LI2). Some obligations were also laid down. The government agreed to provide the parties with information on draft laws concerning labour, social and economic issues and to submit them for discussion in the TCRL (ibid: § 3.1.1). The advisory status of this council was strengthened in another point where the government agreed to record discussion conclusions from the TCRL in the explanatory papers to the draft laws submitted to the Seimas (ibid: § 3.1.3). The central organisations of employers and trade unions undertook the obligation not to initiate any

collective disputes or other actions on issues, where the government had fulfilled the obligations it had engaged to in tripartite agreements (ibid: § 3.2). The social partners further agreed to develop the structure of the tripartite co-operation both on state level by establishing commissions under the TCRL, and in the counties and municipalities (ibid: § 6). They also agreed to cooperate in making preparations for the membership in the EU and to encourage the organisations of employees and employers to conclude collective agreements (ibid: § 7, 8). Not at least they agreed to sign a tripartite agreement on the 1st of December every year including minimum hourly and monthly wage rates, the level of tax-free income and other urgent issues in the labour, social and economic fields (ibid: § 4).

By October 2002 the social partners had still not concluded any of the annual tripartite agreements they had agreed to conclude in 1999. In October 2000 the four trade union organisations and the two employers organisations agreed to propose to the government to increase the level of tax-free income from 214 Litass to 320 Litass from the 1st of January 2001 (Lithuanian Ministry of Social Security and Labour 2001: 57). The next section deals with agreements about the level of minimum wage, tax-free income and unemployment benefits.

Agreements on the level of minimum wage, tax-free income and unemployment benefits

Agreements about the minimum legal wage have been prioritised by trade unions in all three countries (Interview Taliga 01.11.01, Pivoras 19.11.01, Jaunzeme 14.12.01). According to the Law on Wages ratified by the Supreme Council of the Republic of Lithuania in September 1991, the state should set the minimum hourly and monthly wage. These minimum rates had the force of law and were valid to all employers and employees in the country (see appendix E, Law l: Article 2). The Wages Law of the Republic of Lithuania ratified by Seimas in March 1999, maintained this principle (Ministry of Social Security and Labour 2000: 57; see also appendix E, Law m: Article 2). The Estonian Wages Act entering into force in March 1994, provided that the government established the minimum wage rates and that wages below these rates were illegal (see appendix E, Law a: § 2.7) Article 84 in the Latvian wage law, which was valid from before independence until June 2002, established minimum monthly wage rates valid for all employees and employers in Latvia (Ministry of Welfare 2001: 14). According to the new Labour Law, the Government shall determine the minimum monthly salary within the scope of normal working time as well as minimum hourly wage rates. Wages below these rates are illegal (interview of Ieva Jaunzeme 14.12.01; see also

appendix E, Law g: Section 61: § 1-2). This means that the minimum legal wage rates were valid for all employers and employees in all three countries in both the time periods before 1996 and 2002, and not only for members in the trade unions and employers' organisations.

In Estonia the minimum wage was included already in the Framework Agreement on Social Guarantees between the CETU and the government of 1991. In this agreement, the government undertook to adjust the subsistence level on 125 Roubles a month from the 1st of January 1990 according to the cost-of-living index (see appendix B, agreement E1: § 2.2). At the same time the government set the minimum wage for employees with higher education and corresponding work to 300 Roubles a month, and for employees with an education level junior college (US) or lower, to 200 Roubles a month (ibid: § 2.6). The government further guaranteed at least three weeks holiday a year (ibid: § 2.10). In the Framework Agreement on Social Guarantees of 1992, the social partners agreed to initiate bargaining about wages and the level of tax-free income every month, within five days after the Statistical Office of Estonia had published the cost-of-living index (see appendix B, agreement E2: § 1). The need for frequent bargaining should be understood in the context of the very high inflation.

The tripartite 'Agreement on major questions concerning social guarantees of 1993' maintained the commitments to bargain about minimum wage and to take the rise of prices as well as the economical situation of the country into consideration when stipulating the minimum wage. The social partners agreed to conclude a national agreement on wages in 1994 (see appendix B, agreement E3: § 1, 2). Still, no agreement on adjusting the minimum wage was concluded in 1994. The reason was that the CETU withdrew from the negotiations because the government had not fulfilled an earlier agreement to increase the unemployment benefits. Instead the CETU and the CEIE concluded a bilateral agreement on minimum wage, valid for the employees in the enterprises of the members of CEIE (Eamets and Philips 1998: 52). From 1995 to 2001 the social partners concluded agreements on adjusting the minimum legal rates of wages per hour and per month for full-time posts annually (see appendix B, agreement E4, E6, E9, E10, E12, E13, E15). In the agreement of 2001 the social partners stipulated the minimum rates, valid from the 1st of January 2002 (see appendix B, agreement E15: § 1). In addition, they agreed to establish the method for stipulating minimum wage for the period 2003 – 2008, according to the principles laid down in an agreement between the CETU and the CEEI of August 2001 (ibid: § 2). Here the CETU and the CEEI had agreed that the minimum wage should constitute 40% of the average wage by 2008 (interview Kriis

07.12.01). This means that from 2003 to 2008 the legal minimum wage rates will be settled without involvement from the government, according to already established principles. The rates will still have the force of law and be valid for all employees and employers in the country. This means that Estonia is changing from tripartite to bipartite basis of stipulating minimum wage.

The level of tax-free income and unemployment benefits have been stipulated in tripartite agreements in Estonia. In 'The agreement on adjusting minimum wage and unemployment benefits' of 1995, unemployment benefits were set to 240 EEK a month from the 1st of January 1995 (see appendix B, agreement E4: Enclosure § 2). This amounted to 35% of the monthly minimum wage rate for full time posts. Later the government raised the unemployment benefit, and in 2002 it was on 400 EEK a month. This amounted to 28% of the minimum subsistence level of first quarter 2002 (Estonian Ministry of social Affairs web c, 21.10.02). The 'Agreement on minimum wage and tax-free minimum' of 1998 was the first agreement about the level of tax-free income. Here the government agreed to set 800 EEK a month as the limit for tax-free income (see appendix B, agreement E10: § 4). The tax-free income amounted to 64 per cent of the 1999 minimum wage rate for full time posts per month. In the 'Agreement on minimum wage and tax-free income' of 1999, the social partners declared as a common goal to raise the limit of tax-free income to the same as the amount of the minimum wage (see appendix B, agreement E12: § 3a). The government undertook to propose to Riigikogu to set the limit for tax-free income to 9600 EEK a year or 800 EEK a month from the 1st of January 2000 (ibid: § 3b). This amounted to 57 per cent of the 2000 minimum wage rates for full time posts. In the same agreement the government committed itself to include a limit for tax-free income on 12 000 EEK a year (1000 EEK a month) in the draft of the state budget for 2001 (ibid: § 3c). The government further declared its intention to connect the limit of tax-free income to number of children of the families (ibid: § 3c). In 2001, the trade union organisations were still trying to work out an agreement to raise the level of tax-free income in 2002, but the government wanted to delay this until 2003 because the local governments with very tight budgets (Interview Taliga 01.11.01).

In Latvia, the Tripartite Consultative Council of Employers, the State and Trade Unions (TCCESTU) had the practice of setting the legal minimum wage level before 1999 (Blasum 1999: 216). As mentioned, the FTUCL and the LEC agreed to hold quarterly consultations about indexation of the minimum wage rates in 1996. Still in December 2001, the FTUCL and

the LEC had not held any of these meetings. In 1999 the LEC and the FTUCL concluded a bipartite agreement, which raised the minimum wage from 50 to 60 Lats a month for employees in full-time posts. This agreement was only valid for employers and employees represented by the two organisations until the new Labour Law was in force from June 2002. At this time, the new rates achieved legal status and became valid for all employees and employers in Latvia (interview Jaunzeme 14.12.02).

The Lithuanian government set the minimum monthly rate for full time posts to 70 Roubles in January 1991. This rate was adjusted several times a year until the government stipulated it to 430 Litas a month in June 1998, after the social partners had agreed about this in the TCRL (Statistics Lithuania 2001 a: 16, table 1.4; interview Petrylaite & Guobaite 29.11.01). In the 'Agreement on Tripartite Co-operation' of 1999, the social partners agreed to sign a tripartite agreement every year on minimum wage rates, the level of tax-free income and other urgent labour, social and economic issues (see appendix B, agreement LI2: § 4). Still in October 2002, the partners had not succeeded to conclude any of these agreements. In 1999 the unfavourable economic situation and constraints of the state budget following the Russian financial crisis of 1998 stood in the way of raising the minimum wage (Ministry of Social Security and Labour 2001: 57). In 2001 the trade union side proposed in the TCRL to raise the minimum wage to 450 Litas, but the proposal was rejected. Especially the business organisation representing smaller and medium size enterprises were against a rise in the minimum wage, stating that the consequence would be a need to reduce the number of employees (ibid: 57; Interview Zickute 27.11.01). Instead the four central trade union organisations and the two central employers organisations signed a bipartite agreement in October 2000, where they agreed to propose to the Government to increase the level of tax-free income from 214 Litas to 320 Litas per month from 1 January 2001. Still the government only raised the tax-free minimum to 250 Litas per month. The Government will raise this amount to 290 Litas a month from January 2003 (Ministry of Social Security and Labour 2001: 57; ibid web c, 17.10.02; interview Pivoras, 19.11.01 and Zickute, 27.11.01).

Out of all this we can conclude that the process of concluding tripartite agreements on state level about the rates of the minimum legal wage since 1995 has been far more continuous in Estonia than in Latvia and Lithuania. The Estonian agreements have also included the level of the tax-free income and the unemployment benefits.

Table 5.2.4 presents the legal minimum rates per month for full time posts (40 hours per week) in each of the countries.

Table 5.2.4: Minimum monthly gross wages for full time posts

Year	Estonia			Latvia			Lithuania		
	In current US\$ ³⁸	% of minimum subsistence level (first quarter)	% of average monthly gross salaries	In current US\$	% of minimum subsistence level (first quarter)	% of average monthly gross salaries	In current US\$	% of minimum subsistence level (first quarter)	% of average monthly gross salaries ³⁹
1991	(200 Roubles)							70%	22%
1992								105%	29%
1993				19	33%	27%		106%	22%
1994				39	43%	31%	13	109%	16%
1995				53	44%	31%	21	142%	20%
1996	57			64	48%	36%	53	233%	33%
1997	61	84%	24%	65	48%	32%	75	300%	44%
1998	78	95%	27%	71	51%	32%	108	358%	47%
1999	85	104%	28%	85	60%	36%	108	344%	42%
2000	83	117%	29%	82	59%	33%	108	344%	41%
2001	92	123%	29%	80	58%	30%	108	344%	43%
2002	111	131%	32%	97	67%	37%	117	344%	39%

Sources: Various⁴⁰

³⁸ All calculations to US\$ are based on the average currency rates of each year (see IMF web, 28.04.03).

³⁹ The percentage is calculated from average gross wages and salaries in public sector in 1991, 1992 and 1993. After that it is calculated from average gross wages and salaries of the whole economy. The 1991 and 2002 values refer April and the first quarter. The other values refer to January.

⁴⁰ Sources: Estonian minimum wage rates: Agreement E1, E4, E6, E9, E10, E12, E13 and E15 (see appendix). Estonian minimum subsistence level and average monthly gross salaries 1997 – 2002: Statistical Office of Estonia 2001d: 4, 2002a: 4 and 2002b: 3. Latvian minimum wage rates, and as percentage of minimum subsistence level and average monthly gross salary 1993 - 2000: Ministry of Welfare 2001: 14, table 3.3. Latvian minimum wage rates 2001 - 2002: Interview with Jaunzeme 14.12.01. Latvian minimum subsistence level 2001 – 2002: Central Statistical Bureau of Latvia web a, 04.05.03. Latvian average monthly gross salaries 2001 – 2002: Central Statistical Bureau of Latvia web b, 04.05.03. Lithuanian minimum wage rates 1991 - 2000: Statistics Lithuania 2001a: 16, table 1.4. As a percentage of average monthly gross salaries 1991 - 2000: Ibid: 17, table 1.6. Minimum subsistence level 1991 –2000: Ibid: 14, table 1.1. Minimum subsistence level 2001 – 2002: Ministry of Social Security and Labour web a, 04.05.03. Minimum wage rates 2001 – 2002: Ibid. Average monthly gross salaries 2002: Statistics Lithuania web a, 04.05.03. Average monthly gross salaries 2001: Statistics Lithuania web b, 11.04.03.

As mentioned, the social partners in Estonia concluded tripartite agreements on adjustments of minimum legal wage every year from 1995 to 2001. In contrast, the social partners in Lithuania had still in 2002 not succeeded to raise the minimum legal wage rates, latest stipulated in 1998. Hence the minimum legal wage rates had remained unchanged on 430 Litas per month since 1999. Table 5.2.4 shows that in spite of this, the monthly minimum wage in Estonia for 2002 was far smaller measured as a share of the national subsistence minimum (131%) than was the monthly minimum wage rates in Lithuania (344%) the same year. This shows that many agreements do not necessarily mean better conditions for employees. Latvia had the clearly lowest minimum wage rates measured as a share of the national subsistence minimum. There these rates increased from an amount on 51% of the subsistence minimum in 1998 to 67% of the subsistence minimum in 2002. Also in 1997, minimum wage measured as a share of the national subsistence minimum, was lowest in Latvia (48 %), second in Estonia (84%) and clearly highest in Lithuania (300 %).

In Estonia the legal minimum wage was 1400 EEK a month for full time posts in 2000. 11% of all full time male employees and 12% of all full time female employees had a salary between 1001 and 1500 EEK. No other 500 EEK wage interval covered a larger share of both male and female employees than this interval (Statistical Office of Estonia 2001a: 14 - 15, table 2.2 and 18 - 19, table 2.4). When the minimum wage was raised to 1600 EEK from the 1st of January 2001, this should affect all of the employees in this wage groups, unless the law was broken. In Latvia the wage system in public sector is connected to the minimum wage rates. Because of this the government and the employers have been against raising the minimum wage in the discussions in the National Tripartite Co-operation Council. According to the General Director of the LEC, constraints of the state budget made it difficult even to fulfil the wage obligations connected to the minimum wage of rates of 1999 (interview Jaunzeme 14.12.01). According to a survey of the Central Statistical Bureau in October 2000, 78 700 employees or 13% of the employees in Latvia had a monthly average gross salary equal to the amount of the minimum monthly salary on 50 Lats. 69 600 of these worked in the private sector (Ministry of Welfare of the Republic of Latvia 2001a: 15). The raise in minimum wage to 60 Lat from June 2002 should affect all of these, unless the law was broken. The minimum wage rates have been closer to the average gross wages in Lithuania than in Latvia and Estonia. Therefore I expect that increase of minimum wage affected at least as many, and probably more, employees in Lithuania than in Estonia and Latvia.

Other agreements

As mentioned, the ‘Agreement on tripartite partnership’ of 1995 established the Tripartite Council of the Republic of Lithuania (TCRL). The ‘Agreement on tripartite co-operation’ of 1999 amongst others dealt with the mandate and advisory status of this council. I have also mentioned that the by-laws of the Latvian National Tripartite Co-operation Council (NTCC) and its sub-councils in Latvia were signed as tripartite agreements. The Estonian ‘Agreement on Development of Participatory Democracy’ of 1996 can be compared to the Lithuanian agreement of 1999. The Lithuanian social partners agreed to discuss draft laws on social, economic and labour issues in the TCRL upon the initiative of one of the partners, and that the comments of the council should follow the draft law to the Seimas in the explanatory letter (see appendix B, agreement LI2: § 3.1.3). The Estonian social partners amongst others agreed that the government should present draft laws concerning labour and social questions to the central organisations of employees and employers, for them to present their proposals and remarks. These remarks should be included in the explanatory letter following the draft law to Riigikogu (see appendix B, agreement E5: § 1.1 - 1.2). The partners further agreed to establish a council for tripartite consultations (ibid: § 3). This point was fulfilled by the foundation of the Social and Economic Council in 1999. Finally a tripartite workgroup should compare the legislation of the ILO and the Council of Europe and the norms of the EU regarding democracy and social partnership at enterprise level (ibid: § 4).

In June 1997 the Estonian social partners concluded a tripartite agreement on establishing a guarantee fund covering payment of salaries, holiday remuneration and mandatory health insurance in case of employer’s insolvency (see appendix B, agreement E7: § 1). The same month, the social partners agreed upon the method of calculating the subsistence minimum and the composition of the subsistence minimum bag of goods per person per month (see appendix B, agreement E8). This was an important measure because social aid was calculated with basis in the subsistence minimum level. From 1997 the Statistical Office of Estonia published the level of subsistence minimum each quarter. The Estonian social partners agreed to establish tripartite employment councils connected to the 16 regional employment offices in August 1999 (see appendix B, agreement E11). The employment councils were being formed at each of the 16 regional employment offices from 2000, consisting of three representatives from each of the partners. An EU Phare program of the period 2001 –2003,

supported the training of the members of the councils financially (see appendix F, b: 3 and 8; Estonian Labour Market Board web, 12.11.01).

The social partners in Estonia concluded a tripartite agreement on the procedures of appointing the public conciliator in October 2001 (see appendix B, agreement E16). The public conciliator and his office had existed at the Ministry of Social Affairs since 1995. According to the agreement the public conciliator was to be appointed on the basis of an agreement between the Ministry of Social Affairs, the CETU, the EPEUA and the CEEI (ibid: § 1). The agreement further provided that the central organisations of employees and employers should nominate their candidates for every second three years period (ibid: § 2).

‘The Agreement to speed up the work to set the level of qualifications of employment seekers in accordance with the requirements of the employment market for the period 2001 – 2004’ of December 2000, was the most extensive tripartite agreement on state level concluded in Estonia by the end of 2001. The Ministers of Education, Commerce and Social Affairs, the chairman of CETU, the general directors of the CEEI and the Estonian Chamber of Commerce and Industry (ECCI) signed the agreement. The partners stated that the main aim of the agreement was to ensure that the labour force in Estonia was highly qualified and competitive in an open employment market (see appendix B, agreement E14). Out of this it is attempting to conclude that the social partners were preparing themselves to meet the requirements of a future accession to the EU and the common market. That the social partners unite forces in a small country to better compete and defend their interests in an international market, suits perfect to the idea of Katzenstein about why small countries with open economies tend to establish corporative arrangements. The agreement included several obligations for the partners, amongst others related to the development of a national qualification system for employees, ensuring sufficient capacity at educational institutions, vocational training and re-education, developing regional training centres and creating a youth friendly labour market (ibid: Enclosure). Appendix B is a table summarising all the agreements in each of the countries by the year they were concluded.

Conclusion

To conclude what combination of country and period scored highest on system of tripartite bargaining at state level, I will attach most weight to power, second most importance to continuity and least weight to broadness.

Power

The first part of this chapter showed that Lithuania had most tripartite councils operating at state level in the end of 1995. Latvia came second, while Estonia at that time had only one tripartite council. Lithuania was also the only country with tripartite councils with decision-making power at that time. The State Social Insurance Fund Council (SSIFC), which was established in 1991, was the highest body of the SSIF. This means that Lithuania had a more powerful system of tripartite councils than Latvia and Estonia by the end of 1995. The situation had changed by the end of 2001. Lithuania had still most tripartite councils in number. On the other side, the Latvian National Tripartite Co-operation Council and its four sub-councils in Latvia was unique in the three countries, because the decisions made in this council were binding to all of the parties including the government, according to the by-law. The comparable councils in Lithuania and Estonia, the Tripartite Council of the Republic of Lithuania (TCRL) and the Social and Economic Council (SEC) were only advisory. The radical liberalisation of main parts of the labour legislation in 2001 without approval from the partners in the TCRL, clearly disclosed the advisory character of this council. The fact that a lot of members in the Social and Economic Council of Estonia in 2001 had quitted going to the meetings because they could not see any significant results of them, is an indication of impotence of this council. The fact that three ministers were regular members of the Latvian NTCC main council, and that the Prime Minister several times attended the meetings as an observant, underscores the uniqueness of this council. In contrast, the Estonian SEC had only one representative from the ministries in 2001, in addition to the general secretary of the Ministry of Social Affairs who was chairman. This was an advisor of the Ministry of Finance. The other government appointees were external experts, and their mandate was very free (Interview Raul Eamets 06.12.01). So the government was not really meeting in this council, which did not even have an own secretariat. Out of this it is my judgement that Latvia had a more powerful system of tripartite councils than Estonia and Lithuania, after the Latvian NTCC started to meet in the beginning of 1999.

The Estonian social partners had committed themselves to far more specific obligations through tripartite agreements than their Latvian and Lithuanian counterparts. This means that Estonia had the most powerful state level tripartite bargaining through written agreements in both periods. It is difficult to compare the total power of tripartite bargaining at state level between the countries because the Estonian social partners channelled the most important bargaining through tripartite agreements, while in Latvia most power was vested in the National Tripartite Co-operation Council and its sub-councils. Because of the unique position of the Latvian NTCC and the clearly more specific obligations laid down in tripartite agreements in the latest period in Estonia than in the other countries in any of the periods, I have come to the following conclusion: Estonia in the latest period from the beginning of 1996 to the end of 2001 and Latvia in the latest period, after the NTCC started to work in the beginning of 1999, had a more powerful system of tripartite bargaining at state level than the rest of the combinations of countries and time periods.

Continuity

Far more plentiful and obligatory tripartite agreements were concluded in Estonia than in Latvia and Lithuania in both the periods before 1996 and 2002. Especially in the early period Estonia distinguished herself from Latvia and Lithuania. The social partners in Latvia had still not concluded any tripartite agreements on state level by the end of 1995. The Lithuanian social partners had concluded only one tripartite agreement on state level by the same time. In contrast, the social partners in Estonia had concluded three tripartite agreements on state level by the end of 1995, in addition to the bipartite agreement between the government and the CETU of February 1991. These included specific obligations to the different partners. The social partners in Estonia concluded 12 tripartite agreements on state level from the beginning of 1996 to the end of 2001. In the same period the social partners in Latvia concluded three and the social partners in Lithuania concluded one tripartite agreement at state level. Estonia also distinguished herself with regards to state level bargaining about the minimum legal wage. The social partners in Estonia concluded an agreement on adjusting the minimum wage every year from 1995 to 2001. In 2001 the three partners agreed to take a bipartite agreement from the same year between the EEC and the CETU as basis for establishing the principles for adjusting the minimum wage on a bipartite basis in the period 2003 – 2008. While the social partners in Estonia had settled the principles for adjusting the minimum wage until 2008, the state level bargaining about minimum wage had been much more disrupted in Latvia and

Lithuania. In 2002 the Lithuanian social partners had still not managed to reach agreements on adjustment of minimum wage, even though they had agreed to do so annually in the co-operation agreement of 1999. Consequently the minimum legal wage in Lithuania had remained unchanged since 1998. In Latvia in 2002 the FTUCL and the LEC had still not started the quarterly consultations about indexation of minimum wage that they agreed to initiate in the bipartite ‘Agreement on the Principles of Social Partnership’ of 1996. This means that Estonia scored highest on continuity of tripartite bargaining in both time periods.

Broadness

Lithuania had five tripartite councils operating at state level in the end of 1995, while the number of such councils was three in Latvia and one in Estonia. In the end of 2001 Lithuania had ten tripartite councils at state level, compared to one main council with four sub-councils in Latvia and five councils in Estonia. This indicates that Lithuania had the broadest system of tripartite councils at state level in both time periods.

Because Estonia in the whole latest period and Latvia from 1999 scored highest on power, and Estonia in both periods scored highest on continuity - I have come to the following conclusion. Estonia and Latvia scored higher on the variable measuring the system of tripartite bargaining on state level than Lithuania by the end of 2001. Still one should not forget that Lithuania had the largest number of tripartite councils operating on state level in both periods. The conclusion is summarised in table 5.2.5:

Table 5.2.5: Power, continuity and broadness of tripartite bargaining at state level

	Estonia 1991 - 95	Estonia 1996 - 01	Latvia 1991- 95	Latvia 1996 -01	Lithuania 1991 - 95	Lithuania 1996 -01
Power	Lower	Higher	Lower	Higher	Lower	Lower
Continuity	Higher	Higher	Lower	Lower	Lower	Lower
Broadness	Lower	Lower	Lower	Lower	Higher	Higher
Total	Lower	Higher	Lower	Higher	Lower	Lower

The Latvian total score refers to the time after the NTCC started to work in the beginning of 1999.

5.3: Conclusion: An attempt to compare the levels of democratic corporatism

Here is my attempt to compare the level of democratic corporatism out of this chapter’s elaboration of the four components of this concept. I have divided the countries in the two periods into a dichotomy between relatively high and relatively low level of democratic corporatism. I have given the third variable, of power, continuity and broadness of tripartite bargaining at state level through tripartite agreements and councils, most weight in the comparison. I consider this variable as a direct measure of the strength of the structures of corporatist arrangements at state level. I view democratic corporatism as a phenomenon, which does not necessarily rely upon broad membership in trade unions. It can also start as elite co-operation on state level. Because of this, I have given membership rates in trade unions and coverage of employers’ organisations only secondary importance in defining democratic corporatism. The same applies to centralisation of the systems of interest group organisations. It is far from obvious that corporatist arrangements are weaker, where the number of central organisations is high. The situation in a number of Western European countries, where corporatist arrangements function well with several central trade union organisations, indicates this. Table 5.3.1 sums up the final results of the comparison:

Table 5.3.1: Level of democratic corporatism

Estonia 1991 - 95	Estonia 1996 - 01	Latvia 1991- 95	Latvia 1996 -01	Lithuania 1991 - 95	Lithuania 1996 -01
Lower	Higher	Lower	Higher	Lower	Lower

My comparison is strictly internal and dichotomous. The conclusion is: Estonia and Latvia were closer to a democratic corporatist model in the latest period than all the other cases. The timing of the latest period is a bit misleading for Latvia. The country did not have a higher level of democratic corporatism until the National Tripartite Co-operation Council started to work in the beginning of 1999.

6: Factors that may have influenced the development of corporatist arrangements at state level

Chapter 6.1, 6.2 and 6.3 deals with factors that may have influenced the development of corporatist arrangements at state level in Estonia, Latvia and Lithuania. In chapter 6.1, I will treat the variable, 'openness of economy'. According to Katzenstein, openness of economy was a very important explanatory factor to the origin and development of democratic corporatism in small Western European countries.

The four variables examined in chapter 6.2 are characteristics of the government part in tripartite corporative arrangements. Here I will consider the existence of bloc politics combined with shifts of all government parties simultaneously, time in government of the two longest staying government parties and percentage of time of social democratic or socialist parties in government. This part of the chapter includes a historical elaboration of the development of cleavages between political parties, as well as of the government formations and government shifts in the three countries. In chapter 6.3 I will consider the variable of pressure from the international organisations the ILO and the EU on the development of labour legislation and corporatist arrangements in the three countries.

6.1: Openness of economy

According to Katzenstein, open economies and dependence on trade and foreign investments had serious implications for small Western European countries. Countries with open economies were forced to adapt to economical changes imposed to them by changes in the world economy. Because of this they needed to form strategies to live with these changes and to compensate for negative impact. To do this they needed consent and cooperation from the different economical sectors and the workers and employers. This developed into democratic corporatism (Katzenstein 1985: 87 - 88). In this section, I will measure the openness of the economies of the three countries in 1993 and 1995 in the first period and 1996, 2000 and 2001 in the latest period. This will make it possible to consider whether different degrees of openness of the economy may explain the different levels of democratic corporatism.

I have measured openness of economy as the value of trade in proportion to the Gross Domestic Product (GDP). Table 6.1.1 presents the results.

Table 6.1.1: Openness of economy

Value of trade in goods as a proportion of GDP in 2000 (per cent)			
Year	Estonia	Latvia	Lithuania
1993	21	17	27
1995	104	91	108
1996	122	73	100
2000	150	82	71
2001	140	73	92

Sources: The World Bank⁴¹

Table 6.1.1 gives the sum of merchandise exports and imports, measured in current US Dollars, divided by the value of GDP in US Dollars. The table shows that Estonia had the clearly most open economy in 1996, 2000 and 2001, with the value of trade in goods that amounting to 122%, 150% and 140% of GDP. I have set the limit value of an open economy to trade in goods constituting more than 100% of GDP. This means that Estonia in 2001, 2000, 1996 and 1995, and Lithuania in 1995 had open economies. The other combinations of countries and year did not have open economies. This shows that only Estonia had an open economy in the latest period from 1996 to the end of 2001. Lithuania and Estonia had open economies in the end of the earliest period from 1991 to the end of 1995.

⁴¹ Sources: Data for 1996, 2000 and 2001: The World Bank Group web a, b and c, 07.05.03. Data for 1995: World Bank 1997: 15 –16, table 1.3. Data for 1993: World Bank 1995: 166 –167, table 3 and 186 –187, table 13. Data for 1993 are based on own calculations to proportion of GDP values.

6.2: Governments

This chapter deals with the third party in tripartite social dialogue - the government. First, I will set up my four hypotheses about the effect of government characteristics on corporatist arrangements. Then, I will elaborate cleavages between political parties. After all, political parties form the governments in all three countries. The elaboration of political cleavages will be a summary, and at best a synthesis, of the political cleavages that other authors have identified. After this, I will analyse the government characteristics during two time periods. The first period lasts from new governments took over after the latest popular front supported governments resigned, in 1992 in Estonia and Lithuania and in 1993 in Latvia, to the 31st of December 1995. I expect government characteristics in this period to have an effect on the corporatist arrangements in the period before 1996. The second period will be the whole period from the latest popular front supported governments resigned in 1992 and 1993 to the 31st of December 2001. I expect government characteristics in this period to have influence on the corporatist arrangements in the period from 1996 to the end of 2001. In the end of the chapter, I have presented the values on the three government related variables of all three countries in both the periods in a simple table.

I will also write some words about the government shift in January 2002 in Estonia and the shift of government that followed after the elections for the Latvian Saeima in October 2002. Even though these events occurred after the periods of my research of tripartite arrangements, they do also tell something about the character of the politics before the end of 2001. I will however only employ these later events as descriptions, and I will not include them when I calculate the scores of the cases on the measurable government related variables.

Analysing 36 democracies worldwide, Arend Lijphart found a strong correlation between interest group pluralism and the frequency of minimal winning one-party governments (Lijphart 1999: 244). I expect high frequency of one-party majority government to be unfavourable to democratic corporatism, if replacements of the government party occur. The reason for this is that it may lead to a situation where a government totally alters the corporative arrangements initiated by the previous government, while the former government parties cannot do anything about this because they are in minority in opposition and generally excluded from power. Replacements of a coalition government with another coalition or one-

party government, which is ideologically distant from the former government parties, can also lead to this situation.

Therefore I put forward the hypothesis that existence of bloc politics combined with radical shifts of governments has negative effect on the level of democratic corporatism. Bloc politics means that a clear-cut left-right political cleavage combines with institutionalised government alliances, which do not encompass both left and right parties. Coalition governments between the same parties are likely to be repeated, while coalition governments between parties on opposite sides of the left–right cleavage are not likely to appear at all. Radical shifts of governments mean replacement of all government parties, when all the parties in the old government are on the different side of the main political cleavages than the parties in the new government.

I will also include another similar variable, which is the living time of the longest living government party. I define long living time in government as longer than an election period of four years. This means that all three countries must have low score on this variable in the period before 1996, because of the short time lap since the last popular front supported governments resigned in 1992 or 1993.

The bottom-up approach considers democratic corporatism as a product of mobilisation of the working class through strong socialist parties and labour movements. Therefore this chapter also deals with the length of the periods of social democratic or socialist parties in government. Hence it will be possible to consider whether differences in presence of social democrat or socialist parties in government can explain the different levels of democratic corporatism between the countries in the periods before 1996 and 2002. To compare the length of the periods of social democratic or socialist parties in government, I will calculate the percentage of time such parties have been in government in each of the periods in each of the countries. A country will be assigned the factor of long time in government of social democrat or socialist parties in a period if social democratic or/ and socialist parties have been in government in 50% or more of the days in the whole period.

In this way, I will test three hypothesis related to governments in the comparative design in chapter 7. The first is that existence of bloc politics combined with radical shifts of governments explains low level of democratic corporatism. The second is that long living

time of at least one government party explains high level of democratic corporatism. The final hypothesis is that long time of social democratic or socialist parties in government explain high level of democratic corporatism. The two first hypothesises are to some extent overlapping. High frequency of radical government shifts rule out the possibility of having parties staying long in government.

The development of party cleavages

Sartori has noted that social interest in democratic societies do not automatically align themselves into perfect cleavage structures. Such interests need to be translated into stable partisan attachment by politicising and organising voters (Sartori 1969: 89) This process needs time and is dependent on the skills of the political elites. Therefore parties in transitional democracies do not match as easily with distinct societal cleavages as those in established democracies (Pettai and Kreuzer 1999: 165). Studying the period from regaining independence to 1998, Pettai and Kreuzer found that the party systems in the three countries were still only weakly consolidated (ibid: 159). A high degree of candidate turnover reflected generally weak party organisations, where candidate recruitment was weakly institutionalised and wide open to entrepreneurial newcomers (ibid: 160 – 162). Large number of parties competing in the elections and numerous electoral blocs indicated fragmented party systems (162 – 165).

Nevertheless, several authors have identified emerging party cleavages in the three countries. In this section I will present some of these. First, I will present the model of political cleavages, which Pettai and Kreuzer developed in 1999 to describe the party systems in all the three countries. Then I will consider whether Pettai and Kreuzers model can illuminate Steen's findings on party members self placement on the left – right scale in elite surveys conducted in 1993 – 94. After this I will present the individual models of political cleavages, identified by Lagerspetz and Vogt, Smith-Sivertsen and Zeruolis in Berglund, Hellên and Aarebrot (1998). I will complement these works by including data on parliamentary elections until 2003. Finally, I will attempt to draw some kind of synthesis from all these works to identify some similarities and differences of political cleavages between the three countries.

Pettai and Kreuzer found that two primary⁴² party cleavages had emerged in all three countries. The first cleavage centred on the pace and extent of the market reforms. On this cleavage parties advocating comprehensive and immediate market reforms opposed parties, arguing for more gradual and limited economical changes and for greater attentions to their social costs. The second major cleavage placed more nationalistic and conservative social views against more liberal and secular ones. In Estonia and Latvia, the second cleavage was dominant in the first elections, and the question about citizenship was essential. The Estonian National Independence Party and the Latvian For Fatherland and Freedom mobilised against a liberal citizenship law. In the next elections the cleavage on economic policies emerged. By 1997 a party system, structured around three poles, had emerged in Estonia, encompassing liberal market reformers, nationalist market reformers and cosmopolitan moderate market reformers. By the same time a party system including these poles and supplemented by an ethnic minority pole had emerged in Latvia. In the second election for Seimas in Lithuania in 1996 the main difference was between conservative and nationalist versus cosmopolitan views. The Homeland Union and the Christian Democrats stressed a return to more conservative social values and the Lithuanian Democratic Labour Party and the Social Democratic Party were more secular and progressive. According to Pettai and Kreuzer, the parties had much more similar views on economic policies. Most politicians favoured a somewhat cautious approach to market reforms (Pettai and Kreuzer 1999: 165 -171).

Writing in 1996, Arter concluded that three issue cleavages could be identified between the parties in the campaigns for the 1995 elections; the market against the state, countryside against the towns and the Russian speaking against the Estonian speaking population (Arter 1996: 232). Writing in 1998 Mikko Lagerspetz and Henry Vogt identified the ethnic cleavage between indigenous Estonians and Russian speakers as the most important cleavage in the Estonian society (Lagerspetz and Vogt 1998: 72). Due to the language requirements for voting in parliamentary elections, only small interest parties for the Russian minority existed. Thus the ethnic cleavage did not manifest itself in the party system, and the only major cleavage that was reflected in the party system was between the 'old guard' and 'young professionals' (ibid: 71). Lagerspetz and Vogt observed a large degree of consensus between

⁴² They also identified two secondary cleavages. The first centred around differences between urban and rural interests, while the second was based upon a split between old times, communist era politicians and newer guards of political entrepreneurs (ibid: 166).

the political parties about important questions of economic policy, as the fixed exchange rate of the Estonian Kroon, the need to keep the budget balanced and the political orientation towards the west (ibid: 75). The authors explained the absence of opposition against radical market reforms and political orientation towards the west by two causes. First, the potential opposition, existing of new unemployed in the Soviet period core industrial area in the northeast, were mainly Russian speaking non-citizens without right to vote in parliamentary elections. Second, one could apply the concept '*extraordinary politics*' introduced by the Polish economist Balczerowich in 1993. According to his argument, great changes in the history of a country create a reserve of political capital at the disposal of government in charge. In the view of Lagerspetz and Vogt, Estonia was still in a stadium of extraordinary politics because of a perceived threat from Russia. For the sake of securing national independence and existence as a people, Estonians focused on cultural identity policies, while giving the governments a free hand to implement radical economic reform policies (ibid: 76 – 77).

Smith–Sivertsen argued that Latvia around 1997 had developed four basic political cleavages (Smith–Sivertsen 1998: 89). The independence cleavage sorted out the Equal Rights Movement and the Socialist Party as the successor parties of the anti- independence forces. Still in 2002 most parties were reluctant to cooperate with those parties. The other minority friendly party, the Harmony Party, was situated on the pro-independence side of the cleavage (ibid: 94 – 95). The ethnic inclusion/ exclusion cleavage was developed after October 1991, when immigrants from the Soviet period were legally defined as non-citizens. The cleavage was maintained when the first citizenship law was adopted in July 1994, with restrictive possibilities of obtaining citizenship through naturalisation (ibid: 95, Södergren 2000: 292). This cleavage united the minority friendly Harmony Party, the Equal Right's Movement, the Russian Party and the Socialist Party, which from 1998 constituted the electoral alliance For Human Rights in a United Latvia (FHRUL) on the inclusion side. These parties especially opposed the nationalist For the Fatherland and Freedom and the Latvian National Independence Party (Latvia's National Conservative Party from 1995), which merged into the For Fatherland and Freedom Union in 1997 (Bottolfs 2000: 96, Smith– Sivertsen 1998: 99). Latvia's Way and some other parties were situated in between these poles (Smith – Sivertsen 1998: 95). Comparing a 1993 opinion poll of party preference in the upcoming parliamentary elections with the Baltic Data House exit poll survey of the 1995 elections to Saeima, Smith–Sivertsen however found that the minority cleavage was of declining importance. The ethnic

Latvians support to the parties on the nationalist pole had declined between the elections, and at the same time the support of Russian speakers to Latvian parties had increased (ibid: 101 – 102).

31% of the total population in Latvia lived in rural areas in 1995. The exit-poll survey data, which Smith–Sivertsen applied, suggested that an urban – rural political cleavage had developed by the time of the 1995 parliamentary elections. The electoral coalition of the Farmer’s Union and the Christian Democrats, as well as the Latvian Unity Party and the People’s Movement for Latvia had all majorities of their voters in rural constituencies. On the other side the minority friendly parties and the Latvian nationalist parties pulled disproportional large share of their votes from Riga and other urban constituencies. Latvia’s Way and the Democratic Party – Saimnieks were situated in the middle with a mix between urban and small town/ rural support (ibid 103 – 104). Finally, Smith–Sivertsen identified an emerging political cleavage between the disadvantaged strata versus the managing and occupational elites. The exit poll data from 1995 indicated that persons with low income were over-represented amongst the voters of the Harmony Party, the People’s Movement for Latvia (Siegerist Party), the Unity Party and the Farmer’s Union – Christian Democratic alliance. On the other side, voters who were better off preferred Latvia’s Way and For the Fatherland and Freedom.

Smith–Sivertsen observed that the socio-economic cleavage was developing fast in elections to the city council of Riga. In the 1994 local elections, a majority of the voters opted for nationalist and minority friendly parties. In the 1997 elections parties focusing on socio-economic issues pulled half of the votes, and the social democrats took the lead with 18.7% of the votes. At the same time the support for nationalist parties had declined sharply. In the March 2001 local elections, three years after Smith-Sivertsen’s article, the Social Democratic Worker’s Party (SDWP) came out as the winner in Riga with 23% of the votes. For Human Right’s in a United Latvia (FHRUL) came out second, pulling 21% of the votes. Later the same month the mayor candidate of SDWP Gundars Bojars won the mayoral elections of the council, with support of the candidates from the FHRUL and the smaller Welfare Party and Labour Party. (TBT: 29.03.01 and 15.03.01). On the other side the success in Riga did not help the social democrats in the parliamentary elections in October 2002, the year after I ended my elaboration of tripartite arrangements at state level. Obtaining only 4% of the votes, SDWP lost all their 14 seats. In this election the newly established economically liberal and

anti corruption biased New Era Party turned out as the most popular, with 24% of the votes (PEE web b, 07.01.03). Out of this it seems like Smith-Sivertsen was right in pointing at ethnicity and the questions of state and nation building as cleavages of declining importance. Local election results for Riga's city council indicated that a socio-economic cleavage is emerging where the nationality cleavage is declining. The 2002 elections for Saeima however suggested that this was so far not happening at the national level. Here it seemed like a cleavage between old parties in power and newcomers with an anti-corruption platform had been mobilising voters for the benefit of the newcomers.

Writing in 1998, Zeruolis concluded that a two-bloc party system had developed in Lithuania. In a survey where 205 party members were asked to place the five main parties on a left – right scale, the Lithuanian Social Democratic Party (LSDP) and the Lithuanian Democratic Labour Party (LDLP) ended up on the left side while the Homeland Union (HU) and the Lithuanian Christian Democratic Party (LCDP) distinguished themselves on the right side. The Centre Union (CU) also ended up on the right side of the scale, but to the left of LCDP and HU (Zeruolis 1998: 129). By asking representatives of the five main parliamentary parties to specify whether 13 statements best suited 'left wing' or 'right wing' parties, Zeruolis found four statements, which most representatives in all the parties agreed to place on the left or right side on the scale. There was a cross-party agreement that '*support of an increasing share of private capital in the economy*', '*support of the idea that state regulation and economic redistribution curtail individual liberties and is inefficient*' and '*orientation towards the West*' were characteristics of the right wing parties. There was the same agreement that '*orientation towards the East*' was characteristic for the left wing parties. On the other side both the representatives of the right wing and the left wing parties claimed that their parties, and not the opposite wing parties, represented the interests of the poorest, the pensioners, the agricultural interests and the interests of the working class (ibid: 131, table 5.3).

Table 6.2.1 on the next page refers to attitudes towards compromising with political opponents amongst Members of Parliament (MPs) and leaders of political parties/movements. I have chosen these groups because they constitute the basis of governments and bloc politics.

Table 6.2.1: Attitudes of the MPs towards compromising with political opponents 93 - 94

Totally and somewhat agrees with the statement: 'To compromise with our political opponents is dangerous because it usually leads to the betrayal of our own interests'			
	Estonia	Latvia	Lithuania
Members of Parliament	19%	20%	41%
Leaders of political parties/ movements	14%	23%	42%

Source: Steen 1997: 200, selected from table 11.2

The data in table 6.2.1 are from interviews with MPs during the spring 1993 in Latvia, the late autumn 1993 in Lithuania and the spring 1994 in Estonia. The table reflects the answers of 61 of the 101 members of the 1992-elected Estonian Riigikogu, 118 of the 175 members of the 1990 elected Supreme Council of the Republic of Latvia and 122 of the 141 members of the 1992 elected Lithuanian Seimas (Steen 1997: 20, 200). The number of leaders of political parties and movements who responded were 29 in Estonia, 27 in Latvia and 30 in Lithuania. The large proportions represented mean that the answers should be very representative for all the MPs and the leaders of political parties and movements in each of the countries. The table shows that much larger shares of the MPs and the leaders of political parties and movements in Lithuania than in Latvia and Estonia were sceptical to compromises with political opponents. I consider this as a clear indication of bloc politics in Lithuania. The responses indicate that a larger share of the MPs and the leaders of political parties and movements in Lithuania had a bloc-politics mentality. According to this mentality, it is harmful to one's own interests to co-operate with political opponents in the other blocs. In Latvia and especially in Estonia, much smaller shares of the MPs and the leaders of political parties and movements were critical towards compromising with political opponents. My conclusion is that the attitudes of the political elites indicate a much clearer political cleavage in Lithuania than in Latvia and Estonia. This means that Lithuania had bloc politics if government formation reflected this cleavage in the form that government coalitions between parties on both side of the political cleavage did not appear.

Summing up the information about political cleavages, it seems like Lithuania had a clearer cut left – right divide between political parties than Estonia and Latvia. This meant that the parties in Lithuania were opposed to the same parties on a number of issues. This might lead to the situation where a party may find its allies only out of a small selection of ideological neighbours, while other parties are usually considered not to be possible partners. Steen's data showed that clearly larger proportions of the MPs and leaders of political parties in Lithuania than in Latvia and Estonia were critical towards compromising with political opponents. Lithuania distinguished herself from Estonia and Latvia because the successor party of the Communist Party successfully managed to transform itself into a leftist party, which even won a majority of the seats in the 1992 elected Seimas. In Estonia and Latvia voters marginalized the successor parties of the communist parties.

The result of this may be that the two major parties on the right and the left side in Lithuania have been forming blocs of ideologically close parties, which have been cooperating in government formation. I expect that such blocs have not developed in Latvia and Estonia because of the lack of leftist parties large enough to form and carry leftist blocs. Therefore I expect to find that Lithuanian government coalitions have only existed between some ideologically neighbouring parties and not between ideologically opposite parties. In Estonia and Latvia, I expect to find a wide variety of government coalitions that may have been stretching over the whole spectre from left to right, however defined.

This leads us into an elaboration of government formations in the three countries. Since the Popular Front supported governments were very broad and supported of all pro-independence forces, I will focus mainly on the time after the last of these governments resigned. The purpose of the following section is twofold. The first function is to work out the values on the three government related variables. The second function is to discover differences and nuances, which can only be discovered through a historical elaboration, and in this way complement and shade the somewhat rigidly constructed table of government related characteristics presented at the end of this chapter. I have collected most of the data on parties in government from the Zaret's Political Collections on European Governments; a well-established database on the Internet. The data on parliamentary elections is mostly collected from the reliable Parties and Collections in Europe database on Europe on the Internet.

Estonia

The electoral system for Riigikogu since 1992 involves distribution of individual, regional and national mandates. Citizens over 18 years of age are eligible to vote. In this way the large number of mainly Russian speaking non-citizens are excluded from voting. Norbalt survey data show that in 1994 only 23% of ethnic Russians, Ukrainians and Belarusians living in Estonia had Estonian citizenship and thereby the right to vote in parliamentary elections (Norbalt 1 survey 1994). In 1999 the proportion of Estonian citizens in the same group had increased to 36% (Norbalt survey 1999). The allocation of seats is rather proportional, but the electoral threshold on 5 percent for the regional and national distribution has been favouring the largest parties. In the 1992 and 1995 elections, parties could form electoral unions, but this was not legal in the 1999 elections (Svege and Daatland 2000: 57 – 58). The relatively high level of proportionality between distribution of votes and seats may have contributed to that no single party or electoral union have ever won more than 41 of the 101 seats in Riigikogu. The alliance between the Centre Party and the Coalition Party and Rural Union obtained this number of seats in the 1995 elections.

Minister of Industry Jaak Tamm resigned from the government lead by the Popular Front leader Edgar Savisaar in the autumn 1991, because of Savisaar's reluctance to deregulate prices and what he and other regarded as the Prime Minister's old command style approach to the economy. After his resignation, Tamm was amongst the founders of the Estonian Coalition Party (ECP), which drew large support from state managers. Following the fuel crisis leading to the introduction of rationing in January 1992, the Savisaar cabinet had to resign. Former Minister of Transport and supporter of the ECP, Tiit Vähi took over the post of Prime Minister. The government from January to October 1992 consisted of former ECP members who had resigned their party membership to have free hands in dealing with the Riigikogu. This virtual ECP government took radical political steps by liberalising prices, abolishing export controls, introducing the Estonian Kroon, starting privatisation and introducing a visa system with Russia (Arter 1996: 181 – 182).

Following the parliamentary elections in October 1992, the ECP supported government was replaced by a government coalition of five parties. This coalition was stretching from the nationalist Estonian National Independence Party and the National Coalition Party Pro Patria (Pro Patria) to the social democrat Moderates. Pro Patria was a wide electoral alliance

consisting of five parties. The alliance included two Christian parties, which stressed the need for a minimum wage and social protection during the transition process, a group of orthodox, Catholics and old believers, which wanted separation of church and state, the radical right wing Conservative People's Party (CPP) and the free marketer the Republican Coalition Party (RCP). Mart Laar from Pro Patria was Prime Minister until September 1994. Even though Laar was member of the Estonian Christian Democratic Union (ECDU), the principal influences on the Pro Patria program came from the free marketers in the RCP. In November 1994 the delegates of the CPP and the RCP left the Pro Patria alliance together with two Christian democrats, to form the nationalist and free marketer nine seat strong Riigikogu faction, the Right-wingers. This new party was included in the government (Arter 1996: 163, 165, 169 - 170). Andres Tarand from the Moderates was Prime Minister from November 1994 to April 1995 (Arter 1996: 228).

According to Arter, the Reform Party (RP), Pro Patria and the Moderates (!) were the most market friendly parties in the campaigns for the 1995 elections. Siim Kallas, governor of the Bank of Estonia and former leader of the Confederation of Estonian Trade Unions (CETU), established the Reform Party in 1994 (Arter 1996: 230). The RP aimed in stages to abolish income tax, and took a firm stance in support of property reform and privatisation of flats. The RP was also against increase in pensions in the short term. The Savisaar led Centre Party, which was the successor party of what was still the Popular Front in 1992, and the electoral alliance the Coalition Party and the Country People's Party (the Coalition) were more state friendly parties, campaigning on reducing unemployment, raising the pensions and protecting the agriculture. The small Justice alliance, including the successor party of the Communist Party of the Estonian Socialist Republic, was the only party favouring replacing the flat rate income tax with a system of progressive taxation. The CP leader Savisaar was in favour of applying the progressive principle only to persons with low income. The Justice alliance failed to pass the 5% threshold to enter Parliament. The Coalition and the Moderates were divided in the countryside – town cleavage and the CP placed itself in the centre on this cleavage, where the RP and Pro Patria was on the town pole opposite to six small rural parties (ibid: 232 – 237).

The government parties fared very badly in the parliamentary elections of March 1995. The economic liberal and nationalist Pro Patria and the Estonian National Independence Party (ENIP) had 22 and 10 seats in the 101 members Riigikogu from the 1992 elections and were

the largest and third largest parties in the government. Running together in the 1995 elections, they won only 8% of the votes, giving them 8 seats. The trade union movement formed part of the Moderates' electoral alliance (Arter 1996: 229). The Moderates lost half of the 12 seats they had from the 1992 elections. The elections resulted in a radical shift of government, where all the government parties were replaced. The clear winners of the March 1995 elections were the parties having emphasized state responsibility for the losers of the economic reforms. Especially the Coalition Party and Rural Union (CPRU) did well and won 32% of votes and 41 of the seats in the Riigikogu (Nørgaard and Johannsen 1999: 76). After the elections, the CPRU formed government together with the Centre Party. Together they had 57 of the 101 seats in the Riigikogu. Soon after Savisaar was accused of secretly taping conversations with other politicians during government negotiations. These accusations forced the CP out of the government already in November 1995 (Nørgaard and Johannsen 1999: 75). This paved the way for a new coalition government between the Coalition Party and Rural Union and the Reform Party. These parties were on the different poles in the state – market cleavage and had also showed that they had clearly different positions in the countryside – town cleavage in the election campaigns. The new majority government entered office in November 1995. Tiit Vähi from the Coalition Party and Rural Union continued as Prime Minister.

The Reform Party had to leave the government in November 1996. The Coalition Party and Rural Union was alone in a minority government with Tiit Vähi as Prime Minister from the 1st of December 1996 to the end of February 1997. From March 1997 to March 1999, they were in a majority government together with the Progress Party, a break away party from the Centre Party. Three months before the parliamentary elections in March 1999, the Moderates, Pro Patria and the Reform Party announced their intention to form government together if they won a majority of the seats in the Riigikogu. The Centre Party had campaigned for the votes of the losers of the economical reforms. Their main point was to introduce a progressive income tax instead of the current flat tax of 26 percent. The CP leader Savisaar was however dubbed as authoritarian by many, and other political parties expressed wariness or refused to cooperate with him. The Moderates were by far no exception. Their vice chairman Eiki Nestor was quoted: "*The Centre Party is for people who want to be led. Most voters were led in Soviet times. Why do we think that they have changed so much?*" (TBT: 11.03.99). The Moderates won 17 seats and Pro Patria and the Reform Party won 18 seats each, and they formed a majority government from March 1999, with 53 of the 101 seats in Riigikogu. Mart

Laar from Pro Patria was appointed to Prime Minister. Yet the Centre Party had turned out as the clearly most popular in the elections. 23.4% of the votes gave them 28 seats, 12 more than they had from the 1995 Riigikogu. The Moderates acquired five posts in the new cabinet. These were the ministers of foreign affairs, economy, social affairs, population and agriculture (TBT: 01.04.99).

The next shift of government parties occurred in January 2002, right after I ended my elaboration of tripartite arrangements at state level. The Reform Party and the Centre Party united their forces and carried out a vote of no confidence against the Pro Patria mayor Tonis Palts in the Tallinn City Council in December 2001. The city was governed by a mirror coalition of the government parties. Following this, Savisaar took over the post as mayor (TBT 20.12.01). After that Prime Minister Mart Laar resigned, complaining that the decision of the RP to bring the CP to power in the capital had destroyed the ability of the coalition to work together (TBT: 10.01.02). In January 2002 the RP and the CP made a new coalition agreement, making Siim Kallas from the RP Prime Minister in a cabinet with eight CP ministers and five RP ministers. In this agreement between the leftists and the free marketers, the government promised to raise monthly pensions by 200 EEK (ca. 13 US\$ 01.12.02) and to introduce free meals in the secondary schools. Recognising the differences between the two parties in taxation policy⁴³, the partners agreed to freeze taxation policy issues till the 2003 parliamentary elections and not support any initiatives of other parties to change the taxation legislation (TBT 24.01.02 a, Estonian Government web, 28.04.03). Adding the 28 seats of the CP to the 18 seats of the RP, the government parties had a minority of the 101 seats in the Riigikogu.

The conclusions of this section with regards to my hypotheses are the following: Government formation in Estonia has not been characterised by bloc politics, defined as the existence of a clear cut left–right cleavage and institutionalised government coalitions within selections of ideologically neighbouring parties. Eight different party combinations with all together seven different parties have formed government, including only one three months' lasting one-party government. Most government coalitions have included parties on both sides of both the market-friendly versus state-friendly and countryside versus – town cleavages. Still no parties mobilizing mainly on ethnic minority issues have been in

⁴³ The CP program was favouring the implementation of progressive income tax while the RP program stated the intent to reduce the current flat rate income tax from 26 to 20 per cent (TBT 24.01.02, a).

government. On the other hand, in the period between the elections in 1995 and 1999 the Coalition Party and Rural Union (CPRU) and the Centre Party, the CPRU alone and the CPRU and the Progress Party (PP) governed Estonia. All these parties, except the PP, were placed on the more state-friendly and in the centre or towards the countryside on the two main cleavages.⁴⁴ Between November 1995 and November 1996, the CPRU governed in coalition with the economically rightist Reform Party.

Estonia experienced replacement of all government parties simultaneously after the 1995 and the 1999 elections to Riigikogu. The broad four party coalition stretching from the Estonian National Independence Party to the Moderates was replaced by a coalition between the CP and the CPRU in 1995. An ideologically wide three party government, comprising the Moderates together with the economically rightist Pro Patria and Reform Party, replaced the coalition between the CPRU and the Progress Party in 1999. These government shifts were however not radical in the form that all the parties in the outgoing government were on the different side of the main political cleavage than all the parties in the new government.

The social democratic party, the Moderates, was in government 76% of the days between the 19th of October 1992 and the 1st of January 1996 and in 56% of the days in the whole period from the 21st of October 1992 to the 31st of December 2001. Even though the Moderates all the time were in coalitions with economical rightist parties, the party was in a position where it should be possible to look after the relationship between the government and the trade union movement and in that way to contribute to the development of democratic corporatism. No party survived in government longer than four years in any of the periods because all government parties were replaced after the parliamentary elections in 1995 and 1999.

All this means that Estonia shared two of the three characteristics expected to have positive effect on the level of democratic corporatism in both the periods before 1996 and 2002. Estonia was not marked by bloc politics combined with radical shifts of governments, and the social democratic party had long time in government. On the other hand no party survived in government for longer than an election period on four years.

⁴⁴ The parliamentary elections of 2003 brought a coalition of economically rightist parties to government. The Riigikogu approved a government between the Res Publica, which was registered as a political party in December 2001, the Reform Party and the agriculture-friendly People's Union in April, with Juhan Parts from the Res Publica as Prime Minister. One of the core points in the coalition agreement was a tax reform reducing the income tax by 2% annually until the level of 20% by 2006. The coalition had won a majority of 60 of the 101 seats in Riigikogu. This situation, with the leftist Centre Party with most votes from the elections in opposition, may be an indication of some form of bloc politics developing in Estonia in the time after my analysis (TBT 22.11.01, a, 20.03.03, 03.04.03, 10.04.03).

Latvia

The Latvian Election Law is an amended version of the 1922 law. Citizens over 18 years of age are eligible to vote. In this way the large share of mainly Russian speaking non-citizens are excluded from voting. Norbalt survey data show that 32% of ethnic Russians, Ukrainians and Belarusians living in Latvia had Latvian citizenship in 1994 (Norbalt 1 survey 1994). In 1999 the proportion of Latvian citizens in the same group had increased to 36% (Norbalt 2 survey 1999). Voters elect the 100 members Saeima on a proportional basis on party candidate or electoral coalition candidate lists in five multi-seat constituencies. The electoral threshold to enter the Parliament was raised from 4 percent in 1992 to 5 percent in 1995, 1998 and 2002. Different from in Estonia, Electoral unions have been legal in all elections. The rather high degree of proportionality between the percentage votes attracted and the percentage of seats allocated, may have contributed to that no party or electoral union has ever won more than the 26 of the 100 seats in the Saeima alone. The New Era Party achieved this number of seats in the 2002 elections to the Saeima.

Latvia has experienced replacements of government parties frequently since Ivars Godmanis' Popular Front backed government resigned in July 1993. The elections for Saeima in 1993 brought a coalition of Latvia's Way (LW) and the Latvian Farmers Union (LFU) to government from July 1993. Valdis Birkavs from LW was Prime Minister. This was a minority coalition with 48 seats in the 100 members Saeima. LW placed itself to the right for the centre in economical politics (Nørgaard and Johannsen 1999: 84). The LFU originated in the agrarian faction in the Popular Front, but was also a heir-taker of an interwar party (ibid: 79). This coalition lasted until July 1994 when the LFU left the government. The Union of Economists (UE) replaced the LFU from September. The UE had broken out of the minority friendly Harmony for Latvia – Revival of the Economy (HLRE) (later For Harmony in a United Latvia), complaining that HLRE over-emphasized social justice at the expense of economic development (Bottolfs 2000: 92). Maris Gailis from LW became Prime Minister in the new government.

The result of the 1995 elections to the Saeima was a very broad six party government coalition, with the Democratic Party - Master (DPM) and LW as the biggest parties with 18 and 17 seats. The DPM had addressed the declining living standards in the election campaigns and suggested that experts should form a new government program (Nørgaard and Johannsen 1999: 81). The government also included the right wing nationalist parties the Latvian

National Independence Party (LNIP) and For the Fatherland and Freedom (FFF), which merged in June 1997. Finally it included the LFU and the left populist Latvian Unity Party (LUP), which was led by former Gorbachev adviser Kauls. He stated that he would transform the economy in the same manner that he had been running a collective farm. This party mainly attracted votes from economically dissatisfied groups in rural areas (Bottolfs 2000: 94). The LFU left the government already in February 1996. Altogether the six government parties had 73 of the 100 seats in the Saeima, including the six seats of the LFU (Nørgaard and Johannsen 1999: 82, table 3.3). From February 1997, the LFU in alliance with the Latvian Christian Democratic Union (LCDU) was back in the government, which for the rest consisted of the same parties. FFF and the LNIP merged into the Fatherland and Freedom Union (FFU) in June 1997. Guntar Krasts from this party took over the post as Prime Minister in August 1997. In April 1998, six months before the upcoming parliamentary elections, the Latvian Green Party replaced the DPM in the government.

Former Prime Minister Andris Skele established the People's Party (PP) in the spring of 1998 (Nørgaard and Johannsen 1999: 83). This economically liberal party became the biggest party in the Saeima after the 1998 elections. 21.2% of the votes gave them 24 of the 100 seats (Nørgaard and Johannsen 1999: 82, table 3.3, 83). The same year the New Party (NP) was established left of the centre. The first government after the elections was a very wide coalition between LW, the FFU, the NP and the Social Democratic Alliance – stretching from the right wing to the left wing on economical issues. LW was again largest of the government parties and had the Prime Minister, Vilis Kristopans. The government had a clear majority with 60 of the 100 seats in the Saeima. When the People's Party entered the government in July 1999, Andris Skele became Prime Minister for the third time. The new coalition of the PP, LW and the FFU had a majority with 61 seats in the Saeima. Skele resigned from the post as Prime Minister and the PP withdrew from the government in April 2000. This happened after the coalition parties LW and the FFU had expressed that they did not longer support Skele because he had dismissed the FFU Minister of Economy, Vladimirs Makarovs (TBT 13.04.00). After this Andris Berzins from Latvia's Way became Prime Minister, and the newly established New Party entered the government (TBT: 11.05.00, a). This four party coalition governed Latvia with a solid majority of 70 of the 100 seats in the Parliament, until the elections for the Saeima in October 2002.

The 2002 elections for the Saeima occurred the year after I ended my elaboration of tripartite arrangements. Still, what happened in the prelude and the aftermath of this election do tell something about Latvian politics also before the end of 2001. The President of the Central Bank since 1991, Einars Repse, announced his intentions to form a new centre right political party in August 2001. At the same time he blamed the currently governing parties of behaving cowardly and for that corruption had grown to a catastrophic level.⁴⁵ Repse claimed that his new party would bring in new people without prior political experience (TBT 23.08.01). In December Repse resigned from his post in the Bank to form the New Era Party (NEP), aiming at obtaining no less than a majority of the seats in the Saeima (TBT: 08.11.01). The NEP campaigned for the October 2002 elections with a strong anti-corruption bias and promised not to go into a coalition with the parties currently in power (TBT 26.09.02). The party won 24% of the votes in the October 2002 parliamentary elections.

Another newly established anti-corruption biased party, Latvia's First Party, won 9.6% of the votes and 10 seats, in an alliance with the Christian Democratic Union. Both Latvia's Way (LW) and the Fatherland and Freedom Union (FFU) fared very badly. LW even fell short by 0.1% to obtain the 5% of the votes required to enter parliament, while the FFU obtained 5.4% of the votes and 7 seats. Also the Social Democratic Workers' Party fell out of the Saeima, attracting only 4% of the votes. The People's Party lost three of their 24 seats from 1998, after 16.7% of voters had opted for them. For Human Rights in a United Latvia ended up as second largest in the Saeima. 18.9% of the votes gave them 24 seats. An alliance between the Farmers' Union and the Green Party fared well, winning 9.5% of the votes and 12 seats. After Repse took over as Prime Minister for the new government in November he staid quite true to his promise of keeping the old parties away from the government. Of the incumbent parties only the FFU was granted two seats in the new cabinet. The new cabinet was formed as a coalition between the New Era Party, Latvia's first Party, the Greens and Farmers Union and the Fatherland and Freedom Union (TBT: 14.11.02, a). The government parties had a majority in the Saeima with 55 of the 100 seats. Prime Minister Repse promised not to jeopardize the progress towards membership in the NATO and the EU as well as to continue the business-friendly policies of the former government. The change, which Repse stressed, was to

⁴⁵ Repse was not without a point. According to the corruption perception index for 2002 of Transparency International, Latvians generally perceived that there was much corruption in the country. On the ranking Latvia took a 52nd place, by far trailing Lithuania on the 36th place and Estonia on the 29th place (Transparency International web, 09.01.03). Former governments had also been blackened by various accusations about everything from corruption connected to privatisation projects to the paedophilia investigations of the PP Prime Minister Skele and LW Justice Minister Birkavs in 2000 (TBT: 02.03.00 b).

introduce a more transparent and accountable government and to crack down on corruption (TBT 10.10.02 and 14.11.02, b). This means that the government shift was less a shift along ideologically defined lines, than a shift towards new persons claiming to be more willing and able to crack down on corruption.

The conclusion is that very broad coalition governments stretching from the right wing to left of the centre have been normal. The government parties have usually had clear majorities of the seats in the Saeima, though Latvia had minority governments from July 1993 to December 1995. Replacements of government parties have been frequent between the elections. These have normally only affected one or two of the coalition parties at the time. Elections have never enforced replacement of all government parties. Latvia's Way remained in government after the 1995 election, despite of the falling support from 32.4% to 14.6% of the votes from the 1993 to the 1995 parliamentary elections. First in November 2002, LW had to resign from government after the party had failed to obtain the 5% of votes required to enter parliament in the October elections. The response of the government parties to declined support in parliamentary elections has been increasing the numbers of parties in the government rather than resigning. After the 1995 elections the number of parties in government increased from two to six, while only the junior partner - the Union of Economists - resigned. The 1995 election made the newly established Democratic Party – Master (DPM) the largest party in parliament. This party lost all their seats in the 1998 election. After the 1998 election, the newly established People's Party (PP) was the largest party in the Saeima. The newly established New Era Party (NEP) became largest in Parliament after the 2002 election. All these new parties entered government.

I expected bloc politics combined with radical government shifts to have negative effect on the level of democratic corporatism. For Human Rights in a United Latvia (FHRUL) and the Social Democratic Workers Party (SDWP) are recognised as the leftist parties in Latvia. The SDWP has only been represented in the Saeima between 1998 and 2002 with 14 representatives. The party was four months in government in 1999, in a four party coalition with economically rightist parties. This party has been too small to constitute a bloc on its own. The minority friendly Harmony Party has been far better represented in parliament. After the party joint forces with the Equal Right's Movement, the Russian Party and the Socialist Party in the alliance For Human Rights in a United Latvia (FHRUL), the alliance won 16 seats in the 1998 Saeima and 24 seats in the 2002 Saeima. This alliance has however

never been in government, because no other parties are willing to go into a government coalition with them. The reason may be that only the Harmony Party in this alliance succeeds from the pro-independence forces in the early 1990s, while the other three parties are viewed as successors of the anti-independence forces. All this shows that government formation in Latvia has not been characterised by bloc politics.

LW has been a member of all governments from the Popular Front government resigned in July 1993 to after the parliamentary election in October 2002. FFU (FFF until June 1997) has been in all governments since 1995. Wide multi-party governments have been the normal. All this shows that government shifts in Latvia have been characterized by continuity of parties rather than radical change.

The conclusion is that Latvia in the period before 2002 had two of the characteristics expected to be favourable to democratic corporatism. The country did not have bloc politics combined with radical shifts of governments and Latvia's Way had survived for more than eight years in government while For The Fatherland and Freedom/ the Fatherland and Freedom Union had been in government for more than six years by the end of 2001. In the period before 1996, Latvia only shared the former of these characteristics because only three years had passed since the last Popular Front supported government resigned. In none of the periods did socialist or social democratic parties have long time in government.

Lithuania

The electoral system in Lithuania may have consequences for government formation distinct from Latvia and Estonia. The system since the 1992 elections is a mix between majority elections in single-mandate constituencies and proportional elections in a nation wide constituency. Citizens more than 18 years old are eligible to vote. The threshold to enter the Seimas in the nationwide constituency was raised from 4% of the votes in 1992 to 5% for individual parties and 7% for electoral alliances in 1996. It was changed back to a flat 4% threshold before the 2000 elections (UCSD Social Sciences & Humanities Library web, 13.01.03). Electoral unions between parties have been legal in all the elections. The system of seat distribution has been less proportional than in Estonia and Latvia. In 1992 the Lithuanian Democratic Labour Party (LDLP) was rewarded with a majority of 73 of the 141 seats in the Seimas, even though they only obtained 42.6% of the votes. The Homeland Union obtained a

majority with 70 of the 137 seats in the 1996 Seimas, after winning only 29.8% of the votes. In the 2000 elections the Centre Union and the New Union, which formed the government after the elections, were rewarded with 43.2% of the seats, after they had won 36.9% of the votes. The disproportional high representation of the largest parties in the Seimas in proportion to their shares of the votes has made it easier for single parties or party alliances to form majority governments in Lithuania, compared to Latvia and Estonia. What happened in Lithuania in 1992 and 1996 when single parties won the majorities of the seats in parliament; has never happened in post-communist Estonia and Latvia (Electionworld web, 11.02.02).

The four first Lithuanian governments since the declaration of independence on the 11th of March 1990 were broad coalitions between the Popular Front (Sajūdis), the Lithuanian Christian Democratic Party (LCDP) and until January 1991, The Lithuanian Democratic Labour Party (LDLP). The LDLP was the successor party of the Communist Party, which had separated itself from the Soviet organisation in December 1989 (Vardys and Sedaitis 1997: 152). The LDLP won a landslide victory and obtained a majority with 73 of the 141 seats in the 1992 elected Seimas. Sajūdis ended up with only 28 seats (Parties and Election in Europe (PEE) web a, b and c, 07.05.03). This paved the way for four years of one party majority government of the successor party of the Communist Party. The party hastened to assure the Lithuanian people and the world that it was no longer communist. It claimed to have a social democratic profile, and that it would continue policies to strengthen Lithuania's full independence and not reverse the free market reforms (ibid: 198). In government the LDLP granted the Confederation of Free Trade Unions most of the facilities that belonged to the former Lithuanian branch of the USSR's All-Union Central Council of Trade Unions (Vardys and Sedaitis 1997: 211).

Two of the largest commercial banks in Lithuania had to stop their plans to merge because they were accused of insolvency in December 1995. The top executives were temporarily arrested and the funds were frozen, while hundreds of investors lost their funds. In February 1996 it was discovered that the LDLP Prime Minister Adolfas Slezevicius was also an investor, but had transferred his own account before closing down the bank (Vardys and Sedaitis 1997: 221). Following this Slezevicius was charged with fraud, falsifying documents and abuse of office. After four years of trials, the case was finally dropped in April 2000 (TBT 22.11.01, b). Following this, the LDLP fared very badly In the November 1996 elections to the Seimas. Only 9.5% of the votes gave them 12 seats in the 137 seats assembly.

On the other side, the successor party of Sajûdis, the conservative Homeland Union (HU), increased their support from the 1992 elections. 29.8% of the votes were enough to give them a majority in the Seimas with 70 of the 137 seats (PEE web c, 07.05.03). This paved the way for four years with a coalition government consisting of the Homeland Union, the Lithuanian Christian Democratic Party (LCDP) and the Lithuanian Centre Union (LCU). The 16 seats of the LCDP and the 14 seats of the LCU added to the 70 HU seats, gave the government parties a very solid majority with 100 of the 137 seats in the Seimas (ibid).

According to a lawyer of the Lithuanian Trade Union Unification, the HU was against the trade union movement, and the work in the Tripartite Council of the Republic of Lithuania (TCRL) almost stopped (interview Pivoras 19.11.01). Still, the number of annual meetings in the councils increased from five in 1995 to seven in 1999 and 2000. Further the Secretariat and office of the council was established in 1998 (TCRL web d, e, 04.11.02), and the HU Prime Minister Gediminas Vagnorius signed the second tripartite cooperation agreement on state level on behalf of the government in 1999 (see appendix B, agreement LI1). In March 2000 members of the Lithuanian Workers Union (LWU) rallied against the economical and social policies of the HU government in Vilnius, claiming that the government was toadying to the World Bank and foreign interests at the expense of social guarantees in Lithuania. The Russian financial crisis in 1998 had severe repercussions in Lithuania, and the sugar plant in Marijampoles was not the only enterprise facing difficulties.⁴⁶ In September 1998 The Baltic Times reported about difficult times in southern towns where enterprises had to lay off large numbers of employees every day (TBT 24.09.98).

Some changes occurred in the party landscape the year preceding the elections for Seimas in 2000. HU Prime Minister Rolandas Paksas refused to sign a deal with the American company U.S. Williams on the privatisation in the Lithuanian oil sector in the late 1999. This was against the will of the HU leader Vytautas Landsbergis. Following this, Paksas resigned from the post of Prime Minister and joined the tiny Liberal Union (LU), which had one seat in the 1996 elected Seimas. Led by Paksas, who had been acrobatic flight champion of the

⁴⁶ Since 1999 there had been a dispute between an alignment of local farmers and trade unions against the Danish company Danisco Sugar about the destiny of the sugar refinery in Marijampoles - a town in the southwestern part of the country. Danisco Sugar, the holder of the majority stakes in the three other sugar refineries in Lithuania, wanted to liquidate this heavily indebted plant. In spite of the pressure from Danisco, the government contributed to save the plant when it in 1999 agreed to postpone payment of tax debts for seven years, after the local fertilizer producer Arvi took over the plant. Danisco reacted by trying the rescue plan in court and threatened to postpone large investments. Danisco lost the trial and the rescue plan was approved (TBT 22.07.99, 23.09.99, 07.10.99, 14.10.99 and 09.03.00).

Soviet Union two times, the LU did very well on opinion polls in 2000 (TBT 12.10.00). The LU was in favour of more radical economic reforms than the Homeland Union to minimize the influence of the state in the economy. In May the LU sponsored an anti-tax march to the Parliament building, where the LU MPs gave a speech slamming the conservative government for trying to increase taxes for the social security system and proposing to gradually abolish corporate taxes (TBT 25.05.00). Before the upcoming elections, the Liberal Union, the social liberal New Union, the Centre Union and the Modern Christian Democratic Union agreed to cooperate closely after the elections. They proclaimed themselves as a coalition of liberal forces and an alternative to the right and left, which had ruled the country throughout the last ten years (TBT 17.08.00).

Two social democratic parties had competed in the 1992 and 1996 parliamentary elections. Former political prisoners, Sakalas and Andriukaitis, established the Lithuanian Social Democratic Party (LSDP) in 1989 (TBT 21.02.02). The LSDP won eight seats in the 1992 Seimas and 12 seats in the 1996 Seimas. The party was in opposition in both periods (Nørgaard and Johannsen 1999: 90, table 3.4). In April 2000 the LDLP and the LSDP announced that they would compete on a common list in the upcoming parliamentary elections. Former President Brazauskas declared that he was supporting this coalition (TBT 11.05.00, b). Before the elections the New Democracy Party (the former Women's Party) and the Russian's Union joined the Social Democratic Coalition (SDC). Brazauskas promised to take the post of Prime Minister if the Coalition won the election. (TBT: 17.08.00).

Having governed Lithuania in the tough economical times following the Russian financial crisis in 1998, the Homeland Union did very badly in the October 2000 parliamentary elections. 8.6% of the votes left them with only 9 seats in the Seimas. The Liberal Union (LU) won 17.3% of the votes and 34 seats while the New Union (NU) won 19.6% of the votes and 29 seats. The Social Democratic Coalition won 31.1% of the votes and 51 seats in the new Seimas. Supported by the Polish Electoral Action and a couple of independent MPs, the LU and the NU established a minority government with Paksas as Prime Minister. In government from October 2000 to July 2001, these parties submitted draft law amendments, which the Seimas passed in March 2001, liberalising simultaneously the Law on Employment Contracts, the Law on Wages, the Law on Holydays and the Law on Trade Unions. These amendments abolished the principle of a mandatory labour contract and reduced severance pay for dismissed employees. The trade unions and opposition Social Democratic Coalition MPs

protested by arranging pickets and a silent witness campaign in the Seimas (Woolfson and Beck 2002: 762). There were clear ideological differences between the social liberalists in the NU and the free marketers in the LU. The coalition dissolved in June 2001 when all the NU ministers resigned from the government (TBT 21.06.01).

The Lithuanian Social Democratic Party and the Lithuanian Democratic Labour Party merged and formed the Social Democratic Party in January 2001 (TBT 21.02.02). After two weeks of LU one-party government, the NU agreed to form government with the now united Social Democratic Party. These two parties and the New Democracy Party signed a declaration on preserving the continuation of Lithuania's foreign policy towards accession to the NATO and the EU and seeking to achieve a socially oriented market economy. The leader of the Peasant Party promised the four votes of his party for Brazauskas' candidacy for Prime Minister in the upcoming vote in the Seimas. In the beginning of July the Parliament approved Brazauskas as Prime Minister (TBT 28.06.01 and 05.07.01). Later the same month Brazauskas presented the program of his government where he assured that the government was committed to continue the integration with the NATO and the EU. The program was far more rightist than the 2000 election campaign program of the social democrats. The government would not introduce progressive taxation, which had been one of the main campaign issues. The party had campaigned to reserve 51% of shares in strategic companies for state ownership. Now this aim was reduced to 34%. On the other side the government promised to lobby for larger transfers to the agricultural sector and to raise the threshold for taxable income. This threshold was raised from 214 to 250 Lita (63 US \$)⁴⁷ per month from 2002.⁴⁸ The program was marked by the idea to carefully and with much consideration strive for greater social justice without raising taxes or harming business (TBT: 05.07.01 and 19.07.01) The reaction in the July 10 editorial of the newspaper *Lietuvos Rytas* was expressive: "*Why do we need to change government if the policy remains the same?*" (quoted in TBT 19.07.01). The new government had a majority with 80 of the 141 seats in the Seimas from the 2000 election (PEE web c, 07.05.03). Not everybody in the party was happy with the right turn. From January 2002 disagreement within the Social Democratic Party came out in the open. A left wing in the

⁴⁷ The value in US \$ is calculated from the currency rate at the end of 2001 (see IMF web, 28.04.03)

⁴⁸ This was 70 Litas less than the central employers' organisations and central trade union organisations had agreed to propose to the government in October 2000 (Ministry of Social Security and Labour 2001: 57).

party consisting of deputy chairman Andriukaitis and his former LSDP members was visible.⁴⁹

My first hypothesis was that bloc politics combined with radical shifts of governments had negative effect on the development of democratic corporatist arrangements at state level. Between 1992 and 1996 a social democratic Lithuanian Democratic Labour Party (LDLP) government was in power while the conservative Homeland Union (HU) and Lithuanian Christian Democratic Party (LCDP) were the largest parties in opposition. The two latter were joined by the Centre Union to establish a government with solid majority in the Seimas after the 1996 elections. This government lasted until the 2000 elections, which brought a new coalition between the New Union (NU) and the Liberal Union (LU) to government. They claimed to be an alternative to the left and the right, which had governed the country for so long. This government did however not last more than one year before the NU found its coalition partners too liberal and went into a government coalition with the now united Lithuanian Social Democratic Party (LSDP). All this shows that all governments have been between parties defining themselves as being close to each other on the left–right cleavage. No governments have included parties from both the left and the right wing of this cleavage. Two of the three government party replacements, defined as at least one new party being brought into the government, have been radical replacements of all the parties simultaneously. The first was a shift from left wing to right wing when the LDLP had to give the office to the HU, LCDP and CU coalition after the 1996 elections. The second was a shift from this coalition to the liberal centre coalition of the NU and the LU following the 2000 election. This means that government formations in Lithuania have been characterised by bloc politics combined with radical shifts of governments in both the period before 1996 and the period before 2002.

The second hypothesis was that long living time of some government parties have had a positive effect on the development of democratic corporatist arrangements at state level.

⁴⁹ The Social Democrat faction in the Seimas called for a transition period before legalising sales of farmlands to foreigners in the EU–accession talks, while Brazauskas was not in favour of reopen EU talks on this topic (TBT 21.02.02, b). In July the government decided to ask the EU for a seven years transition period (TBT 24.01.02, b). Brazauskas also stood against the left wing in the party on restitution issues where Andriukaitis and his followers defending the interests of the tenants, promoted the idea to compensate pre-war real estates owners with cash rather than return houses to their former owners (TBT 31.01.02).

Neither in the period before 1996 nor in the period before 2002 did any party survive in government for longer than an election period of four years. The final hypothesis was that long periods of social democratic or socialist parties in government have had a positive effect on the development of democratic corporatist arrangements at state level. The LDLP was in government in 100% of the days from the last Sajūdis supported government resigned in November 1992 to the end of 1995, and the LDLP/ the SDP was in government 50% of the days in the entire period from December 1992 to the 31st of December 2001. This means that social democrat parties had long time in government in both the period before 1996 and the period before 2002.

Table 6.2.2 sums up the placement of the three countries in the period from 1991 to the end of 1995 and the whole period from 1991 to the end of 2001 with regards to bloc politics and radical shifts of governments. The table shows that only Lithuania in the end of 2001 had gone through the combination of bloc politics and radical shifts of governments, which is expected to be unfavourable to a high degree of democratic corporatism.

Table 6.2.2: Politics and government shifts

	Bloc politics	Not bloc politics
Radical shifts of governments	Lithuania 2001	
No radical shifts Of governments	Lithuania 1995	Estonia 1995 Estonia 2001 Latvia 1995 Latvia 2001

Table 6.2.3 summarises the government related variables for the three countries.

Table 6.2.3: Government characteristics

Estonia 1991 - 95	Estonia 1996 - 01	Latvia 1991 - 95	Latvia 1996 - 01	Lithuania 1991 - 95	Lithuania 1996 - 01
Bloc politics combined with radical shifts of government					
<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>Yes</i>
Living time of longest living government party					
<i>1 year, 10 months</i>	<i>3 years, 11 months</i>	<i>2 years, 5 months</i>	<i>8 years, 5 months⁵⁰</i>	<i>3 years, 1 month</i>	<i>3 years and 10 months</i>
Percentage days of socialist and social democrat parties in government					
<i>76%</i>	<i>56%</i>	<i>0%</i>	<i>5%</i>	<i>100%</i>	<i>50%</i>

The elaboration of Estonian governments that table 6.2.3 is based upon, starts after the formally no-party Vähi government resigned and a four party coalition government took over on the 21st of October 1992. The starting point of the analysis of Latvian governments is after the resignation of the Popular Front supported government of Ivars Godmanis, and a coalition government between Latvia's Way and Latvian Farmers' Union took over on the 8th of July 1993. Lithuanian governments are analysed from the LDLP took over the government office on the 2nd of December 1992 after the last Sajūdis supported government had resigned.

⁵⁰ This was the whole period since the last Popular Front backed government resigned.

6.3: International organisations

This chapter is devoted to an exploration of the pressure that the International Labour Organisation (ILO) and the European Union (EU) has brought to bear on labour policies and the systems of tripartite bargaining at state level in the three countries. The first part of the chapter deals with the ILO, while the last part is devoted to the European Union. In the concluding table 6.3 the three countries in the two periods are divided into cases experiencing relatively strong and relatively weak pressure from international organisations.

The International Labour Organisation

All the three pre-war republics were members of the International Labour Organisation (ILO) from 1921, two years after the organisation was established. Estonia ratified 21 ILO Conventions from 1922 to 1938. Latvia ratified 17 ILO Conventions from 1924 to 1929, while Lithuania ratified seven Conventions from 1931 to 1934 (ILO web, 07.05.02; TCRL web a, 12.11.02). Lithuania and Latvia regained their membership in 1991, while Estonia regained her membership in ILO in 1992 (Dovydeniene & Casale 1999: 233; ILO web, 07.05.03). The Conventions ratified by the pre-war Republics remained in force after membership was resumed. 44 Conventions in Latvia, 34 in Lithuania and 31 in Estonia were in force in 2002 (ILO web, 07.05.03). The ILO reckons eight Conventions as fundamental, including two on forced labour, two on freedom of association, two on discrimination and two on child labour. By December 2002 Lithuania had ratified seven, Estonia had ratified six and Latvia had ratified five and of these (ILO web, 07.05.03). Latvia ratified Convention 87 on 'Freedom of Association and Protection of the Right to Organise' and Convention 98 on 'Right to Organise and Collective Bargaining' in January 1992. Estonia and Lithuania ratified these conventions in March and September 1994. According to Convention 87, workers and employers shall have the right to establish and to join organisations of their own choosing and without previous authorisation. Convention 98 prohibits discrimination of employees and job appliers as a consequence of trade union membership.

Paragraph 29 in the Estonian Constitution of 1992 established the Freedom to belong to unions and organisations of employees and employers. According to the same paragraph, the law shall provide the conditions and procedure for the exercise of the right to strike (see appendix E, Law f: §29). § 108 in the Latvian Constitution of 1993 provided that employed

persons have the right to a collective labour agreement, and the right to strike and that the state shall protect the freedom of trade unions (see appendix E, Law j: § 29). Article 50 and 51 of the Lithuanian Constitution of 1992 provided that trade unions shall be freely established and shall function independently and that employees shall have the right to strike, in cases where this right is not restricted by law (see appendix E, Law r: Article 50, 51).

This means that the freedom of association was established in the constitutions of the countries before they ratified the relevant ILO conventions. ILO Convention 144 of 1976 deals with tripartite consultations to implement international labour standards. Each country ratifying this convention undertakes to have procedures ensuring effective consultations between representatives of the government, of employers and of workers (see appendix E, ILO Convention b: Article 2.1). All three countries ratified this convention in 1994. This convention bound the countries to establish procedures that ensured effective consultations between the representatives of the government and of employers and employees on questions, conventions and recommendations from the ILO (ibid: Article 2.1. and 5.1 a – e). In the three Baltic countries this meant consultations through tripartite councils. At that time the tripartite Estonian Council of the ILO had already existed in two years. In Latvia ILO activities were included in the three existing state level advisory tripartite councils established in 1993 and in 1994. The Tripartite Council of the Republic of Lithuania (TCRL), which was established in May 1995, dealt with ILO activities (TCRL web c, 12.11.02).

Latvia ratified ILO's Minimum Wage Fixing Convention of 1970 (No. 131) in March 1993. Lithuania ratified this convention in September 1994. Article 2, paragraph 1 of this convention provides that the countries shall establish minimum wage rates with the force of law and that failure to apply them shall be met with penalty or other sanctions (see appendix E, ILO Convention a: Article 2, § 1). Legal minimum wage rates existed in Lithuania and Latvia already before the ratification of the ILO conventions and were established by the Wages Act of 1994 in Estonia (see appendix E, Law a, g, l). Chapter 5.2 deals with minimum wage.

Out of all this we see that the ILO have played a role in forming the labour legislation in the three countries in the form that ILO conventions have been ratified and taken up in the national legislation. The ratification of ILO Convention 144 bound the countries to establish procedures for effective tripartite consultations. This legitimised the already existing tripartite

structures, gave an impetus for increasing the efficiency of these and made it to a duty to maintain procedures ensuring effective tripartite consultations. In addition, conventions and recommendations were made subject for tripartite consultations and in this way generated corporatist arrangements on their own. Nevertheless, the Estonian and Lithuanian constitutions of 1992 provided for the right to freely establish and join interest group organisations before the ratification of the relevant ILO conventions.

The European Union

The EU offered the three Baltic countries trade and cooperation agreements already in September 1991. These agreements came into force in the beginning of 1993 (Nørgaard and Johannsen 1999: 168). The three countries signed free trade agreements with the EU in July 1994, which were implemented from the beginning of 1995 (ibid: 169). In June 1995 the three countries signed Europe Agreements. These agreements between the EU and its member states and the applicant countries did however not come into force until the 1st of February 1998, because they had to be ratified by each of the member countries (ibid 169 – 170, 199, EU web a, 29.04.03). The Europe Agreements incorporated the free trade agreements. In addition they established a political dialogue with regular bilateral meetings. The agreements called for harmonisation of Baltic legislation with EU rules. The Europe Agreements included a promise of eventual membership in the EU, provided that each country was able to meet the preconditions for membership, the so-called Copenhagen criteria (ibid: 170, Commission of the European Communities October 2002a: 19). These criterias were: Stable institutions in the form of democracy, rule of law and human and minority rights, a functioning market economy, capacity to cope with competitive pressure within the EU and ability to adopt the EU rules and norms (the *acquis communautaire*) (ibid: 170, 199). All three countries applied for membership in late 1995 (ibid: 200). Still, the EU Commission recommended only Estonia for first round of accession negotiation in July 1997. The reason given by the Commission was that only Estonia appeared as a functioning market economy, able to make the progress necessary to cope with the competitive pressures and market forces within the Union in the medium term time horizon on approximately five years (ibid: 172 – 173). In October 1999 the Commission recommended Latvia and Lithuania for the second round of membership negotiations. The Commission recommended closing the negotiations with all three countries together with the Czech Republic, Hungary, Malta, Poland, the Slovak Republic and Slovenia in October 2002 (for the press release from the Commission on the 9th

of October, see EU web c, 03.05.03). Following Ireland's ratification of the Nice Treaty, the EU was ready to include the new member countries (TBT 24.10.02, 29.04.03). The three countries signed the Treaty of Accession in Athens on the 16th of April 2003 (for a full text version of the Treaty, see EU web b, 03.05.03). Provided that the voters embrace membership in the referenda, all three will be members of the EU from the 1st of May 2004.

It should be possible to discover influence from the EU on the development of labour law and corporatist arrangements by three sorts of indications. The first kind of indication is that corporatist arrangements and labour laws are introduced or amended after the EU Commission has called for such measures through its annual reports on progress towards accession. The second kind of indication is when the social partners states in agreements that the measures they have agreed to take will be in accordance with recommendations or directives from the EU. The third sort of indication is when the EU economically supports projects aimed to strengthen the corporatist arrangements.

The 13th chapter of the *acquis* for EU accession dealt with social policy and employment. The legal *acquis* covered health and safety at work, labour law and working conditions, equal opportunities for men and women, and social security co-ordination for migrant workers. Further the Protocol on social policy called for consultation of the social partners and measures to facilitate the social dialogue (The Commission of the European Communities 1997 a: 85, b: 84, c: 78). The EU Commission published its first 'opinion on the each of the countries applications for membership' reports in 1997. Here the Commission acknowledged all three countries for having a social dialogue that worked well on tripartite level, while it pointed out that bipartite negotiations in Latvia and Lithuania should be improved. The Commission pointed out that Estonia and Latvia needed to introduce new laws and amend existing laws on collective redundancies and the protection of employees in case of insolvency of the employer. The Commission recognised Lithuania for preparing a draft law to protect the interests of employees in case of employers' insolvency. The Commission concluded that it should be possible for all three countries to comply with the obligation of the EU in a medium term time horizon on approximately five years. The precondition was that the countries carried out improvements on the mentioned areas and further developed the structures to ensure the effective implementation of the legislation (ibid 1997 a: 85 - 87, b: 85 - 86, c: 7, 79 - 81).

Following this Estonia set up a fund to support employees in companies under bankruptcy proceedings in 1998.⁵¹ In its 2001 report the Commission acknowledged Estonia for covering provisions on collective redundancies and insolvency of the employer in ‘The Unemployment Insurance Act’ of June 2001 (ibid 2001 a: 59). The Commission criticised Latvia because the Labour Law was not compliant with EU norms in the accession reports in 1997, 1998 and 2000 (ibid 1997b: 84, 1998b: 35, 2000b: 61). In 2002 the Commission acknowledged that the new labour law, which was in force from June 2002, together with the ‘Law on the Protection of Employees in the Event of Insolvency of their Employer’ adopted in December 2001, transposed the majority of the labour law acquis. The same report also recognised the new Insolvency Administration, which had started to operate in February 2002 to implement the law on protection of employees in case of employers’ insolvency (ibid 2002b: 83).

As regards social dialogue the Commission called for measures to be taken to improve the number and contents of collective agreements at the sector and bipartite level in all three countries (ibid 1999 c: 45, 2000 a: 59 - 60, 2000b: 63, 2000 c: 62 - 63, 2001 a: 61, 2001 b: 72, 2001 c: 70). In the accession reports the EU Commission acknowledged the establishment of the Social and Economic Council in Estonia in 1998, the National Tripartite Co-operation Council in Latvia in 1999 (ibid 1999a: 43, 1999b: 46). The Commission also recognised the conclusion of the tripartite cooperation agreement in Lithuania in 1999 and the establishment of the National Labour Council for Public Employees in Estonia in March 2002 as important steps of progress (ibid 99c: 44, 02a: 76). All three countries had closed the 13th chapter of the acquis by the time the Commission issued the regular reports on accession in October 2002 (ibid: 02a: 79, 02b: 87, 02 c: 86).

The second kind of indication of influence from the EU is when the social partners states in agreements that the measures they have agreed to take will be in accordance with recommendations or directives from the EU. In June 1997, the Estonian Government and the central organisations of trade unions and employers concluded a tripartite agreement to establish a guarantee fund to pay employees outstanding accounts in case of employers’ insolvency from 1998. The written agreement emphasized that the implementation would be in accordance with the norms of the European Council and the EU directives (see appendix B, agreement E7: §1). The tripartite agreement on developing participatory democracy of

⁵¹ This was also in accordance with a tripartite agreement of 1996 (translation of December 1996 agreement).

December 1996 also stated the purpose to be in accordance with ILO, European Council and EU norms (see appendix B, agreement E5).

The third sort of indication of influence from the EU is when the EU economically supports projects aimed at strengthening the corporatist arrangements. The EU has a Phare fund for pre-accession financial support for institution building and *acquis* related investments⁵². Phare funding went amongst others to projects aimed at improving the social dialogue between the government and bureaucracy and trade unions and employers at state, regional, local and enterprise level. Lithuania was allocated 80 million Euros, Latvia 47 million Euros and Estonia 40 million Euros in Phare support in 2002 (The EU Phare web, 22.02.03; Nørgaard and Johannsen 1999: 179). The national program of Latvia for 2001 included a project with the title ‘Promotion of Bipartite Social Dialogue’ and the overall objective of strengthening the autonomous social dialogue between employer and trade union organisations in order to complement the existing tripartite structures and facilitate the implementation of the social *acquis*. The program had a total budget on 1.35 million Euro and should be implemented in 2002 – 2003 in partnership with the Ministry of Welfare, the Secretariat of the National Tripartite Co-operation Council, the Latvian Employers’ Confederation and the Free Trade Union Confederation of Latvia (The EU web d, 09.05.03) The national program for Estonia of 2001 included a project with the title ‘Promotion of Social Dialogue on the Employers’ and Workers’ Organisations Level’. The overall objective was to improve economic performance through encouraging partnership between the social partners on branch and enterprise level. The project had a total budget of 473 000 Euro and should be implemented between May 2001 and May 2003, in cooperation with the Confederation of Estonian Trade Unions (CETU), the Estonian Employees’ Unions Association (EEUA) and the Estonian Employers Confederation (EEC) (EU web e, 09.05.03).

Out of all this we see that international organisations have brought their influence to bear on the development of labour law and corporatist arrangements in all the three countries. The pressure from international organisations was stronger in all three countries in the period before 2002 than in the period before 1996, because in the later period all three countries went through the accession process to the EU⁵³. In both periods membership in the ILO influenced

⁵² Phare is short for Poland and Hungary: Assistance in Restructuring Economies.

⁵³ Also writers concerned with other Eastern European applicant countries have remarked the impact of EU on institutionalising social dialogue. Writing about tripartism in Bulgaria, Elena A. Iankova used the term “hard” Europeanization of tripartism, describing direct institutional transfer from EU level to the applicant countries (Iankova 2002: 221 – 222).

the national systems. The countries regained their membership in the ILO approximately at the same time. Even though Estonia was taken up as a candidate country to the EU two years before Latvia and Lithuania, the dialogue between the countries and the EU and the process of harmonising legislation and policies started approximately at the same time, following the Europe agreements. This means that the pressure from international organisations should have been rather similar between the three countries in each of the periods. The conclusion I summed up in table 6.3 on the next page.

Table 6.3.1: Pressure from international organisations

Estonia 1991 - 95	Latvia 1996 -01	Lithuania 1991 - 95	Estonia 1996 -01	Latvia 1991 - 95	Lithuania 1996 -01
Weaker	Weaker	Weaker	Stronger	Stronger	Stronger

Table 6.3.1 shows that all three countries experienced strong pressure from international organisations to develop corporatist arrangements in the later period, while this pressure was weaker in the earlier period.

7: Identifying the explanatory factors; Comparative and Historical Analysis

In chapter 5, I found that Estonia and Latvia were closer to a democratic corporatist model in the latest period than they were in the earliest period and than Lithuania was in both periods. In this chapter I will attempt to single out some explanatory factors to these differences. As laid out in Chapter 4, I will first employ the Method of Agreement to identify crucial similarities between Latvia and Estonia in the period from 1996 to the end of 2001. In the second step, I will only compare the countries in the latest period, when many of the factors expected to affect the level of democratic corporatism were similar between the countries. Here I will employ a combination of the Method of Agreement and the Indirect Method of Difference to identify some crucial differences between Estonia and Latvia on one side and Lithuania on the other side. In this way I will single out the variables, which are similar between Latvia and Estonia and different in Lithuania. These variables are likely to explain the higher level of democratic corporatism in Estonia and Latvia in the latest time period.

The variables are dichotomised and treated in a Method of Agreement design in table 7.1 on the next page.

Table 7.1: Comparative table with relative scores; the Method of Agreement

Independent variables	Estonia 1991-1995	Estonia 1996-2001	Latvia 1991-1995	Latvia 1996-2001	Lithuania 1991-1995	Lithuania 1996-2001
Open economy ⁵⁴	Yes	Yes	No	No	Yes	No
Bloc politics combined with radical shifts of governments (92/ 93 – 01)	No	No	No	No	No ⁵⁵	Yes
Parties staying longer than 4 years in government since last PF government ⁵⁶ (92/ 93 – 01)	No	No	No	Yes	No	No
Social democratic and socialist parties long time in government (92/ 93 – 01)	Yes	Yes	No	No	Yes	Yes
High pressure from international organisations	No	Yes	No	Yes	No	Yes
Longer time to develop democratic corporate structures (91 – 01)	No	Yes	No	Yes	No	Yes
Dependent variable: Relatively high level of democratic corporatism at state level	No	Yes	No	Yes	No	No

Notice that the three government related variables for the latest period in table 7.1 refer to the entire period from the last popular front supported governments resigned in 1992/ 1993 to the end of 2001. The reason for this is that the corporate systems in the latest period are continuation of the systems the earliest period. Hence I expect government characteristics in both periods to influence the level of democratic corporatism in the latest period. The government characteristics only reveal themselves over time. Staying-time of government parties for more than four years can for example not be identified in a period of less than four years. On the contrary, the variables of open economy and pressure from international

⁵⁴ Trade in goods amounts to more than 100% of GDP.

⁵⁵ The radical shift between Popular Front (Sajūdis) and LDLP is not included.

⁵⁶ All countries are given no on this variable in 1996 because of the short time lap since last Popular Front supported government resigned.

organisations need shorter time to be measured and each of the countries have different values on these between the time periods. Therefore I consider openness of economy and pressure from international organisations exclusively in the latest period as factors, which may explain the level of democratic corporatism in the same period. The variable of time to develop democratic corporate structures for the latest period refers to the entire period from regaining independence in 1991 to the end of 2001, because this variable is a measure of time since Soviet totalitarianism.

The Method of Agreement design shows that both the cases with a relatively high level of democratic corporatism also had high pressure from international organisations, longer time to develop corporatist structures and absence of bloc politics combined with radical shifts of governments. Two of these variables divide between the two time periods. In the latest period between 6 and 11 years had already passed since the countries regained their independence from the Soviet Union. Accordingly they had had some time to develop democratic corporatist structures. Since 1995 all three countries were applicants for accession to the EU. This meant that pressure from the EU Commission to develop democratic corporatist structures was strongest in the latest period from the beginning of 1996 to the end of 2001. The other similarity between Estonia and Latvia in the latest period was that government formation in neither of the countries had been marked by the combination of bloc politics and radical shifts of governments. This analysis identifies the factors connected to the latest time period, being that longer time to develop democratic corporatist structures had passed and the pressure from international organisations was high, as explanatory to a relatively high level of democratic corporatism. In addition, the analysis identifies absence of the combination of bloc politics and radical shifts of governments as explanatory to this outcome.

The second comparative analysis is a combination of the Method of Agreement and the Indirect Method of Difference in a most similar design. That's why I have compared the systems in the period from 1996 to the end of 2001. In this period the countries shared many of the factors expected to influence the level of democratic corporatism, but still this level was unequal. This means that Latvia and Estonia are contrasted to Lithuania. The comparison is illustrated in table 7.2 on the next page.

Table 7.2: The Method of Agreement between Estonia and Latvia combined with the Indirect Method of Difference against Lithuania.

Independent variables	Estonia 1996 - 2001	Latvia 1996 - 2001	Lithuania 1996 - 2001
Open economy	Yes	No	No
Bloc politics combined with radical shifts of governments (91 – 01)	No	No	Yes
Parties living longer than 4 years in government since last PF government (91 – 01)	No	Yes	No
Social democratic or socialist parties more than one year in government (91 – 01)	Yes	No	Yes
High pressure from international organisations	Yes	Yes	Yes
Longer time to develop democratic corporate structures (91 – 01)	Yes	Yes	Yes
Dependent variable: Relatively high level of democratic corporatism operating at state level	Yes	Yes	No

Also in table 7.2 the three government related variables refer to the time from the last popular front supported government resigned in 1992/ 1993. The variable of time to develop democratic corporate structures refers to the entire period from 1991 to the end of 2001. The variables of openness of economy and pressure from international organisations refer exclusively to the period from 1996 to the end of 2001. The table shows that Lithuania from 1996 to the end of 2001 differed from Estonia on two of the six independent variables, and from Latvia on three of the six independent variables. This means that in a pair wise comparison between Lithuania and Estonia, both the more open economy and the absence of ‘bloc politics combined with radical shifts of governments’ in Estonia would come out as likely explanations to the higher level of democratic corporatism there. A pair wise comparison between Lithuania and Latvia would sort out the absence of ‘bloc politics combined with radical shifts of governments’, ‘parties with long living time in government’ and short time of social democratic or socialist parties in government as the likely explanatory variables to the higher level of democratic corporatism in Latvia. But if the less open economy in Lithuania than in Estonia contributed to create a lower level of democratic corporatism in Lithuania, one could ask about why the less open economy in Latvia did not

appear with the same result. The same type of question could be asked about the variables that distinguished Latvia from both other countries.

The logic of this analysis only accepts factors, which are similar between the cases with a relatively high level of democratic corporatism, but are different in the case with a relatively low level of democratic corporatism, as explanatory. In this way I remain with only one variable likely to explain the lower level of democratic corporatism in Lithuania than in Estonia and Latvia in the latest period. The characteristic, dividing Lithuania from Latvia and Estonia, was that Lithuania in the period since the last Popular Front supported government resigned in late November 1992 had bloc politics, which was combined with radical shifts of governments from 1996⁵⁷. My analysis suggests that this characteristic can explain the difference in level of democratic corporatism between Lithuania and Latvia and Estonia in the period from the beginning of 1996 to the end of 2001⁵⁸.

In this way the Method of Agreement analysis illustrated in table 7.1 has singled out a combination of three characteristics as explanatory to a relatively high level of democratic corporatism, when both time periods are regarded. These are: Absence of ‘bloc politics combined with radical shifts of governments’ combined with the 2001 related characteristics of ‘longer time to develop democratic corporatist structures’ and ‘high pressure from international organisations’. The analysis illustrated in table 7.2 suggests that the existence of ‘bloc politics combined with radical shifts of governments’ is the reason that Lithuania had a relatively low level while Estonia and Latvia had a relatively high level of democratic corporatism in the latest time period.

Boolean minimisation, as presented in chapter 4, is a method of detecting combinatorial causal relationships by the logic known from experimental designs. In this method a variable can only be eliminated if all other variables have equal values in two or more cases. In my analysis there are six independent variables and six cases when both points of time are considered in table 7.1. Only two of these cases had the output of relatively high level of

⁵⁷ Lithuania had bloc politics, in the form of a “left-wing” government, constituted of the successor party of the Communist Party the LDLP, from November 1992 to November 1996. The first replacement of government parties, after the replacement of the last popular front supported government in late November 1992, happened in late November 1996. This was a radical shift, where the LDLP was replaced with a conservative coalition government led by the successor party of the Popular Front – the Homeland Union.

⁵⁸ In the case of Latvia, this really means the time after the National Tripartite Co-operation Council started to work in the beginning of 1999.

democratic corporatism on the dependent variables. Attempting to find the variables that distinguished these two cases from the other cases, I soon learned that Boolean minimisation could not help me. The reason was that too many independent variables differed between these cases, and this made it impossible to eliminate variables by logic applied in Boolean minimisation. What I did in the comparison between Lithuania and Estonia and Latvia in the period from 1996 to the end of 2001 was actually to eliminate all three variables with different values in Estonia and Latvia. In this way I broke with the principle of Boolean minimisation, which is that a variable can only be eliminated if all other variables have equal values in two or more cases. My analysis had only two cases with high level of democratic corporatism, and this made it very unlikely that these two cases differed only in one independent variable. That's why I was far more lenient than I could have been if I had followed the strict logics applied in Boolean minimisation. My comparison was simply strained by too few cases and too many variables for that. Thus I took a risk of excluding variables that should not have been excluded. Therefore my conclusion cannot rest simply on the comparative schemes presented in this chapter. It also needs to be supported by the historical elaboration laid out in the preceding chapters.

The following section is a very brief summing up of some of the historical elaboration of corporatist arrangements and the mainly government related factors expected to influence them. This will be followed by a consideration of how government characteristics may have influenced corporatist arrangements. I will also refer to the answers of the persons interviewed, who were engaged in tripartite bargaining at state level in each of the countries, to why the bargaining on specific occasions has been halting. First it must be established how the longer time since regaining independence and the higher pressure from international organisations combined with absence of 'bloc politics combined with radical shifts of governments' may have contributed to a higher level of democratic corporatism. Second it must be established how bloc politics from 1992, which was combined with radical shifts of governments from 1996 may have caused the lower level of democratic corporatism in Lithuania than in Estonia and Latvia in the period from 1996 to the end of 2001.

How these factors may have influenced the level of democratic corporatism

The finding that both cases with a relative high level of democratic corporatism were from the last time period was hardly surprising. To make an obvious point, the systems in the latest

period were continuations of the systems in the earliest period. This means that the development in Estonia and Latvia was towards a higher level of democratic corporatism. This seemed to be the development also in Lithuania, in spite of my assessment that the country was further from a model of democratic corporatism than Estonia and Latvia in the latest period. Still, I would like to remind that both tripartite agreements at state level in Lithuania were concluded after May 1995 and that Lithuania in both periods had a clearly larger number of tripartite councils operating at state level than Estonia and Latvia. Chapter 6.3 dealt with the pressure from international organisations to develop corporatist arrangements. It seems very likely that the pressure from the EU has contributed to develop tripartite structures in the three countries, during the time since the Commission published its first opinion on the membership applications in 1997. Financial support from the Phare fund of the EU to the 'Promotion of Bipartite Social Dialogue' national project in Latvia in 2001 and the Estonian national program 'Promotion of Social Dialogue on the on the Employers' and Workers' Organisations Level' of the same year, should have had an even more direct impact. The following sections are devoted to the more difficult question of how 'bloc politics combined with radical shifts of governments' may have had a negative impact on the development of corporatist arrangements at state level in Lithuania.

The first part of chapter 5.1 dealt with the second component of democratic corporatism, which was a concentrated system of interest groups. This was measured as high membership rates of employees in trade unions and high coverage rates of employers' organisations in the economies. I considered that Latvia had the most and Lithuania the least concentrated system of interest groups by the end of 2001, mainly because membership rates in trade unions and coverage rates of employers' organisations of employment were highest in Latvia and lowest in Lithuania. One should however notice that the membership rates in trade unions of ordinary employees and persons engaged lower, middle and higher management decreased radically between 1994 and 1999. The decrease was from 84% to 16% in Latvia, from 33% to 8% in Lithuania and from 23% to 12% in Estonia. In 1999, Latvia did not only have the highest membership rates in trade unions. The decline of membership rates since 1994 had also been most radical there. This means that if membership rates continued to decline most rapidly in Latvia, one could not take for granted that the membership rates were still highest in Latvia by the end of 2001. I have chosen not to consider the trade union membership rates in relationship with bloc politics combined with radical shifts of governments, because the three countries were more similar than different with regards to this de-unionisation process. The

higher membership rates in Latvia in 1999 than in her southern and northern neighbour seem most likely to reflect the membership rates in 1994 and that membership rates started to decline later in Latvia than in Estonia and Lithuania. Still I will repeat the argument from chapter 3.2 that the strong position of the successor organisation of the Soviet trade union organisation and the fact that it did not split might have contributed to the later decrease in membership rates in trade unions in Latvia. This also means that splitting of the central trade union organisation either along political or occupational lines may have contributed to faster decline in membership rates. Bloc politics was again a likely cause to the splitting along political lines in Lithuania.

The second part of chapter 5.1 dealt with the third component of democratic corporatism. This was high centralisation of interest groups, meaning hierarchical control where few central organisations were taking part in the bargaining on state level as the only organisations existing or with mandate to negotiate on behalf of other organisations. This chapter showed that Latvia had the most centralised system of trade union organisations, because the FTUCL was the only existing central trade union organisation in the whole period. Estonia had the second most centralised system of trade union organisations with two central organisations from 1992. The larger CETU represented mainly blue-collar employees while the smaller EPEUA represented mainly white-collar employees. Both were represented in the most important tripartite councils operating at state level, but in most tripartite agreements at state level only the CETU was represented. Lithuania had the clearly least centralised system of trade union organisations with four central organisations until 2002. The two organisations the LTUU and the LTUC, which had a relationship with the Lithuanian Social Democratic Party, merged in the beginning of 2002 to form the LTU Confederation. From that time, there were two other organisations. The small Lithuanian Labour Federation (LLF) worked after a Christian social doctrine. The Lithuanian Workers Union had historical ties to the Popular Front (Sajūdis).

This means that both two parties, which constituted the historical origin of the left – right cleavage, namely the Lithuanian Democratic Labour Party (LDLP), which was the successor party of the Communist Party, and Sajūdis, had their sympathetic trade union organisations. In addition, the conservative Lithuanian Christian Democratic Party might find support in the Christian central trade union organisation, the LLF. It is however important to notice that even though the LWU had historical ties to Sajūdis, the organisation had not been supportive

to its successor party, the conservative Homeland Union. On the contrary the LWU was putting up political protests against the conservative government in 2000. Further, the secretary general of the LLF reported that they had no close relations to any political party in 2002, even though they cooperated best with Christian organisations (e-mail correspondence with Rekesiene 19.11.02). Still, it seems likely that the clearer differences between the leftist and rightist parties building on the historical cleavage between the LDLP and Sajûdis, has been a direct cause to the more divided structure of central trade union organisations in Lithuania.

The Secretariat of the Tripartite Council of the Republic of Lithuania (TCRL) concluded that the works of the council was insufficiently efficient in 1999 amongst others because of “*the absence of an uniform opinion amongst the representatives of the trade unions*” (TCRL web e, 04.11.02). This indicated that the less centralised system of trade union organisations in Lithuania may have caused a less continuous process and less efficient system of corporatist bargaining at state level than in Estonia and Latvia. This would be interaction between the different components of the dependent variable of democratic corporatism.

Chapter 5.2 was devoted to the fourth and most important part of democratic corporatism. This was the development of a system of bargaining between central trade union organisations, central employers’ organisations and the government. In November 2001 I asked the lawyer of the Lithuanian Trade Union Unification why he thought no tripartite agreements on minimum wage had been concluded in Lithuania after 1998, even though the social partners agreed to do so annually in 1999. He answered that the takeover of government of the in his eyes trade union hostile conservative parties after the 1996 elections had disrupted the social dialogue (interview Pivoras 19.11.01). Answering the same question, the head of the Business Social Policy Department in the Confederation of Lithuanian Industrialists, mentioned unsteadiness of governments as an explanation. On top of having problems to agree between themselves, the trade union organisations and employers’ organisations had to start the negotiations with one government, continue with another government and in the end agree with a third government (interview Zickute. 27.11.01). When asked about how frequent shifts of governments had affected the Tripartite Council of the Republic of Lithuania (TCRL), two chief specialists at the Ministry of Social Security and Labour expressed that every government pursued different issues and different ideas in the tripartite council. They mentioned the liberalisation of labour relations accomplished by the

Liberal Union and New Union government in 2000, followed by a move towards a more 'social' direction after the social democrats entered the government in 2001 as an example of this (interview Daiva Petrylaite and Ramune Guobaite 29.11.01).

These comments from centrally placed persons indicated that the situation in Lithuania in 2000 and 2001, with three governments having different placements on the ideological left – right cleavage in less than one year, resulted in low continuity in the works of the TCRL. That a representative of the social democratic trade union organisation considered the conservative government as not interested in maintaining the social dialogue at state level, is hardly surprising. Still it suggests that radical shifts of governments from the left side to the right side on the political cleavage may have a disrupting effect on the development of corporatist arrangements on state level and on the relationship between the central organisations of employers and employees and the government. In this way bloc politics combined with radical shifts of governments may have had an unfavourable effect on corporatist bargaining and the development of the system for such bargaining on state level.

The conclusion is that the historical analysis and the answers from the persons interviewed who were involved in tripartite bargaining at state level, give support to the findings of the comparative analysis. The combination of bloc politics and radical shifts of governments can explain that Estonia and Latvia were somewhat closer than Lithuania to the model of democratic corporatism in the latest time period. Radical shifts of governments from one side to the other on the left – right cleavage may have disrupted the social dialogue between the government and the central organisations of employers and employees as well as the work of the governments in developing the system for corporatist bargaining at state level and building relationships with the interest group organisations. Further the clearer divide between leftist and rightist political parties has been directly reflected in a more divided system of central trade union organisations in Lithuania.

On the other hand interaction between the different components, which constitute the concept of democratic corporatism, is also likely to have occurred. One reason is that the more divided system of central trade union organisations in Lithuania may have made it more difficult to reach tripartite compromises at state level and thereby to have a continuous and prosperous social dialogue.

8: Conclusions

Especially in Estonia and Latvia the systems were closer to the democratic corporatist model in the end of 2001 than in the end of 1995. By employing the Method of Agreement, I found that longer time to develop democratic corporatist structures as well as stronger pressure from international organisations affiliated to the accession process to the EU, distinguished the countries in the latest period from the earliest period. Therefore it is likely that the pressure from the EU since the Commission published its first opinion on each of the countries applications for membership in 1997, as well as the financial support from the EU Phare fund have had a positive impact on the development of arrangements for social dialogue between the organisations of employers and employees and the governments or governmental institutions. The longer time since Soviet totalitarianism to develop democratic corporatist structures should be another reason for the higher level of democratic corporatism in the latest period.

My assessment was that Estonia and Latvia were somewhat closer to the democratic corporatist model than Lithuania in the latest period. In the final step of the comparison I contrasted Lithuania with Estonia and Latvia in the period from 1996 to the end of 2001. Here I looked for reasons why Lithuania was further away from the model of democratic corporatism than Estonia in the whole period and Latvia from the beginning of 1999, while sharing many of the factors expected to be favourable to democratic corporatism. I found that bloc politics from the last Popular Front supported governments resigned in 1992, combined with radical shifts of governments after 1996, distinguished Lithuania from Estonia and Latvia. Therefore this characteristic was likely to be explanatory to the higher degree of democratic corporatism in Estonia and Latvia than in Lithuania in the latest period. Also the historical elaboration and the answers from interviewees who were involved in tripartite bargaining at state level, supported to this hypothesis.

One of my introductory assumptions was that corporatist arrangements were less exposed to setbacks if the continuity of government parties was high. I compared continuity of government parties by the longest duration of government parties in each country. The comparative analysis indicated that in a pair wise comparison between Latvia and Lithuania in the latest period, the long duration of two government parties in Latvia by the end of 2001, might have contributed to the higher level of democratic corporatism in Latvia than in

Lithuania. On the other hand, not only Lithuania, but also Estonia had low duration of government parties until the end of the latest period. Therefore duration of government parties could not explain the differences between the cases. Still, the government continuity perspective was also included in the hypothesis that occurrence of bloc politics combined with radical shifts of governments could explain low level of democratic corporatism at state level. Frequent occurrence of radical shifts of governments, where all government parties are replaced, prohibits long duration of government parties. Bloc politics combined with radical shifts of governments further implies radical breaks between governments, because they belong to the different sides of the main political cleavage. In this way the explanatory factor, of bloc politics combined with radical shifts of government, is not restricted to imply low continuity of government parties, but it also includes radical shifts of government orientations.

My assumption that openness of economy could explain the different levels of democratic corporatism between the countries was not supported by the comparative analysis. Only Estonia had an open economy in the period from 1996 to the end of 2001, measured as a value of trade in goods annually contributing to more than 100% of the GDP. Still, Estonia and Latvia distinguished themselves from Lithuania by a higher level of democratic corporatism operating at state level in this period. This means that Katzenstein's argument that the open economies of the small Western European countries forced these countries to become more corporatist than larger democracies, cannot explain the difference in development between Latvia and Lithuania. On the other hand, the stated purpose of the extensive 'Agreement to speed up the work to set the level of qualifications of employment seekers in accordance with the requirements of the employment market for the period 2001 – 2004', concluded in Estonia in December 2000, was to secure that the Estonian workforce was highly compatible in the open international employment market (see appendix B, agreement E14). This agreement reminds me about Katzenstein's argument that governments in small countries with open economies join forces with the organisations of employees and employers to form strategies to make the best of possible out of the impacts of the international markets. This shows that the open economy of Estonia should have contributed to the conclusion of this tripartite agreement.

My finding that Lithuania was furthest away from the model of democratic corporatism in the period before 2002 was contrary to the expectations related to the assumption that socialist

and social democratic parties were the initiators and guardians of democratic corporatist arrangements. The Lithuanian Communist Party transformed itself to a social democratic party. In contrast to their Latvian and Estonian counterparts, this party was successful in elections and was alone in government from December 1992 to November 1996. On the contrary, there have been no left wing governments in Estonia and Latvia. To the defence of the thesis about the role of socialist or social democrat parties in developing corporatist arrangements, it should be mentioned that the Lithuanian social democrats were in opposition from November 1996 to October 2000.

In the first chapter I laid out some possible negative implications from a lack of development of corporatist arrangements. Seen in association with these, the conclusion that the development in at least Estonia and Latvia has been towards the model of democratic corporatism, gives reason to some optimism. On the other side it is important to notice that implementation of tripartite agreements on state level does not necessarily lead to better conditions for employees. The clearly higher minimum wage rates in proportion to the national minimum subsistence level in Lithuania than in Estonia and Latvia since 1996 is a reminder of this. Even though the social partners in Estonia concluded state level tripartite agreements about raising the national minimum wage rates annually since 1995, this wage did not amount to more than 131% of the national subsistence minimum in 2002. On the contrary, the minimum wage in Lithuania amounted to 344% of the national subsistence minimum in 2002, despite the fact the social partners had failed to raise the minimum wage rates since 1998. This finding suggests that Slomp's description of the Western and Southern European experience, where trade unions have been granted a place at the table with the government as well as legitimacy as political players in compensation for wage restraint, can describe also the Estonian case.

This may indicate that the trade unions have been the weakest part in the tripartite bargaining, which goes along with the very low membership rates. In 1999 the membership rates in trade unions amongst ordinary employees and persons engaged in lower, middle and higher management were only 8% in Lithuania, 12% in Estonia and 16% in Latvia. From the point of view of the trade unions, the development may seem somewhat contradictory: The membership rates in trade unions declined sharply in all three countries, and especially in Latvia, from 1994 to 1999. During the same period tripartite arrangements at state level developed considerably, especially in Latvia and Estonia. This leads us to a question about

how real these corporate structures are. Are they only scenery put up to implement the requirements from the EU about social dialogue, or do the trade union organisations and employers' organisations have real power in state policies through tripartite arrangements? There is not necessarily a contradiction between these two positions. One may implement the EU requirements and exercise real tripartite social dialogue at the same time. This thesis has mainly focused upon discovering the structures for state level tripartite negotiations. More research is necessary to evaluate the functioning of these arrangements. Even though I cannot make a general evaluation, this thesis has shown that decisions made on a tripartite basis do affect a substantial number of employees and employers in the three countries. Especially the settlement of minimum wage through tripartite agreements is important to mention here.

I have argued that the government may well be the initiator of democratic corporatism in a phase when the trade union organisations and the employers' organisations are still weak. The Estonian and Latvian situation that membership in trade unions are declining at the same time as the trade union organisations are increasing their participation in state policy-making and are getting more involved in dialogue with the government, may be described as the government lending legitimacy to trade unions through partnership in agreements. This has been the happening in Estonia since the first year of independence. The government and the Confederation of Estonian Trade Unions (CETU) signed 'The Framework Agreement on Social Guarantees for 1991' already in February 1991, six months before the final declaration of independence. In this perspective, the tripartite agreement on stipulation of minimum wage of 2001 is important. Here it was agreed that the government should withdraw, and the minimum wage rates from 2003 to 2008 should be settled according to the principles of a bipartite agreement between the CETU and the EEC. The future will show if this means that Estonia has passed the stage of government dominated democratic corporatism in favour of a model where the government is weaker and the interest group organisations are stronger. Such a development towards arrangements where the government acts not as a direct participant, but as arbitrator and mediator relative to employers and employees, would be towards the Scandinavian model. One can ask if the steps of Estonia in this direction means that Estonia is on a different path than Latvia and Lithuania, or if the two latter also will follow in the same direction.

The institutional framework for tripartite negotiation at state level has become most potential powerful and filled with most continuous bargaining in Estonia and in Latvia after the

National Tripartite Co-operation Council started to work in the beginning of 1999. Also in Lithuania some progress has been made since the end of 1995 in developing the institutional framework for tripartite negotiation at state level. The establishment of the secretariat of the Tripartite Council of the Republic of Lithuania in 1998 and the conclusion of the 'Agreement on tripartite cooperation' in 1999 are examples of such progress. Provided that especially the trade union side grows in membership and strength, the institutional framework developed by the end of 2001 can facilitate improvement of interest group representation in state policy-making in all of the three countries in the future. This would mean a development towards the models of democratic corporatism, in Katzenstein's terms, or societal corporatism, in the terms of Schmitter.

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<http://wbi0018.worldbank.org/eca/eca.nsf/General/40F8E9D019CE2E5C8525695800636022?OpenDocument>)

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Appendix A: Abbreviations

CEEI: The Confederation of Estonian Employers and Industry

CEEO: The Confederation of Estonian Employers' Organisations

CEI: The Confederation of Estonian Industry

CEIE: The Confederation of Estonian Industry and Employers

CETU: The Confederation of Estonian Trade Unions

CFFE: The Council of the Fund to Fulfil Employees' Claims Related to Labour Relations of Bankrupt Enterprises and Enterprises under Bankruptcy

CFTU: The Confederation of Free Trade Unions

CIS: The Commonwealth of Independent States

CLBE: The Confederation of Lithuanian Business Employers

CLI: The Lithuanian Confederation of Industrialists

CP: The Centre Party

CPP: The Conservative People's Party

CPRU: The Coalition Party and Rural Union

CPSU: The Communist Party of the Soviet Union

CU: The Centre Union

DPM: The Democratic Party – Master

EACE: The Estonian Association of Construction Entrepreneurs

ECCI: The Estonian Chamber of Commerce and Industry

ECDU: The Estonian Christian Democratic Union

ECP: The Estonian Coalition Party

EEC: The Estonian Employers' Confederation

ENIP: The Estonian National Independence Party

EPEUA: The Estonian Professional Employees' Union Association

ETUC: The European Trade Union Confederation

EU: The European Union

FFF: For the Fatherland and Freedom

FFU: The Fatherland and Freedom Union

FHRUL: For Human Rights in a United Latvia

FTUCL: The Free Trade Union Confederation of Latvia

GATT: The General Agreement on Tariffs and Trade

HLRE: Harmony for Latvia – Revival of the Economy

HU: The Homeland Union

ICFTU: The International Confederation of Free Trade Unions

ILO: The International Labour Organisation

IOE: The International Organisations of Employers

LBA: The Lithuanian Businessmen Association

LBEC: The Lithuanian Businessmen Employers' Confederation

LCCI: The Latvian Chamber of Commerce and Industry

LCDP: The Lithuanian Christian Democratic Party

LCDU: The Latvian Christian Democratic Union

LCU: The Lithuanian Centre Union

LDLP: The Lithuanian Democratic Labour Party

LEC: The Latvian Employers Confederation

LFU: The Latvian Farmers Union

LLF: The Lithuanian Labour Federation

LNIP: The Latvian National Independence Party

LSDP: The Lithuanian Social Democratic Party

LTU Centre: The Lithuanian Trade Union Centre

LTUC: Lithuanian Trade Union Confederation

LTUU: The Lithuanian Trade Union Unification

LU: The Liberal Union

LUP: The Latvian Unity Party

LW: Latvia's Way

LWU: The Lithuanian Workers Union

NATO: The North Atlantic Treaty Organization

NBC: The National Businessmen Confederation

NEP: The New Era Party

NP: The New Party

NTCC: The National Tripartite Co-operation Council
NU: The New Union
PP: The People's Party
PP: The Progress Party
RCP: The Republican Coalition Party
RP: The Reform Party
SDC: The Social Democratic Coalition
SDP: The Social Democratic Party
SDWP: The Social Democratic Workers Party
SEC: The Social and Economic Council
SSIF: The State Social Insurance Fund
TBT: The Baltic Times
TCCESTUL: The Tripartite Consultative Council of Employers the State and Trade Unions of Latvia

TCRL: The Tripartite Council of the Republic of Lithuania
The Coalition: The Coalition Party and the Country People's Party
TLPCC: The Tripartite Labour Protection Consultative Council
TSSC: The Tripartite Social Security Council
TULSSR: The Trade Unions of the Latvian Soviet Socialist Republic
UE: The Union of Economists
UNDP: The United Nations Development Program
UNICE: The Union of Industrial and Employers' Confederations of Europe
USSR: The Union of Soviet Socialist Republics
WCL: The World Confederation of Labour

Appendix B: Chronological table of state level agreements

	Estonia *a	Latvia	Lithuania *b
1991	E1 *C “Framework agreement on social guarantees for 1991” (bipartite between the CETU and the government) 12.02.1991, Tallinn.		
1992	E2 “Framework agreement on social guarantees for 1992” 07.04.1992, Tallinn		
1993	E3 “Agreement on major questions concerning social guarantees for 1993” 28.03.1993, Tallinn		
1994			
1995	E4 “Agreement on adjustment of minimum wage and unemployment benefits” 28.12.1995, Tallinn		LI1 “Agreement On tripartite partnership Between the Government of the Republic of Lithuania, Organisations of Trade Unions and Employers” 05.05.1995, Vilnius
1996	E5 “Agreement on development of participatory democracy” 20.12.1996, Tallinn E6 “Agreement on adjustment of minimum wage” 20.12.1996, Tallinn	LA1 “Agreement on Principles of Social Partnership” (bipartite between the FTUCL and the LEC) July 1996	
1997	E7 “Agreement on establishing guarantee fund for employees in case of employers’ insolvency” 06.06.1997, Tallinn E8 “Agreement on the method of calculating subsistence minimum” 20.06.1997, Tallinn E9 Agreement on adjustment of minimum wage 21.11.1997, Tallinn		

1998	<p>E10</p> <p>“Agreement on minimum wage and the limit of tax free income” 22.10.1998, Tallinn</p>	<p>LA2</p> <p>“By-law of the National Tripartite Co-operation Council” 30.10.1998</p>	
1999	<p>E11</p> <p>“Agreement on establishing tripartite employment councils” 26.08.1999, Tallinn</p> <p>E12</p> <p>“Agreement on minimum wage and tax free income” 13.09.1999, Tallinn</p>		<p>LI2</p> <p>“Agreement on tripartite cooperation Between the Government of the Republic of Lithuania, Organisations of Trade Unions and Employers” 11.02.1999, Vilnius</p>
2000	<p>E13</p> <p>“Agreement on requirements to minimum wage” 08.11.2000, Tallinn</p> <p>E14</p> <p>“Agreement on a common action plan to speed up the work to set the level of qualifications of employment seekers in accordance with the requirements of the employment market for the period 2001 – 2004” 18.12.2000, Tallinn</p>	<p>LA3</p> <p>“By-law of the Labour Issues Tripartite Co-operation Sub-council” 08.03.2000</p> <p>LA4</p> <p>“By-law of the Professional Education and Employment Tripartite Co-operation Sub-council” 12.07.2000</p>	
2001	<p>E15</p> <p>“Agreement on requirements to minimum wage” 25.09.2001, Tallinn</p> <p>E16</p> <p>“Agreement on the procedures of appointing the national arbitration tribunal officer” 26.10.2001, Tallinn</p>	<p>LA5</p> <p>“By-law of the Health Care Branch Sub-council” 21.03.2003</p>	

*a: Øyvind and Imbi Rangøy in Tartu have translated the Estonian agreement texts to Norwegian.

*b: UAB “Litinterp” in Vilnius have translated the Lithuanian agreement texts to English.

*c: For English translations and Lithuanian copies of LI1 – LI2, English translation LA2, Norwegian translations and Estonian copies of E1 – E15 and Latvian copies of LA3 – LA5; do not hesitate to inquire me at: Sturle10000@hotmail.com.

Appendix C: List of interviews⁵⁹

Harri Taliga	Social Secretary of the Confederation of Estonian Trade Unions	Tallinn, 01 November 2001
Aija Bilzena	Secretary assistant of the National Tripartite Co-operation Council	Riga, 09 November 2001
Laimonas Pivoras	Lawyer of Lithuanian Trade Union Unification	Vilnius, 19 November 2001
Laura Zickute	Legal advisor, Social Policy Department of the Confederation of Lithuanian Industrialists	Vilnius, 27 November 2001
Daiva Petrylaite and Ramune Guobaite	Specialists at the Labour Relations and Remuneration Division, Lithuanian Ministry of Social Security and Labour	Vilnius, 29 November 2001
Eike Hindov	Head of the ILO and Labour Relations Department, Estonian Ministry of Social Affairs	Tallinn, 04 December 2001
Raul Eamets	Researcher, Faculty of Economic and Business Administration, University of Tartu	Tartu, 06 December 2001
Tarmo Kriis	Deputy Director of the Estonian Employers' Confederation	Tallinn, 07 December 2001
Ieva Jaunzeme	General Director of the Latvian Employers' Confederation	Riga, 14 December 2001

⁵⁹ Hindov, Eamets and Zickute also answered to questions on e-mail on the 17th of December, the 19th of November and the 21st of November 2002. Regina Rekesiene, the Secretary General of the Lithuanian Labour Federation, answered to questions on e-mail on the 19th of November 2002.

Appendix D: List of articles from The Baltic Times:⁶⁰

Issue TBT#127 (24.09.1998): *Russian woes could force unemployment up*

Issue TBT #167 (22.07.1999): *Farmers' protest falls on deaf ears*
Rokas M. Tracevskis

Issue TBT#149 (11.03.1999): *Savisaar scores bittersweet victory: Centrists win election, not likely to form government*, TBT staff

Issue TBT#152 (01.04.1999): *New government takes office*
Denise Albrighton

Issue TBT#176 (23.09.1999): *Sticky problems in sugar industry*
Paul Beckman

Issue TBT#178 (07.10.1999): *Sugar plant workers picket in Lithuania*

Issue TBT#179 (14.10.1999): *Rescue decision gets a mixed reaction*
Paul Beckman

Issue TBT#197 (02.03.2000) a: *Lithuania's workers rally while the iron is hot*
Peter J. Mladineo

Issue TBT#197 (02.03.2000) b: *Pedophilia documents surrendered to intelligence*
J. Michael Lyons

Issue TBT#198 (09.03.2000): *Bitter taste in Lithuanian sugar industry's mouth*
Peter J. Mladineo

Issue TBT#199 (16.03.2000): *Unpaid workers vow hunger strike to death*
Darius James Ross

Issue TBT#200 (23.03.2000) *Kaunas workers continue hunger strike after exam*
Darius James Ross

Issue TBT#201 (30.03.2000): *Kaunas workers call off hunger strike*

Issue TBT#203 (13.04.2000): *Skele resigns top post for third time*,
Valters Medenis

Issue TBT #206 (11.05.2000) a: *Big cheers, but few changes for new team*
Philip Birzulis

Issue TBT #206 (11.05.2000) b: *Brazauskas makes a political comeback*
Rokas M. Tracevskis

⁶⁰ All the articles are available on a Word file in the enclosed disk.

Issue TBT#208 (25.05.2000): *High taxes under the gun in Vilnius*
Peter J. Mladineo

Issue TBT#220 (17.08.2000): *Landscape before the election battle looks colorful*
Rokas M. Tracevskis

Issue TBT#228 (12.10.2000): *Lithuanian elections: winners & losers*
Rokas M. Tracevskis

Issue TBT#248 (15.03.2001): *Opposition victorious in local elections*
Nick Coleman

Issue TBT#250 (29.03.2001): *Social Democrats take Riga*
Jorgen Johansson

Issue TBT#262 (21.06.2001): *Paulauskas asks Paksas to leave*
Rokas M. Tracevskis

Issue TBT#263 (28.06.2001): *Brazauskas likely to be next PM*
Rokas M. Tracevskis

Issue TBT#264 (05.07.2001): *Lithuania welcomes new prime minister*
Rokas M. Tracevskis

Issue TBT#266 (19.07.2001): *Brazauskas presents his program*
Rokas M. Tracevskis

Issue TBT#271 (23.08.2001): *Honest Joe plans new party*
Rita Bubina

Issue TBT#276 (27.09.2001): *Ex-communist to lead Estonia to Europe*
Aleksi Gunter

Issue TBT#282 (08.11.2001): *Central bank chief fails to illuminate*
Jorgen Johansson

Issue TBT#284 (22.11.2001) a: *New right-wing party hopes to muster support*
Aleksi Gunter

Issue TBT#284 (22.11.2001) b: *Slezevicius wins victory against Lithuanian state*
BNS

Issue TBT#288 (20.12.2001): *Savisaar conquers Tallinn*
Aleksi Gunter

Issue TBT#289 (10.01.2002): *Laar resigns, ruling block in tatters*
Aleksi Gunter

Issue TBT#291 (24.01.2002) a: *Kallas to form new government*
Aleksi Gunter

Issue TBT#291 (24.01.2002) b: *Land sales vote may complicate EU talks*
Bryan Bradley

Issue TBT#292 (31.01.2002): *Property restitution splits Lithuanian elite*
Tassos Coulaloglou & Rokas M. Tracevskis

Issue TBT#295 (21.02.2002) a: *Independence gets stylish*
Rokas M. Tracevskis

Issue TBT#295 (21.02.2002) b, Opinion: *Social Democrats: still a monolith?*
Rokas M. Tracevskis

Issue TBT#326 (26.09.2002), Opinion: *The anti-politics election*
Philip Birzulis

Issue TBT#328 (10.10.2002): *Out with the old, in with New Era*
Steven C. Johnson

Issue TBT#330 (24.10.2002): *Balts rejoice over Irish endorsement*
Steven C. Johnson

Issue TBT#333 (14.11.2002) a: *New Cabinet*

Issue TBT#333 (14.11.2002) b: *Promising transparency, Repse proclaims "new era"*
Steven C. Johnson

Issue TBT#342 (30.01.2003): *Alcohol poisoning suspects convicted*
Christel Karits

Issue TBT#349 (20.03.2003): *Coalition breakthrough expected this week*
Aleksai Gunter

Issue TBT#351 (03.04.2003): *New Parliament meets while awaiting new Cabinet*
Aleksai Gunter

Issue TBT#352 (10.04.2003): *Estonia's new government ready*
Aleksai Gunter

Appendix E: Laws in English translation⁶¹ and ILO Conventions

Estonia

Estonian Legal Translation Centre:

<http://www.legaltext.ee/en/andmebaas/ava.asp?m=022>

- a) 1994⁶²: The Wages Act, consolidated text June 2001
- b) 1997: Bankruptcy Act, consolidated text May 2002
- c) 1993: Collective Agreements Act, consolidated text 1993
- d) 1996: Public Service Act, consolidated text February 2001
- e) 2002: Riigikogu Election act, consolidated text March 2002
- f) 1992: The Constitution

Latvia

Translation and Terminology Centre:

http://www.ttc.lv/lv/EN_tulkojumi.htm

- g) 2002: Labour Law
- h) 2001: State Civil Service Law
- i) 1999: Official Language Law
- j) 1993: The Constitution of the Republic of Latvia (as amended 2002)

Latvian Law Institute 2002: Statute Master (CD-ROM)

- k) 1991: Collective Agreements Act

⁶¹ All the Estonian and Lithuanian laws were available on the Internet on the 1st of May 2003.

⁶² The first year refers to when the laws first entered into force.

Lithuania

Seimas web document search:

<http://www3.lrs.lt/n/eng/DPaieska.html>

- l) 1991: Law on Wages
<http://www3.lrs.lt/c-bin/eng/preps2?Condition1=21836&Condition2>
- m) 1999: Wages Law (as amended and supplemented by 23 March 1999, No.VIII-1101):
<http://www3.lrs.lt/c-bin/eng/preps2?Condition1=91666&Condition2>
- n) 1991: Law on Collective Agreements:
<http://www3.lrs.lt/c-bin/eng/preps2?Condition1=21098&Condition2>
- o) 1996: Law on Collective Agreements and Collective Labour Agreements:
<http://www3.lrs.lt/c-bin/eng/preps2?Condition1=48320&Condition2>
- p) 1999: Law on Public Service:
<http://www3.lrs.lt/c-bin/eng/preps2?Condition1=94580&Condition2>
- q) 1992: Law on Elections to the Seimas:
<http://www3.lrs.lt/c-bin/eng/preps2?Condition1=21164&Condition2>
- r) 1992: The Constitution of the Republic of Lithuania:
<http://www3.lrs.lt/cgi-bin/preps2?Condition1=21892&Condition2>

Tripartite Council of the Republic of Lithuania web:

- s) 2002: THE LAW ON AMENDING AND SUPPLEMENTING CHAPTER I OF THE LAW ON COLLECTIVE AGREEMENTS AND EMPLOYMENT CONTRACTS OF REPUBLIC OF LITHUANIA:
[http://www.socmin.lt/trisale/DANUSTA%20\(interneto%20svetainei\)/kolektyv.%20sutarc..htm](http://www.socmin.lt/trisale/DANUSTA%20(interneto%20svetainei)/kolektyv.%20sutarc..htm)

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