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How hard a blow for the collective representation of labour interests? – The Baltic industrial relations and the financial crisis

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The article discusses effects of the financial crisis on the bargaining position of labour in the Baltic States based on the power resources approach. It analyses in how far distinctly Baltic characteristics of industrial relations have intensified the crisis impact as compared to other Central and Eastern European Countries. The findings stress two interrelated effects. Firstly, they do reveal a sharp drop in structural power due to the particularly high unemployment rate. Secondly, this trend is accompanied by a loss of associational and institutional power that is likely to have a weakening impact on the bargaining position of labour due to three developments: specific forms of membership losses, the widespread failure of renegotiating collective agreements and the non-compliance of anti-crisis social dialogue results. The author argues that in the outcome the crisis could distinctly intensify the individualised nature of the respective industrial relations systems. This is due to the extremely high costs it would cause labour to reverse the three mentioned developments.

Keywords: financial crisis – industrial relations – Baltic States – power resources

Introduction

The Baltic States have been hit particularly hard by the financial crisis and are still making tremendous efforts to overcome its economic consequences. One important societal area that is influenced by the crisis is labour and the relationship between labour and capital at the individual and collective levels. The Baltic States entered the discussion of the crisis twice. The first time as Latvia came close to state bankruptcy in December 2008 and had to apply for an International Monetary Fund (IMF) rescue loan. At that time, a sense of possible scenarios of whole state bankruptcy sequences began entering the media. Later on, news spread of wage cuts in Latvia between 20-40% as well as pension cuts of equal size. The second time occurred when it was mentioned in the media that the Baltic countries had become an important point of reference: When Greek trade unions actively supported mass protest against planned austerity measures after the Greeks came close to default, the question was raised in the Baltic countries why the Baltic people had not protested with a similar intensity when they faced much heavier cuts and austerity measures (FAZ 5.3.2009, BBN 8.3.2010).

This article uses the observations described above as a starting point for looking deeper into Baltic industrial relations (IR) as well as their condition when hit by the financial crisis and the consequences thereof. The main objective of this article is twofold: (1) provide a first analysis of IR development trends in the Baltic States after the crisis along basic IR indicators used in current research; and (2) show in which way distinct Baltic IR characteristics intensify the structural, associational and institutional power losses due to the financial crisis.

This article bases its analysis on the results of documentary research and expert interviews in Baltic industrial relations. The interviews were conducted in Estonia in September and October 2009 and in Latvia in February and March 2010. Case studies were conducted in 18 enterprises in three sectors – transport, energy and gas, and retail trade – in Estonia and Latvia. These were based on semi-conducted expert interviews with one employer representative – i.e. the human resource manager or the executive director – and with one employee representative, i.e. the trade union or non-trade union representative. In all countries, background talks were conducted with representatives of the national trade union confederation and the national employer association as well as with scientists, the attaché for social and labour policy of the German embassy and a representative of the German Friedrich-Ebert-Foundation. Questions on the consequences of the financial crisis for the given enterprise, sector or country were included in the interviews among other questions.

Chapter 2 describes the weaknesses of Baltic labour prior to the crisis as seen by current literature. Chapter 3 sets the analytical framework of different types of power resources and their interdependence. Chapter 4 analyses the main trends in Baltic industrial relations after the crisis. Finally, chapter 5 summarizes the conclusions that there is preliminary yet strong evidence that labour was still weakened further by the crisis.

Industrial relations in Central and Eastern Europe – why are they weakest in the Baltic states?

Generally speaking, industrial relations in the Baltic States up to the crisis were already highly individualized and dominated by employers. Trade unions play mainly a role in the public sector and in national level social dialogue. Collective representation structures were already in a process of decline before the crisis began; substantiated collective wage bargaining was an exception and not the rule. There is a tripartite consultation institution (NTC) on the national level, which consults consulted the government on socioeconomic topics, a very weak to non-existing sector level of collective bargaining and enterprise-based trade unions of mostly communist origin that often take on the role of employee trustee. At first sight, this sounds like the typical New Member States[1] scenario (NMS8) of industrial relations. However, it quickly becomes clear that the Baltic States show the typical features of NMS8 industrial relations, only in a much more distinct way (Kohl/Platzer 2004). The literature on this topic states three reasons for these specifically Baltic characteristics.

Unlike the other Central and Eastern European countries (CEE) (with the exception of Slovakia), in 1991 Estonia, Latvia and Lithuania not only had to start their transformation process to democracy and market economy, but also the process to becoming a nation-state. The turn to Europe did not only represent a return to the nation's origins and place of belonging but also an active defence against being incorporated by the Russian neighbour ever again. Europeaness in many cases came closer to Non-Russianness then in those states of the former Warsaw Pact that had never been a part of the Soviet Union.

The question of self-identity is even today much more virulent in these countries (Lagerspetz/Vogt 2004), which also has some implications for the feeling of social solidarity as well as the industrial relations systems. As in the rest of Central Eastern Europe, trade unions are associated with the past and, therefore, objected in many cases. There is no strong pre-war history of trade unionism in any of the three countries, with a comparatively more forceful social-democratic tradition in Lithuania and Latvia than in Estonia. In this way, neither the Soviet experience nor the pre-war experience of trade unionism offers a possibility to fall back on previous patterns of collective interest representation of labour. Individualism is, among other things, perceived as a step away from the past and towards Europe, especially in Estonia. From a historical perspective, the main cleavage always went along national lines, concealing the social question of perception and making class-affiliation a less important trait (Gonser 2010). At the same time, there are large Russian-speaking minorities in Latvia and Estonia which are, due to Soviet migration policies, socially excluded for reasons of the citizenship approach, geography and deindustrialisation. Therefore, the left side of the political spectrum is not an option for the ones hit hardest by the social costs of transformation and economic cycles in only a disproportionate, diminished way.

Secondly, the Baltic countries differ from the other NMS8 in the distinctly neoliberal path these states followed during transformation. Neoliberal economic policy has had a consensus among all ruling parties and did not depend on the principle orientation along a right/left scheme (Lagerspetz/Vogt 2004; Smith-Sivertsen 2004). This is due to a strong neoliberal orientation of the elites coming into power at the beginning of transformation as well as to adherence to international consultation in the hope of catching up with those CEE countries that already began transformation in 1989 or even earlier (Bennich-Björkman 2007, Bruszt 2002; Orenstein 2008). Apart from extreme openness and trade dependency, this shows itself in two ways: the way in which the state strengthens the position of labour in the work process through, for example, employment protection legislation; and the way in which the state institutionalises avenues of worker participation and rights protection through, for example, the possibility of codetermination or specialized labour courts. In contrast to the other CEE countries, the Baltic States have for a long time not introduced a comparatively flexible labour law and, in comparison to that, relatively well-covering social security systems (Anspal/Võrk 2007). Until the changes in Latvia and Lithuania in 2002 and in Estonia in 2009, they had highly regulated labour laws with intensive employment protection and only a very basic social security system. Given the fact that, as far as the implementation of employment protection regulation is concerned, the countries suffer a large performance gap, the de facto outcomes show a very flexible labour market along with a low level of social security (Eamets/Paas 2004; Bluhm 2006). In addition, the Baltic States are the only CEE countries that have not established the possibility of an employee representative on the supervisory board of enterprises, i.e. the institution of co-determination. They have also not yet established labour courts, although it has been discussed repeatedly and demanded by the trade unions, which has led to wide-spread under-reporting of violations and resignation on the workers side due to the long wait times for legal trials (Eamets/Masso 2005).

Table 1: Trade union density, employer association density, collective bargaining coverage, strike rate in Estonia, Latvia and Lithuania

	Trade union density Union members as percentage of all employees in dependent employment	**Employer organization density** Percentage of employees employed by companies who are members of an employer organisation	**Collective bargaining coverage** Percentage of employees covered by collective agreements	**Strike rate** Number of working days lost through industrial action per 1,000 employees (annual average 2004–2007). Number of working days lost through industrial action per 1,000 employees (annual average 2004–2007)
Czech Republic	Ca. 22%	n.a.	26.5%	< 10
Estonia	7,6%	25%	Ca. 25%	0.73
Hungary	16.9%	40%	25.5%	5.1
Latvia	Ca. 10-12%2	30%	Ca. 27%	n.a.
Lithuania	Ca. 10%	n.a.	Ca. 23%	2.19
Poland	16%	Ca. 40%	Ca. 30%	54.57
Slovakia	Ca. 20%	Ca. 25%	Ca. 35%	Ca. 2
Slovenia	44%	80-90%	96%	2.8

Source: EIRO 2010; own research

A third important reason for the relative weakness of Baltic industrial relations concerns industry structure. As compared to the other NMS8, the Baltic States underwent a heavier deindustrialisation, which destroyed those heavy industries where trade unions were traditionally strong (Bohle/Greskovits 2007). When transnational investments moved into Eastern Europe capital, intensive consumer good industries settled mainly in the Višegrad countries; due to clustering effects, followers moved there, too. This was one of the reasons, besides neoliberal economic policy among others, why the Baltic States that began transformation later, with at least Lithuania and Latvia suffering from deindustrialisation effects longer, showed a different pattern of attracting investors mostly in the sphere of labour intensive light industries. These moved to the Baltic States at a later point in time, show higher international mobility and are usually organized in small organizational units, thus structurally inhibiting the collective organization of labour or militancy. Therefore, in contrast to other NMS8 countries, there was not even the potential structural chance for organized labour to recover from the systematic collapse of deindustrialisation following the breakdown of the Soviet Union (Bohle/Greskovits 2006).

Conceptual framework for the analysis of crisis impacts

In order to understand whether and through which mechanisms the crisis has weakened labour, it is necessary to understand which resources can be weakened by the crisis as well as the extent to which the supply of these resources has changed. Wright (2000) interprets power as a relational concept, i.e. power needs to be seen as the way in which labour is able to withstand the interests of capital in order to realize its own interests. Power can thus be subsumed under two different categories – associational and structural power. Structural power stems from the location of employees within a given system. Silver (2005: 31) specifies structural power further into marketplace bargaining power and workplace bargaining power. Marketplace bargaining power arises from the position of labour within a market and assumes that all labour is exposed to those factors strengthening or weakening their position, the influence of the unemployment rate on labour power being the most prominent example. Marketplace bargaining power is subject to cyclical changes, since the unemployment rate, one of its main determinants, is also cyclical (when structural unemployment is excluded). Workplace bargaining power stems from the specific position in the production system and thus varies for different groups of workers. Since this article aims at providing only a first analysis and is designed to compare industrial relations systems in three countries, the question of changes in workplace bargaining power is left aside.

Associational power subsumes all forms of power 'that result from the formation of collective organizations of workers'. The classical indicators of associational power of labour include trade union density, collective bargaining power and the strike rate, all of which are influenced by structural power developments. Wright concentrates on the relationship between capital and labour and views any institutional setting as an expression of institutionalised class compromise. Since, however, institutions are not always flexible in expressing changes of power relations between capital and labour, they develop internal power relations that do not necessarily correspond with external ones. Thus, institutional settings can change from being a mere expression of power relations to being a power resource themselves. Dörre (2010: 876) refers to institutional power as stemming from the position of a social actor within an institutional arrangement. Institutions must be understood as the 'coagulated' manifestation of the power relationship between social interest groups that is passed down in time. It is influenced by current changes in power change cycles, but it stabilizes around a certain power relation over time due to the institutional framework. In times of cyclical downturns, association and institutional power thus can be a vehicle of transferring the power positions of labour and capital through the downturn to the next boom, thus easing out uneven power distributions between parties. Extreme shocks like the financial crisis can cause one-sided power distributions, which may decrease associational and institutional powers in such a way that rebuilding the pre-crisis structures will be too costly for the weaker party. In this way, they may permanently change the system. There is evidence of a deinstitutionalisation of Baltic IR due to the crisis, especially on the enterprise and the national level - a process that is fuelled by those factors that had already been weakening Baltic IR prior to the crisis.

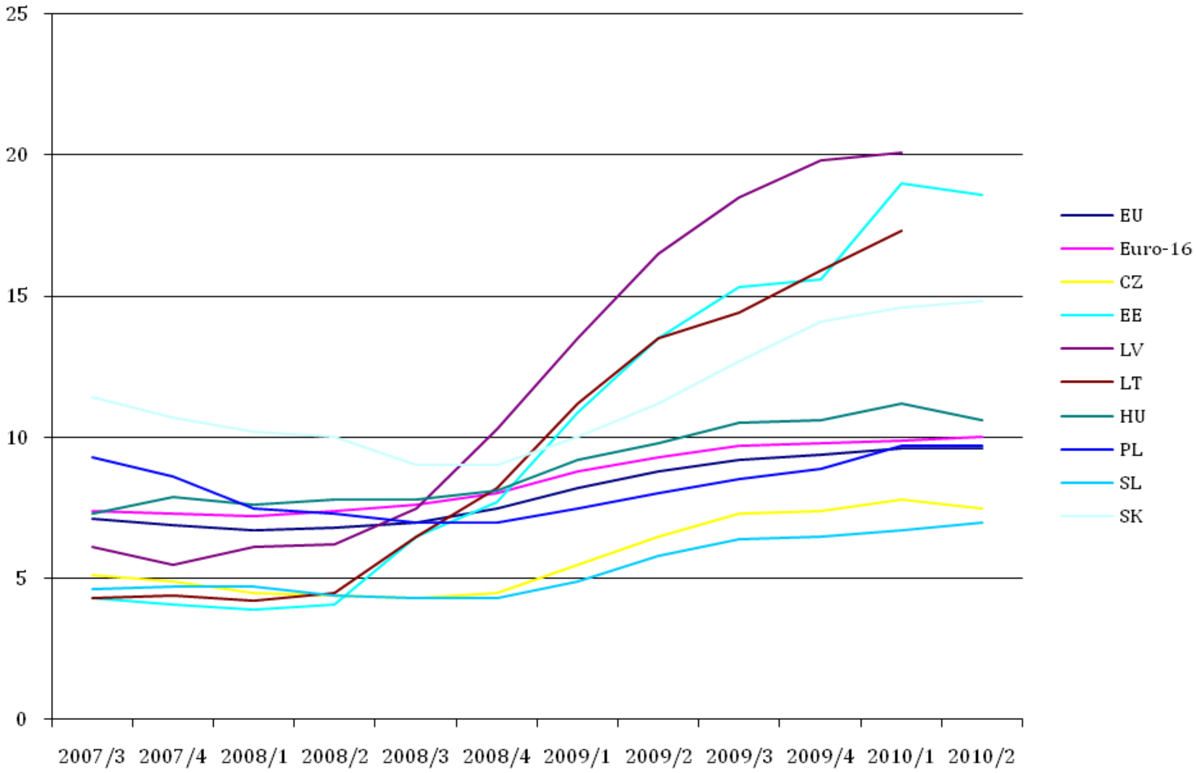
When analysing the Baltic IR systems, attention must be paid to the enterprise level - that is, the level at which trade unions organizationally focus and most collective agreements are bargained, i.e. where associational power resources are concentrated. At this level, the consequences of structural power shifts for workers as individuals and their collective interest representation can be observed most distinctly, making the enterprise level the most important IR level. As will be shown, national social dialogue is the other central IR arena with ambiguous results for the consequences of the financial crisis from a power resource perspective. Including enterprise case studies and national systems of social dialogue in one analysis has difficult empirical as well as methodological implications. The empirical problem is caused by the fact that there are only very few comparative data on Baltic enterprises so far. This makes it difficult to grasp developments at this decisive IR level. Therefore, a qualitative approach is chosen for a first exploration that concentrates on case studies at the enterprise level. Although it allows one to refer to more comparative data, including the national level requires a constant switch between units of analysis, which is methodologically difficult. Considering these difficulties, the following approach was chosen: the article focuses on IR tendencies stated in interviews at the enterprise, sector and national levels as well as on the analysis of reports by the IMF, OECD, Worldbank, EIRO and data drawn form Eurostat and the national statistical offices in the Baltic States. The aim, however, is to analyse the influence of the crisis on the different IR levels without placing the focus on an inter- or intra-country comparison of enterprise case study results.

Analysis

A severe rise in unemployment

Current research on marketplace bargaining power resources in industrial relations focuses on one main indicator for determining the marketplace bargaining power of labour within a given system, the unemployment rate (Wright 2000; Urban 2010: 445). The tightness of the labour market indicates the power of labour to bargain wages and work conditions in their favour. This indicator has changed dramatically over the past two years:

Figure 1: Harmonized unemployment by quarters in the NMS8, 2007-2010



Source: Eurostat 2010

As can be seen from Figure 1, unemployment increased in the Baltic States much more sharply than in the other NMS8 countries, with Slovakia coming closest. These figures show that a tremendous shift of marketplace bargaining power towards the employer side has taken place in the Baltic States since September 2008. So why did the financial crisis hit the structural power resources of Baltic labour so extremely hard given that they are small open economies like the other NMS8 countries and thus provide for the very same small internal demand which makes them so vulnerable to a decrease in external demand?

Two factors distinguish Estonia, Latvia and Lithuania from the other CEE countries, making labour there even more vulnerable to the financial crisis. Firstly, since 2000 all three countries had gone through an extremely favourable economic upturn showing features of overheating in 2007 like GDP growing above its trend, emerging labour and skill shortages, accelerating inflation and current account deficits surging to unsustainable levels (Annex 1). Growth was based on credit-funded domestic demand that, in Estonia and Latvia, went mostly into housing (Brixiova/Vartova 2009; IMF 2009 a,b,c). It resulted from very favourable credit terms due to an extremely optimistic assessment of economic development potentials by foreign banks. In all three countries the banking system is mostly foreign-owned (Annex 3). Credit was given in foreign currencies at variable interest rates, making the repayment for many debtors difficult in the time of crisis. In addition, large wage increases occurred that were driven by the labour shortage due to labour migration. Large current account deficits, large wage increases not supported by the corresponding increase in productivity and, in Estonia and Latvia, the investment flow going into non-tradables, reduced the countries' competitiveness and led them into a deep crisis.

After the homegrown economic downturn had already begun in early 2008, the international financial crisis accelerated the Baltic economic downturn. Foreign banks started to cut down or withdraw credit, thus worsening the downturn. Changing international investors' sentiment was crucial for the Baltic States that were especially vulnerable due to their large current account deficits. Consequently, all three countries suffered from credit shortages, suddenly shrinking domestic demand and the withdrawal of foreign direct investment due to the global economic situation. Private bankruptcies and a pronounced reduction of public sector employment increased unemployment in all three countries, which at least doubled itself in the course of 2009 (Annex 1). In comparison to the other NMS8, active labour market measures were implemented in only a very rudimentary way, deepening the loss of marketplace bargaining power by increasing the unemployment rate.

Secondly, all three countries established a currency peg with the Deutschmark or the Euro, respectively, after reaching independence in 1991. Besides extremely high short term costs for abandoning the peg (IMF 2009b: 9-10; 21), the governments are not ready to do so, since the peg is perceived as a symbol of stability, independence and self-identity that will eventually lead to the full monetary inclusion into the European Union (Andersen 2009; Feldmann 2006). Thus an independent currency policy was impossible. The labour market became the valve for the contraction of the economies, while labour market flexibility became a more central policy issue to overcome differences in competitiveness with trading partners than in other CEE countries. Labour market flexibility as the remaining instrument of crisis reaction can explain why a state is not interested in supporting or protecting associational and institutional powers of labour.

Evidence of further weakened trade unions

The marketplace bargaining power loss of labour due to the financial crisis does not, of course, leave associational power of labour unaffected but rather diminished it with a very immediate effect. The following subsection shows the results of the expert interviews on the influence of the financial crisis on associational power and analyses. It also discusses the extent to which these results support the assumption of differences between the three countries and shows typical ‘Baltic IR characteristics’ as compared to the other NMS8 countries. While the crisis is having a direct impact on structural power of labour, the results for the development of associational power of labour is not as immediate and clear, since IR-research offers examples for increases as well as decreases of the strike rate in times of an economic downturn, among other variables. However, based on my interviews with employee and employer representatives at the enterprise level in three sectors and at the sector and national levels as well as the main indicators of trade union representation used in current IR-research, the following impact of the crisis on associational power of labour can be detected: a disproportionately high loss of trade union members due to redundancies, weakening trade union bargaining power, an extreme increase of employer bargaining power in collective bargaining due to the rise of unemployment and a very minor increase in the strike rate due to demonstrations that have shown no effect in Estonia and Latvia and only very little effect so far in Lithuania.

Trade union density – One of the most problematic consequences of the financial crisis for trade unions at the enterprise level is a drop in membership density, meaning a loss of bargaining power as well as a loss of resources and representativeness. There are several reasons for the reduction in membership density - for example, the financial hardships the crisis has put on the employees which makes them look for any place they can save money, i.e. membership fees, or changes in the deductability of trade union membership fees from taxes as an Estonian anti crisis measure to increase state revenues. However, trade union representatives in interviews were troubled much more by membership cancellations due to redundancies made by the enterprises then by membership cancellations of trade union members due to financial hardships. If someone is made redundant and leaves the enterprise, he leaves the trade union as well, since in most cases the trade union is organizationally linked to the enterprise level. This is the case in many CEE countries, but there are two reasons why trade unions in the Baltic States were hit by the mass redundancies due to the financial crisis still more than would be expected by the mere national numbers in comparison to the other NMS8.

Firstly, collective redundancies due to the global collapse in demand have taken place especially in those sectors in which trade unions are traditionally strong, i.e. manufacturing, gas and energy, transport, storage and communication. At the same time, the Baltic countries show more vulnerability to global demand decreases then the other NMS8, except for Slovakia, due to their extreme export dependency. Thus, the extreme openness of the Baltic countries causes an increased vulnerability of the trade unions as far as membership losses, i.e. associational power losses, in times of crisis are concerned.

The most important reason that was mentioned in interviews on the enterprise level, however, causes a disproportionately high membership loss due to a practice that is unique to the Baltic States - the widespread employment of pensioners. There, it is common practice that employees continue to work after reaching pension age, as it is legally possible to earn a normal salary in addition to receiving pension payments. In the interviews, the statements of employer and employee representatives were in agreement regarding the acceptance of this practice - in all cases, both sides considered it to be the most socially acceptable strategy to ease redundancies, something that had been a point of argument for the unions prior to the crisis.

Structurally, however, trade union membership is a typical phenomenon for people who already reached working age in Soviet times. When these individuals were the first to be laid off at the beginning of the crisis, the density of enterprise trade unions was reduced at a disproportionately high level. This led to a membership decrease of up to 40-50% in some enterprises in the sample during the last two years. The last twenty years of membership developments in the Baltic States have shown that an overall loss in trade union density is almost never, and if so only temporarily, reversible. Therefore, it is not an overly courageous statement to expect that the disproportionally high crisis-based membership losses in Estonia, Latvia and Lithuania, as compared to the other NMS8, will weaken trade union associational power resources in the mid to long term.

The traditionally low *strike rate* in the Baltic States (Carley 2010) is due to a number of reasons, with strike law rigidity being an ambiguous indicator. Strike law rigidity has often been mentioned as one factor for the low strike rate in the Baltic States, this argument being justified by the increased strike rate in Lithuania in 2005 after the strike law had been made less rigid. However, when examining the situation in Estonia and Latvia, in comparison to countries with similarly rigid strike laws such as Poland, other factors like strike tradition, authoritarian legacy or the country size are obviously of importance, as well. (tab. 2)

Table 2: Main features of strike law in Estonia, Latvia, Lithuania, and Poland

	Estonia	Latvia	Lithuania	Poland
Strike law				
Registration notice	*14 days*	*10 days*	*7 resp. 21 days****	*14 days*
Approval by the work force	*n.a.*	*¾ vote*	*½ vote of all employees in a unit or ⅔ of the delegates in an enterprise conference employee meeting or trade union*	*½ vote of all employees in a unit*
Right to call for a strike	*trade union, works council where applicable*	*trade union, works council where applicable*		*trade union*
Strike ban	*public service, armed forces*	*security and armed forces, services essential to the public*	*structures of internal affairs, national defence and national security,*	*security and armed forces, services essential to the public*

			enterprises of electric power, centralized supply of heating and gas, immediate medical aid	

Source: Natlex 2010

The other NMS8 countries showed a different pattern. There, the strike rates rose during the boom years but have since decreased markedly since the onset of the financial crisis (Table 3). This illustrates a characteristic trait of the Baltic States: industrial action in individual enterprises or sectors is very weakly developed, which is coupled with a tradition of protest for political objectives such as during the independence movement in the beginning of the 1990s. In early 2009 there were some general protests in Riga and Vilnius, with another important protest action following in June 2009 in Tallinn (Annex 4). The numbers for 2008 and 2009 shown in Table 3 reflect public demonstration measures exclusively against the consequences of the economic downturn. They were directed against the budget cuts, especially in the public sector and against the amendments to the Estonian labour law that increased flexibility. Interviews with the organizing sector level trade union representatives in Estonia and Latvia, however, have shown that the demonstrations were not considered to be a success. Although in Latvia the protests of January 2009 eventually led to the resignation of the prime-minister the negative assessment of public action by the interviewees was due to a lower then expected participation rate in most of the demonstrations and a lack of political effectiveness in terms of protecting labour from the anti-crisis austerity measures. In Estonia, trade union member participation was much lower than expected, since the main protest fought against the suspended increase in unemployment payments that originally had been part of an agreement between trade unions and the government.

Table 3: Working days lost through industrial action per 1,000 employees, 2005-2009

Country	2005	2006	2007	2008	2009
Estonia	0	0	0.1	0.1	0.3
Hungary	0.4	5.5	11.6	9.1	2.4
Latvia	0	0	0	3.3	n.a.
Lithuania	0.3	0	7.7	23.9	n.a.
Poland	0	2.9	14.4	14.6	0.7
Slovakia	0	9.5	0.3	0	0
Slovenia	45.6	5.2	0	n.a.	n.a.

Source: Carley 2010

The data on strikes (Carley 2010) implies a number of tendencies, similarities and differences between the Baltic States. Associational power resources in the form of mobilization power is low in all three Baltic States, which stems from historical legacies, such as the authoritarian state, and a rigid strike law that represent both a historic legacy and an instrument welcomed by neoliberal states to build the economy with a cheap and flexible workforce. However, as far as the influence of the financial crisis on the power to mobilize their members is concerned, the Lithuanians seem to be more successful in doing so. The Lithuanian strike rate rose to a higher level during the boom years and demonstrations and picket lines have not ceased to take place in 2010. Turning to the empirical data for an answer shows that interviewees tend to ascribe this to a different ethnical structure that might make unrest more uncontrollable in Latvia and Estonia but also to national stereotypes of readiness to open conflict and individualism and a stronger social-democratic tradition. In interviews with trade union representatives in Estonia and Latvia, the increased fear of social unrest that was also associated with ethnic conflicts was expressed. In Estonia in 2007, riots took place between the ethnic groups due to the planned relocation of the Bronze Soldier statue, a Russian national symbol (Ehala 2009). In Lithuania the ethnically Russian minority is much smaller, which might imply a possible influence of historic legacies on the strike rate, among other reasons. The main cleavage follows a social line, not an ethnical one, resulting in the according political representation (Duvold/Jurkynas 2004). In one large enterprise in Estonia, interviewed employee representatives stated that after years of labour shortage, huge wage increases and high labour turnover demands from the employee side that did not depend on additional financing were turned down; the employer side implied that further demands would cause them to call in the language inspection to test for sufficient knowledge of the national language for the position held.[3] This implies a weakening of the Russian-speaking minority's strike potential not only due to social exclusion or their bargaining position within a geographically and structurally disadvantageous labour market but also a misuse of institutionalised specifics that further decreases bargaining power when the market allows for it.

Collective bargaining

Trade unions are able to draw more power from higher level wage bargaining, since intra-sector competition among labourers can be avoided and trade union coverage goes beyond enterprises with trade union representation. However, collective bargaining is a structure that is only weakly developed in the Baltic States, like in other CEE countries. The enterprise level represents the main arena of collective bargaining; the national minimum wage is determined in the NTCs, and sector level bargaining is very weakly developed. When comparing collective bargaining coverage between the Baltic States (see Table 1), it becomes clear that the numerical differences are only minor. Collective bargaining does show qualitative differences, however, so it is also helpful to examine the scope and content of sector-wide collective agreements.[4]

The Baltic States differ in terms of their collective bargaining systems: although the enterprise level is the central collective bargaining level in all three countries, Latvia has the broadest coverage of formalization of cooperation, collective bargaining or social dialogue at the sector and national level. Estonia lags behind as far as quantity but not necessarily quality is concerned. Its sector level collective agreements and national level minimum wage bargaining show the most autonomy of the social partners as well as the furthest reaching functional institutionalisation, i.e. with a bipartite determination of the minimum wage and two sector wide bargained minimum wages extended to the whole sector. Lithuania lags behind not only as far as quantity is concerned but quality, as well; it has no sector wide agreement and only minimum wage consultation of the social partners with the final decision being left to the government.

Trade union representatives on all levels have stated the following tendencies when asked about changes in the collective bargaining system due to the financial crisis: in most cases, enterprises in the sample reacted to the crisis by either not concluding new agreements or keeping the collective agreements that had been valid until the crisis without renegotiating them. In one case, one of the largest employers in the sector with about 4000 employees informed the responsible trade union that the collective agreement would be prolonged but any paragraphs concerning wages would lose their validity. The number of collective agreements registered at the Ministry of Welfare in Estonia decreased by one half.[5] In most cases, the changes or abolishment of the common collective bargaining structure was accepted without protest.

On the sector level, similar developments can be observed. Whereas in Lithuania there were also no sector level agreements before the crisis, in Estonia two existing sector agreements were terminated and not renewed in the course of the last two years, whereas the Latvian agreements were not renegotiated. In interviews the main reason stated was an unwillingness of the employers to start negotiations in light of the high unemployment rate. As a midterm consequence, this means, at the least, an intermission of sector bargaining in those two countries.

The system of collective wage bargaining at the national level was not strongly developed even before the beginning of the financial crisis. The crisis has, however, added to existing difficulties in establishing such a system. In all three countries, targets existed relating to the adjustment of the minimum wage to levels as proposed by the EU, which were not followed in all countries due to the heavy wage growth prior to the crisis. The necessity to cut down state budgets in order to keep within the Maastricht criteria as well as the difficult economic situation have led to a minimum wage freeze in Estonia and Lithuania for the third consecutive year and even a slight reduction in Latvia.

The mass abandonment of collective agreements must be interpreted most of all as a result of power losses of labour due to a change in marketplace bargaining power. However, when collective agreements are not prolonged and cease to exist, or when parts are excluded, restarting negotiations is more costly for labour then if the collective agreement still existed without changing wages. Therefore, the decrease of conclusions of collective agreements, the non-conclusion of sector level agreements, especially in Estonia, and the intermission of minimum wage bargaining need to be interpreted as a destabilization and deinstitutionalisation of collective bargaining structures in the Baltic States that will have not only short-term, economic-cycle dependent consequences but also sustainable, weakening consequences for the practice of collective bargaining in the Baltic States. In turn, this will diminish associational and institutional power.

Was this deinstitutionalisation of collective bargaining structures necessary? Are there CEE countries that did not follow this path? The only country that has gone through a similar loss of structural power of labour on the basis of unemployment is Slovakia (Figure 1), which experienced an increase in unemployment of about 11%. Collective bargaining coverage before the crisis, however, was substantially higher (35%), with no signs of it declining in a similar dramatic way as in the Baltic States after 2008. This is due to the industrial relations policy followed by the left-populist government in power until June 2010, which made the protection of collective bargaining structures an important issue (EIRO 2010, IMF 2010b). This brings up a second factor that, as has been argued, continues to weaken associational and institutional labour power compared to other CEE countries: the state.

In all three states, the states have not protected the institutionalisation of collective bargaining by failing to adhere to collective agreements in those cases where the state itself is the employer, which shows that collective wage bargaining is of little importance to the state, as well. For example, in Lithuania after a hunger strike by trade union members on a central square in Vilnius, the agreement was made that wage cuts should take place most of all for high level wage earners in the public sector, an agreement that was broken by the government with the state budget of 2010. In Latvia and Estonia, existing wage agreements, especially in health care and education, were not complied with and wage freezes or cuts took place - in Latvia repeatedly - that were not negotiated with the trade unions. The structure of collective wage bargaining was damaged by the Latvian government, which unilaterally decided that pre-school employee wages could be individually determined by local and regional municipalities (EIRO 2010). In Latvia, the state itself caused a further loss of transparency in the wage policy of the public sector and decreased the advantages of market transparency given by collective bargaining processes. This lead to a decrease in collective bargaining power on both the employer employee sides: the extreme budget cuts, demanded by the IMF, were the basis of an instruction by the state to cut wages in state owned enterprises and enterprises delivering public services and were likely ignored by a large number of enterprises. In the interviews, this made employer and employee representatives extremely careful even when talking about wages in general and caused a hostile atmosphere in public when wage lists of employees in the public sector and state enterprises appeared in the media.

Liberalization of the labour law and social pacts

Chapter 4.2 has discussed the role that the state has played as an employer in the decrease in institutional power by not adhering to collectively bargained agreements. The state becomes the main focus of analytical attention, however, when looking at regulations and bargaining settings at the national level, from which labour can draw institutional as well as associational power. All three states have chosen the regulatory anti-crisis approach of amending labour laws. In addition, the conclusion of social pacts has been considered with varying effects.

Labour law amendments - In all three countries, the labour law has been amended in order to overcome the crisis. The main focus of the current amendments is the achievement of more flexibility for employers in adjusting work force mobility to existing economic situations. The political consensus of keeping the peg is one of the economic features considered necessary for this objective; so far, this precondition has not been disputed in public discourse. In Estonia, a draft labour law implementing the EU flexicurity approach had already been discussed prior to the crisis. After the onset of the crisis, Estonia separated the security part from the flexibility part, with the latter coming into force in June 2009, that is, ahead of the original date of January 2010. The former, came into effect after the original date of 2013 against the will of trade unions and written agreements therewith. Lithuania has issued many provisions of its draft law for a limited period of time until December 2010. Whereas the Lithuanian law was negotiated in the NTC and the trade unions publically accepted the necessity of more flexibility in times of crisis, Estonian trade unions objected the changes and called for a strike in June 2009, which did not keep the law from being adopted (see Chapter 4.2).

The situation in the other CEE countries regarding amendments to the labour law showed a slightly different approach marked less by the approach of a neoliberal state: all countries chose to increase labour market flexibility as an anti-crisis measure. However, the focus was placed on increasing work time flexibility by lengthening work settlement periods and retaining existing regulations for temporary contracts and severance payments (EIRO 2010). Therefore, while the other countries aimed at a flexibilisation of the labour market while maintaining the existing employment protection level, the Baltic States decided to make labour markets more flexible by decreasing the employment protection level. The deinstiutionalisation of employment protection means a clear loss of institutional power for trade unions, since the knowledge that redundancy procedures are simplified decreases people's readiness to strike or protest against existing imbalances in industrial relations. Although the law amendment is limited in time and thus does not demand extra efforts by the trade unions to reach the pre-crisis protection level, a potential traditionalisation of labour protection flexibilisation as a measure of economic policy would decrease the general value of institutionalisation for collective interest representation from a power resource perspective.

Social pacts – In the course of 2009, the idea of a social pact was discussed in a number of NMS8, however with different impacts. In Poland, the social partners initiated the conclusion of a social pact themselves. These propositions were turned into law by the government; in Slovenia a social pact stating the basic anti-crisis measures was already signed in December 2008. Whereas these packages seem to be of a substantial nature, there are also other approaches in the NMS8 that have been said to be of a superficial nature, which include labourers in the anti-crisis process in order to prevent social unrest such as at the national summits held in Poland or Hungary. In all three Baltic States, there has also been a public discussion on the conclusion of a social pact or agreement on anti-crisis measures with the social partners since the crisis set in. In Estonia, a tripartite agreement was signed in March 2009 that maintains jobs and provides help for the unemployed, in order to follow the aims of flexicurity in short. The contents of this agreement, however, were overthrown by the government when preparing the adoption of the new employment contract law in June 2009. In Latvia, the question of wage restriction was to be placed on the regular agenda of the National Tripartite Council, this being an IMF condition for granting the rescue loan. Here, tripartite negotiations concerning the budget of 2009 had been begun anew following a lengthy pause of cooperation in September 2008. It had been possible at the time to immediately reject plans to cut public sector wages; however, this negotiation result has since been overridden by the government.

In Lithuania after nearly a year of discussion, a national agreement was finally signed in October 2009. The government committed itself to fundamental fiscal policies to overcome the crisis such as, for example, reductions in social benefits, increases in social insurance contributions, introduction of anti-crisis measures on a solidarity basis and law amendments regulating industrial relations only with the consent of the NTC. The trade unions, in return, obliged themselves to the according wage restriction (Government of Lithuania 2009). In June 2009, the Lithuanian government decided to cut the public sector basis loan without hearing the social partners. Following a hunger strike of members of one of the national trade union associations, the agreement was reached to lay the burden of wage budget cuts mainly on well-earning public sector employees. This agreement was broken in October 2009, which led to new demonstrations. Expert interviews revealed that the Lithuanian government does not adhere to the social pact. For this reason, trade unions have announced and implemented new protest measures during the summer of 2010.

In Lithuania in January of 2009, demonstrations took place demanding the discussion of crisis measures in the NTC. Such discussions had not taken place up to that point of time even though trade unions and employer associations had already published their alternative suggestions on possible budget cuts at the end of 2008. Following the demonstrations, which were accompanied by riots, the Prime Minister offered to install a public adviser in the Lithuanian Parliament, who would be nominated by the trade unions. Interviews have shown that the position of the public adviser is rather weak: the introduction of the adviser was considered by neither side to be a direct concession to the unrest caused by the demonstrations. Rather, it was perceived to be a plan already made by the government before the crisis evolved. Therefore, it was not the adviser position itself that can be referred to as a concession but rather the point in time. The position is based on an oral agreement with the prime minister, thus duties and rights cannot be called demanded from either side. The direction of communication was set by the government: the trade unions can pose questions to parliament on topics relevant to them, but the parliament does not use this information channel in the direction of the trade unions. The answering procedure is purely unofficial and cannot be demanded by the trade unions. So far, no channels of cooperation have been institutionalised.

Social dialogue and the National Tripartite Councils (NTCs) in the Baltic countries are rather weak institutions. Their existence and decision scope up to the crisis completely depended on the willingness of the respective government to let the social partners play a role. Social dialogue as a potential instrument of incorporating labour into the anti-crisis policymaking process seems to suffer from the same weaknesses present prior to 2008. In all three countries, the government has begun discussions of including them into the anti-crisis policy process. However, intermediary agreements were overridden in the course of further procedures. Whereas in Estonia the government breached the agreement the fastest and most actively, Latvia has included the social partners in the discussion of anti-crisis measures, however with numerous breaches of concluded agreements as mentioned above. Besides, in its commitments to the IMF, it has agreed to make coordinated wage development a topic in the NTC. Lithuania went the farthest with its inclusion of labour; however, looking at mid-term results raises the suspicion that the aim was an appeasement policy rather than constructive corporation.

From a power resource perspective, social pacts are again ambiguous. If the trade unions can include favourable terms for labour into the pact, it becomes an important power resource. If, however, the government overrides the agreements reached, the pact might even cause a decrease in power, since the trade unions missed the appropriate point in time to mobilize themselves and lost credibility as rightful labour representatives, which decreases their mobilization power in the future, as well. Therefore, when examining the short history of excessive breaches of social pacts in the Baltic States since the beginning of the crisis, the trade unions' readiness to sign agreements will probably have a discrediting, power decreasing effect in the end.

Conclusions

The second half of 2009 has brought a public sentiment to Estonia that the worst is over, with the labour market again lagging behind (Viilmann 2010). Latvia and Lithuania will probably reach this point only in the course of 2010 after having fulfilled IMF requirements by large margins, as far as the budget is concerned, and with only very few delays in structural reforms (IMF 2009b: 2). 2009 has brought about a profound current account surplus, less capital outflow then expected and a return of trust in the peg that, among other things, resulted in lower local interest rates (IMF 2010a). At the individual level, industrial relations in the Baltic States have been strengthened in the past two years by increasing the rule of law. This has been brought about by a growing number of employees who have turned to the court for protection of their rights and a successful claim at the Latvian institutional court against 70% cuts of pensions for working pensioners by the Latvian state (Constitutional Court of the Republic of Latvia 2009).

This analysis shed more light on IR mechanisms that might easily turn into a vicious cycle for the bargaining power of labour. Institutional power can be understood as a vehicle of easing out the consequences of economic downturn for labour and as a measure to stabilize collective bargaining power around a constant institutional structure over time. Deinstitutionalisation means a loss of bargaining power not only during a present downturn but also in future crises. The financial crisis developed its specific harshness in the Baltic States due in part to labour shortages and non productivity based wage development, which resulted from the very weakly coordinated wage determination typical for these countries. The consequences of the financial crisis have still further weakened mechanisms of coordinated wage determination. Due to the large redundancies and severe cuts in social security labour, labour again takes the exit option instead of the voice option, which is illustrated by the almost doubling in the last two years of labour emigrations in Lithuania and Latvia and a slower increase in Estonia (Statistical offices of Estonia, Latvia and Lithuania 2010). Now would be the time for the respective governments and the social partners to use the perspective economic relaxation and consider corporative approaches to avoid the recently experienced negative consequences of these mechanisms.

This article has shown, however, that the three types of power resources into which the bargaining power of labour were divided for analytical purposes are all influenced negatively by the consequences of the financial crisis. This supports the findings of Glassner (2010) for all European countries, stating the important role of the state in compensating the negative effects of the crisis on unemployment; the state in Baltic countries plays a deinstitutionalising instead of supporting role for social dialogue and collective bargaining. Structurally, due to the rising unemployment rate in the Baltic States, marketplace bargaining power has shifted further to the employer side. This power increase will diminish in accordance to the economic cycle. However, since an increase in structural unemployment is to be expected, a return to the bargaining power relationship as it had been before the crisis is unlikely in the mid term. Associational power stemming from trade union density is decreasing at a disproportionately high rate. Institutional power, that is collective representation structures, has suffered deinstitutionalisation in the three countries in terms of severe damage done to the system of collective wage bargaining by the employers as well as by the state, a decrease in employment protection and the establishment of further façade institutions of social dialogue. Specifically, Baltic IR characteristics like a very clear cut neoliberal economic policy and historical legacies that object collective interest representation of labour – in Lithuania less so than in Latvia and in Estonia. A heavily deindustrialised economy structure of small and medium-sized enterprises strengthens, in comparison to the other NMS8, those mechanisms that could distinctly intensify the individualised nature of the respective IR systems in a long term perspective.

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Notes

1 Accession 2004
2 This value in the official EIRO data is 18%. On the basis of the empirical data underlying this article, however, the Latvia trade union density needs to be contested. In my expert interviews, trade union density was univocally doubted and placed somewhat nearer to the other Baltic States at about 10-12%, which places it lower than the other NMS8 countries.
3 Estonian and Latvian legislation define a certain level of Estonian and Latvian language knowledge, respectively, for different professional groups as a minimum standard to be employed in a corresponding position.
4 Single-employer sector wide agreements are not included as well as collectively negotiated wage agreements, set up in laws that are valid exclusively for the public sector.
5 This is only a „soft“ indicator, since the registration of collective agreements is not an obligatory procedure in Estonia.

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Annex 1

Estonia	**2006**	**2007**	**2008**	**2009**
Real GDP Growth, (% change, y/y)	10.0	7.2	-3.6	-14.1
Industrial production WDA (%, y/y)	10.2	6.4	-4.8	-25.9
Harmonized unemployment rates NSA (%, LFS data)	5.9	4.7	5.5	13.8
Average monthly gross wage	597 €	725 €	825 €	779 €
FDI net (% GDP)	4.2	4.6	3.7	1.1
Current account balance (% GDP)	-16.9	-17.8	-9.4	4.6
Consumer price inflation (% change, y/y)	4.4	6.6	10.4	-0.1
General government balance (ESA95, % GDP)	2.3	2.6	-2.8	-2.6
General government debt (% GDP)	4.5	3.8	4.6	7.8

Source: The World Bank 2010, Estonian Statistical office

Latvia	**2006**	**2007**	**2008**	**2009**
Real GDP Growth, (% change, y/y)	12.2	10.0	-4.6	-16.9
Industrial production WDA (%, y/y)	6.5	1.0	-3.8	-15.8
Harmonized unemployment rates NSA (%, LFS data)	6.8	6.0	7.5	17.6
Average monthly gross wage	430 €	562 €	676 €	650 €
FDI net (% GDP)	7.5	6.8	3.0	0.4
Current account balance (% GDP)	-22.5	-22.3	-13.0	9.4
Consumer price inflation	6.5	10.1	15.4	3.6

(% change, y/y)				
General government balance (ESA95, % GDP)	-0.5	-0.3	-4.1	-10.0
General government debt (% GDP)	10.7	9.0	19.5	34.8

Source: The World Bank 2010, Latvian Statistical office

Lithuania	**2006**	**2007**	**2008**	**2009**
Real GDP Growth, (% change, y/y)	7.8	9.8	2.8	-15.0
Industrial production WDA (%, y/y)	6.5	2.3	5.4	-14.6
Harmonized unemployment rates NSA (%, LFS data)	5.6	4.3	5.8	14.0
Average monthly gross wage	434 €	523 €	631 €	590 €
FDI net (% GDP)	5.1	3.6	3.2	0.4
Current account balance (% GDP)	-10.6	-14.5	-11.9	3.8
Consumer price inflation (% change, y/y)	3.7	5.7	10.9	4.5
General government balance (ESA95, % GDP)	-0.4	-1.0	-3.2	-9.1
General government debt (% GDP)	18.0	16.9	15.6	29.5

Source: The World Bank 2010, Statistical office of Lithuania

Annex 2

	Short- and mid-term Anti-Crisis Measures in the Baltic States (non-exhaustive list)
Estonia	*Labour market:* - Split of coming into power of New Employment Contract Law: Labour market flexibility measures came into power 01/07/09 instead of 01/01/10 - Introduction of active labour market policies like state employment measures for unemployed
	Social Security: - Split of coming into power of New Employment Contract Law: Social security measures came into power 01/01/13 instead of 01/01/10 - Excess of employees for temporary incapacity for work increased from one to three days and the liability of the employer applied from the fourth to the eighth day - Sickness benefit rate reduced from 80% to 70% and the rate of care allowances from 100% to 80%, uncovered sickness days increased from 2 to 3 and next 5 sickness days covered by employer, only starting from 9th day covered by Estonian Health Insurance Fund - Increase of payment ratio of unemployment rates to 2.8% for employers and 1.4% for employees - Raise of retirement age by 3 months a year until 2026 (= 65 years of age) - Increase of unemployment insurance premiums from 0.6% to 2.8% for employees and from 0.3% to 1.4% for employers
	State budget Revenues: - 2008-2009: reduction of VAT exemptions, abolishment of right to deduct entry and membership fees paid to trade union and interest paid on student loans from the taxable income, abolishment of income tax exemption for the first child - 2009: VAT raised by 2%; increase of excise duty on natural gas (roughly doubled), on petrol by one sixth, on diesel fuel by one sixth, decrease of income tax share accruing to local authorities from 11.9% to 11.4% - 2010: suspension of reductions of income tax rate and the increase of the income tax threshold; increase of excise duty on alcohol by 10% and on tobacco by 5% (with planned additional increase in 2011); further increase of excise duties on fiscally marked fuels was raised by one third, on petrol by one twelfth, on diesel by 0.2, on electricity by one third. Expenditures: - Reduction of state budget by 20 billion kroons, i.e. 9% of GDP - Reduction of state pension index to 1.05 - Wage cuts in state security, education, and health care by 8-30% - Wages of members of Parliament and appointed by the President officials have been unpegged from the average wage indicator and frozen temporarily until 31/12/2010 - Wages of higher public servants are pegged to the CPI and the annual change in social tax collection, starting 2011 - Suspension of state payments to second pension pillar for 2009 - 2009: Merging of Labour Market Board and Unemployment Insurance Fund, abolishment of the office of the Minister of Population and Ethnic Affairs, merging of the regional land improvement bureaus (13) into the Agricultural Board, Merging of the Radiation Centre, the county environmental services of the Ministry, and the State Nature Conservations Centre with the Environmental Board, Merging of the Estonian Motor Vehicle Registration Centre, Road Administration, local offices of the Road Administration and administered state agencies, Limiting of the borrowing options for municipalities - 2010: Merging of the Police Board, the Border Guard Board and the Citizenship and Migration Board, Merging of the Health Care Board, the Health Protection Inspectorate and the Chemicals Notification Centre - Abolishment or scaling back of state investment projects
	Financial market: - Law amendment valid until 01/07/10 reducing the number of necessary readings in parliaments for laws concerning the stabilization and rescue of banks in trouble from two to one - Draft law to be discussed in spring 2010 on "increase of powers and opportunities of the Financial Supervision Authority for faster and preventive interference with the activities of banks in the event of an increase of the respective risks" (Estonian Ministry of Finance 2010: 35) - Increase of deposit guarantee limit from 50,000 to 100,000 € - Decrease of deposit compensation period from 3 months to 20 working days - Nordic-Baltic cooperation agreement between Nordic-Baltic ministries of finance, financial supervision authorities and central banks on exchange of required information, formation of joint work groups, carrying out crisis exercises and regular meetings

	One-time measures - Drawing of dividends from Estonian Energy, and Estonian Telekom, land sales
Latvia	*Labour market:* - Monitoring of sustainable wage development by NTC - Introduction of active labour market policies like vocational education vouchers for partially unemployed and temporary state employment measures for unemployed
	Social security: - Cut of parental benefit by 50% - Temporal amendment to unemployment benefit law: extension of period paid to 9 months regardless of service period if contributions have been paid for at least 9 months in the past year and increase of amount paid by 37% on average
	State budget Revenues: - 2009: increase of excise taxes on beer, alcohol, cars and unused agricultural land, reduction of the non-taxable personal allowance from 90 to 35 lats per month, increase of gambling tax - Comprehensive broadening of tax basis including all capital income, reduction of exemptions and disparities in allowances, inclusion of industrial structures into real estate tax - Introduction of new taxes, such as progressive tax on residential buildings, excise tax on natural gas - Improvement of tax compliance by abolishment of self-employed income tax regime and their inclusion into standard personal income tax system, update of cadastral values for collections of real estate tax - Increase of progressiveness of personal income tax by turning from a flat rate tax system of 15% of personal income to 25% of personal income for people earning more than LVL 500 per month (average wage 2009: LVL 667) Expenditures: - 2009: Reduction of state budget by 9-10% - Wage cuts in education and health care by up to 40% - 2009: decrease of employees in central state institutions by 20%, reduction of number of agencies from 79 to 25 agencies, centralization of support functions (accounting, information technologies maintenance, public relations, personnel management) in central ministerial institutions, delegation of separate functions to the non-governmental sector and handing over of part of functions to municipalities - Harmonization of remunerations in public sector - Cuts in culture budget and in defence budget (from 1.4% of GDP to 1% of GDP) - Cuts in transport costs by reduction of road maintenance and reduction of subsidies - Abolishment or scaling back of state investment projects
	Financial market: - Enhancement of the state capacity for bank intervention - Improvement of bank supervision and monitoring, increase of capital base of banks - Stabilization and recapitalization of Parex bank, close monitoring and business restrictions of Mortgage and Land Bank of Latvia - Amendment to the Insolvency Law (coming into force on 01/07/09): facilitation of out-of-court workouts, private sector debt restructuring strategy - Establishment of Deposit Guarantee Fund - Introduction of Debt restructuring programme for household borrowers
	One-time measures: - Increase of dividends drawn from state enterprises
Lithuania	*Labour market:* - Temporal amendments to Labour Law until December 2010, facilitating conclusion of temporary labour contracts, reduction of severance payments and terms of notice
	Social security: - Reduction of pensions by 5% with pension compensation scheme in 2014 - Reduction of eligibility of social benefits
	State budget Revenues: - 2009: Increase of VAT by 2%, abolishment of VAT reduced rates except for heating, medicine, books and non-periodical, and increase of excise rates on fuel, alcohol and cigarettes; Increase of Corporate Income Tax rate from 15 to 20%, increased taxation of dividends and agricultural partnerships; Reduction of Personal Income Tax rate from 24 to 15%, mortgage interest deductions abolished; increase in special tax for forestry companies, - Profit transfer from Bank of Lithuania Expenditures:

	- 2009: Reduction of state budget by 7% of GDP - 2009: 12% reductions of wage bill of civil servants (excluded teachers, police, medical workers) and again up to 10% for higher civil servants in the May supplementary budget - 2010: state budget appropriations for State budget appropriation managers and programme implementation cut by ca. 33%, including 10% reduction of salary appropriation for pubic servants, politicians, public officials, and municipal servants, 5% reductions of salary appropriations for teachers, employees in the social sector and culture and military servants, and 2% cuts in salary appropriations for statutory officials; reduction of number of budget appropriation managers by 30 - Transfers of second pension pillar cut from 5.5% to 3% (January 2009) to 2% (May 2009); postponement of pension repayments to working pensioners for 1995-2002 - Abolishment or scaling back of state investment projects - Reform of sickness payments to lower state share of payment in first 3 days, savings on medical services, investment and purchases - Cuts in transport subsidies - Lowered social transfers, including school lunch payments
	Financial market: - Increase of buffers on request of the Bank of Lithuania, building-up of reserves for the coverage of potential losses - Introduction of tools for the swift recapitialisation of banks by the state in the Financial Stability Law - Temporary protection of deposits up to 100 000 € is being made permanent - Issuing of Eurobond in 2009

Sources: Estonian Ministry of Finance 2010, Latvian Ministry of Finance 2010, EIRO, Republic of Latvia 2009 and 2010, Lithuanian Ministry of Finance 2010, IMF 2009c

Annex 3

Graph 1: Ownership in Estonian Banking Sector in 2008 in % of assets (IMF 2009a)

Graph 2: Ownership in Latvian Banking Sector in 2008 in % of assets (IMF 2009b)

Graph 3: Ownership in Lithuanian Banking Sector in 2008 in % of assets (IMF 2009c)

Annex 4

	Strike organizers	Date	Topics
Estonia			
	EAKL (Estonian trade union association)	03.06.2009	Pickets for the enhancement of the tripartite agreement on balance between security and flexibility in the new Labour code, against adoption of unrevised new Labour code
	Sectoral trade unions, transport, industry, energy	16.06.2009	Strike against adoption of new Labour code
	Sectoral trade unions, health care	29.10.2009	Demonstration against further cuts in health care
	EAKL (Estonian trade union association), sectoral trade union transport	24.03.2010	Picket against increase in retirement age (annex 2) in front of parliament building
	EAKL (Estonian trade union association), sectoral trade union transport	07.04.2010	Picket against increase in retirement age (annex 2) in front of parliament building
Latvia			
	Latvian sectoral trade unions, education, health care, polices	26.09.2008	Pickets in front of the corresponding ministries against wage freeze in public sector
	Latvian sectoral trade union, health care	26.9.2008	One-day-strike against wage freeze in public sector
	LBAS (Latvian trade union association)	07.10.2008	Demonstration in front of the Cabinet of Ministers building against wage freeze and budget cuts in public sector
	Latvian sectoral trade union, health care	30.-31.10.2008	Two-day-strike against wage freeze in public sector
	Oppositional parties and trade unions	13.01.2009	Demonstration against state budget cuts, demands for resignation of prime-minister and early elections
	LBAS (Latvian trade union association)	18.06.2009	Demonstration against emergency cuts in state budget 2009
	Latvian sectoral trade union, education	01.09.2009	Protest action against restructuring of education system
	LBAS (Latvian trade union association)	01.12.2009	Demonstration against state budget 2010
Lithuania			
	Lithuanian trade union coordination centre	16.01.2009	Against cutting of social security, for the inclusion of all budget cuts into the agenda of the NTC, for the fulfillment of wage obligations in the public sector etc., riots and civil unrest
	Lithuanian Trade Union Confederation	02.07.2009	Hunger strike on Independence Square against cut in the public sector basic loan
	4 sector trade unions, health care, state security, education, librarians, Lithuanian pensioners' party	01.10.2009	Demonstrations in front of the corresponding ministries against wage and pension cuts
	Trade unions	01.05.2010	"Stop emasculation of the people, unemployment, disruption of business, and destruction of sport, press and culture"
	Lithuanian trade union coordination centre	29.09.2010	Against increase of pension age

Table 5: Demonstrations, pickets and strikes in the Baltic States since fall 2008 (EIRO 2010, own research)