

20 Years after EU Enlargement to Central and Eastern European Countries

Trade unions demand an industrial agenda that delivers on cohesion and good industrial jobs in Central and Eastern Europe

Document adopted by the 29th industriAll Europe Executive Committee
Brussels, 14-15 May 2024 | 2024/150

Twenty years after the EU's enlargement to Central and Eastern European Countries, trade unions are calling for a proactive industrial strategy that supports the industrial transformation to net_zero emissions and safeguards and creates good industrial jobs in the region. We call for an EU Industrial Strategy that is based on European solidarity to enable decarbonisation in all European regions. At a time when multiple crises affect European workers and citizens, it is important to rebuild trust in the EU and a European Green Deal that delivers good industrial jobs in all regions.

A report card on the EU's enlargement: challenges and successes from the perspective of workers and their unions

The enlargement of the European Union in 2004, followed by further accessions in 2007 and 2013, marked a decisive turning point in European history for East and West. For many countries in Central and Eastern Europe, EU accession offered the prospect of an economic upturn and political stability, and for companies the opportunity to obtain cheap and well-trained labour, open up markets in the East and relocate their production to cheaper countries.

- **Neoliberalism and the restriction of labour rights**

Neoliberalism, which has been spreading like an octopus in the accession countries since the beginning of the transformation processes in the 1990s, has led to massive restrictions on labour and trade union rights. At the time of EU accession, these rights had already been massively weakened. Serious mistakes and omissions were made in the years following the Eastern enlargement. The European institutions essentially followed the competitive paradigm and the interests of transnational companies, which wanted to turn the new EU countries into the West's extended workbench, and did little or nothing to strengthen trade unions, social dialogue, workers' participation or the collective bargaining systems of the new accession countries.

- **Migration and wage dumping**

The low level of salaries and weak social security systems, exacerbated by the economic crises of 2008-2010 and again from 2020-2022, increased the pressure to migrate. Millions of people from the accession countries emigrated to other EU countries to work. In many cases, the free movement of people led to

unprotected labourers working for dumping wages in Western Europe, while population figures declined in many regions in the new member states.

- **Effects of the free movement of goods and capital**

The free movement of goods led to products from other European countries displacing domestic products at dumping prices and destroying domestic industries. The free movement of capital made it even easier for Western companies to settle in the new countries, often benefiting from state subsidies and tax breaks. To this day, these companies use the weak labour legislation to undermine labour standards and weaken trade unions, especially in the case of relocations.

- **Solidarity activities and support for the trade union movement**

Despite the challenges, there were many solidarity activities by the Western European trade union movement and sustained practical support for trade unions in the then accession countries. These activities were aimed at strengthening workers' rights, social and participation standards, and introducing trade unions to the world of European institutions as well as information and consultation bodies as they took their first steps. Overall, the eastward enlargement of the EU has brought both challenges and successes. While employees and trade unions have faced considerable difficulties, particularly with regard to enforcing their labour rights and labour standards, including worker participation and collective bargaining power. This has been largely successful, although there are still only a small number of colleagues from the countries of the enlargement round of 20 years who have taken on leadership roles in European trade unions, are active in the governing bodies of European Works Councils, are active in European institutions and wherever there should be a strong voice for workers. There have been and still are a number of strategic partnerships between trade unions, trade union organisations and foundations from East and West. Not all of them have always been successful, but without them, workers' rights, worker participation and collective agreements would be much weaker across Europe - not just in the East.

It remains an ongoing task to strengthen social and labour standards in all EU countries and to ensure that economic progress benefits everyone and that no one is left behind.

The risk of a two-speed Europe

Over the last 20 years, many workers and citizens have benefitted from EU accession and the opportunities that European solidarity provides. Twenty years on, trade unions deplore the persistent disparities between the regions and the weakening of trade union and social dialogue structures in Central and Eastern Europe. The European Green Deal is a massive project that the EU will only be able to implement with strong solidarity and cooperation across regions.

IndustriAll Europe recalls the multiple problems and challenges identified in its position paper '*Leaving no region and no worker behind: addressing the challenges of decarbonisation and modernisation in Central and Eastern Europe's heavy industries in 2021*'.

Trade unions put forward the following demands to:

CEE trade union demands adopted in 2021

1. Reinforce social dialogue
2. Establish a sustainable industrial strategy at EU, national and sectoral level, able to deliver on the twin green and digital transition
3. Ensure a global level playing field on global markets
4. Ensure regional/sectoral circumstances are reflected in ETS revision and FF55
5. Develop comprehensive job creation and transformation plans
6. Address investment needs and monitor and enforce the use of RRF
7. Address the distributional effect of decarbonisation
8. Put in place well-funded, active labour market policies
9. Design skills and training plans that are vital to address skills gaps and address the low-wage trap and brain drain
10. Establish safety nets of social protection for workers whose jobs will be at risk
11. Increase real wages, ensuring a fair share of productivity gains and allow for wage convergence between Eastern and Western Europe

Three years after the demands put forward by industriAll Europe in 2021, the situation remains largely unchanged and has become even more severe given the massive need for rapid decarbonisation and industrial transformation. The risk of a two-speed Europe has been growing in the context of the multiple crisis and lacks strategic answers and visions.

The speed of decarbonisation is accelerating

With the European Green Deal legislation kicking in, the pressure on industry to decarbonise is growing day by day, while the energy crisis and a global clean tech subsidy race is leading to mounting global competition. The share of employment in industry and gross value added is particularly high in CEE countries. Therefore, the need for decarbonisation is huge to avert a deindustrialisation and socioeconomic disaster.

EU member states with highest industry employment and GVA shares (% of total) - 2022



Source: Eurostat, Employment and gross value added by A*10 industry breakdowns, 2022



Source: E3G: INDUSTRIAL TRANSFORMATION FOR ALL EUROPEANS – NAVIGATING THE POLITICAL ECONOMY IN CENTRAL AND EASTERN EUROPE, October 2023

The challenges are manifold

The revision of the EU ETS in particular will lead industry to uncharted waters. The extent of the change needed is significant in CEE countries where there are huge needs for clean infrastructure developments, especially grids and clean hydrogen, to support industrial decarbonisation. This is linked to a lack of industrial plans to address the challenges. Almost none of the CEE countries has an Industrial Plan in place.

Combined with a lack of innovation capacity, as well as skills strategies that correspond to the decarbonisation and modernisation challenges, this results in bleak prospects for industrial workers in Central and Eastern European countries.

The emerging EU industrial policy framework is unfit for cohesion

The Green Deal Industrial Plan (GDIP) is not backed by any meaningful EU funding. The much-needed EU Sovereignty Fund did not materialise. The STEP provides limited new EU funding, while the GDIP largely relies on a relaxation of State aid. At the same time, tightened fiscal rules will undermine the capacity of many Member States to finance investments. The current EU strategy (with all its general shortcomings compared to other industrial policy schemes, such as the IRA in the US, or the five-year plan in China), risks only supporting the stronger Member States getting stronger, and the weaker ones falling even further behind.

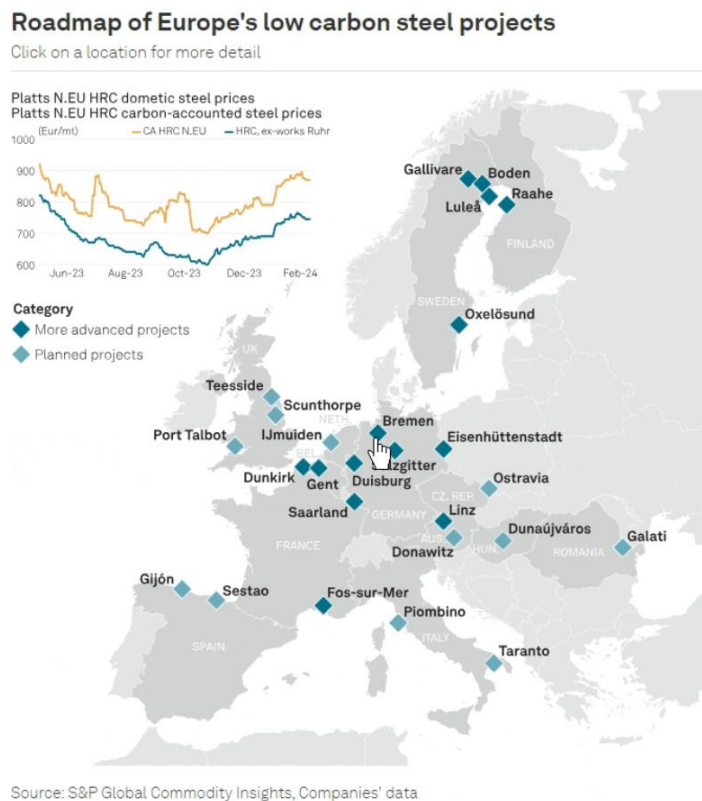
Central Eastern European countries are highly dependent on EU funds to support decarbonisation. However, the available funding from the RRF, Modernisation Fund, Just Transition Fund, and other mechanisms, are not efficiently targeted. This is largely due to the lack of Industrial Plans and insufficient administrative capacity.

There is a shortage of innovation in CEE countries, with industries shaped by technology transfers and low labour costs. R&D spending is below the EU average. Out of 184 clean tech demonstrators in energy-intensive industries financed through EU Funds and by Member States through IPCEIs, only 11 are

implemented in CEE countries¹. This recipe is not fit for a Europe that targets net-zero emissions by 2050 while striving for cohesion and upward convergence of EU Member States.

Corporate strategies risk undermining decarbonisation efforts

Moreover, corporate strategies are unpredictable. Industry in CEE countries is highly shaped by multinational companies and is thus reliant on corporate investment decisions. In this context, it is a major concern to industrial workers that profits gained in CEE industrial sites are leaving the country without the much-needed return to help modernise and decarbonise industrial processes in the region. With the exception of a few, there are no substantial industrial decarbonisation projects in sight.



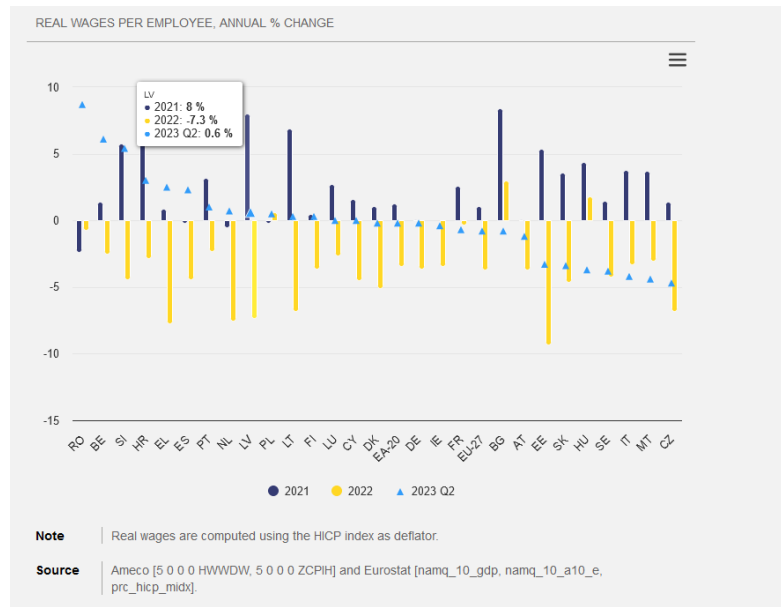
Even where there have been plans for decarbonisation, corporate strategies risk undermining them. For example, US Steel Košice (Slovak Republic) has had concrete transformation plans in place. However, after the recent takeover of the plant by Nippon Steel, the future of its 8,000 workers is uncertain.

The situation at GFG Alliance/Liberty Steel has been particularly dire in the Czech Republic, where production has been halted for weeks, with no prospect of a rapid resumption and thousands of workers sent home and in the dark about their future. In Ostrava, the Liberty Steel plant's energy supplier, Tameh, declared insolvency in December 2023, while 117 of Liberty's subcontractors on site are suffering the consequences of the crisis, without any heating or water. Not only is the future of the Ostrava plant and its 6,000 workers at stake, but an entire region and local supply chain of 30,000 indirect jobs and 900 SMEs linked to Liberty Steel's operations could pay the price for mismanagement.

¹ E3G: INDUSTRIAL TRANSFORMATION FOR ALL EUROPEANS – NAVIGATING THE POLITICAL ECONOMY IN CENTRAL AND EASTERN EUROPE, October 2023

Workers in CEE countries are bearing the brunt

Many CEE countries have suffered from high inflation driven by high energy and commodity prices. The cost-of-living crisis has been impacting workers in CEEC especially hard, as collective agreements could not compensate for increased living expenses. Real wages have been decreasing all across Europe, but in CEEC in particular.



Source: DG EMPL, Labour Market and Wage Developments in Europe 2023
<https://op.europa.eu/webpub/empl/lmwd-annual-review-leaflet-2023/>

This is even more dramatic in a context where the competitive advantage of CEE countries has been largely based on low labour costs. Industrial workers have been far from reaching wage convergence and now risk losing out as investments might go to regions with access to abundant CO₂-neutral energy and infrastructure.

Industrial workers in Central and Eastern Europe have been impacted by restructuring processes and plant closures following the political changes in the 1990s. The scars of that period remain, and fears are growing that the decarbonisation is just another word for deindustrialisation and depopulation. Many countries in the region have been suffering from a brain drain, with Bulgaria leading the ranks of the fastest declining countries in the world. Its population shrank by about one quarter since 1990 and is expected to shrink by another 23% by 2050. Highly qualified people have been leaving their countries for better wages and employment conditions in other countries. The current discontent risks a political backlash against the European Green Deal at a time when determined action to address climate change is paramount.

Industrial relations systems have been weakened

Trade unions in the region deplore the weakening of industrial relations systems over the last decades. Collective bargaining coverage in the region is low, with most of the countries below 30%. Collective bargaining takes place predominantly at the company level, leading to diverging employment conditions within whole sectors. Moreover, union busting practices often supported by governments to attract investments to the region have been a real concern to the trade unions.

In Romania, after a decade without any collective agreements, a revised law on social dialogue has re-enabled the social partners on paper. In practice however, collective bargaining is still very weak.

New jobs in emerging sectors do not necessarily mean improving employment conditions and living wages. In Hungary, for example, there have been substantial investments in battery manufacturing plants dominated by East Asian companies. However, many of these companies do not respect freedom of association, resulting in poor employment conditions and health and safety standards. Low job quality leads to labour shortages and hence the Hungarian Government’s strategy to attract third country migrants with less protection.

Despite a rich EU social acquis in the field of worker participation with no fewer than 45 European Directive granting information and consultation rights at local, national and European levels, major discrepancies persist between pre-EU enlargement countries and CEE countries. Quality, timely and effective dialogue with management on company’s strategy, employment prospects and working conditions remains a pipedream, CEE trade unions being prevented from the possibility to anticipate transformation and discuss alternatives to job cuts and plant closures.

Industrial Relations Index scores, EU and Member States, 2018-2021

	<i>Industrial relations</i>	<i>Industrial democracy</i>	<i>Industrial competitiveness</i>	<i>Social justice</i>	<i>Quality of work and employment</i>
Denmark	73.7	81.0	72.9	72.1	69.2
Finland	72.4	77.1	73.7	74.3	65.0
Netherlands	72.4	78.2	75.4	71.3	65.3
Austria	71.1	77.6	70.5	66.5	70.1
Sweden	71.1	86.7	72.4	66.8	60.9
Germany	65.6	64.0	70.6	59.9	68.2
Luxembourg	64.3	70.7	65.4	52.4	70.7
Belgium	61.9	63.7	71.9	58.5	54.7
Ireland	58.6	49.8	58.5	66.9	60.6
Slovenia	56.6	61.4	48.2	62.3	55.6
France	52.4	64.0	66.2	51.2	34.7
Czechia	51.9	58.0	48.2	59.4	43.7
EU27	49.9	53.6	49.9	50.5	48.1

	<i>Industrial relations</i>	<i>Industrial democracy</i>	<i>Industrial competitiveness</i>	<i>Social justice</i>	<i>Quality of work and employment</i>
EU27	49.9	53.6	49.9	50.5	48.1
Estonia	48.9	33.4	49.4	54.9	63.1
Malta	44.5	36.0	40.1	46.5	58.1
Lithuania	43.8	41.0	39.2	46.8	48.9
Spain	40.9	58.5	45.6	29.4	35.7
Croatia	40.0	54.9	33.6	45.6	30.5
Latvia	39.1	33.1	33.2	44.6	47.8
Italy	38.9	49.9	50.9	30.4	29.8
Poland	38.8	36.0	34.5	53.5	33.9
Slovakia	38.6	48.2	34.6	48.3	27.5
Portugal	38.5	38.3	45.0	33.2	38.6
Cyprus	38.4	44.8	37.2	47.0	27.8
Hungary	36.7	29.9	35.3	37.0	46.5
Greece	29.5	37.1	35.5	25.2	22.8
Bulgaria	29.5	35.6	18.7	30.0	37.5
Romania	29.2	39.3	20.8	28.4	31.2

Source: Eurofound (2023) [Measuring key dimensions of industrial relations and industrial democracy \(2023 update\)](#)

Trade unions demand industrial strategies that promote cohesion and protect and create good quality jobs:

1. An EU industrial strategy that does not undermine cohesion objectives

While welcoming the Green Deal Industrial Plan (GDIP) and the fact that an EU-wide industrial strategy has been proposed, the plan is only reactive and is failing to address the regional dimension of decarbonisation and industrial transformation needs. Notably, the GDIP needs to be accompanied by an investment plan that supports decarbonisation and good industrial jobs in all regions with industrial manufacturing.

We demand an overarching and proactive European industrial plan to transform and create jobs and avoid greater regional inequalities. Trade unions notice with concern a growing resentment against the European Green Deal on the ground, as it is being blamed for plant closures and redundancies. We urgently need an EU industrial plan that is based on European solidarity, strengthened European industrial value chains and respects workers' rights.

2. A EU investment plan that supports decarbonisation and good industrial jobs in Europe's regions

To achieve the EU's mid- and long-term targets, we urgently need to address the investment gaps, especially in the context of the crucial EU funds that will come to an end in 2026. The investment needs triggered by the Green Deal (and the EU's response to the war in Ukraine) are unprecedented: The Commission estimates that about €620 billion of public and private investments are needed yearly to deliver the European Green Deal and the REPowerEU Plan. An additional €92 billion is needed to address the objectives of the Net-Zero Industry Act over the 2023-2030 period. The EU GDIP financing is mainly relying on State aids ([Temporary crisis state aid framework](#), [GBER](#)), entailing a risk of deepening the gap between Member States and regions. The EU Sovereignty Fund never materialised and the Strategic Technology for Europe Platform involved very limited new funding (€10 billion). In the context of very limited budgetary capacities in many EU Member States, relying mainly on state aid to fund the transition could undermine the EU's collective decarbonisation and Just Transition efforts. It risks increasing the fragmentation between EU countries as it only reinforces the winners and weakens the already weak.

3. Austerity policy is incompatible with decarbonization

The proposed tightening of fiscal rules risks undermining decarbonisation across the EU and will lead to increased divisions between winners and laggards. We have already seen the dire impact of austerity policies after the last financial crisis. These undermined public investment, as well as private investments, and led to a loss of 2.5 million industrial jobs in the EU since 2008.

Public de-risking of private investment into new and clean technologies is essential. But government funding must also play a critical role in leveraging private investment. Multiple analyses have shown that tight fiscal rules will impede climate investments in the majority of EU Member States. CEE countries will be particularly vulnerable, as they will not be able to invest in decarbonisation and infrastructure needs. As part of a proactive EU Industrial Policy Plan, we call on EU leaders to apply reasoning and reassess the fiscal framework for the upcoming years.

4. Industrial plans at national level and need for stronger administrative capacity to manage the decarbonization

We call on national governments to establish national industrial plans. Industrial plans at national level are indispensable to provide certainty and direct public and private investments. Industrial plans at national level are also key for a coherent and strategic use of EU funds, such as the Cohesion Funds, the Modernisation Fund and the revenues from the EU ETS, and to invest in the much-needed clean energy infrastructure.

There is much potential for decarbonised energy infrastructure in CEE countries. Industrial strategies at national level, and regional cooperation across CEE countries, will be vital to tap this potential. Administrative capacities must be strengthened to ensure comprehensive strategic planning. It is indispensable to involve the trade unions in industrial planning and funding strategies and for effective social dialogue to support the anticipation and management of change and a Just Transition.

5. Establish skills strategies and modernise education systems

CEE countries must establish comprehensive skills strategies and modernise their educational systems to correspond to the demands of decarbonisation, changing industrial processes and technologies. Skilled workers are part of the industry's competitiveness and are needed in all manufacturing sectors. Trade unions should have a seat at the table as they know best what skills will be needed. Moreover, to address the critical shortages of skilled workers, we need to focus on the quality of education and training and quality of jobs in the regions.

6. Stronger social dialogue for quality jobs

Central and eastern European trade unions demand effective social dialogue at all levels (company, sectoral and national) and effective information and consultation in companies. Trade unions must be more comprehensively involved in the development of industrial, sectoral and company plans. Collective bargaining coverage must be increased. Therefore, the comprehensive transposition and implementation of the Minimum Wage Directive will be instrumental.

We demand a strengthening of sectoral collective bargaining to enhance convergence between workers and quality employment across sectors. At a time when companies lament labour shortages, unions should be actively involved and engaged in the process. Strong industrial manufacturing, job-to-job transitions and quality of employment can only be ensured through effective social dialogue.

7. The right to stay and the right to a job-to-job transition

Decarbonisation should not mean deindustrialisation and depopulation of industrial areas. A Just Transition means that workers and young people are not forced to leave their regions, but that employment opportunities of equal quality are provided in the same region and at the local level. The fundamental freedom of movement of workers must be complemented by a fundamental freedom of choosing to stay and find good quality jobs regionally or locally!

8. Instruments to monitor investments, EU Funds and State aid and their use to ensure sustainable impacts on the ground

We need strong instruments and mechanisms to monitor investments, the use of EU Funds and State aid to understand their impact (not only in Central and Eastern Europe). We emphasise the critical role that

both, OLAF and EPPO, are playing, especially in the investigation of the use of RRF funding, and the need for strict scrutiny to see EU Funds are directed to and used complemented by comprehensive protection for those who uncover fraud, corruption and misuse of funds. Moreover, companies receiving public money must be scrutinised on where their profits are flowing. Corporate social responsibility must mean that the profits made in CEEC are reinvested in decarbonisation and good jobs. We demand social conditionalities, not only attached to EU funds, but also to any kind of national public funding, and State aid to commit companies to security of sites, respect of trade unions, engagement in social dialogue, collective bargaining and effective information and consultation. Multinational companies have a responsibility for the sustainable development of industrial sites and wellbeing of workers.

9. Building trade union power for quality jobs in Central and Eastern Europe

As unions we stand united in solidarity and committed to supporting workers fighting precariousness, striving for decent wages, working conditions and a work-life balance, and standing against any violations of workers' rights. After 20 years of enlargement trade unions are again facing an uphill struggle. Many workers in Europe have fallen into the trap of right-wing populism and xenophobia because of fear. Workers in most European countries have to work more and more intensively in order to make ends meet. The supposed competitive pressure on the labour market from people from other countries and the fear of losing social and economic stability has led to protest voting. Union density and collective bargaining coverage have fallen.

Together with our team of organisers, we build trade union power to ensure that every company and workplace is covered by union representation and effective social dialogue structures in place. An active trade union membership is the most effective way of delivering on our demands.

We call on national governments to support social dialogue mechanisms and engage with trade unions to jointly promote upward convergence and good industrial jobs!

European Solidarity for upward convergence

Twenty years after the EU enlargement to Central and Eastern Europe, industriAll Europe, together with its 200 affiliated organisations, stands united and in solidarity with workers and trade unions in CEE countries. CEE countries and workers have benefitted from the EU enlargement process in general, but huge regional discrepancies persist. In the recent geopolitical and economic context, uncertainty and anxieties are building up among workers on the ground. We need to address them and we need to build a European answer to global competition and threats.

We demand a strong and proactive European Industrial Policy Framework and good economic governance to support upward convergence. We demand good industrial jobs in Central and Eastern Europe and all across Europe! Decarbonising our industries and staying competitive unites trade unions, companies, public authorities and EU institutions alike. We demand a seat at the table. Nothing about us without us!