

Resolution

Expanding Social Europe: An Imperative for EU Convergence and Enlargement

Brussels, 24 June 2024 | As past EU enlargement rounds failed to ensure an expansion of Social Europe, twenty years on wage differences between member states remain staggering. The Directive on Adequate Minimum Wages is a significant first step to achieve upwards social and wage convergence in the EU. Current enlargement negotiations must prioritise effective social dialogue and stronger labour rights to ensure a fair deal for workers and prevent repeating mistakes of the past.

Background: 20 years since the biggest EU enlargement

The year 2024 marks the 20th anniversary of the biggest enlargement of the European Union thus far: Cyprus, Czechia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia all joined in 2004. Bulgaria, Romania and Croatia followed suit in 2007 and 2013.

In many ways, the enlargement has been a success story. The new member states experienced significant economic growth and improvements in living standards. Although the erosion of democratic structures is a threat and has punctually materialised across EU member states to different degrees, European integration has overall contributed to political stability and a firmer rooting of both democracy and the rule of law. Both private and public investments have been flowing in, creating millions of jobs, building modern infrastructures and strengthening the internal market.

The achievements and benefits of EU enlargement are undeniable. However, not all hopes associated with EU membership have fully materialised as of yet. The four freedoms of the single market were quick to expand to the new member states, but the expansion of Social Europe¹ did not follow suit in even nearly the same extent.

The long wait for Social Europe

For most Central European countries, the decade preceding EU accession was marked by a shock exposure to the market paradigm: In line with the neoliberal zeitgeist, social safeguards were scaled back at a massive rate, while labour and trade union rights faced significant limitations or outright hostility.

EU accession did little to reverse this trend. Multinational companies seized on the low wages as well as the skilled and highly productive workforces to reduce their costs and increase their profits. With only job creation in mind, many national governments in Central and Eastern Europe were eager to keep social dialogue, labour rights and standards, workers' participation as well as collective bargaining low and pressure on trade unions and workers' representatives high. Oftentimes the ensuing legal framework was dissuasive for trade union work and

¹ The European Trade Union Confederation (ETUC) broadly equals Social Europe to „the so-called European Social Model, meaning that economic freedoms are framed by strong social policies to achieve fair competition, social cohesion and ongoing improvements in the living standards of all citizens.” See: <https://www.etuc.org/en/issue/social-europe>

collective bargaining. It is important to note that the pushback against social dialogue occurred in both the private and public sectors. In the latter too, it regularly deteriorated into a merely formal occurrence devoid of actual substance.

Many companies that opened branches and production sites in the member states who joined after 2004 were and are still applying double standards when it comes to workers' rights: While adhering to meaningful social dialogue, collective bargaining and worker participation in their country of origin, they completely disregard those basic features of the European Social Model in their Central European host countries – going as far as engaging in active union busting. Such practices further emphasise the need for increased cross-border trade union cooperation.

The fact that foreign multinational companies became some of the largest employers in Central Europe further weakened social dialogue by distancing the employers' managerial decision-making processes from the workers, their representatives and the lived realities at local level. Moreover, the predominance of multinationals did not favour strong national employer organisations that could serve as counterparts to trade unions in negotiating sectoral collective agreements.

A worrying decline in collective bargaining coverage

As a result, collective bargaining coverage has been on a steady decline in Central Europe, as evidenced by data from the Organisation for Economic Co-operation and Development (OECD)² and the European Trade Union Institute (ETUI)³. The European Trade Union Confederation (ETUC) estimates that since the year 2000, collective bargaining coverage decreased by 19 % in Croatia, 5 % in Czechia, 17 % in Hungary, 29 % in Slovenia and 26 % in Slovakia.⁴ It is therefore unsurprising that the EU is still far off a real wage convergence. While real wages may have gone up in the EU members states that joined in and after 2004, they are still three to four times lower than in other EU member states, such as neighbouring Germany or Austria.

Sustained low wage and labour flexibility policies in Central and Eastern Europe create push factors for emigration. The shortsightedness of these policies is evidenced by millions of people migrating from Central Europe westwards, putting the social fabric under strain and leading to labour shortages that hamper further economic development. On the other side of the same coin, free labour mobility resulted in an acute exposure to wage and social dumping practices in EU member states with higher wages and social security standards.

Path to wage and social convergence

If the EU is to deliver a fair deal for workers, this trend must be reversed. 20 years after the biggest EU enlargement to date, an enlargement of Social Europe must follow suit as differences in wage and social standards remain staggering. Directive (EU) 2022/2041 on Adequate Minimum Wages is a significant first step to achieve upwards social and wage convergence in the EU. Member states with a collective bargaining coverage below 80 % must not only introduce an adequate minimum wage but also establish national action plans to promote collective bargaining.

² OECD Data Explorer, Collective bargaining coverage. Available at: [https://data-explorer.oecd.org/vis?tm=collective%20bargaining&df\[ds\]=dsDisseminateFinalDMZ&df\[id\]=DSD_TUD_CBC%40_DF_CBC&df\[ag\]=OECD.ELS.SAE&df\[vs\]=1.0&dq=..&vw=tb&pd=2000%2C&ly\[cl\]=TIME_PERIOD&ly\[rs\]=REF_AREA&to\[TIME_PERIOD\]=false&snb=2](https://data-explorer.oecd.org/vis?tm=collective%20bargaining&df[ds]=dsDisseminateFinalDMZ&df[id]=DSD_TUD_CBC%40_DF_CBC&df[ag]=OECD.ELS.SAE&df[vs]=1.0&dq=..&vw=tb&pd=2000%2C&ly[cl]=TIME_PERIOD&ly[rs]=REF_AREA&to[TIME_PERIOD]=false&snb=2)

³ ETUI, Collective bargaining. Available at: <https://worker-participation.eu/collective-bargaining>

⁴ ETUC, EU countries with weak collective bargaining have lowest wages (10 September 2020). Available at: <https://www.etuc.org/en/pressrelease/eu-countries-weak-collective-bargaining-have-lowest-wages>

Central European trade unions demand a national legal framework that supports social dialogue. For an effective social partnership, both employer organisations and trade union structures must be strengthened. Collective bargaining at sectoral and cross-sectoral level must become the norm, as the limitation to company level negotiations has too often proven an instrument to impede on trade union effectiveness and keep both wages and social standards low. Subsidies and tax breaks for multinationals must be linked to social conditionalities and the acceptance to engage in meaningful and resultative social dialogue. Public procurement should be used to ensure that public funds go to companies that comply with the European Social Model, conclude collective agreements and respect trade union and worker participation rights. Social conditionalities should become a standard feature when distributing EU funds, independent of whether the recipient is a company or a national government.

Lessons for future enlargements

Lately, there has been renewed momentum for further EU enlargement with currently nine countries listed as candidates: Albania, Bosnia and Herzegovina, Georgia, Moldova, Montenegro, North Macedonia, Serbia, Turkiye and Ukraine. To guarantee that future enlargements are a fair deal for workers in both EU member states and current candidates, we recommend:

- **No Single Market access without effective social dialogue.** Single market access for countries without adequate social dialogue and social standards must be rejected. This would entrench wage differences, hamper convergence and reproduce the dynamics observed in EU member states joining in or after 2004.
- **Make Social Europe a cornerstone in accession negotiations.** The EU must not repeat past mistakes and make effective social dialogue, trade unions rights and broad collective bargaining coverage not only a cornerstone of accession negotiations but also a precondition for EU membership.
- **Differentiate between social and civil dialogue.** Civil society organisations (CSOs) play a crucial role in democratic societies but are no substitute for trade unions. On occasion, CSOs have been instrumentalised to simulate social dialogue. In contrast to civil dialogue, social dialogue is the forum to negotiate work-related issues, labour market policies and industrial relations. It is the domain of employer organisations, trade unions and – where it is tripartite – governments.
- **Harness Pre-accession Assistance to expand Social Europe.** In many candidate countries, trade unions operate under strict financial limitations and legal restrictions, while employer organisation structures and social dialogue remain underdeveloped. For 2021-2027, the EU has budgeted € 14bn for Pre-accession Assistance. A portion of the Pre-accession Assistance funds must be harnessed to expand the European social model and support social dialogue, trade union and employer organisations structures in candidate countries.

About

The Central European Trade Union Network (CETUN) assembles trade unions from Austria, Croatia, Czechia, Hungary, Liechtenstein, Serbia, Slovakia, Slovenia and Switzerland. As a regional grouping of ETUC members, the network's goal is to foster trade union structures and

social dialogue in the region. Through greater cooperation and coordination, participants aspire to promote common themes at European level.

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