





The term 'employee relations' was conceived as a replacement for the term 'industrial relations' but it's precise meaning in today's workplaces needs clarification



Industrial relations versus Employee relations

'Employee relations' is a common title for the industrial relations function within personnel management and is also sometimes used as an alternative label for the academic field of industrial relations. The term underlines the fact that industrial relations is not confined to the study of trade unions but embraces the broad pattern of employee management, including systems of direct communication and employee involvement that target the individual worker" (Heery & Noon, 2001)



Employee relations

A broad term used to refer to the general management and planning of activities related to developing, maintaining and improving employee relationships by communicating with employees, processing grievances/disputes, etc.

Communications between management and employees concerning workplace decisions, grievances, conflicts, problem resolutions, unions, and issues of collective bargaining



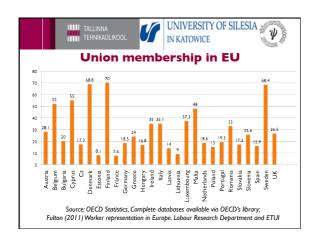


Employee relations

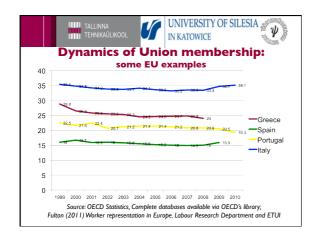
"Employee relations involves the body of work concerned with maintaining employer-employee relationships that contribute to satisfactory productivity, motivation, and morale. Essentially, employee relations is concerned with preventing and resolving problems involving individuals which arise out of or affect work situations" (NASA's Goddard Space Flight Center Office of Human Relations, 2001)

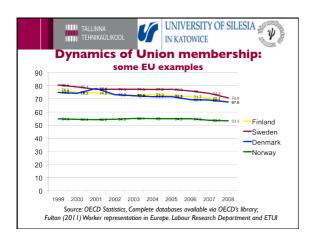


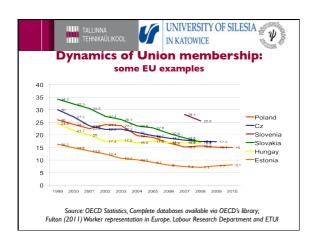
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Who rep	resents
✓ Union	
✓ Employees' representatives	
 ✓ Working environment specialis representative, working enviro 	•
✓ Employee himself: I-deals, labor of Social Affairs, court	dispute committee at Ministry
Areas in which the em	ployees represented
✓ Collective barging	
✓ Health and safety at work	
✓ Employees' financial participation	on















Trade Unions in Estonia

Historical context of the labor movement in Estonia

The Russian Revolution of 1905 was said to be a major factor to the Russian October Revolution of 1917. The events of Bloody Sunday triggered a line of protests in Russia and it was also influential in Estonia

So, Estonia's trade union movement began in 1905 the revolutionary events organized by local left oriented revolutionaries. Estonian tailors and printing workers gathered in the Baltic Printing Workers Association as a regional department and it was the first Estonian trade union. Similarly there was established in Tallinn the Baltic railway workers union as a Moscow railway workers trade unions' department.



Trade Unions in Estonia

Historical context of the labor movement in Estonia

In February 1918, after the collapse of the peace talks between Soviet Russia and the German Empire the bolshevik forces retreated to Russia. Between the Russian Red Army's retreat and the arrival of advancing German troops, the Salvation Committee of the Estonian National Council issued the Estonian Declaration of Independence on February 23, 1918. A military invasion by the Red Army followed a few days later, however, marking the beginning of the Estonian War of Independence (1918–1920). The Estonian army cleared the entire territory of Estonia of the Red Army by February 1919, but the war continued in the territory of Latvia



Trade Unions in Estonia

Historical context of the labor movement in Estonia

In all this chaos and in conditions of Estonian War of Independence, in 1919 autumn took place the first Estonian Trade Unions congress. The congress clearly declared their willingness not to support an independent Estonian state but congress delegates saw Estonia as a part of the Soviet Russia - the congress hall was decorated with red flags and banners othese titles as: "Long live the global socialistic revolution!" and "Workers of the world, unite!" etc. On the second day of the Congress, denied the statements made by anti-independence this congress was conduct by the government

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Trade Unions in Estonia

Historical context of the labor movement in Estonia

The communist oriented trade unions in 1927 were founded the central organization, which was reorganized in 1929, and in 1930 it was forced to close. In 1931 there were recorded a new left-oriented trade union center - Tallinn and Harju County Central Council of Trade Unions



Trade Unions in Estonia

Historical context of the labor movement in Estonia

In 1936 the Estonian government, however, blocked the trade union movement development and created the government-friendly labor movement

In 1938 was introduced "Employee and Associations Act" that became the basis of a trade union, instead of all factory workers, civil servants, and commercial organizations' employees use the term "professional association". The law allowed to establish a local or national professional association, but only one professional association for each profession, the parallel organizations were not allowed. Banned were political activities, and all activities affecting the country's defense and foreign policy relations



Trade Unions in Estonia

Historical context of the labor movement in Estonia

During the World War II the trade union activities were suspended. In 1948 the Estonian SSR Council of Trade Unions was reorganized under subordination of the Soviet Unions Central Council of Trade Unions. Thus, during the Soviet occupation in Estonia there were no independent trade unions. Trade unions activity was rather formal, managed and completely controlled by the Communist party

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Trade Unions in Estonia

Historical context of the labor movement in Estonia

In 1989 Estonian SSR Council of Trade Unions XX Congress announced them as free independent trade union organization. Since 1990 public and private organizations began to form trade unions

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Trade Unions & Works Councils in

EstoniaHistorical context of the labor movement in Estonia

The unions in the past provided the only channel for employees' representation, but now there is the legal possibility of elected employee representatives being in place alongside the union. Main employee representations at workplace were unions, and since 2007 employee representatives can be elected as well

The Estonian law provides for both union and works council structures to exist at the workplace at the same time. On the other hand, collective bargaining is a legal privilege and an exclusive right for unions and it is not broadens to works council



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Trade Unions & Works Councils in Estonia

Historical context of the labor movement in Estonia

Due to Estonian trade unions' history, and low reputation from $% \left(1\right) =\left(1\right) \left(1$ Soviet period both the employees and employers assessing works councils as more democratic and innovative than the unions. Figures also make clear that works councils enjoy the higher popularity in Estonian enterprises than unions (Statistics Estonia, 2011). Comparably, in 6% of the Estonian organizations have the unions, and twice as many organizations (13.3%) have works council

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Trade Unions in Poland

Historical context

In response to workers organizing the employers were organized themselves as well. In 1917 the employers professional associations (Association of Estonian Manufacturers) were formed in Tallinn and Tartu. Association of Estonian Manufacturers ceased operations ordered by the Soviet authorities in 1940

After the Soviet period, employers' organization formed in 1991; in 1995 it was reorganized as the Estonian Employers' Confederation



Trade Unions in Poland

Historical context

Trade union density is relatively low at around 12% of employees and membership is divided between a large number of organisations. There are two large confederations, NSZZ Solidarność and OPZZ, and one somewhat smaller one, FZZ. However, a significant number of union members are in small local unions not affiliated to any of the main confederations

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Trade Unions in Poland

Historical context

As in all countries of Central Europe also in Poland trade unions were active since the end of the 19th century, particularly in the Prussian and Austrian partition regions. 1869 the first Trade Union (of a branch) of Mechanical Engineers and Metal Workers in Bromberg

In 1889 the first general 'Union of Mutual Help' (ZWP) was founded in the town of Bytom (Beuthen) in Silesia. Some of the historical trade unions maneuvered their way through all system changes, for example today's biggest affiliated union of the country, namely the Polish Teachers' Union (ZNP) which was established in 1905. Around 1906 there were already over 2000 trade unions gathered in about 30 central associations. Much of the trade union movement was ideologically divided



Trade Unions in Poland

Historical context

After the German invasion of Poland on I September 1939 all socio-political organisations, including trade unions, were prohibited by the German occupying forces

After 1945 the communist system forced all refounded trade unions into line. Regime trade unions became the fundamental element of workers' organisations, which was also aimed at preventing solidarity in state combines and regions. The aim was to make unions an instrument of the Polish United Workers' Party (PZPR)



Trade Unions in Poland

Historical context

However, this repeatedly met with violent resistance of the workers in the industrial centres, like in Poznan in 1956, in the northern coastal cities in 1970, in Radom and Ursus in 1976 as well as at the Lenin Shipyard in Gdansk in 1980.

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Trade Unions in Poland

Historical context

The most significant result was the foundation of the Independent Self- governing Trade Union 'Solidarity' (NSZZ Solidarnosc) in August 1980, a mass organisation with almost 10 million members. This led in autumn 1980 to the self-dissolution of the 'Central Council of Trade Unions' (CRZZ) which was subordinated to the PZPR. During Martial Law, which was introduced on 1981 and lasted until June 1983, Solidarnosc was banned and the controlled refoundation of trade unions dependent on state orders began. In establishments and state combines affiliated unions were founded. Only in 1984 the 'All-Poland Alliance of Trade Unions' (OPZZ) was set up as an umbrella organisation to coordinate them.



Trade Unions in Poland

Historical context

The 'rule of trade unions' ended in the year 2001. Due to conflicts within the party and accusations of corruption AWS became unattractive and weak in the eyes of the electorate. In the parliamentary elections of 2001 it did not manage to get over the legal hurdle of 8 per cent of votes for electoral coalitions and since then has not had a single parliamentarian in the Sejm. Now came the time of the coalition of the Left led by the 'Democratic Left Alliance' (SLD), where many parliamentarians came from OPZZ. In 2005 'Law and Justice', a party very near to Solidarność, and its partners removed the Left Alliance which was related to OPZZ. After the September 2005 and October 2007 elections seven parliamentarians from the OPZZ still belonged to left alliances



Work Council in Poland

Employee councils were established for the first time by the act of 7 April 2006. This act is the implementation of the EU directive establishing a general framework for informing and consulting employees of 11 March 2002. The new employee councils have no rights of co- determination of decisions of management. Where there are no trade unions employee councils may become a preliminary stage to the establishment of trade union organisations in the firms.

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Works Council

- Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community Joint declaration of the European Parliament, the Council and the Commission on employee representation (Official Journal of the European Communities, L 080, 23/03/2002, pp. 0029 0034)
- A works council is a "shop-floor" organization representing workers, which functions as local/firm-level complement to national labour negotiations. Works councils exist with different names in a variety of related forms in a number of European countries

	Union - 2008 ** 2009 ***2010	Main employee representation at workplace		Union • 2008 •• 2009 ••• 2010	Main employee representation at workplace
Finland	70% ×××	Union	Germany	18.5%***	Works council
Sweden	68.4%***	Union	France	7.6%*	Union and works council/employee delegates – but union normally dominates if present
Denmark	68.8%**	Union – but employee groups from outside the union can be represented in the structure	Spain	15.9%××	Works council – although dominated by unions which are also present directly
Cyprus	55%	Union	Romania	33%	Union – other employee representation possible but rare
Belgium	52%***	Union and works council – but union dominates	Slovenia	25.6%*	Union and works council
Malta	48%	Union – with other representatives for those with no union	Bulgaria	20%	Union – but law also provides for the election of other representatives
Luxembourg	37.3%*	Works council/employee delegates	Czech Republic	17.3%××	Union – but works council can be set up as well
Italy	35.1%***	Union – although largely elected by all employees	Hungary	16.8%*	Union and works council
Ireland	35%***	Union – but other structures are possible and since 2006 these can be triggered by employees	Slovakia	17.2%*	Union and works council
Austria	28.1%***	Works council	Poland	15%***	Union and works council – but most works councils are in unionised workplaces
UK	26.5%***	Union – but other structures are possible and since 2005 these can be triggered by employees	Latvia	14%	Union – although possible to elect other representatives
Greece	24%*	Union – works councils exist in theory but not often in practice	Estonia	8.1%***	Union – but since 2007 employee representatives can be elected as well
Netherlands	18.6%***	Works council	Lithuania	9%	Union – or works council if there is no union
Germany	18.5%***	Works council	Russia	52%	
Portugal	19.3%***	Union – works councils exist in theory but less frequently in practice	EU total	23%	



In four states – Austria, Germany, Luxembourg and the Netherlands – the main workplace representation is through works councils, elected by all employees, and the law makes no provision for workplace structures for unions

In 11 others – Belgium, the Czech Republic, France, Greece, Hungary, Norway, Poland, Portugal, Slovakia, Slovenia and Spain – the law, or, in the case of Norway, the basic agreement, provides for both union and works council structures to exist at the workplace at the same time. However, there are major differences between the countries in this group



Unions and Works councils in EU

(Source: ETUI, financially supported by the European Union)

Five states – **Bulgaria, Estonia, Ireland, Latvia and the UK** – could in some ways be seen as fitting into the same pattern. In all of them, unions in the past provided the only channel for representation, but now there is the legal possibility of elected employee representatives being in place alongside the union

In the remaining eight states – Cyprus, Denmark, Finland, Italy, Lithuania, Malta, Romania and Sweden – workplace representation is essentially through the unions in the first instance, although the rights they enjoy vary considerably. There are exceptional arrangements for workers without union representation, but the union primacy remains

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	Unior	ns and V	Vorks Councils
	in E	stonian	organizations
14%	13.309		.
12%			
10%			In 2007 Directive 2002/14/EC
8%			adapted in Estonia
6%	6%	Unions Works	Since 2007 - employee representatives, works
4% -		councils	councils
2% -			Collective bargaining is an
0%			exclusive right for Union and it is not broaden to
	Unions Work counci	•	works council
Source:	Statistics Estonia, 20	09	





Trade Unions

Source: Fulton (2013) Worker representation in Europe. Labour Research Department and ETUI

Estonia 10%

Poland 15%

Union density is low in Estonia at around 10%. It fell sharply in the 1990s, but it now seems more stable. Most union members are organised in two major confederations, one, EAKL, primarily manual the other, TALO, primarily non-manual.

Trade union density is relatively low at around 12% of employees and membership is divided between a large number of organisations. There are two large confederations, NSZZ Solidarność and OPZZ, and one somewhat smaller one, FZZ. However, a significant number of union members are in small local unions not affiliated to any of the main confederations.

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Collective Barging Source: Fulton (2013) Worker representation in Europe. Labour Research Department and ETUI					
Estonia 33%	Poland 30%				



Employees' financial participation

(Source: ETUI, financially supported by the European Union

The distribution and significance of employee financial participation in Europe are at first glance no more uniform and structured than in the case of workplace representation

The most important differences concern:

- √ the form of participation (participation in profits and/or) equity)
- ✓ the form of use or investment of the proceeds of participation (lump sum, accumulation of shares or feeding old age pension plans)
- \checkmark the determination of which employees are entitled to participation



Financial Participation

Source: Fulton (2013) Worker representation in Europe. Labour Research Department and ETUI

Estonia

 $\label{eq:employee} \textit{Employee financial participation in} \quad \textit{Employee financial participation in} \quad$ Estonia is present mainly in the form of employee ownership and cooperatives. The importance of employee ownership has been in decline since the beginning of the 90's, when for a short time employee ownership played an important role in the privatization process. It remained a temporary phenomenon of the early transition period and currently does not enjoy too much

Poland

Poland emerged mainly during the privatization process at the beginning of the 190%. The privatization programme was characterised by significant incentives for employee participation programme associations. participation, especially in firms privatized by leasing (leveraged lease-buy-out, LLBO) and transformed into so-called "employee-companies".



Financial Participation

Source: Fulton (2013) Worker representation in Europe. Labour Research Department and ETUI

Estonia

Cooperatives, as another form of Ownership structures in these employee financial participation, are especially strong in the agricultural sector, where they were the main privatization method. As a consequence, employees in the agricultural sector were granted more rights. Profit-sharing schemes are now relatively widespread (abobe the European average).

Poland

companies have been relatively stable, with a wide range of employees retaining a considerable portion of company shares. Employee ownership also emerged from other privatization methods, though to a lesser extent. Furthermore, workers' cooperatives, as another form of employee participation, have a long tradition in Poland.





Health and safety at work

Estonian Occupational Health and Safety Act

Translation: "occupational psychology" is translated as "work psychology"

Workplace environment: physical, chemical, biological, physiological and psychological factors

An employer shall ensure compliance with the occupational health and safety requirements in every aspect related to the work: Prevention activities of employer; Obligations and rights of employers;

Obligations and rights of workers



Health and safety at work

Estonian Occupational Health and Safety Act

Occupational health services and occupational health service providers (§ 19, inc. occupational psychologist); Registration of occupational health service providers





Health and safety at work

Organization of Occupational Health and Safety

- ✓ A working environment specialist is an engineer competent in the sphere of working environment or any other specialist in an enterprise who has received training concerning the working environment and whom the employer has authorised to perform occupational health and safety duties
- ✓ A working environment representative is a representative elected by workers in occupational health and safety issues
- ✓ A working environment council is a body for co-operation between an employer and the workers' representatives which resolves occupational health and safety issues in the enterprise



Employers' in Estonia

Historical context

In response to workers organizing the employers were organized themselves as well. In 1917 the employers professional associations (Association of Estonian Manufacturers) were formed in Tallinn and Tartu. Association of Estonian Manufacturers ceased operations ordered by the Soviet authorities in 1940

After the Soviet period, employers' organization formed in 1991; in 1995 it was reorganized as the Estonian Employers' Confederation



Beside trade unions there are three kinds of bodies taking care of work environment and employees well-being

(NEIRE II: Teichmann, Lõhmus, 2014)

I. Work environment specialist is an engineer competent in the sphere of working environment or any other specialist in an enterprise who has received training concerning working environment and whom the employer has authorized to perform occupational health and safety duties

A working environment specialist is full-time employee and is paid as any other employee for his/her work. Generally a working environment specialist works under the supervision of HR manager



Beside trade unions there are three kinds of bodies taking care of work environment and employees well-being

(NEIRE II: Teichmann, Lõhmus, 2014)

2. A work environment representative is a representative elected by employees in occupational health and safety issues, and his or her term of authority is up to four years. In an enterprise, which employs 10 employees or more, the employees shall elect one work environment representative from among themselves. If an enterprise employs less than 10 employees, the employer is required to consult with the employees in matters of occupational health and safety. A work environment representative is an ordinary employee, who performs his/her functions besides his/her ordinary work and is not to be paid for work as a representative.



Beside trade unions there are three kinds of bodies taking care of work environment and employees well-being

(NEIRE II: Teichmann, Lõhmus, 2014)

3. A work environment council is a body for co-operation between an employer and the employees' representatives, which resolves occupational health and safety issues in the enterprise. In an enterprise with at least 50 employees, a working environment council shall be set up at the initiative of the employer and it shall comprise an equal number of representatives designated by the employer and representatives elected by the employees. The council shall comprise at least four members and the term of their authority shall be up to four years.



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Employers' expectation

(NEIRE II: Teichmann, Lõhmus, 2014)

I. Need for professionalism

There is a general opinion among employers on the need to professionalize the ERs role and training on technical competencies. According to the law the employees representatives have passed the 24-hour training organized by the Labour Inspectorate (the Labour Inspectorate is a government agency operating within the area of government of the Ministry of Social Affairs). Work environment specialist and/or HR manager give to the ERs additional information, if it is needed. If there will be a need for additional training in legislative regulations, the company normally will support it by giving a free training opportunities to ERs. But — as it has been mentioned by respondents - the lack of knowledge and skills on work environment issues is not problem but mostly the attitude of ERs



Employers' expectation (NEIRE II: Teichmann, Löhmus, 2014)

2. Attitudes of the employee representatives

As the conclusions of the interviews pointed out, the attitudes of the employee representatives are problematic. ERs are often disinterested; they are mainly listeners and executors in most cases. Additionally, managers perceive a lack of commitment and involvement with the organization's strategy from the ERs side. The industrial sector is especially focused on the lack of representation of the overall workforce and a majority of ERs working for their self-protectionism instead of being more flexible, working on anticipation and prevention of conflicts



Employers' expectation

(NEIRE II: Teichmann, Lõhmus, 2014)

3. Low mutual trust

During the interviews, some uncertainty and skepticism from the side of employers showed up when speaking about mutual trust between management and ERs. In most cases respondents were in difficulties to estimate mutual trust. Estonian managers point out that ERs lack the characteristics that they consider as antecedents for creating a trusting relationship, such as the ability or control of specific competences; benevolence or considering that ERs would do good to the organization; and integrity, or that the ERs adhere to a set of principles that the managers find acceptable such as reliability, fairness, justice and consistency. Especially managers in industrial sector agree that both ERs and management distrust each other.



Employers' expectation

(NEIRE II: Teichmann, Lõhmus, 2014)

4. Lack of competencies

Concerning the competencies, there is a general agreement that the level is too low in some competencies. In the interviews and in the surveys, managers believe that ERs lack the basic competencies necessary for their role and for successful negotiation. These competences are: business orientation, strategic thinking, proactivity, innovation and analysis. All of the sectors agree that ERs should be more innovative and adapt to the evolution of the company and sector.



Employers' expectation

(NEIRE II: Teichmann, Löhmus, 2014)

5. Low prestige

It's also worthy highlighting the low prestige of the role of ERs, there is a minority working engaged and enthusiastic as their peers representative.

The role of the WC member is considered more formal and bureaucratic.

As one of the respondents put it: "To be honest – elections of WC members are superficial; most people don't want to be the representatives and the elected members are not very motivated to act as employee representatives." Another respondent appointed, that: "Such a low status of ERs is the result of general management pattern in the organization. Since top manager doesn't change his attitudes and continuously is not interested in people's opinions, the role of employee representative will not be taken seriously".



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Estonian survey re	IN KA	TOWICE	OF SILE	17	Ψ
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Variables	Mean	SD	Mean	SD	Sig
Industrial relations in terms of trust	3.51	.88	3.31	.82	
Task conflict	2.52	.82	2.83	.84	***
Relationship conflict	2.12	.86	2.33	.94	
Ability of ERs	3.44	.87	3.12	.91	**
Benevolence of ERs	3.81	.84	3.34	.96	***
Integrity of ERs	3.88	.88	3.45	.85	***
Empowerment of ERs by management	4.18	.91	3.54	.98	***
Managers' need for control	2.41	.87	2.90	1.06	***
Impact by ERs on org. issues (subscale 1)	2.81	1.12	2.61	.85	
Impact by ERs on org. issues (subscale 2)	3.01	.95	2.78	.81	*
Cooperative conflict management by ERs	3.10	.98	2.75	.92	**
Competitive conflict management by ERs	2.33	.94	2.60	.92	**
Organizational commitment of ERs	3.33	.99	3.14	.95	
Competencies of ERs	2.89	.91	2.46	.73	***
Characteristics and quality of agreements	3.07	.50	3.09	.72	
Conflict management efficacy	3.00	.87	3.00	.89	





Suggestions given by employers to improve social dialogue in Estonia (NEIRE II: Teichmann, Löhmus, 2014)

No need to engage ERs in decision making.
 Employee representatives do not influence much the
decision making arrange. ERs are implied in decision.

decision making process. ERs are involved in decision-making only on the stage of the preparation of decisions as sources of information in the cases when employee's opinion is needed on specific areas (work environment matters). The current situation is satisfactory in employers opinion and they do not see any need for improvement. HR managers stated that there is no need to engage ER with company's strategical decision-making process.



Suggestions given by employers to improve social dialogue in Estonia (NEIRE II: Teichmann, Löhmus, 2014)

2. Professionalization the role of ERs.

Some suggestion given by the managers in different sectors is to professionalize the role of the ER, towards innovation and specialization.

Work councils are dealing merely with the problems of physical work environment (work facilities, air conditioning, work safety etc.), they do not pay much attention to the psychosocial work environment issues. As mentioned issues are as important, there should be more members in worker councels specializing on psychosocial issues of work. In this context the number of worker councels members should be increased.

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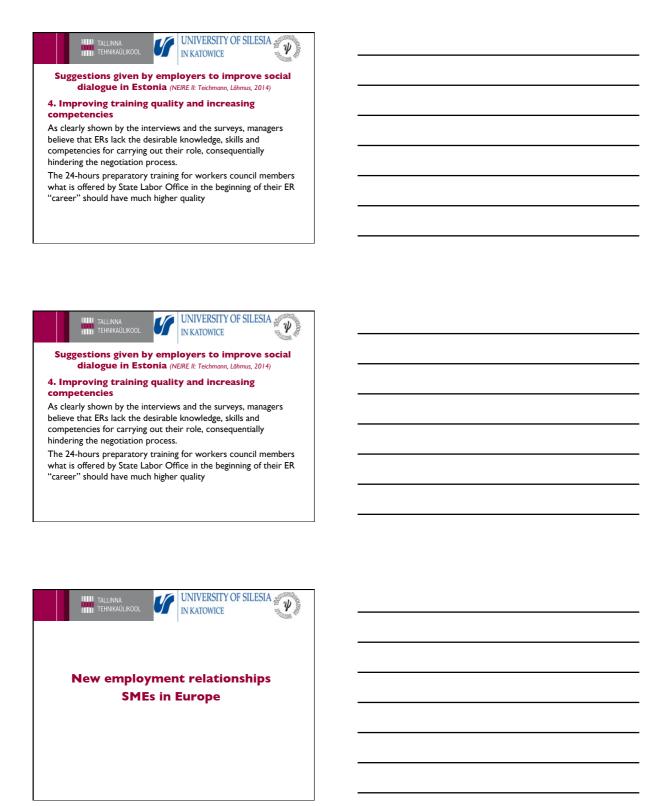
Suggestions given by employers to improve social dialogue in Estonia (NEIRE II: Teichmann, Löhmus, 2014)

3. Changing attitudes.

Employers' representatives suggested, that trust between the parties is not sufficient. Managers perceive that the antecedents to building trust - that is, ERs being able, benevolent and of integrity - are rather low.

Employers point out that it's important to make the role attractive to competent people, including those who have a more flexible attitude.

Develop more open attitude of ERs. Estonian employers believe training also influences the openness to ideas and could therefore help ERs to take into account the interest of the organization and be more flexible during negotiations.





SMEs in EU

Following the daily news, it is easy to get the impression that the European economy is dominated by large, multinational enterprises. Their multi-billion Euro takeovers, global expansion plans or -more recently- risks of mega bankruptcies dominate the headlines.

What usually gets lost is that more than 99% of all European businesses are, in fact, SMEs

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m	_	≤ € 43 m
Small	< 50	≤ € 10 m	<	≤ € 10 m
Micro	< 10	≤ € 2 m	_	≤ € 2 m

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SMEs in EU (European Commission,2012)

According to the analysis, 85% of net new jobs in the EU between 2002 and 2010 were created by small and medium sized enterprises (SMEs)

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New Employment Relationships (I-deals)				

In the continuous search for competitive advantages, organizations have implemented new ways of organizing work and employment and previously functional and generally agreed employment relationships are no longer valid

The loss of job security coupled with increasing demands from employers to be more flexible, innovative and willing to contribute to the organization beyond employment contracts (Bridges 1994), which can generate feelings of job insecurity





added. These changes indicate the individualization of

employment relationships

New Employment Relationships (I-deals)

A solid change has also occurred in management thinking on employment relations. According to the research by Tsui et al. (1997; 2002), the employment relationship from the employer's perspective and view is an employer's approach to managing relationships with groups of (or all) employees in the organization. The shift has been from industrial relations to a human resource management perspective (Gallie et al. 1998)

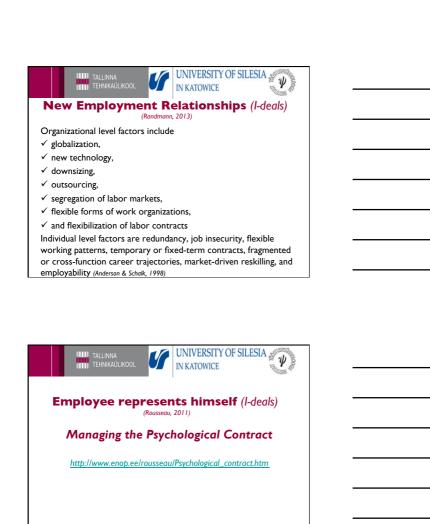
 Managers have more direct relations and create more individualized relationships with employees



New Employment Relationships (I-deals)

Changes in three big domains – societal changes, organizational changes, and individual changes in employee's desires – have caused changes in the employer- employee relationship (Schalk 2004)

Employees, on the other hand, want more individualized opportunities that fit their own goals (Schalk, 2004)





Psychological Contracts (Rousseau, 2012)

- √ "Individual beliefs, shaped by the organization, regarding terms
 of an exchange agreement between individuals and their
 organization" (Rousseau, 1995, p. 9)
- √ This is employee perspective, unlike earlier definitions (e.g., Schein, 1980)
- For employees: PCs provide some sense of control and predictability (McFarlane Shore & Tetrick, 1994)
- ✓ For employers: PCs can provide a framework for monitoring employee expectations (Guest, 2004)



Psychological Contract

For Levinson et al. (1962), the psychological or unwritten contract is a product of mutual expectations. These contracts can be described by two characteristics:

- I) they are mostly implicit and unspoken and
- 2) they usually antedate the relationship of person and organization

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Psychological Contract

Argyris (1960) used the term psychological work contract to describe an implicit understanding between a group of workers and their foreman that arose as a result of a particular leadership style. In this relationship, workers and the foreman shared certain norms or their foreman was at least aware of the workers' norms. The goal of this kind of relationship was to get workers to perform in a desired way by maintaining the informal employee culture and not violating the norms.



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Psychological Contract

M.D. Rousseau (1989; 1995) was the one who brought psychological contracts into focus again as changes in the economy, market and work-life changed the previously existing employee-organization relationships

The psychological contract, by her definition, is subjective in nature and belongs to the domain of individual beliefs (Rousseau and Parks 1993; Rousseau 1995), which are formed within a certain social context and shaped by the individual's interaction with the employer (Rousseau and Wade-Benzoni 1994)

By her definition, the psychological contract differs from the more general concept of expectations in that the psychological contract is promissory and reciprocal (1989).

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Function of the psychological contract

The first function of the psychological contract is to reduce insecurity and to increase predictability (Morrison 1994).

By reducing an individual's uncertainty and creating a greater sense of security, psychological contracts make a person believe that he/she has a mutually understood agreement with his/her employer (McFarlane Shore and Tetrick 1994). The perceptions of predictability and control are likely to enhance the employee's motivation.



Function of the psychological contract

The second function of the psychological contract is to shape and direct the employee's behavior and define how the employee evaluates the way the employer treats him/her (McGarlane Share and Tetrick 1994). Employees weigh their obligations toward the organization against the commitments the organization has made toward them and adjust their behavior on the basis of critical outcomes. Psychological contracts specify performance levels in return for rewards, and in this way help to predict the kind of contribution an employee is ready to make and what kind of rewards the employee is predicting in return (Sparrow and Hiltrop 1997).



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Function of the psychological contract

Psychological contract's third function is to provide a goal structure – for both short- and long-term goals – that affects employee behavior (Conway and Briner 2005). When psychological contracts contain obligations relevant to an employee's long-term goals, these give the employee the confidence that he/she is able to influence his/her destiny in the organization, since he/she is party to the contract (Shore and Tetrik 1991).

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Function of the psychological contract

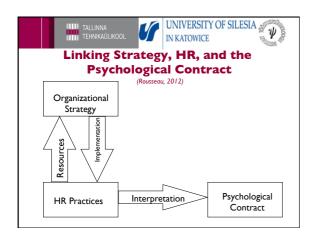
Fourth function of the psychological contract is to give an employee a feeling of control regarding what happens to him/her in the organization. It gives an employee a sense of being able to influence what happens to him/her in the organization (McFarlane Shore and Tetrick 1994; Anderson and Schalk 1998)





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	Why the Psychol	ogical Contract			
	Matters	(Rousseau, 2012)			
✓	√ The extent to which employees feel commitments are met √ Impacts their satisfaction, motivation, retention, and performance (Rousseau, 1995) which can ultimately impact organisational performance (Ostroff, 1992)				
	 So, it is in an organization's best interest to manage employee beliefs and expectations—and honour commitments. 				
 ✓ But ✓ Psychological Contracts are often mismanaged, leading to perceived breaches of contract (Robinson & Rousseau, 1994). ✓ Employers often knowingly violate a PC (Robinson & Morrison, 2000). 					







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Thank You!	
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