New European Industrial Relations

Industrial relations versus Employee relations

‘Industrial relations’ is generally understood to refer to the relationship between employers and employees collectively. The term is no longer widely used by employers but summons up a set of employment relationships that no longer widely exist, except in specific sectors and, even there, in modified form.

The term ‘employee relations’ was conceived as a replacement for the term ‘industrial relations’ but its 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” (Henry & 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)
Who represents

- Union
- Employees’ representatives
- Working environment specialist, working environment representative, working environment council
- Employee himself: I-deals, labor dispute committee at Ministry of Social Affairs, court

Areas in which the employees represented

- Collective bargaining
- Health and safety at work
- Employees’ financial participation

Union membership in EU

Source: OECD Statistics, Complete databases available via OECD’s library; Fulton (2011) Worker representation in Europe. Labour Research Department and ETUI

Dynamics of Union membership: Poland & Estonia

Source: OECD Statistics, Complete databases available via OECD’s library; Fulton (2011) Worker representation in Europe. Labour Research Department and ETUI
Dynamics of Union membership: some EU examples

Source: OECD Statistics, Complete databases available via OECD’s library; Fulton (2011) Worker representation in Europe. Labour Research Department and ETUI
Russia: Dynamics of Union Membership (FNPR)

<table>
<thead>
<tr>
<th>Congress</th>
<th>Year</th>
<th>Membership</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>I Congress</td>
<td>1990</td>
<td>54 mln</td>
<td>70%</td>
</tr>
<tr>
<td>II Congress</td>
<td>1993</td>
<td>60 mln</td>
<td>86%</td>
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<tr>
<td>III Congress</td>
<td>1996</td>
<td>45 mln</td>
<td>69%</td>
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<tr>
<td>IV Congress</td>
<td>1999</td>
<td>37 mln</td>
<td>58%</td>
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<tr>
<td>2001</td>
<td>&gt;38 mln</td>
<td>52%</td>
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<tr>
<td>2006</td>
<td>27.8 mln</td>
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<tr>
<td>2007</td>
<td>27.1 mln</td>
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<tr>
<td>2008</td>
<td>26.8 mln</td>
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<tr>
<td>2009</td>
<td>24.7 mln</td>
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<tr>
<td>2010</td>
<td>24.2 mln</td>
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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.
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 on these 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.

Trade Unions in Estonia

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.

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

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

### Trade Unions & Works Councils in Estonia

**Historical 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 workplaces 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 broadened to works council.
Trade Unions & Works Councils in Estonia

Historical context of the labor movement in Estonia

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Due to Estonian trade unions’ history, and low reputation from 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.

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.

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 1 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.

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.

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**


- 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

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

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.

In 2007 Directive 2002/14/EC adapted in Estonia

Since 2007 - employee representatives, works councils

Collective bargaining is an exclusive right for Union and it is not broaden to works council.

Source: Statistics Estonia, 2009
Workplace representation
Source: Fulton (2013) Worker representation in Europe. Labour Research Department and ETUI

**Estonia**
Employee representation at the workplace is primarily through unions, or does not take place at all. However, legislation, which came into effect in 2007, allows for the election of employee representatives both where there is a union and where there is not. If there is no union these representatives can be involved in collective bargaining.

**Poland**
Until recently unions provided the only legally constituted representation for employees at the workplace. However, legislation implementing the EU directive on information and consultation provides for the creation of works councils and large numbers have been set up. Initially, where unions were present, they could dominate the choice of works council members, but this arrangement was judged unconstitutional and new rules mean that works councils must be elected by the whole workforce.

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

**Estonia 10%**
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.

**Poland 15%**
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.

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)
✔ the determination of which employees are entitled to participation

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

**Estonia**
Employee financial participation in 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 90s, 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 attention.

**Poland**
Employee financial participation in Poland emerged mainly during the privatization process at the beginning of the 1990’s. The privatization programme was characterised by significant incentives for employee 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 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 (above the European average).

**Poland**
Ownership structures in these 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.
Financial Participation
Source: Fulton (2013) Worker representation in Europe. Labour Research Department and ETUI

Poland
However, financial participation barely extends beyond these companies and the significance of cooperatives in the Polish economy has become less important. Profit-sharing schemes, though foreseen by the Polish legal framework, are not often used within companies. Instead, gain-sharing schemes, as additional payments related to the fulfillment of some predetermined targets, are more often used.

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

- 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

1. 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.

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.
1. 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.

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.

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, Lõhmus, 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 representatives will not be taken seriously.”
6. Regarding the EU policies, there is a general lack of knowledge on these policies among all of them.
No need to engage ERs in decision making.

Employee representatives do not influence much the 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 strategic decision-making process.

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 councils specializing on psychosocial issues of work. In this context the number of worker councils members should be increased.

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.
4. Improving training quality and increasing competencies

As clearly shown by the interviews and the surveys, managers believe that ERs lack the desirable knowledge, skills and competencies for carrying out their role, consequentially hindering the negotiation process.

The 24-hours preparatory training for workers council members what is offered by State Labor Office in the beginning of their ER “career” should have much higher quality.
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.

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).

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.
New Employment Relationships (l-deals) (Randhawa, 2013)

New employment relationships are founded on employee empowerment and increased employee participation and involvement in decision-making and reduced emphasis on long-term job-security and stability (Ranking et al. 2000; Boswell et al. 2001).

New employment relationships include requirements for employees to take initiative and/or responsibility for organizational improvement and for their own career development and new qualities such as employability, continuous learning, flexibility, and independence (Boswell et al. 2001), which have replaced job security and organizational dependency in ensuring employee success.

In turn, employees are evaluated and rewarded based on their value added. These changes indicate the individualization of employment relationships.

New Employment Relationships (l-deals) (Randhawa, 2013)

A solid change has also occurred in management thinking on employment relations. According to the research by Tsui et al. (1997; 2003), 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 (Galle et al. 1998).

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

New Employment Relationships (l-deals) (Randhawa, 2013)

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).
New Employment Relationships (I-deals) (Randmann, 2013)
Organizational level factors include
- globalization,
- new technology,
- downsizing,
- outsourcing,
- segregation of labor markets,
- flexible forms of work organizations,
- and flexibilization of labor contracts

Individual level factors are redundancy, job insecurity, flexible working patterns, temporary or fixed-term contracts, fragmented or cross-function career trajectories, market-driven reskilling, and employability (Anderson & Schalk, 1998)

Employee represents himself (I-deals) (Randmann, 2011)

Managing the Psychological Contract

http://www.enop.ee/rousseau/Psychological_contract.htm

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:
1) they are mostly implicit and unspoken and
2) they usually antedate the relationship of person and organization

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.
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).

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 (McFarlane Shore 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).
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 (McFarlane Shore 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).

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 Tetrick 1991).

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 Sirak 1998).
Psychological contract (Randmann, 2013)

Why the Psychological 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 (Grant, 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).
The Revolving Work Force Deals
(Rousseau, 2012)

Deal
Traditional: Relational contract
Market-based: Transactional contract
Hybrid: Balanced contract

Characteristics
• Paternalism
• Career employment
• Balanced toward work force
• Tough love
• Employability
• Balanced toward organization
• Mutual accountability
• Win-win partnership
• Balanced more equally

Linking Strategy, HR, and the Psychological Contract
(Rousseau, 2012)

Organizational Strategy
HR Practices
Psychological Contract

Hi Commitment HR Strategies: Relational vs Balanced (Hi Perf)
(Rousseau, 2012)

• HR: Make (Defend)
  • Long-term focus/General Performance Criteria
  • Acquire people at entry levels (referrals)
  • Promote from within
  • Performance (stable) defined by upholding norms—single source, if measured at all.
  • Status is context-specific
  • Rewards: common fate, supportive
    -- Hewlett Packard

• HR: Make w/Buy (Innovate)
  • Long-term focus/Specific Performance Criteria
  • Acquire people at all levels (referrals)
  • Promote from within and sometimes go outside
  • Performance (dynamic) defined by values and results—multi-source
  • Status is down-played
  • Rewards: common fate/company results
    -- Google
Thank You!
mare@pekonsult.ee