Public-Private Regulatory Complementarities in a World of Fragmented Production: Labor Regulation in the Electronics Industry of Eastern Central Europe

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ABSTRACT

The central argument of my dissertation is that national labor relation institutions where transnational private regulatory efforts are implemented influence the extent and manner of public-private regulatory complementarities. The analytical framework I use to examine the processes of regulatory complementarities is informed by the political economy of gradual change in the comparative institutionalism literature. The labor relation institutions of particular relevance include tripartite and industrial relation institutions, as well as political affiliations between state and workers' organizations, although to a more limited extent. On one hand, these institutions influence the incentives for domestic unions to use transnational private regulatory efforts in strategic manners to promote regulatory improvements. On other hand, they shape the ability of domestic unions and transnational actors to use state regulation as a source of legitimacy for their demands for improvements. I further argue that these favorable conditions are more common in national contexts with market oriented, rather than state-directed and coordinated labor relation institutions. I use the electronics sector from Hungary, Romania and Slovenia during the 2000s as the empirical window to examine divergent pathways of regulatory interactions. The empirical analysis illustrates that while labor relation institutions facilitated the emergence of regulatory complementarities in the market-oriented institutional context of Hungary, these institutions were less favorable to similar developments in the state-directed context of Romania and coordinated institutional setting of Slovenia. Additionally, the implementation style of transnational private regulation set opportunities for two types of regulatory developments: union and compliance driven regulatory complementarities. An additional essential claim of the dissertation is that instead of approaching public-private regulatory complementarities as functional synergies that emerge automatically, to rather understand them as political processes that are closely connected to national institutions. Finally, regulatory complementarities are more likely to emerge around labor concerns that are prevalent and politically salient in a national context.

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Chapter 1: Introduction

This thesis examines the conditions that enable complementary interactions across private transnational and public national regulatory arrangements to bring about improvements in regulation of workers integrated in global production chains. Three large electronics manufacturing facilities located in Hungary, Romania and Slovenia that supply big brand companies from Western Europe all had precarious working conditions in the mid 2000s regarding temporary employment, collective redundancies and overtime. While the transnational regulatory initiatives of the large corporations these facilities manufacture for, produced considerable improvements in the regulation of working conditions and employment relations at the Hungarian facility, their contribution was significantly less at the Romanian factory and completely absent at the Slovenian site. Neither national public regulation, nor transnational corporate efforts on their own can explain these and other divergences. My dissertation shows that regulatory improvements in global production chains are often contingent on complementary interactions across private and public regulations, and describes the conditions and processes that facilitate their emergence.

Over the last decade, institutional complementary has become a central focus of a growing body of literature as it is commonly associated with both superior economic performance, as well as social inclusion and stability (Amable, 2000; Hall&Soskice, 2001; Hall&Gingerich, 2009; Hoepner, 2005; Crouch et al, 2005; Streeck, 2005; Hancke, 2007; Schneider&Karcher, 2010). Institutions are considered to be complementary when the viability of one institutional form is conditioned by the existence of other institutions

(Hall&Soskice, 2001). Scholars from various disciplines have therefore tried to distinguish between assortments of institutions that are "just mixed" and those that embody truly compensatory features to bring about complementarities. While most of these studies focused primarily on the impact of institutional complementarities on economic performance (Hall&Soskice, 2001; Crouch et al, 2005; Cernat, 2006; Kenworthy, 2006; Hall&Gingerich, 2009), there has been growing interest in the relevance of institutional complementarities for social outcomes (Streeck, 2005; Crouch et al, 2005; Ahlering&Deakin, 2007; Schneider&Karcher, 2010).

While most of the literature explores complementarity across domestic institutions within a particular national context, I broaden this concept to consider interactions across national and transnational institutional arrangements. The predominant focus of my study is therefore on complementary interactions emerging across national public regulation, on one end, and private transnational regulation, on the other. National public regulation refers primarily to labor laws and collective agreements set in place within a particular national setting (Kaufman, 2006). Transnational private regulation, on other hand, refers to the body of rules, practices and processes initiated by private corporations to ensure social responsibility across their manufacturing sites located in emerging economies (Cafaggi, 2010)[1]. While each of these regulatory frameworks is acknowledged to be essential to safeguard workers from negative externalities of global markets on their own, few studies have considered the interactions across them.

Many times, public national and private transnational regulatory frameworks layer on top of each other without any influence on their individual effectiveness. Other times,

[1] These initiatives are also referred to as transnational corporate social responsibility initiatives, socially responsible private regulation, transnational corporate social responsibility, social private regulation, etc (Shamir, 2011).

they crowd each other out. Sometimes, however, they mutually enhance each other's effectiveness, generating improvements in regulation of working conditions and employment relations in global supply chains. At one electronics facility from Hungary, for example, the local union used the transnational corporate responsibility program of the lead corporation to put pressure on facility management to provide more equitable compensation and stable terms of employment for temporary agency employees. At another electronic facility, the private auditors of the lead buyer corporation used references to state laws to legitimize demands for higher remuneration for agency workers and increase pressure on local management to comply.

In this dissertation I suggest that the extent and processes of regulatory complementarities in different national contexts are best understood from the perspective of labor relation institutions, and I develop an analytical framework to examine their empirical relevance. National labor relation institutions that have traditionally been considered essential for safeguarding workers from economic pressures include tripartite institutions, industrial relations institutions, and political affiliations between unions and national governments (Kaufman, 2006; Cox&Mason, 2000; Kohl&Platzer, 2003; Avdagic, 2005; Bohle, 2006). These are some of the main institutions through which the state, labor unions and employers' organizations coordinate with each other regarding the content and implementation of labor regulation. A predominant mode of coordination often cuts across labor relation institutions that are associated with ideal types of institutional configurations. While decentralized and uncoordinated labor relation institutions are characteristic of liberal market economies, coordinated and centralized institutions are associated with coordinated market economies, with some cases in between (Hall&Soskice, 2001; Cernat, 2006; Knell&Shrolek, 2006, Kaufman, 2006; Aguilera, 2006; Feldmann, 2006). State directed institutional arrangements are often identified as a third ideal type, with highly centralized labor relation institutions that are poorly coordinated and governed mainly through state interventions (Levy, 2005; Brammer et al, 2012; Bohle &Greskovits, 2013).

Contrary to common expectations that social responsibility efforts of corporations are most complementary with coordinated types of political economies (Brammer et al, 2012, Kang&Moon, 2012), I claim that the decentralized and uncoordinated labor relations institutions typical of liberal market economies provide more favorable conditions for public-private regulatory complementarities. Moreover, while the predominant comparative political economy literature assumes that institutional complementarities emerge through coherence and reinforcement (Hall&Soskice, 2001; Hall&Gingerich, 2009; Campbell, 2007), I argue that the predominant mechanism driving regulatory complementarities in global production regimes is that of compensation. National labor relation institutions have important role in fostering or undermining processes through which deficiencies of domestic state regulations and collective arrangements[2] are balanced out by transnational private regulation. Their influence on these complementary processes can be exerted through two main mechanisms. Firstly, they can set incentives for local actors to use alternative labor regulatory arrangements to promote their strategic interests with respect to labor regulation. Secondly, they can also influence the ability of domestic and transnational actors to use national public regulation to legitimize private demands and pressure for

[2] While there is considerable overlap across state regulation with respect to formal content of national labor laws, there is significant variation in political will and administrative capacity to drive their implementation (Rice&Patrick, 2008).

regulatory improvements.

Private transnational regulatory institutions, on their end, also exert an influence on the extent and processes of regulatory complementarities. Transnational private regulatory initiatives differ considerably in the institutional forms underlying their main mechanisms of implementation, with a common distinction across stakeholder engagement and compliance driven corporate approaches (Jenkins, 2005; Brammer et al, 2012). While some private transnational initiatives rely more extensively on engagement with local stakeholders - such as local unions, civil society and governmental organizations - to promote better working conditions throughout their manufacturing sites; other corporations rely more on monitoring and corrective actions to achieve the same goal (Jenkins, 2001; Hughes et al, 2008). The style of implementation of corporate governance approaches – stakeholder engagement or compliance oriented, present different types of opportunities for regulatory complementarities to be built within a particular national setting.

Public and private regulatory interactions are analyzed in the context of the electronics industry in three national settings from Eastern Central Europe. The electronics industry has a lead role in global manufacturing (Sturgeon&Kawakami, 2010) and has been repeatedly criticized for its poor labor practices (GoodElectronics, 2009; Smith et al, 2006). Several Eastern European economies, with different national institutional constellations, have grown increasingly dependent on manufacturing for major electronics companies from both North America and Western Europe during their transition from centrally planned to market economies (Luthje&Sproll, 2004). Media revelations of the abusive labor and environmental practices among the manufacturing sites from around the world, including Eastern Central Europe (makeITfair, 2009, Bormann&Plank, 2010), provoked public concern and labeling the industry as "the 21st century poster child for sweatshops and an environmental despoiler" (Brown, 2009). Public and private measures to address these concerns have been prevalent throughout the industry. Considering the dependence of Eastern Central European economies on global production networks in general and the importance of the electronics industry in particular, along with the significant institutional heterogeneity in the region, these characteristics make the electronics industry from Eastern Central Europe an ideal area to study.

This chapter sets out with a brief review of two dominant approaches towards understanding labor regulation in globally integrated emerging economies: corporate and state regulation. An alternative approach is then proposed that builds on recent attempts to connect these two streams of literature on labor regulation. The following section sets theoretical guidelines to understand the emergence of public-private regulatory complementarities in global production regimes and presents an analytical framework to examine them empirically. I then discuss the research design and methodology to study the emergence of regulatory complementarities in the electronics sector of three Eastern Central European countries – Hungary, Romania and Slovenia. Finally, I conclude with an overview of the dissertation.

Different Approaches Towards Labor Regulation in Emerging Economies

Over the last decade, several studies from various social disciplines explored different methods to strengthen labor regulation in emerging economies. Typically, these studies on how to effectively safeguard labor in globally integrated transition and developing societies, led to two apparently contradictory approaches: transnational regulation by global corporations and public regulation by national governments and workers' organizations. A significant share of the studies argue that strengthening weak regulation in developing countries requires additional transnational institutions to close the governance gap at the global level and to substitute for deficient national regulation. In contrast with this approach, other studies examine the conditions under which domestic institutions and organizations can be used to achieve stronger labor regulation. These two streams of literature rarely connect with each other by considering both transnational and domestic institutions in an interactive manner.

1. Transnational corporate initiatives to promote social responsibility in the global economy

Over the last decade, initiatives by global firms to regulate social and environmental practices in emerging economies where most manufacturing activities are located have become increasingly common (Vogel, 2008; Utting, 2005). The social responsibilities of corporations have been the focus of a broader debate on business-society relations in general, and transnational corporations and society in particular, for decades (Crane et al, 2008), but became particularly salient over the late 1990s and early 2000s. The increasing internationalization of production and the prevalence of poor working conditions in several industries resulted in strong reactions among civil society organizations and labor unions from mostly Western industrialized nations (Wilkinson&Hughes, 2000; Trubek et al, 2000; von Roozendaal, 2002; Utting, 2005; Bendell, 2005; Doh&Guay, 2006; Egels-Zanden&Hyllman, 2006). In response to global social activism, many transnational companies adopted regulatory initiatives to protect their reputations and avoid additional state regulation (Mele, 2008; Campbell, 2007; Bartley, 2007). The increasing prevalence of these efforts over the last decade reflects the extension of regulatory authority in the global economy beyond governments, to large corporations (Kobrin, 2009; Vogel, 2008; Utting, 2005). Lead corporations include large retailers, brand marketers, branded manufacturers from advanced industrial economies - that exert considerable control and power over manufacturing sites from emerging economies (Barrientos et al, 2011).

Transnational governance institutions of large corporations came to be seen by many as the solution for improving labor standards and employment conditions in global industries (Hughes et al, 2008). The number of studies that examine the effectiveness of corporate social responsibility programs to improve social standards in global production regimes grew considerably over the last decade. Notwithstanding considerable skepticism about the potential of these efforts to address labor concerns in the global economy (Egels-Zanden&Hyllman, 2007; Yu, 2007), several studies demonstrate their potential to bring about improvements under specific conditions. Most of the studies point to a connection between the mode of implementation of these standards and their effectiveness, arguing that engagement with other stakeholders (Anner, 2011; Evans, 2007, O'Rourke, 2006; Rodriguez-Garavito, 2005; Batruch, 2011), focus on specific issue areas (Rodriguez-Garavito, 2005; Anner, 2011; Barrientos, 2008), transparency of methods and results (O'Rourke, 2006; Cook& Mosdale, 2007), setting the right type of "sticks and carrots" (Sabel et al, 2000; Cook&Mosdale, 2007), commitment and capability building efforts by brand corporations (Locke et al, 2007; Locke et al, 2009);

economic upgrading (Knorringa, 2006), can facilitate improvements in social standards.

While several studies explore the effectiveness of transnational private regulation within specific national contexts, few of them pay attention to the ways in which local institutions influence implementation of these transnational measures (Bartley, 2007). This tendency can be attributed to a general belief that globalization severely undermined the ability of national governments and unions to sustain social protection and promote sustainable development (Tsogas, 2001; Utting, 2005; Ghose, 2003). On one hand, globalization of the world economy has often been associated with declining capacity or political will of national governments to protect citizens from the negative externalities of global market forces (von Roozendaal, 2002; Rice&Patrick, 2008). Trade unions and the International Labor Organization (ILO), for example, expressed concerns that governments actively created bad working conditions and low wages, or that they refrained from penalizing these practices, to attract more investments in export oriented activities (Bronfenbenner, 2007; Ghose, 2003). On other hand, there has also been growing public concern about the numerous challenges unions face around the world, and the gradual decline in their political and regulatory powers (Brown et al, 2009; Compa, 2011; von Rozeendaal, 2002; Munck, 2002). These assumptions influenced global governance studies to a great extent by suggesting that state regulation and industrial relations systems are deficient to an extent that they can be largely ignored (von Roozendaal, 2002).

2. Domestic labour regulation through state and industrial relations institutions

Notwithstanding the significant challenges that states and unions from developing countries face in the global economy, they are not completely overwhelmed by international capital in general, and transnational corporations in particular (Edwards and Elger; 2000; Weddington, 2000; Upchurch, 2000; Bronfenbenner, 2007; Ghose, 2003; Piazza, 2005; Freeman, 2009). A growing body of literature, emerging mostly from the fields of political science, sociology and industrial relations, has recently directed its attention towards understanding the role of domestic institutions in shaping labor regimes in emerging economies and has been emphasizing the potential of institutional reforms to improve labor regulation. This approach gained more popularity in recent years due to a decline in the legitimacy of Washington Consensus style policies and the neoliberal agenda of labor market deregulation, and an increasing shift towards more economic and social regulation in emerging markets (Piore&Schrank, 2008).

An increasing number of studies emphasize the importance of state institutions in driving better labor regulation in Latin American countries. A recent study on labor and environmental regulation in Argentina analyzes the ways in which linkages between bureaucrats and civil society organizations can sometimes facilitate resource sharing and the construction of favorable conditions to drive enforcement (Amengual, 2011). Other studies point to the important role state bureaucrats can play in improving social regulation, without undermining the goal of economic development (Piore&Schrank, 2008; Schrank, 2009; Coslovsky, 2010; Pires, 2008; Amengual, 2011). A study of social regulation in the Dominican Republic, for example, points to an increasing commitment of Dominican policy makers and bureaucrats to a Franco-Iberian model of labor enforcement, in which skilled labor inspectors use their discretion to balance social welfare and economic growth (Schrank, 2009). These tendencies have been less prominent in other regions of the world that follow alternative models of labor enforcement. The Anglo-Saxon model that focuses more rigidly on enforcing compliance with laws is generally associated with less promising outcomes. Inspectors are often overwhelmed by increasing fragmentation and complexity of employment legislation, and fall short from enforcing the substance of the regulations in place (Teague, 2009).

The recent literature on labor regulation in Eastern Central European countries emphasizes the importance of national political and economic institutions of labor governance. Considering the extensive state structures and bureaucratic systems that were inherited from the socialist regime in Eastern Europe, a primary focus of scholars of this region has been on the national institutions that shape access to and influence on state authority (Gryzmala-Busse&Luong, 2002). Several studies explore the role of tripartite institutions, established in the region mostly at the influence of international organizations such as the European Union (EU) and the International Labor Organization (ILO), to influence labor policies and trends in the region (Hethy, 1995; Pollart, 2000; Ost, 2000; Cox&Mason, 2000b; Orenstein, 2001; Iankova, 2002; Frege, 2004; Avdagic, 2005). Most studies point out that tripartite institutions from Eastern Europe failed to become the strong institutions of interest coordination that tripartite institutions were in Western Europe (Ost, 2000; Cox&Mason, 2000a). Nonetheless, there is considerable variation in the effectiveness of labor unions to use tripartite institutions to counterbalance pressures to liberalize and decentralize employment regulation in the region (Pollart, 2000; Avdagic, 2005).

Other studies examine the effectiveness of regional efforts to extend labor regulation beyond the state towards an integrated system that includes also collective bargaining at multiple levels in the economy. Research studies on industrial relation systems often reveal declining union representation and collective bargaining coverage, gradual decentralization of collective agreements (Pollart, 2000; Bohle, 2006; Ost, 2009; Neumann, 2002;Martin&Martin, 2004; Aguilera, 2006; Meardi, 2007). There is also acknowledgement of the considerable diversity across countries from Eastern Central Europe as well as from other emerging regions, in the dominant levels of collective bargaining, density of union representation and their ability to influence employment practices (Frege, 2002; Stanojevic, 2003; Stockhammer, 2009; Trif, 2004, 2007; Grdesic, 2008; Bohle&Greskovits, 2012). Efforts to evaluate the influence of international organizations in general, and of the European Union (EU) in particular, on industrial relations and tripartite institutions led to contradictory results. While some studies point to the positive influences of the European Union (EU) on strengthening collective rights and institution building (Cook, 2010), others argue that it has intensified pressures to liberalize national labor regulatory regimes (Bohle&Greskovits, 2006).

Domestic state and industrial relations institutions have also become a primary focus of studies of labor regulation in Asian economies. Within the context of gradual economic liberalization it has become increasingly evident that new state regulatory regimes, collective worker representation and industrial relations institutions will be needed to mitigate the excesses of the increasingly capitalist economy (Gallagher, 2004). Major reforms of labor laws in China are illustrative in this sense, even though several studies emphasize the deficiencies of state and collective representation institutions that could elicit compliance with the new reforms (Cooke, 2009; Friedman&Lee, 2010). Research conducted on other parts of Asia, including the Philippines, Malaysia and

Indonesia, have also pointed to the importance and complexity of networks of domestic institutions and actors that form labor control regimes (Kelly, 2001; 2002).

3. An alternative approach

The dominant approaches in the literature suggest that improving regulation of working conditions and employment relations in globally integrated emerging economies depend on private, or public regulation. There is, however, an increasing recognition that the solution of labor regulation in transnational production regimes lays in a combination of transnational private and domestic public regulatory institutions (Locke et al, 2012; Locke et al, 2007; Bartley, 2005; 2011). On one end, studies of transnational private regulation need to consider the complex political and institutional infrastructure of domestic regulatory regimes in emerging economies. Studies of domestic labor regulation, on their end, have to take into account the growing influence of transnational private institutions.

Systematic analysis of the interactions across private and public approaches towards labor regulation is still at its early stages, but existing studies suggest that it is a fruitful area for more research. Empirical studies of an apparel factory in the Dominican Republic (Amengual, 2010), and of electronics facilities in Mexico and the Czech Republic (Locke et al, 2012), illustrated that private and public, transnational and national institutions can interact with each other in complementary manners. The Amengual (2010) study provides detailed empirical analysis of regulation in practice at one apparel factory in the Dominican Republic, and points to examples of complementarities across state labor inspection and private audits by a major client company. As private regulators required factories to provide their workers with written legal contracts, for example, the formal contracts made it easier for labor inspectors to resolve other types of labor concerns. This study revealed that complementary regulation occurs when the actions of state and private regulators are mutually supportive of one another's efforts and bring different tools - comparative advantage - to the task of regulating. The Locke et al (2013) study extends beyond a single study case to comparative analysis of regulatory developments at two electronics facilities located in two different national settings – Mexico and the Czech Republic. Notwithstanding a set of similarities across the two facilities and their integration in the transnational regulatory effort of the same lead corporation, improvements came about through very divergent pathways as private regulatory efforts interacted with domestic institutions. This study illustrates the relevance of domestic political economy institutions for the implementation of transnational corporate social responsibility initiatives.

Building on these efforts, my dissertation examines in a more systematic manner the institutional conditions and mechanisms that enable and drive complementary interactions across private corporate and public national regulation. Considering the local institutional context in which public domestic and transnational corporate regulatory efforts intersect with each other is important. Instead of treating national contexts as generic constants of fragile states and ineffective trade unions, I take their complexities into account through an analytical framework that factors in main divergences across national institutions. Furthermore, instead of deeming transnational private governance as panacea for labor standards throughout the world, or labeling as uniformly weak instruments of regulation, I consider their variation in styles of implementation. The following section sets theoretical guidelines on the institutional conditions for private-public regulatory complementarities and presents a framework to guide empirical analysis in subsequent chapters.

The Power of Public-Private Regulatory Complementarities: An Analytical Framework

Public-private regulatory complementarities - or simply regulatory complementarities – refer to interactions through which national regulation enhances the effectiveness of transnational corporate regulation, and vice versa, enabling superior labor regulation in transnational production regimes. This is in line with the definition of complementarities that is most commonly used in the contemporary political economy literature on institutions (Hall&Soskice, 2001). Shedding more light on regulatory complementarities requires analytical guidelines to identify and evaluate synergistic interactions across private and public regulation, and then to examine the institutional conditions and processes that facilitate their emergence. This section therefore lays out an institutional analytical framework for a more systematic understanding of complementarities across transnational corporate governance and national public regulatory efforts. The next section then proceeds with outlining the research design and methodology to implement this analytical framework through empirical analysis of regulatory developments in the electronics manufacturing sectors of three national settings in Eastern Central Europe.

In this dissertation, I advance an institutional approach to understand the emergence of regulatory complementarities that draws on key literatures from comparative political economy and business studies. Considering the prominent view that complementary institutions are associated with positive performance in terms of both economic and social outcomes, the concept have been approached by different bodies of literature in the social sciences. Some of these streams of literature include the regulation school (Jessop, 2002; Boyer, 2005); the development literature focusing on co-production of regulation (Evans, 1996; Ostrom, 1996); global governance literature (Ostrom, 2010; Reinicke, 2007; Benner et al, 2004). A particularly influential body of literature in the realm of institutional studies in the social sciences in general, and in comparative political economy in particular, is the varieties of capitalism literature (Hall and Sosckice in 2001; Knell&Shrolek, 2005; Cernat, 2006; Feldmann, 2006; Hancke et al, 2007; Hall and Gingerich, 2009; Schneider&Karcher, 2012; Bohle&Greskovits, 2012). The varieties of capitalism literature provides a framework to consider and understand the institutional similarities and differences across developed economies that are relevant for coordination of firms with respect to industrial relations, employees, corporate governance, vocational training and relations with other firms.

While the theoretical framework of my dissertation is informed by the varieties of capitalism literature in terms of identifying different configurations of national labor relations institutions that are relevant for the emergence of public-private regulatory complementarities, it draws more directly on two other streams of literatures that grew out as reactions to the varieties of capitalism literature. Recent efforts to adopt an institutional approach towards studying corporate governance of corporations in advanced political economies generated a whole series of studies that consider the relevance of national institutional constellations for the extent and type of social responsibility efforts of corporations (Brammer et al, 2012; Kang et al, 2012; Kinderman, 2012). I draw on this literature to set up some initial guidelines regarding the conditions that facilitate the emergence of complementarities across corporate responsibility initiatives of transnational corporations with national institutional settings where they are implemented. To analyze the gradual endogenous processes of change that drive the regulatory complementarities when transnational corporate regulatory efforts are implemented in various national settings, I rely on studies from comparative political economy of gradual transformations undergoing in advanced capitalist societies. In response to prevailing emphasis on institutional stability or discontinuous change, a series of studies developed a theoretical framework that is suited to consider a whole variety and complex types of gradual processes of change taking place in advanced political economies (Streeck and Thelen, 2005; Levy, 2005; Thelen, 2004, 2002). In my efforts to understand regulatory improvements and stagnation across various national settings and electronics facilities from Eastern Europe, I build on this framework to tease out the mechanisms underlying the emergence of regulatory complementarities in less advanced political economies.

Considering the heavy focus on institutional conditions that enable gradual change driving regulatory complementarities, a definition of institutions seems in order. Institutions in this dissertation are understood in a relatively broad sense that includes both formal and informal institutions that define the rules of the game (North, 1990). The main focus is on labor relation institutions that provide an arena for strategic interactions and reconciliation over conflicts regarding regulation of labor practices in national contexts. While the formal aspects of political and economic institutions are similar across transition economies from Eastern Central Europe, they often vary considerably in the manners in which they operate in practice (Schimmelfenning&Sedelmeier, 2004). Tripartite institutions were established in most Eastern Central European countries but operate very differently throughout the region (Avdagic, 2005). While sector level industrial relation institutions are in place throughout the region, they are simply empty shells in several countries (Meardi, 2007; Aguilera&Dabu, 2006). National laws generally require unions to be free of political ties in most countries from Eastern Central Europe, yet regular connections persist in different national contexts (Keil&Keil, 2002). These differences will be teased out through a more historical approach towards the effectiveness of labor unions to utilize these institutions to influence labor regulation and practices within their national settings. The informal aspect of institutions does not, however, extend to culture, customs and norms. While these dimensions also exert influence on both labor practices and compliance with formal institutions, they do not represent the main focus of this dissertation.

1. Varieties of national labor relation institutions

The distinctions across labor relation institutions are informed by the varieties of capitalism literature. This literature provides a framework to understand institutional similarities and differences across political economies by reference to the dominant mechanisms of coordination that firms rely on (Hall&Soskice, 2001). The literature initially focused on advanced political economies and identified only two main forms of coordination: market and strategic interactions. This distinction resulted in a typology of liberal and coordinated market economies. This framework was soon extended to include other parts of the world including Eastern Europe (Knell&Shrolec, 2005; Cernat, 2006; Feldmann, 2006; Nolke&Vliegenthart, 2009; Bohle&Greskovits, 2012), Latin America

(Schneider&Karcher, 2010) and Asia (Amable, 2003); and identified additional types of coordination mechanisms (Levy, 2005; Schneider, 2009; Nolke&Vliegenthart, 2009).

Notwithstanding the more extensive focus of this expanding body of literature on several institutional dimensions[3], in this thesis I focus primarily on typologies of labor relation institutions due to a variety of reasons. Firstly, the focus of this thesis on labor regulation and social protection of workers calls for a reevaluation of the relevant institutional dimensions. Secondly, considering that labor represents an important source of comparative advantage that often drives integration of emerging nations into the global economy, it makes more sense to bring employees and their institutions to the foreground of analysis. Thirdly, variations across labor relation institutions represent core dimensions that differentiate emerging economies among themselves. The main variations considered in this dissertation therefore focus on national political and economic institutions that provide platforms of interactions across workers' organizations, employers' associations and the state. Labor relations institutions, including tripartite institutions, industrial relations and political connections across unions and political agents, are essential platforms of coordination regarding labor policies and practices within a national setting.

The typology that is particularly adequate to consider variations across labor relation institutions includes: market oriented, coordinated, and state directed national institutions. This classification is based on the extent and type of coordination mechanisms across governments, employee and employer' representatives. The institutional dimensions of particular interest include tripartite institutions that serve as

[3] These generally included inter-firm relations, employee relations, corporate governance, industrial relations, education and vocational training institutions (Hall&Soskice, 2001).

primary coordination platforms across state and social stakeholders regarding public policies and institutions; industrial relations institutions that provide arenas for strategic interactions across employers' associations and labor organizations; and political affiliations across workers' organizations and state to influence labor policies and their implementation. This typology includes ideal types that do not fit any national context perfectly but simply identifies some dominant features. Moreover, these categories are not perfectly exhaustive, they serve as starting points to simplify to some extent the complexity we find across national labor relations institutions around the world.

Market oriented labor relations institutions in this dissertation refer to constellations of institutions with weak coordination and decentralized relations across governmental agencies, employers' and employees' organizations. Tripartite institutions are generally weak arenas of coordination across state and social stakeholders. Industrial relations are fragmented and decentralized. Political connections across governments and unions are generally seen as divergent from market friendly institutions. *State directed labor relations institutions* refer to national labor relations that are centralized through the important role of the government but not coherently coordinated with social stakeholders. Tripartite institutions are generally dominated by the state and enable only weak coordination with social stakeholders. Industrial relations are centralized and characterized by regular state interferences. Connections across state and labor unions through political affiliations and clientelistic ties are generally common. Finally, *coordinated institutions of labor relations*, are associated with strong coordination across government and social stakeholders. Tripartite institutions are strong and enable negotiation and bargaining across state and social stakeholders, with binding outcomes.

Industrial relations institutions are also generally strong at both national and sector levels, and integrated with political coordination institutions. Political connections across employee and state representatives, to the extent they exist, consist mainly in transparent and formal affiliations across unions and social democratic parties. The main characteristics of these three types of institutional constellations are summarized on table 1.1.

Table nr. 1.1.: National Labor Relations Institutions

	Market oriented labor relation institutions	State directed labor relations institutions	Coordinated labor relations institutions
Main features (extensiveness of coordination)	Uncoordinated, decentralized	Uncoordinated, centralized	Coordinated, centralized
Main mechanism of coordination	Market	State	Strategic interactions
Tripartite Institutions	Weak	Weak	Strong
Industrial relations institutions	Decentralized and uncoordinated	Centralized and uncoordinated	Coordinated across different levels
Political connections across government and employee representatives	Weak	Strong	Strong

These institutional dimensions of labor relation systems are to some extent connected together through a common logic of coordination that is often consciously pursued through a national development strategy. Within the context of market oriented labor relations institutions, for example, weak tripartite and industrial relations institutions are connected through a strong emphasis on adopting market friendly institutions and rules. In the case of state directed labor relation institutions, state interference connects weak tripartite institutions where non-governmental stakeholders are often disregarded, and strong industrial relations institutions where the state participates as a bargaining partner or interferes with the negotiations across employers and employee representatives. Weak tripartite institutions can coexist along both strong and weak industrial relations institutions because their origins and evolutions often have different historical backgrounds and were connected to different political contestations. The focus of the analysis of institutional complementarities is, however, not on perfecting this typology of labor relation institutions, but rather on understanding interactions that emerge across transnational regulatory initiatives and domestic regulation within these national contexts of labor relation institutions.

2. Regulatory complementarities in different types of national institutional contexts

In this section I suggest that regulatory complementarities are more common in the context of market oriented national labor relations institutions as they provide favorable conditions for private corporate and public national regulatory approaches to counterbalance their individual deficiencies. This is contrary to common understandings shared by major approaches in comparative political economy and business studies that institutional complementarities are the result of a mechanism of reinforcement or coherence across principles of coordination or accumulation underlying various institutional dimensions (Hall&Soskice, 2001; Amable, 2003; Boyer, 2005). Labor relations and corporate governance institutions are, for example, considered complementary with each other when they reinforce similar type of coordination in the economy. More extensive coordination across labor unions and employers representatives in labor relation institutions reinforces stable relations of firms with unions and investors entailed by stakeholder oriented corporate governance institutions, and the other way around. Trough the mutual re-enforcements of the same type of relations in key market dimensions, these two types of institutions increase each other's effectiveness and contribute to the coherence and stability of a system (Hall&Gingerich, 2009; Campbell, 2011).

Institutional studies of social responsibility efforts of corporations broadened the spectrum of possible mechanisms driving complementarities but the emphasis on reinforcement or mirroring nonetheless persisted (Brammer et al, 2012; Koos, 2012; Campbell, 2007; 2012; Kinderman, 2012). Several studies pointed out that although historically corporate social responsibility emerged through the defeat of more insitutionalized forms of social solidarity in market oriented economies (Kinderman, 2012), over time, it became more tightly linked to formal institutions of stakeholder participations or state intervention in advanced economies (Kang&Moon, 2012; Brammer et al, 2012). A study by Kang and Moon (2012), for example that explores the affinity of corporate social responsibility with liberal, coordinated and state-directed types of capitalist market economies, suggests that more corporatist or state-centered forms of social solidarity have a strong influence on the extent of and forms of corporate social responsibility (Kang&Moon, 2012).

While most of these studies focus on social responsibility initiatives of corporations in the domestic contexts of advanced political economies, this thesis shifts attention to emerging markets and complementarities across transnational and national institutions. In the context of fragmentation and global integration of production, whereby emerging economies have become integrated into the production regimes of major corporations from advanced economies, transnational corporate governance efforts are increasingly relevant for social and economic outcomes in less advanced political economies. Governments of developing and transition economies often times forgo hard laws and other coercive institutions in favor of a "market friendly environment" for international investments and export activities (Frynas, 2005; Banerjee, 2009). Notwithstanding these deficiencies in the rule of law and implementation of domestic regulation in many emerging economies, transnational corporate regulatory approaches do not compensate automatically for failures of domestic institutions to regulate working conditions and employment relations effectively. Transnational regulatory institutions on their end lack the necessary will, legitimacy, information and/or local expertise to safeguard workers in emerging economies. Compensation across the deficiencies of private and public regulatory initiatives, therefore, has to be built to enable regulatory complementarities and generate improvements in labor regulation.

The initiatives and possibilities to construct regulatory complementarities through balancing out the deficiencies of regulatory initiatives, are generally stronger in market oriented national institutional settings, somewhat weaker in state directed national settings and almost completely absent in the context of coordinated national labor relations institutions. The next paragraphs provide an institutional framework to analyze the emergence of processes driving the regulatory complementarities across national settings.

3. Processes of regulatory complementarities as gradual transformations

Complementary interactions across private transnational and public national regulation are understood as gradual transformations to counterbalance trends of liberalization in less advanced societies that are integrated into transnational production regimes. The main mechanism driving the emergence of regulatory complementarities consists in the efforts of various actors embedded in private and/or public regulatory frameworks to balance weaknesses in enforcement power and/or legitimacy of individual systems of regulation. Alternative regulatory institutions that are poorly enacted on their own, are sometimes redirected and interweaved by various sets of actors when deployed jointly within a particular setting. These conversions in the actual enactments of regulatory approaches that differ slightly from their formal design and initially intended functionality are similar to the conversion mechanism identified by Streeck and Thelen (2005) as one of the main modes of gradual institutional transformations in advanced political economies[4]. As dominant contemporary comparative institutional approaches - the literatures on varieties of welfare states (Esping-Andersen, 1990) and capitalist systems (Hall&Soskice, 2001), seemed ill-equipped to capture significant changes towards liberalization taking place within advanced industrialized economies, a series of studies shifted their attention towards institutional change (Streeck&Thelen, 2005; Thelen, 2004, 2002). In contrast with abrupt and punctuated institutional changes that are more commonly explored in the political economy literature (Pierson, 2000), this new approach emphasizes mostly small, gradual and endogenous changes that can be very transformative in nature.

Both advanced industrialized and emerging economies have experienced a series of transformations in the neoliberal direction over the last decades (Bohle&Greskovits, 2006; Hancke, 2007). However, as the famous economic historian Karl Polanyi pointed out, liberalization always sets in motion countermeasures taken by society against the

[4] In "Beyond Continuity" , Streeck and Thelen identify five broad modes of gradual transformative change that capture a white set of complex developments emerging in advanced political economies. These include displacement, layering, drift, conversion, and exhaustion (Streeck and Thelen, 2005).

destructive effects of free and expanding markets (Polanyi, 1945). My analysis of gradual and experimental efforts to build a counter-movement through regulatory complementarities therefore draws on the analytical framework developed by the literature examining gradual and incremental change emerging in advanced political economies. Of particular interest is the mechanism of conversion defined and understood by Streeck and Thelen (2005) as the mode of change through which institutions are redirected to new goals, functions or purposes as a result of new environmental challenges.

Within the framework of the thesis, however, the mechanism of conversion is slightly reinterpreted as it refers mostly to redeployment of institutions not necessarily towards new goals or purposes, but rather towards new actors and enactment processes than what they were initially designed and intended for. As individual regulatory frameworks are generally deficient along dimensions such as clarity, legitimacy, will to implement, capacity to implement, etc, alternative regulatory institutions can then be used as instruments to compensate for institutional failures. These compensation efforts however are often contingent on redirection of alternative regulatory institutions from their initial intent or form of implementation.

I argue that national labor institutions play an important role in the instrumental conversion and building of regulatory complementarities. Labor relation institutions are relevant in two important ways. Firstly, they shape *the incentives* for local actors involved in national regulation, particularly workers' representatives and governments, to engage with transnational private regulation to address labor concerns. When local actors are constrained to engage through traditional institutional channels - tripartite, industrial relations and political connections, to influence labor policies and practices, they are more likely to use and redirect alternative institutions to promote their particular interests related to labor regulation. This implies that regulatory complementarities will be targeted towards areas of particular concern for domestic actors and political contestation among them. Secondly, national labor relation institutions also have implications on the *ability* of corporate agents of social responsibility to rely on national institutions through their implementation process. The type of inclusion of trade unions in tripartite institutions and industrial relations institutions has implications on the content, legitimacy and coherence of domestic regulation that can then be redirected towards legitimizing claims and pressures of private regulators to address prevalent labor concerns within the national economy.

Considering the strategic efforts of domestic and transnational actors to connect alternative frameworks to compensate for institutional failures that are political in nature, these processes of change and interaction come relatively close to the conception of institutional complementarities as political processes (Schneider&Karcher, 2010). Moreover, political contestation regarding the regulation of particular areas of employment practices to balance security and flexibility within the national context is also of particular import as it defines the main focus of the strategic efforts of public and private actors to build complementarities. This is often contingent on the economic and political institutions in place during key phases of integration into global production regimes. In summary, complementarities within this framework are political in three senses. Firstly, state institutions set the incentives for strategic efforts to build complementarities by domestic actors. Secondly, state institutions intermediate the ability of transnational agents to build complementarities. Thirdly, the historical political context defines the focus of these efforts.

Finally, variations across transnational regulatory initiatives also have some implications on the emergence of regulatory complementarities across different national settings of labor relation institutions, although to a more limited degree. Stakeholder engagement and compliance oriented transnational corporate approaches present different *opportunities* for domestic and transnational actors to use them as enforcement instruments of state and corporate regulation. This distinction has become particularly important with respect to the implementation of transnational initiatives. Business directed transnational private governance efforts rely more extensively on monitoring and enforcement by private auditors and are therefore sometimes referred to as compliance oriented regulatory initiatives. Engagement oriented private governance efforts, on other hand, are more committed to inclusion of local stakeholders to oversee and facilitate the implementation of their programs. To some extent, these differences have been associated with the type of integration in global supply chains and the nationality of the lead corporations (Wilkinson&Hughes, 2008).

Both modes of implementation have the potential to bring about public-private regulatory complementarities, but to a different degree and through different processes. Engagement oriented governance institutions can be accessed more easily and redirected in their use to strengthen local demands to address particular labor concerns. Compliance oriented governance institutions, on other hand, can more easily compensate for deficiencies in the administrative power or political will of national governments and become instruments of enforcement. The style of implementation of private governance institutions generally enhances or undermines the primary effect of the national institutions on the extent of private-public regulatory complementarities. In this sense, the differential effect of engagement oriented transnational regulatory initiatives related to more monitoring oriented approaches, will be much greater in market oriented than in coordinated institutional contexts.

4. Research hypotheses

The analytical framework I developed in the previous sections suggests that national labor relation institutions influence the extent and mechanisms of regulatory complementarities. In this section, I advance specific hypotheses concerning the causal pathways and extents of regulatory complementarities in different institutional contexts.

Hypothesis 1: I argue that private-public regulatory complementarities will be most extensive when private transnational regulations are implemented in market oriented labor relations systems. Within these contexts, labor relations institutions provide some consistency and legitimacy to state regulation but their strength to influence national regulation is undermined by a strong emphasis in national regulatory politics on market objectives. Market oriented labor relation institutions, however, set incentives for domestic actors to use transnational private regulatory approaches as alternative institutional platforms to strengthen regulation of working conditions and employment relations. Moreover, market oriented institutions also shape the abilities of workers' organizations and private auditors to use domestic regulation to compensate for the regulatory deficiencies of private institutions.

Hypothesis 2: Complementary interactions across private and public regulatory initiatives are more limited when transnational corporate transnational governance approaches are implemented in state directed labor relations systems. Regulatory complementarities emerge mostly when inconsistencies of state and collective frameworks set incentives for domestic actors to promote labor regulation through using private corporate social responsibility programs. However, state directed institutional contexts often fail to provide legitimacy and consistency to national public regulation and undermine the ability of domestic regulation to enhance the combined effectiveness of public and private regulation.

Hypothesis 3: Public-private, national-transnational regulatory complementarities are limited in the contexts of strongly institutionalized state-society interactions, characteristic to coordinated labor relations systems. Within these national settings, tripartite institutions, political affiliations between unions and national governments, and industrial bargaining, remain the main institutional platforms to promote better working conditions and employment relations for workers. Incentives for domestic actors to use alternative institutional platforms are limited. Implementation of corporate driven transnational efforts to regulate working conditions and employment relations are also more challenging in context of densely institutionalized coordination across employers and labor unions.

Additionally to the primary influence of national labor relation institutions, the method of implementation of transnational corporate governance initiatives can further enhance (or undermine) the extent of regulatory complementarities in the different national settings.

Hypothesis a: Transnational corporate regulatory initiatives that rely more extensively on engagement with local stakeholder will further enhance the extent of regulatory complementarities, relative to compliance or business driven private regulatory approaches. Complementarities are enhanced when the lack of coordination across state, employers and unions in the domestic context, is counterbalanced by coordination across lead corporations and local unions through stakeholder engagement oriented corporate governance structure.

Hypothesis b: The differential effect of engagement oriented transnational governance institutions relative to the monitoring oriented ones is also more extensive in market oriented labor relations institutions, than in state directed or coordinated contexts.

5. Evaluating the extent of public-private regulatory complementarities

In order to identify and evaluate different levels of regulatory complementarities I use a set of criteria that relate to both the outcomes and processes of regulatory developments. The process related criteria entails that both private transnational and public national regulatory approaches play some type of clearly identifiable role in the specific change in working conditions and employment relations. The combined participation of both private and public regulation is inherent to the definition of regulatory complementarities. The process criteria is therefore necessary condition for a regulatory development to be identified as regulatory complementarity. The clearly identifiable roles of individual regulatory approaches can include: providing legitimacy to the direction of change, providing expertise on how to achieve a change, generating pressure and imposing sanctions, etc. Moreover, it can be presumed with relatively high certainty that in the absence of a specific element, the particular development would have been difficult to achieve. In the absence of clear counterfactuals, this last aspect is evaluated based on familiarity with circumstances and by examining the process underlying a specific change.

One way to evaluate the level of regulatory interactions is to use an ordinal scale of low to significant levels of regulatory complementarities that considers the scope and distinctive character of regulatory developments that result from the interactions across private and public regulatory approaches. Labor regulation can generally take four forms (Botero et al, 2004): endows workers with some minimal rights and reduces discrimination; sets limits on the employment contract with respect to its form, costs of termination, extensiveness of working hours; empowers unions and protect their activities; and/or provides insurance and protection for vulnerable groups such as the unemployed, seniors, the sick. I consider regulatory developments that include more than one of these forms of regulation to be more extensive relative to regulatory developments limited to only one of these possible outcomes. For example, a regulatory development that entails reduced discrimination against a particularly vulnerable group of people through their empowerment by representation is generally valued more than reducing discrimination without any influence on their collective representation. The other outcome criterion entails the distinctiveness of the change that was produced relative to the general trend or to other similar cases. For example, an improvement in representation of agency workers is valued all the more if that does not generally take place in a specific national context. These criteria are then used in an evaluation scheme of regulatory complementarity that is presented in Table 1.2.

Table nr. 1.2. Evaluating the extent of public-private regulatory complementarity

Criterion	Outcome
Significant regulatory complementarity	• The scope of the outcome entails more than two forms of regulation • The outcome is relatively distinctive relative to the national trend
Limited regulatory complementarity	• The scope of outcome entails at least two forms of regulation • The outcome is relatively distinctive related to other similar cases
Low regulatory complementarity	• The scope of outcome entails at least one form of regulation • The outcome is pretty general

Note: These evaluations are based on the necessary condition that both private and public regulatory approaches play a role in bringing about change.

This evaluation method has two important advantages. Firstly, it allows me to consider working conditions that are generally impossible to quantify, such as discrimination across different groups of workers, inclusion of workers in decision making processes, etc. Secondly, it allows comparisons across different sets of issues. The latter is particularly useful as the focus of the study is on regulatory improvements for three different forms of employment flexibility practices, including reliance on temporary workers, collective redundancies, and working time. These represent areas of particular concern in global production networks in general (Gereffi et al, 2005; Barrientos, 2008; Baranowska, 2008), including electronics manufacturing in Eastern Europe (Goodelectronics, 2009; makeITfair, 2009; Bormann, 2010). However, international trends are not translated into the same forms of employment flexibility in all national economies but are mediated through national institutional arrangements and refracted into divergent struggles over particular practices (Locke&Thelen, 1995). Global market pressures to engage in volatile manufacturing at relatively high quality and low cost translated into different types of labor arrangements as they were mediated through the larger configuration of political economy institutions. The development paths and enabling institutions adopted by different emerging political economies are therefore essential in translating the influences of integration in global production networks into different employment arrangements to balance between flexibility and security in the national economy.

Research Design and Methodology

1. Electronics manufacturing in Hungary, Romania and Slovenia

This dissertation draws on extensive field research conducted in three Eastern Central European countries – Hungary, Romania and Slovenia – on the regulation of working conditions and employment relations in the electronics manufacturing sector. Manufacturing of electronics products thrives on flexible and cheap workforce so that these items and associated services would be quickly accessible and economically affordable for consumers. As a result, most of manufacturing activities shifted to emerging markets that provide relatively cheap and flexible labor in different parts of the world, and are in the proximity of major end-markets. Manufacturing workers from Eastern Central Europe and other regions are exposed to strong pressures to produce at great speed, at low cost and with great flexibility, often resulting in exploitative working conditions and employment relations practices around the world (Bormann&Plank, 2010, GoodElectronics, 2009; makeITfair, 2009; Smith et al, 2006).

Eastern Central Europe has become increasingly integrated in the global electronics industry since the mid 1990s and today it represents one of the main manufacturing regions, along with Latin America and Southeast Asia (Bormann&Plank, 2010; Luthje&Sproll, 2004, 2002; Rojec&Jaklic, 2002; Radosevic, 2002). Notwithstanding differences in the industrial development strategies and institutional configurations set up by national governments from Eastern Europe during the first transition decade, most countries eventually became highly integrated in the global electronics industry by the end of the 2000s. By 2010, for example, electronics manufacturing and associated services represented a significant share of total manufacturing in all three countries included in the study, representing approximately 32 percent of total manufacturing in Hungary, 15 percent in Romania, and 19 percent in Slovenia[5]. By the second part of the 2000s, manufacturing sites of leading brand companies such as Nokia, Bosch or Hewlett Packard, and electronics manufacturing corporations, such as Foxconn, Jabil or Flextronics, employed several thousands of workers at different sites located in Hungary, Romania and Slovenia, with important implications on working conditions and employer relations in these countries.

Industry pressures to manufacture with great flexibility and at relatively low cost resulted in precarious employment practices in all three countries by the mid 2000s. In Hungary, electronics manufacturing facilities relied on the extensive use of temporary agency employees, sometimes representing as high as 50 percent of the total workforce. Compensation for contracted employees was generally 20 percent lower than for standard employees. Most of these workers remained employed on temporary basis even after several years of service at the same facility. In Romania, electronics facilities fired large groups of workers on regular basis to meet fluctuations in the volume of production.

[5] Please see Table 1A in the Appendix.

Dismissed workers were sometimes not compensated properly, or were replaced by temporary employees soon after getting fired. In Slovenia, flexible working time arrangements such as overtime and weekend work became common, along with an increasing share of temporary employees. Temporary employees were often underpaid and faced high levels of job insecurity.

These differences in the exact forms of manifestation of precarious flexible employment practices in the three national settings pertain to a great extent to the different institutional conditions during integration in the global electronics industry. Labor relations institutions of Hungary throughout the first two decades of transition corresponded relatively well to the ideal market oriented type. Hungary liberalized its foreign trade and opened up to foreign investment early on in its transition process to actively promote its foreign capital and market oriented development strategy. Its reforms of political and economic institutions during the 1990s were guided by a strong emphasis on developing a market friendly environment for foreign investors. By the mid 2000s, the tripartite forum in Hungary had become a weak institutional platform with no real negotiations across the state and social stakeholders. Density of trade unions had also declined considerably over the years resulting in one of the lowest representation rates in Eastern Central Europe in the late 2000s. Industrial relations system had become more fragmented and decentralized. Connections across political parties and labor unions had declined over the years and ceased altogether in 2006.

Labor relations institutions of Romania, on other hand, resembled more closely the main features of state directed institutions. Strong interference by the state in the economy, political uncertainty and incoherent policies in Romania, had acted as deterrents of foreign capital for years after the collapse of socialism in the region. Romania emerged as a major attraction for investments in the electronic industry only later in the 2000s after its accession to the European Union. The Romanian state dominated tripartite institutions and had a strong presence in national level industrial bargaining that unified public and private negotiations. Coordination across national and company level industrial relations, the two dominant levels of collective bargaining, was relatively low. Clientelistic connections across government officials and unions have declined over the decades, but are still relatively stronger than in most countries from the region.

Finally, Slovenia had promoted its domestic industrial capabilities during the first transition decade and opened up to foreign direct investments only later on. Its national institutions continued to emphasize the inclusion of labor in political and economic decision making to support its own industrial capabilities. The coordinated labor relation institutions persisted even beyond greater integration into global production regimes during the early 2000s. The main tripartite institution of Slovenia is still one of the strongest in the region and relies on extensive coordination across the state and social stakeholders. Coordination across national tripartite negotiations, industry and company level industrial relations are relatively strong. While labor relations institutions from these three countries do not represent an ideal type, they are relatively close to these models.

2. Research methodology

Within this empirical context of structural similarity and institutional heterogeneity in three Eastern Central European economies, I use a set of contextualized case comparisons of electronics facilities as the main research methodology to shed light on the conditions and processes driving regulatory complementarities. Contextualized case comparisons combine the principles of contextual analysis and of comparative case studies to investigate the interactions across national and industry level institutions, as well as micro-level processes emerging at their intersection (Almond et al, 2008; Ferner et al, 2005; Ferner, 2001). Contextualized case studies fit well the national institutional framework of the study and are appropriate for analysis at multiple levels of embeddedness of electronics manufacturing plants that operate within a specific national context and manufacture for major multinational corporations from abroad.

The comparative aspect of contextualized case comparisons includes both within and across country comparisons of regulatory developments at the facility levels. After an analysis of national labor relation institutions, I conduct detailed case studies of regulatory processes and developments at two electronics facilities in each national setting. Comparisons are then drawn across the two facilities on how developments relate to national labor relation institutions. The within country analysis is then complemented with cross-national comparisons of the extent and processes of regulatory complementarities in the three national contexts. The main focus here is on identifying major similarities and differences in the interactions and institutional preconditions across the three contexts.

The six facilities included in the study were selected based on a set of criteria that is appropriate for within and across case comparisons. These facilities are similar with each other in size, production profile, technical capabilities, export orientation of their activities, and foreign ownership of the facilities. In addition to the principle of similarities, the selection of the facilities was also based on differences in the regulatory institutions they are integrated into. In each national setting the two facilities were selected based on differences in the transnational corporate social responsibility institutions they are included into, with one facility integrated into a stakeholder engagement and the other governed by a compliance oriented corporate approach.

Finally, to the extent that it was possible, the two different transnational private regulatory approaches were held constant across the three national settings. The electronics facilities from Hungary and Romania manufacture for the same lead corporations, Corporation Electronics 1 with stakeholder engagement oriented transnational regulatory approach, and Corporation Electronics 2 with compliance oriented social responsibility efforts. In the Slovenian context, however, the two facilities included in the study supply for two other lead corporations, Corporation Electronics 3 and 4. The transnational regulatory approach of Corporation 3 and 4 are, however, similar in style of implementation to the corporate social responsibility programs of Corporation Electronics 1 and 2, respectively. All four corporations are affiliated with the Electronics Industry Citizenship Coalition (EICC), a coalition of the world's leading electronics companies working together to improve social, ethical and environmental responsibility in the global industry. While Corporations 1 and 3 put greater emphasis on involvement of local stakeholders, Corporations 2 and 4 rely mostly on auditing and compliance to promote corporate social responsibility throughout their manufacturing sites from Eastern Central Europe. A list of the cases can be seen on Table nr.1.3.

Table nr 1.3. List of empirical cases

Country	Lead corporation	Code of facility
Hungary	Corporation Electronics 1	Facility HE1
Hungary	Corporation Electronics 2	Facility HE2
Romania	Corporation Electronics 1	Facility RE1
Romania	Corporation Electronics 2	Facility RE2
Slovenia	Corporation Electronics 3	Facility SE1
Slovenia	Corporation Electronics 4	Facility SE2

The extent of regulatory complementarities at each facility is evaluated according to the methodology described under the analytical framework. The issue areas that I pay particular attention to in order to analyze and evaluate the institutional complementarities within each context focus on: temporary agency employment in Hungary, collective dismissals in Romania, flexible working time and temporary employment in Slovenia. These practices are common throughout the global electronics industry but their manifestation differs based on the national context where manufacturing is located. The focus on different types of practices in the three national settings is consistent with a common approach in comparative political economy that emphasizes the different manifestations of similar challenges in divergent institutional contexts (Locke&Thelen, 1995). To shed more light on these cross-national differences in prevalent labor concerns across Hungary, Romania and Slovenia, the facility level developments are contextualized in their macro national settings and connected to the broader economic and institutional foundations of fostering competitiveness in the global economy through labor regulation.

3. Data

The data I use to identify the extent and processes of regulatory complementarities at each facility draws mainly on a diversity of primary and secondary data collected over 3 years of field research conducted in Eastern Central Europe. During this time period, ranging from the summer of 2009 until the fall of 2012, I visited a significant share of the electronic suppliers that operate in the three national contexts and visited several times the electronics facilities included in the study.

For the macro level analysis that was used to contextualize the micro level developments, I relied on relevant scholarly literature on each of these institutions within the national contexts included in the study; on secondary reports on working conditions, labor statistics; publications of governmental and non-governmental organizations focused on labor institutions and labor data; as well as on extensive review of media reports. The secondary data obtained from these sources was then complemented by first-hand interviews with representatives of labor unions at national, sector and local levels; labor inspectorates; regional employment offices; state agencies responsible for the promotion of foreign direct investment; governmental officials from the ministries of labor and social affairs. For meso level data, I relied on initial interviews with members of the Electronics Industry Citizenship Coalition (EICC), corporate social responsibility reports by large brand companies and media organizations, and interviews with representatives of the electronics facilities within each national context. Drawing on this data I was able to map out the type of transnational governance institutions facilities from each national context were integrated into during the second half of the 2000s when most lead corporations deployed their private regulatory approaches. This national and meso level data was then juxtaposed with detailed micro-level data that originated from facility visits and interviews.

During the facility visits, I explored practices on factory floor and interviewed representatives of production, quality and human resources management based on semi-structured interviews. I also interviewed representatives of union organizations and members of the working community based on both semi-structured interviews and informal conversations. Factory employees, in particular, were interviewed through informal conversations during lunchtime or shift change in cafeterias and bus station, respectively. Most of these questions and conversations focused on understanding working conditions at the facility over the course of the 2005-2011 time period, experiences with state and corporate regulation, the role and strategies of unions towards addressing major labor concerns, their interactions with lead corporations and state agencies. Whenever possible, interview data was complemented by audit reports by private inspectors. These data enabled not only within and across country case comparisons at the facility level but some process tracing of regulatory interactions from mid 2000s when transnational corporate governance initiatives were rolled out to most suppliers in the Eastern European region until the late 2000s.

Dissertation Overview

The main argument formulated in this thesis is that implementation of transnational corporate efforts to address labor concerns throughout the global electronics industry interact with domestic regulation and bring about mixed results regarding the regulation of precarious working conditions and employment relations. The underlying source of these differences bears on variations across labor relation institutions that influence the onset and extent of regulatory complementarities driving improvements. This dissertation uses variations in national institutions and private regulatory institutions that electronics manufacturing facilities from Hungary, Romania and Slovenia were integrated into during the second half of the 2000s to shed more light on these processes. These Eastern Central European nations were highly dependent on foreign direct investments and global production networks in general, in the electronics industry in particular, but nonetheless had very different institutional configurations.

The similarities and differences across national labor relation institutions in the three Eastern Central European countries are discussed in greater detail in Chapter 2. The historical perspective that considers main changes in these institutions since the early transition years is consistent with an approach towards cross-national institutional comparisons that extend beyond comparing institutions merely in their formal and static manifestations. This emphasis on the functional aspects over time of labor relation institutions is particularly important in national settings of less advanced societies where formal characteristics and implementation of institutions often diverge.

The remainder of this thesis is organized around the empirical cases of country contexts in which regulatory interactions at the facility levels are considered. Chapter 3 examines the emergence of private-public regulatory complementarities in the Hungarian context with weakly coordinated and decentralized labor relation institutions. Increasing reliance of the Hungarian economy on the off-shoring and outsourcing manufacturing activities of major corporations from several industries generated considerable pressure for neoliberal reforms of national labor regulation. Notwithstanding the weak regulatory framework regarding temporary agency employment and the precarious working conditions provided in practice for these employees, the case studies of two major electronics factories from the country illustrate that regulatory improvements are generated by complementary interactions across private transnational and national domestic regulation. While temporary agency employees were significantly underpaid and unrepresented by unions in the mid 2000s at both facilities, the implementation of the transnational corporate responsibility programs of the lead companies they supply for brought about significant improvements. At the first factory, referred to as Hungary Electronics 1, improvements included increases in compensation, the inclusion of temporary agency workers in collective representation and bargaining at the facility, and a commitment to transfer contracted employees into the stock of direct employees. At the second factory, factory Hungary Electronics 2, there was also significant improvement in the compensation of employees but no improvements in the representation or employment contracts of these workers.

These improvements at the facilities operating in Hungary were the result of the labor unions' and private auditors' efforts to interweave private and public regulation in strategic manners to counterbalance their individual deficiencies. The weak inclusion of labor unions in domestic political and economic decision making regarding labor regulation at the national level, set incentives for the local union to rely on the transnational corporate regulatory initiatives as an enforcement mechanism at the first factory. Private auditors also relied on the national labor legislation to legitimize their demands and increase pressure regarding improving working conditions among temporary agency workers at the second facility. These differences in the processes driving significant regulatory complementarities in the Hungarian context were due largely to the different implementation strategies of the lead corporations the two facilities manufacture for.

In the case of Romania, the focus of Chapter 4, I show that private-public regulatory synergies were undermined by inconsistencies of domestic institutions of labor regulation. As restructurings of the public sector and redrawal of the state from the economy was still ongoing in the 2000s in Romania, collective redundancies and the arbitrary regulatory arrangements regarding the compensation of collective workers became prominent also in the growing export oriented manufacturing sector in need for more labor flexibility. Local managers and unions often used different interpretations of the laws and relied on interferences by the state to legitimize their practices and demands. State directed labor relation institutions with ad hoc interferences by the state set incentives for domestic unions to use transnational regulatory initiatives to limit exploitative practices at the local sites. These efforts generated more significant results at the facility that was integrated in more stakeholder engagement oriented transnational governance efforts, than at the site governed by compliance oriented transnational approaches. Improvements at the latter were more limited as facility level efforts to build regulatory complementarities were undermined by the ambiguities and inconsistencies of domestic formal institutions.

In contrast with these politically complex and conflictual processes of building private-public complementarities in the national contexts of Hungary and Romania, such developments were relatively absent in the case of Slovenia where trade unions had traditionally used coordination at the sector and national levels to represent workers' interests and address labor concerns. The dedication of these broad institutions to promote social solidarity and responsibility, although challenged over the last few years, still provided the foundation to address labor concerns in the export oriented and foreign owned sectors of the economy. While there have been some attempts to use private initiatives to improve domestic labor regulation at the central level, there was almost no mobilization at the micro level. The dense coordination across company level unions with sector and national level unions restricted company level experimentation with alternative regulatory approaches. It also facilitated the inclusion of local concerns with precarious conditions into a political strategy at the national level. At the national level, initial efforts to consider the potential use of corporate social responsibility efforts were limited by different interpretations of the concept by unions, employers' associations and the state.

Chapter 6, highlights the contrasts and similarities across the main results emerging from the analysis within each national context, and complements it with comparisons across the facilities located in different national contexts but integrated in the same style of private transnational governance systems. This section then underlies the main theoretical contributions of the study and considers its practical implications for a broader set of developing countries. The chapter concludes with a summary of the key arguments and a brief consideration of the main limitations of the study.

This study makes four important contributions. First, by exploring the complementarities across national and transnational institutions, I hope to refine our understanding of the main mechanisms and processes driving institutional complementarities, a fundamental preoccupation of contemporary comparative political economy literature. Second, scholars working on the governance of labor and environmental practices in global industries have begun to explore the relevance and role of local institutions. This study builds on these efforts by providing an analytical framework to understand which institutions might be relevant for their effectiveness and in what ways. Third, this thesis contributes to our understanding of the influence of transnational institutions on national labor institutions and politics, especially in emerging markets that are becoming increasingly integrated in global industries. Last but not least, by showing the benefits of stakeholder engagement approaches of transnational governance institutions, I seek to help policy makers at both public and private organizations devise institutions that are more conducive to social sustainability.

Chapter 2:

Labor Relations in Eastern Central Europe:

Institutional Similarities and Differences

The importance of globally integrated manufacturing sectors in most Central Eastern European countries along with their institutional diversity, make this region a productive and fascinating empirical setting to study the institutional conditions of regulatory complementarities in a theoretically systematic and empirically compelling manner. Since the collapse of state socialism in 1989, most Eastern Central European countries have grown increasingly dependent on transnational production regimes through the inflow of foreign direct investments in export oriented manufacturing (King, 2001; Bohle&Greskovits, 2006, 2007; King, 2007; Koltay, 2011; Bohle, 2006). The significance of foreign owned and export oriented sectors represents a distinguishing feature of Eastern Central European economies (Nolke&Vliegenhart, 2009). The electronics industry in particular has come to play an important role in several countries from the region through the offshoring and outsourcing of manufacturing activities of lead corporations from Western Europe and North America.

Notwithstanding this shared dependence on the manufacturing activities of lead corporations in electronics and other industries, there is considerable heterogeneity in the institutional constellations of different countries from the region. Stalinist attempts to accomplish institutional and ideological standardization during the socialist era in Central Eastern Europe were followed by institutional diversity as countries made different political and economic decisions during their transformation from centrally planned socialism to democratic market economies (Ekiert&Hanson, 2003). The diversity in the institutional foundations of the newly established capitalist regimes persisted through other waves of standardization efforts, including accession to the European Union (Bohle&Greskovits, 2012). Considering this heterogeneity, Eastern Central Europe represents an ideal empirical setting to study interactions across transnational private and domestic public regulation, and explore the institutional conditions of regulatory complementarities.

This chapter explores in greater detail some of the essential similarities and differences in the institutional underpinnings of labor relations in the Eastern Central European region. The first section underlines the structural similarities across most countries from the region regarding the importance of foreign direct investments and export orientation of various manufacturing sectors, including electronics manufacturing. The following section then discusses some of the main implications of the prominence of foreign direct investments on labor relations systems in Eastern Central European countries. The third section proceeds with identifying the main similarities across labor relation institution from the region. This part serves as a starting point to identify some of the preconditions for the analytical framework discussed in the first chapter to apply to other emerging economies from around the world. Finally, the most extensive part of this chapter presents in a comparative setup the main differences across the institutional foundations of the three country cases included in the study: Hungary, Romania and Slovenia. These institutions play a significant role in shaping the regulatory developments around flexible employment practices in globally integrated manufacturing sectors - the main focus of next three empirical chapters.

Integration in Global Production Networks through Export Oriented Foreign Direct Investment

Recent developments in Eastern Central Europe are marked by the unprecedented rise in foreign direct investment. The inflow of foreign direct investments in the region grew continuously over the last decades and became an important channel through which national economies became integrated into the global economy (Bandelj, 2009; Nolke&Vliegenhart, 2009; Bohle&Greskovits, 2007; King, 2009; Koltay, 2011). After the collapse of state socialism in Eastern European, most countries from the region saw in foreign direct investments a tremendous opportunity to advance restructuring of their economies and to promote export oriented-economic development (Sohinger, 2005, 2004; Ekiert&Hanson, 2003; King, 2001). Creating capitalism without domestic capital represented a serious challenge for most countries from the region that mass privatization could solve only partially. Inflow of foreign direct investment was considered another important ingredient to promote the establishment of strong private sectors in several countries from the Eastern Central European region (Kalotay et al, 2000). Moreover, foreign direct investment was seen almost universally in this region as a key source of long-term economic and social development through the facilitation of export oriented manufacturing (Sohinger, 2005). As a result, foreign direct investment and multinational corporations acquired dominant roles in the re-configuration and re-specialization of Eastern Central European economies (Kwiatkiewicz, 2011).

Notwithstanding this common trend of increasing reliance on foreign direct investment in the region, there has been variation in the extent to which national governments pursued this transition and development path. Countries like Hungary and the Czech Republic adopted liberal economic reforms soon after the collapse of socialism and adopted a set of policies to attract foreign direct investment in their economies. Countries ruled by unreformed successor communist parties, like Romania and Bulgaria, during the first years after 1989, did not show commitment to foreign direct investment, as they were generally less eager to embrace market reforms (Bandelj, 2009). Finally, in the exceptional case of Slovenia, the government initially pursued policies that focused on strengthening domestic industrial capabilities and opened up to foreign direct investment only later on. These differences diminished over time, especially since all post-socialist countries eventually came to adopt the European Union's liberal market rules.

By the mid 2000s, export oriented foreign direct investments established a strong foothold in most Eastern Central European countries (UNCTAD, 2005). The share of foreign direct investments in the national gross domestic product at the end of the 2000s was 49 percent in Hungary, 19 percent in Romania and 14 percent in Slovenia (UNCTAD, 2011). Just a few years later, in 2005 these proportions were 55 percent, 26 percent and 20 percent, respectively (UNCTAD, 2011). The share of foreign direct investment in gross domestic production has generally been higher in Eastern European economies, relative to other important emerging markets from Latin America and East Asia (Fabrizio et al, 2009). At the end of 2000s, the share of foreign direct investment in gross domestic product ranged between a third and two thirds in Eastern Central Europe, while it represented only a third and a tenth in Mexico and China[6] (UNCTAD, 2011).

Industries characterized by relatively high levels of internationalization and technical

[6] Please see Table 4A in the Appendix.

know-how, such as automotive and electronics, have been considered particularly important for economic development by national governments from Eastern Europe (Meardi et al, 2011). The electronics industry had had some legacies inherited from the socialist era in several countries from the region but became particularly important in Hungary, Czech Republic, Romania and Slovenia after transition to market economy. The dynamic growth of the sector was driven mostly by investments of major transnational electronics companies, such as IBM, Flextronics, Jabil, Nokia, Philips and Samsung, to take advantage of the relatively cheap skilled-labor and proximity to end markets. In the late 2000s, the share of employment in electronics industry relative to the entire workforce in manufacturing was 26 percent in Hungary, 16 percent in Romania and 24 percent in Slovenia (Eurostat, 2013)[7]. In terms of the outcome, the sector represented 32 percent in the Hungarian economy, 15 percent in Romania and 21 percent in Slovenia (Eurostat, 2013)[8]. Production in the electronics industry is generally destined for exports to mostly European, Middle Eastern and North African markets. In Hungary and Romania, approximately 80 percent of production is exported , while this share is slightly less significant in Slovenia at 65 percent of manufactured products and services (Bormann&Plank, 2009). The electronics sector is therefore very important in the regional economy, comparable to other main supplying regions such as China and Mexico[9].

[7] Please see Table 2A in the Appendix.
[8] Please see Table 1A in the Appendix.
[9] Please see Table 3A in the Appendix.

Implications of Reliance on Foreign Direct Investments on Labor Relations Institutions in Eastern Central Europe

Integration in transnational production regimes by Eastern Central European economies had important implications on labor relations institutions and employment regulation in the region. Multinational corporations, the main vessels of integrating into the global economy, are often rule makers rather than rule-takers and exert important influence on local institutions (Streeck&Thelen, 2005; Ferner, 2011). This is particularly true in the case of Eastern Central European countries where institutions have been more malleable by international influences and national economies are dependent on foreign capital. Foreign direct investments and multinational corporations represented important sources of change in Eastern European nations' multi-layered and complex set of transformations since the collapse of state socialism. Their implications on labor relations systems have been particularly important, exerting influences at both macro and micro levels (Aguilera&Dabu, 2006).

Labor relations institutions are widely recognized as key components of national market economies and business systems (Hall and Soskice, 2001; Hancke et al, 2007; Whitley, 1999). In a broad sense, labor relation systems refer to the multitude of institutions and organizations set up in reaction to neoliberal markets and in rejection of the labor as a commodity principle, that ought to introduce more market stability, greater equality of power relations, and improvement in working conditions (Kaufman, 2004). This dissertation focuses primarily on tripartite institutions, industrial relation institutions, and connections between unions and political entities. While their particular features in Western economies have been examined extensively (Thelen, 2001; Streeck, 1992; Locke, 1992; Locke and Baccaro, 1996; Kochan, 1994), labor relations institutions in emerging markets from Eastern Europe, Latin America and Asia have been much less explored (Kaufman, 2006). Considering the primary role of labor in driving the integration of transition and developing economies into the global economy (Guillen, 2000), studying these institutions in emerging markets is important for its own purpose. The main focus of this dissertation is however on the role of these labor relation institutions in enabling or undermining the emergence of public-private regulatory complementarities.

At the *macro level*, the influence of foreign direct investment on national institutions has often been framed from the perspective of the "race to the bottom" debate. Several studies emphasize the intense competition among national governments for foreign direct investment through lowering labor and environmental regulatory institutions and providing additional incentives to attract foreign capital (Mosley, 2003). While it is difficult to evaluate the extent to which countries compete for foreign direct investment by manipulating their rules and regulations, several scholars pointed out that socialist welfare states have gradually transformed into "national competition states" whose main function became to mobilize society in the aim of competitiveness (Drahkoupil, 2008; Hirsch, 1995; Jessop, 2002). Overall, foreign corporations extending their activities to Eastern Central Europe enhanced pressures for greater flexibility in labor market institutions and neoliberal reforms of regulatory frameworks (Bohle, 2006). In all three countries included in the study, for example, foreign companies played important roles in influencing governmental policies and institutions regarding employment, to allow for greater flexibility in the type of contracts, hiring and firing of people in great numbers, working time arrangements, etc. Some scholars also claim that the formal institutions have been decoupled from informal implementation to invite and accommodate foreign direct investments (Bandelj, 2009).

At the *micro level*, initial expectations that multinational corporations operating in the region will directly transfer labor relation models from their host societies were shattered shortly after the onset of the 1990s. Even when multinationals from home societies with strong social models operated in Eastern Central European countries, they did not replicate their industrial relations systems throughout their subsidiaries (Groux, 2011; Almond et al, 2005). Multinational corporations are more likely to standardize across product related systems, but much less likely to do the same with their labor relations and employment practices (Kwietkiewicz, 2011). While they adopt modern human resources practices such as career management, strategic approach to professional training, new work organization, performance appraisal and/or performance-based remuneration systems to support economic competitiveness, multinational corporations don't transfer and standardize along the social models from home societies (Kwiatkiewicz, 2011). European Workers Councils and transnational unions have also failed so far to raise employment relations and working conditions in Eastern Central Europe to levels that are comparable to employment practices and labor standards in advanced Western societies (Groux, 2011). The overall influence of foreign direct investment and multinational corporations at the micro level has been to strengthen the trend towards enterprise-centered systems of industrial relations and enhance the strength of management over collective bargaining at the micro levels (Aguilera&Dabu, 2006)

Labor Relation Institutions: An Eastern European Model?

The extent to which the institutional infrastructures of Eastern European societies, including their labor relations institutions, resemble existing models identified by the varieties of capitalism, national business or comparative employment relations literatures, or constitute their own category, has been debated in a growing literature over the last years (Bohle&Greskovits, 2012; Nolke&Vliegenhart, 2009; Cernat, 2006; Knell&Shrolek, 2005; Bandelj, 2003; King&Szelenyi, 2001). Several of these studies argue that the influences of a common set of external factors, including the neoliberal ideology formulated in the Washington Consensus agenda, accession to the European Union and integration into global production networks, resulted in similarities that are characteristic to state regulation and labor relations institutions from this region (Aguilera and Dabu, 2006; Bohle, 2006; Pollert, 2000; Ost, 2009). Some of these common features include gradual shift towards greater flexibility and more liberal regulation of employment practices, fragmentation and weakening of unions, increasing decentralization of industrial relations systems, and weak establishment of corporatist institutions.

Eastern European societies have experienced a *gradual shift towards greater flexibility in state employment regulation and weak implementation* over the last two decades (Bohle, 2006; Neumann; 2006). Overall, the role of the state in regulating the labour markets and practices is significant (Orenstein, 1995; Pollart, 2000; Cazes and Nesporova, 2004). National legislation and institutions underpinning their implementation, however, underwent a whole series of reforms since 1989 in the direction of reducing social protection and increasing flexibility in employment practices

(Cazes and Nesporova, 2004; Delteil, 2011). These reforms were shaped to a large extent by the neoliberal agendas of international organizations such as the World Bank and the International Monetary Fund, as well as by the growing influence of multinational corporations operating in the region. Accession to the European Union carried mixed influences introducing additional labor governance institutions on one hand (Cazes and Nesporova, 2004; Aguilera and Dabu, 2006) and encouraging greater flexibility and deregulation on the other (Bohle, 2006; Bohle&Greskovits, 2006; Meardi, 2007). Several scholars point out that while the requirements of the European social model regarding employment protection were formally fulfilled by national governments, their implementation has been largely circumvented so far (Avdagic, 2005; Meardi, 2007; Cazes&Nesporova, 2004; Bandelj, 2009). Labor laws are often weakly enforced or ignored, labor inspectorates remain deficient and courts' effectiveness in redressing unions' grievances are quite mixed (Delteil, 2011; Cook, 2010; Pollart, 2000). As the empirical chapters will illustrate, particular areas that lack enforcement are often times part of a political strategy to accommodate the needs of global markets and buyers.

The gradual shift towards neoliberal reforms was to a great extent enabled by common weaknesses of labor relation institutions in the region, including ineffective tripartite institutions, increasingly decentralized collective bargaining institutions and weak labor unions. These weaknesses are often cited as common features of labor institutions in Eastern Europe.

Tripartite institutions in Eastern Central Europe were introduced in the 1990s mostly as a result of external influences emanating from international organizations such as the International Labor Organization and the European Union. Social dialogue was strongly encouraged by these organizations to promote a more democratic and peaceful transition from socialism to capitalism. National governments saw these institutions mainly as instruments to acquire legitimacy for their economic and social reforms while maintaining social stability. Labor unions generally welcomed any neo-corporatist structure that would promote their voice as representatives of working people and help them regain legitimacy. While some point out that the contributions of these institutions have been more significant than is commonly given credit for (Hassel, 2009; Iankova, 2004), there is general agreement that tripartite institutions in Eastern European countries barely resemble in form or importance the corporatist institutions of Western European nations (Delteil, 2011; Pollart, 2000; Woolfson, 2011). Consequently, tripartite institutions of the European periphery were labeled as "pre-emptive corporatism" (Wiesenthal, 1995) for their primary role to legitimate reforms and maintain social stability, "illusory corporatism" (Ost, 2000) for their weak resemblance of Western European counterparts, or "empty shells" (Jepsen, 2003) for the lack of substantive content of the negotiations. One important illustration of their weaknesses is that in times of crisis, tripartite institutions have often been simply swept aside by the governments of several countries from the region (Toth and Neumann, 2004; Woolfson, 2011).

Other scholars argue that most Eastern European societies have *fragmented and decentralized collective bargaining systems* with an increasing share of collective bargaining agreements being negotiated at the enterprise level. Enterprise level collective bargaining is the predominant level of industrial relations in several Eastern Central European countries and it often represents the only important industrial relations system within the country (EIRO, 2011)[10]. The importance of enterprise level collective bargaining is in part related to legacies inherited from the socialist era when the autonomy of state owned enterprises was promoted strategically by socialist governments in the region (Pollart, 2000). Another important factor related to the increasing decentralization of industrial agreements has to do with the structural transformations that economies from Eastern Central Europe experienced, including privatization of state owned enterprises and inflow of multinational enterprises. Foreign corporations generally prefer to maintain the autonomy to define the terms of employment conditions, particularly with respect to remuneration and working conditions (Toth, 1997; Pollart, 2000). Social dialogue at the company level commonly restricts the role of the unions to mere consultation and is often organized around the need of management for organizational flexibility (Delteil, 2011). Notwithstanding European and national efforts to strengthen the sector level institutions of social dialogue and collective agreement, sectoral coordination in Eastern Central Europe continues to remain underdeveloped in most countries. The weakness of sector and national level collective agreements has often been connected to the low average coverage level of collective bargaining in Eastern Central Europe, generally between 25-50 percent, relative to an average of 70 percent in the old members of the European Union (Cook, 2010; EIRO, 2012).

A considerable body of research on labor relations in Eastern Central Europe discusses the relative *weaknesses of labor unions* in terms of both numerical representation and political strength. Labor union density in Eastern Central European

[10] Please see Table 5.A regarding the dominant level of collective bargaining at the end of the table. Enterprise level collective bargaining represents the only important level in the country's industrial relations system in Hungary, Czech Republic, Estonia, Lithuania and Poland. It represents a dominant level of collective bargaining along with sector or national level negotiations in Romania, Latvia and Slovakia.

countries has declined from complete membership during the socialist era to an average of 17 percent of the workforce in 2011[11]. Given their close association with the Communist Parties during the socialist regime, it was difficult to shed their role as transmission belts between state and workers (Pollert, 2000; Ost, 2009). Labor unions that were established in reaction to the ideological and historical affiliations of the unions existing in the past benefitted from some more legitimacy but their emergence ultimately led to a fragmented representational structure. Restructuring of the economy through privatization and entry of foreign companies further contributed to the declining membership of unions (Meardi, 2007).

Moreover, over the 1990s, workers and unions from the region did not think of themselves as a separate class requiring separate organizations to defend their interests. Rather, they embraced the neoliberal project in the hope that the "market" will ultimately serve their interests as well (Ost, 2000). Workers from Eastern Central Europe are much more likely to opt for exit from national employment rather than voice opinion and engage in protests (Meardi, 2007; Bohle and Greskovits, 2007). Even when they do adopt a more conflictual position, their effectiveness is compromised by the power asymmetry that exists in political and economic institutions between domestic labor and transnational capital, a feature that is considered rather general for Eastern Central Europe (Bohle and Greskovits, 2006; Cook, 2010). While some cooperation between unions and political parties had existed in Eastern Europe, most of these linkages ceased by the turn of the century (Cox and Mason, 2000).

In summary, the existing literature on labor relation institutions in Eastern Central

[11] Please see table in the attachment. The average rate is based on my own calculations.

Europe generally concurs that national governments and foreign corporations play powerful coordinating roles in labor relations in the European periphery, relative to their Western European counterparts. While social dialogue at the national level is generally under the dominance of the national government, social dialogues and negotiations at the local level are under the control of the management (Delteil, 2011). With respect to these institutional weaknesses, Eastern European societies resemble relatively well other emerging economies from around the world.

Labor Relation Institutions: Distinct Characteristics across Hungary, Romania and Slovenia

Notwithstanding these common features, closer examination of the institutional and political foundations of labor relations systems in particular countries from Eastern Central Europe also reveal a set of distinguishing characteristics (King, 2007; Knell and Shrolek, 2005; Cernat, 2006; Feldmann, 2006; Greskovits&Bohle, 2012). Domestic features inherited from the previous regime or established during the early transition years brought about diversification across the region (Feldmann, 2006; Frege, 2002). Overall, employment relations are still in a process of flux but different patterns were detected over the 2000s (Stockhammer, 2009). Hungary was generally understood as a more market oriented political economic system with weak labor institutions in place. Slovenia on other hand was the sole representative of a more coordinated political economy model. Romania was generally included in between these two models, as it had labor relations institutions that were more centralized than in Hungary but provided significantly weaker coordination than in Slovenia[12]. Overall, state intervention in labor relations was strong in the Romanian context and was therefore considered to be closer to the state oriented institutional model characteristic to countries like France and South Korea (Kang and Moon, 2013). While the role of states is generally strong in former Eastern Central European countries (Hancke, 2007), interference by the state in Romania was less governed by formal coordination with social stakeholders, as in the case of Slovenia, or by dedication to provide market friendly environment, as was often the case in Hungary. Rather, state interference was more guided by ad hoc interventions to balance institutional failures or by clientelistic connections with various organizations and individuals.

All three countries underwent reforms to increase the flexibility of their labor markets, but they have done so through different strategies and to different extents. Attempts to evaluate the strictness of employment protection placed Hungary on the more flexible end and Slovenia closer to the protective side of the spectrum, with the rest of the countries in between (Boudier-Bensebaa, 2008). Labor regulatory reforms in Eastern Europe accommodated both external and internal aspects of flexibility, although the approach has been more balanced in the case of Slovenia than in Hungary and Romania that relied mostly on external forms of employment flexibility[13]. The significance of atypical forms of employment has been increasing in all three contexts over the last decade, but governmental efforts to promote flexible working hours and part-time jobs

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[13] There are two forms of flexibility that can be promoted by public policies or pursued by private strategies to adjust to economic volatility: internal and external flexibility. While internal flexibility refers to job changes within the same enterprise, flexibility in working times, multiple job-holdings and part time positions; external flexibility refers to new forms of employment and collective firing (Boudier-Bensebbaa, 2008).

have been relatively stronger in Slovenia. In the context of ongoing restructurings through most of the 2000s in the Romanian public and private sectors, regulatory reforms in Romania have gradually eased the restrictions and procedures connected to collective firings.

The differences in labor relation institutions underlying these arrangements are quite significant across the three countries included in the study. In Hungary, tripartite institutions, industrial relations institutions, political connections between unions and parties/state agencies are relatively weak. In Slovenia, strong tripartite institutions at the national level have been complemented with strong industrial bargaining institutions at the sector level. Formal affiliations between social-democratic parties and labor unions used to be quite strong in Slovenia in the past, although they declined through the 2000s. In Romania, weak tripartite institutions coexist with centralized coordinated industrial bargaining institutions. Government officials and union representatives are often connected through informal networks. These characteristics summarized on Table 1.1. in chapter 1 resemble relatively closely the ideal type labor relation institutions models discussed in the previous chapter. Hungary approximated relatively well the labor market oriented model through most of the 2000s, Romanian institutions resembled the state-directed labor relations institutions, and Slovenia fitted more closely the coordinated labor relations model. The following section presents the fundamental aspects of the institutional architecture of labor relations during the late 2000s in greater detail as they have important implications on the emergence of regulatory complementarities - discussed in the next three empirical chapters.

1. Tripartite institutions

Early initiatives to set up tripartite institutions in Eastern Europe eventually led to very different outcomes in different national settings with respect to the strength of these institutions and the extent of coordination between state and social partners (Cox&Mason, 2000). Overall, tripartite institutions in most Eastern Central European countries focused on three types of issues: broader public policies, especially social welfare issues; issues related to industrial relations, especially wages; and significant industrial disputes (Martin&Martin, 2004). Coordination around these issues, however, differed across the national settings and varied throughout the decades. The main tripartite institution of Hungary was established before the outset of its transition to market economic system, and showed considerable promise in the early 1990s. Its effectiveness to provide a strong institutional arena for negotiations across the state and social stakeholders has however declined considerably ever since then. Its main role has become to generate legitimacy around state legislation and policies. The tripartite institution of Slovenia was set up at the time of its independence in 1991, and although its strength declined somewhat in recent years, it remained a strong institutional platform to coordinate across class interests. A rough indicator to evaluate the relative weaknesses of tripartite institutions in the three contexts is to compare across the number of social pacts negotiated and agreed on. While the number of social pacts negotiated in Hungary and Romania were 9 and 10, respectively, during the 1990-2010 time period, this number reached a total of 29 pacts in the case of Slovenia (Visser, 2011).

The main tripartite institution of *Hungary* over most of the first two transition decades was the National Council for Reconciliation of Interests (Orszagos

Erdekegyezteto Tanacs) (OET) [14]. The origins of the National Council for Reconciliation of Interests (OET) reach back as far as 1988 when it was established to facilitate negotiations with respect to the country's transition from socialism to capitalism. A set of protests by taxi and truck drivers in 1990 in Budapest over a sharp increase in gas prices resulted in its revival by the newly elected conservative government to provide a forum for social dialogue. The National Council for Reconciliation of Interests (OET) negotiated a settlement with protesters in one-day sitting and the highly mediatized event gained considerable popular support and legitimacy within Hungary (EFILWC, 2004). This institution has underwent a long series of reforms and eventually grew into a complex organization with a whole set of secretariats, plenaries and committees to facilitate the operation of the main forum. Its main members have traditionally included six union confederations, representatives of nine employers' associations, representatives of the Ministry of Labor and Social Affairs and other ministries.

Over time, the Hungarian tripartite institution has increasingly focused on a narrow set of issues, was often dismissed by national governments, and gradually acquired a more consultative than rule making role. Some authors and union members still credit the National Council for Reconciliation of Interests (OET) for maintaining social stability during the demise of socialism and for generating legitimacy around social and economic policies during the first transition decade (Iankova, 2002, 2004; Hethy, 2000). Most scholars point to a set of weaknesses that have come to characterize the OET. First, institutional reforms of the social dialogue forums reveal a slow trend towards more pluralistic style of institutions with broader set of participants, and restrictions of their

[14] The OET has been abolished several times and replaced by other institutions that differed somewhat in their roles and memberships.

roles to simple consultation. The tripartite institution of Hungary was therefore often qualified as a pluralistic model on the grounds that its interest reconciliation council did not have "rule-making" competence (Hethy, 2001). Second, this institution has largely failed to address a broad set of social and economic policies, and has remained subordinated to the economic strategies of the national government. Even within the realm of social policies, its focus was rather limited to negotiations of the minimum wage and setting guidelines for wage increases on an annual basis. Third, national governments initiated tripartite institutions and remained the primary actor of control over it and dismissed tripartite institutions at repeated occasions (Cox&Mason, 2000). Labor unions have been very ineffective at utilizing tripartite institutions to influence the scope and outcomes of policies (Avdagic, 2005).

Social dialogue has a relatively short tradition in *Romania* and served primarily to harmonize formal regulation with European Union directives. The tripartite institutions adopted by the Romanian government to comply with European directives included the Economic and Social Council (Consiuliul Economic si Social) (CES), the Tripartite Commission of Social Dialogue (Consiliul National Tripartite pentru Dialog Social) (CNTDS), the National Council for Adult Vocational Training (NATB) and the National Commission on Equal Opportunities Field (CONES), established at the end of the 1990s. Nevertheless, these newly created tripartite institutions lacked experienced staff, had low effectiveness in practice and were overpowered by the Romanian government (Rusu, 2002; Trif, 2004). Intervention of the state in negotiations in tripartite forums has traditionally been very strong, often assuming a double role, as both government and employer (Trif&Koch, 2005). Union representatives considered that negotiating social pacts was often just a way for the government to acquire support in election years. International organizations, particularly the European Union and the International Monetary Fund, continued to exert significant influence on policy debates and industrial bargaining within the tripartite framework throughout the following years (Ciutacu&Chivu, 2007).

The responsibility for tackling issues concerning the labor market and labor relations in *Slovenia* has never been considered to be in the exclusive area of the government, but also in the domain of all social partners. The inclusion of social partners in economic decision-making has been quite extensive thanks to the relatively robust and strong tripartite institution (Crowley&Stanojevic, 2011; Bohle&Greskovits, 2012; Grdesic, 2008). The Social and Economic Council of Slovenia (Ekonomsko-Socialni Svet Slovenije) (ESS) was established in 1994 and has remained the main discussion forum for key decisions regarding social and economic issues ever since then. In the realm of labour and social matters, it has focused on a whole range of aspects including revisions of the government's legislative proposals with respect to employment, political and economic decisions with respect to pensions and health care, as well as taxation. Tripartite institutions in Slovenia persisted through repeated contestation by neoliberal forces exerted by the European Union, external markets, and center-right governments (Ost, 2009).

2. Industrial relations institutions

The European model of social dialogue is based on tripartite negotiations along with bi-sectoral coordination across workers' and employers' organizations through the industrial relations systems. National level negotiations ought to be complemented by collective agreements at the sector and enterprise levels in the economies of the European Union. The industrial relation systems of Eastern Central European countries through the 2000s, however, also present some important differences with respect to: the level and extent of coordination across managers and employees, the coverage of collective agreements, the content of collective agreements, and the fragmentation and weakness of labor unions. The main differences and similarities in the industrial relations systems of Hungary, Romania and Slovenia over the 2000s are summarized in Table 2.2.

Table 2.2. Labor relations institutions in selected Eastern Central European countries

	Hungary	Romania	Slovenia
Workplace representation	union and workers councils	union	union and workers council
Labor union density (at the end of 2000s	17%	32%	29%
Principal level of collective bargaining	Company level	National and company	Industry level
Collective bargaining coverage at the end of 2000s	23%	~100%	96%
Labor confederations	MSZOSZ, ASZSZ, SZEF, ESZT, LIGA, MOSZ	CNSLR-Fratia, CSDR, CNS, Cartel Alfa and Meridian	ZSSS, KNSS, KSJS Pergam, Konfederacija, Alternativa, Solidarnoost, KSJS

The industrial relations system in Hungary is *highly fragmented and decentralized* where company unions have their own legal entities and the coverage of collective bargaining is one of the lowest in the region at approximately 32 percent in the late 2000s (EIRO Hungary(a), 2005; Koltay, 2011). As the general strategy of unions was targeted towards strengthening national level tripartism and sectoral bipartite bargaining in the early 1990s, workplace industrial relations were largely left to local union representatives without sufficient support from national offices. Notwithstanding efforts to strengthen collective agreements at the sector level in Hungary through a Phare program in the early 2000s as well as additional support provided by the European Union in the mid 2000s, sector level representation and coordination has remained weak.

While the role of collective agreements at the enterprise level has increased significantly over the last decades in Romania, collective agreements at national level continued to play an important role for working conditions and employment relations in Romania. National and sector level collective bargaining establish a minimum framework for company level collective bargaining. Provisions at lower levels have to be similar or more favorable for employees. In Romania, the state has a significant role in shaping its industrial relation arrangements with frequent interventions in both national and sector level negotiations (Trif, 2007)[15]. Similarly, the industrial relations system of Slovenia is much more centralized with important national and sector level collective agreements, and close to full coverage of employees (Stanojevic, 2005)[16]. The differences in the coverage of sector level bargaining illustrate relatively well these differences in the extent and level of coordination. Sectoral bargaining covers only about 8 percent of the workforce in Hungary, relative to 46 percent in Romania and an even higher share in Slovenia (Toth et al., 2000; EIRO, 2012).

The *content of collective agreements* also follows different patterns in the three national settings. In Hungary, collective agreements generally take place at the enterprise

[15] To some extent, this tendency is a legacy of state authoritarianism during socialism, as well as consequence of the gradual and late reforms adopted in Romania to transition from state controlled socialism to liberal market democracy (Trif, 2007).

[16] Almost all employees have been covered by collective bargaining in Slovenia – a result of the past position where the employers' side included chambers of commerce and industry, to which all employers had to belong. However, new legislation has ended this arrangement and coverage might decline.

level and often failed to include stipulations with respect to wages and other issues essential for labor unions. The weight placed on working times and organization of work has been on the increase over the last decade. The overall tendency has been to focus less on wage negotiations and increase stipulations with respect to flexible work arrangements such as extending over time, including the annualization of working times, stipulations with respect to work-time changes (EIRO, 2005). Sectoral agreements in particular, where established, are particularly weak in content and have very little influence on firm level negotiations (Koltay, 2011). Collective agreements are usually concluded at large firms, while small and medium enterprises are largely unregulated by collective agreements. (EIRO Hungary (a), 2005). Most collective agreements are found at larger enterprises that are often subsidiaries of multinational enterprises[17]. Overall, labor has been relatively weak to influence collective bargaining outcomes at the enterprise level. Collective bargaining agreements have been shaped to a great extent by employers' decisions and practices, state policies and market forces (Bohle&Greskovits, 2006).

In Slovenia and Romania, collective bargainings cover a broader range of issues and set precedents for company level negotiations. In Romania, state regulates the registration and specifies the content of collective agreements. Collective agreements have to cover at least issues of wages, working conditions, working hours and holidays. Once executed and registered, collective agreements have the power of law and set minimum standards. Interventions by the national government recently have been shifting

[17] In cases of brown-field investments, a labor union has often existed on the site prior to the change in ownership and local management of the company continued to engage in industrial negotiations (Szabo and Zentai, 2011). Among green-field investment sites, labor unions have traditionally concentrated their efforts on such establishments because of the large number of employees and the benefits of increasing membership. While some multinationals have notoriously resisted association of workers, in general, freedom of association is relatively well regulated in Hungary.

the outcomes of these agreements in the direction of providing more favorable business environments to potential investors, putting greater emphasis on flexibility and maintaining low labor costs. Company unions and collective bargaining at the enterprise level are becoming increasingly important as they establish the effective terms of employment relations and working conditions. In Slovenia, collective negotiations generally cover payment, working conditions and working time, redundancy terms, training and a range of procedural issues such as dispute resolution, trade union facilities and information arrangements.

There are some important differences also with respect to *strength of labor unions*[18] in the region. Labor union structure is fragmented in all three countries, but the density of representation, cooperation across the unions and their collective strength varies considerably across them (Frege, 2002; Neumann, 2002).

Employee representation through labor unions is weak and fragmented in Hungary. Today, Hungary has six union confederations, of which four originated from the former socialist union National Council of Trade Unions (Szakszervezerek Orszagos Tanacsa) (SZOT). These include National Association of Hungarian Trade Unions (Magyar SZakszervezetek Orszagos SZovetsege) (MSZOSZ)[19], the largest and most politically active union confederation in Hungary, which includes the Hungarian Metalworkers' Federation (Vasas Szakszervezeti Szovetseg) (Vasas). The other two

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18 Please see Table 6A in the Appendix for comparative statistics on union density.

19 Along with the Autonomous Trade Union Confederation (Autonom Szakszervezetek Szovetsege) (ASZSZ), Unions' Cooperation Forum (Szakszervezetek Egyuttmukodesi Foruma) (SZEF), and Intellectuals' Trade Union Confederation (Ertelmisegi SZakszervezet Tomorules) (ESZT).

confederations were established after the regime change[20]. By the mid 2000s, the six union confederations had a density rate of only 17 per cent, one of the lowest in Europe. Initially, unions were very polarized along the new and old dimension but these tensions eventually declined over time. Another source of fragmentation of employee power laid in the insitutionalization of workers councils in Hungary in 1992, with negotiation power granted to them in 1998 by the conservative Hungarian Civic Union (Magyar Polgari Szovetseg) (FIDESZ) government. Later amendments in 2002 by the socialist government eventually removed the negotiation rights or workers councils and increased the consultation rights of unions. With the increasing prevalence of temporary agency workers in the workforce and the lack of collective representation for this segment of the workforce, there is another source of division of collective representation of employees emerging in the Hungarian context. Representatives of both National Association of Hungarian Unions (Magyar Szakszervezerek Orszagos Szovetsege) (MSZOSZ) and Democratic League of Independent Trade Unions (Fuggetlen Szakszervezetek Demokratikus Ligaja) (LIGA) noted that labor unions have been reluctant to organize campaigns of recruitment in an effort to challenge their legitimacy.

Union representation is also fragmented in Romania with five union confederations in place. Although unions have suffered considerably from the negative influence of restructuring of the economy, the shift towards service sectors and de-legitimization due to their political connections during and after socialism, Romanian unions still have relatively high membership at a density rate close to 40 percent in 2007. In 2007 there was an attempt to establish cooperation across three of the confederations.

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[20] These include the Democratic League of Independent Trade Unions (Fuggetlen Szekszervezetek Demokratikus Ligaja) (LIGA) and National Federation of Workers' Councils (Munkastanacsok Orszagos Szovetsege) (MOSZ).

This did not take place in the end, but in general, trade unions cooperate rather effectively. While labor is generally more quiescent in Eastern Europe, industrial protests have been much more common in Romania (Koltay, 2011). The union structure is also fragmented in Slovenia, consisting of seven union federations altogether, with the Association of Free Trade Unions of Slovenia (Zveze Svobodnih Sindikatov Slovenije) (ZSSS) standing out more clearly as the dominant union confederation. Since most unions and their federations grew out of the former regime, the ideological division line is less prominent and cooperation across the union confederations is relatively strong in Slovenia.

3. Connections between unions and political entities

Formal and informal relations across social stakeholders and different governing bodies often draw unions into the political arena and enable them to exert influence the political decision making process (Esping-Andersen, 1990; Higgins, 1985).

Linkages and influences with government officials have been weaker for labor unions in Hungary, relative to employers' associations and major corporations ties with state representatives, as well as relative to connections between unions and government officials in Slovenia and Romania. Considering the crisis of legitimacy experienced by unions in post-socialist nations, most unions in Hungary declared their independence in an effort to gain more legitimacy. While National Association of Hungarian Unions (MSZOSZ), the largest trade union confederation, had been politically connected to the socialist liberal party for a longer time period, it eventually followed the same strategy of declaring independence from political entities to preserve its legitimacy[21]. Even during

[21] The conservative government generally looked upon unions with suspicion as being 'left-wing' or too close to socialism (Hethy, 2001). Cooperation with LIGA was therefore very limited to mobilizing protest

time periods of cooperation, the actual influence of unions on political outcomes was not very insignificant, setting a strong contrast with similar experiences in Western Europe, and to some extent in Slovenia (Hethy, 2001; Dimitrova and Vilrokx, 2005). The dynamic of the relationship was much more about political parties utilizing unions in their strategic advantages, rather than the other way around (Adavgic, 2005). As part of the cooperation pact signed between National Association of Hungarian Unions (MSZOSZ) and the Hungarian Socialist Party (Magyar Szocialista Part) (MSZP) in 1994, for example, representatives of MSZOSZ expected a comprehensive social pact in order to manage the losers of the transformation and advance social partnership (Hethy, 2001). The Hungarian Socialist Party (MSZP) - the main governing party at the time, however, eventually adopted an economic stabilization package in 1995 with harsh austerity measures. In contrast, in Slovenia cooperation between social-democractic parties and unions has been much more stable and productive, particularly between Association of Free Trade Unions of Slovenia (ZSSS) and social democratic parties in Slovenia. The strength of these affiliations, however, also declined considerably in the case of Slovenia throughout the 2000s. Representatives of national unions noted that there has been growing convergence across center-right and center-left parties with respect to the content of economic and social policies.

Political influences through informal ties across union and state representatives have also been considerably weaker in the case of Hungary than in Romania and even Slovenia (Grodeland, 2007). The political interests of workers and their representatives were supposed to be exercised outside the realm of trade unions in Romania, but unions

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against specific policies. The most notable recent connection between the two entities took place in November 2007 when a massive protest organized by LIGA against privatization efforts of the health insurance system, was also supported by conservative party, then part of the opposition.

nonetheless continued to maintain a significant political engagement in real life (Trif, 2004; Ciutacu&Chivu, 2007). During the early transition years, strikes were often organized to support political objectives and strategies of party organizations and their key personalities (ex. the violent interventions by miners' unions in the early 1990s and late 1990s). Confederations of unions often times have had political affiliations. The National Federation of Free Trade Unions of Romania (Confederatia Nationala a Sindicatelor Libere din Romania) (CNSLR-Fratia) and National Trade Union Bloc (Blocul National Sindical (BNS) have supported the Social Democratic Party (Partidul Social Democrat) (PSD), while the Democratic Trade Union Confederation of Romania (Confederatia Sindicatelor Democratice din Romania) (CSDR) has been more closely associated with the Christian Democratic Union (Uniunea Crestin Democrata din Romania) (UCDR) (Rusu, 2002). Political connections with politicians and bureaucrats remained important resources to promote their own personal and occasionally their members interests. Representatives of labor unions, for example, often use their positions as a springboard to pursue their own (political) interests (Trif, 2007). Many union representatives eventually held parliamentary seats (ex. BNS and CNSLR-Fratia), and the leader of the National Federation of Free Trade Unions of Romania (CNSLR-Fratia) was appointed Prime Minister between 1996-1998. These political ties and affiliations are most prominent at the national and sectoral levels but they sometimes manifest themselves also at the level of large state-owned or foreign enterprises (Trif, 2004).

Conclusions

This chapter laid out some of the important similarities and differences that characterize the institutional foundations of labor relations and regulation in Eastern Central Europe. The increasing reliance on transnational production networks to drive development in the region had important implications on labor relation institutions. This development strategy contributed to the shift in the main focus of labor relation institutions from maintaining social stability towards achieving greater economic competitiveness and employment flexibility. The growing presence of foreign direct investment in the region, the main channel of integration into global markets, also re-enforced the tendency towards decentralization of industrial relations and enhanced the strength of management over collective bargaining. These influences are reflected in the institutional commonalities in Eastern Central European countries.

The weaknesses underlying the institutional architecture governing labor relations and regulation in Eastern Central European countries make this region quite similar to other developing and emerging markets from around the world that have become more integrated into the global economy. These include an increasing shift in public regulation towards employment flexibility and/or weak enforcement of state regulation, diminishing density and political power of labor unions, and declining coordination across employee' representatives on one hand and national governments and employers' associations on the other. Membership in the European Union has not strengthened national institutions in a significant manner. On the contrary, some argue that the influence of the European Union has been to undermine the social-democratic power of labor at the advantage of national governments that got caught in the politics of attracting foreign direct investment. Eastern

Central European countries still represent the periphery of the European Union, particularly with respect to the quality of working conditions and strength of labor relation institutions, both significantly inferior to Western European standards. The operation of manufacturing sites supplying for large multinationals from abroad exert continuous pressures on labor for greater flexibility and lower cost, and often lead to precarious working conditions.

Notwithstanding these similarities, the heterogeneity in the institutional constellations underlying integration in transnational production regimes and national labor relations across the countries make this region a particularly adequate setting to explore the empirical implications of the analytical framework presented in the introductory chapter. The market oriented labor relations in Hungary, state directed labor relations in Romania and coordinated labor relations institutions in Slovenia, provide a fertile setting to explore the institutional underpinnings of regulatory complementarities across transnational corporate and national public regulation. The gradual shift towards manufacturing for lead corporations from mostly Western Europe and Northern America enhanced exposure to the coordination mechanisms characteristics to large multinational companies. This has been particularly characteristic to the electronic manufacturing sector that experienced a growing prevalence of transnational private regulatory efforts over the 2000s, in an effort to address labor concerns throughout the global production regime. The implementation of these efforts in divergent institutional contexts, however, brought about different pathways of regulatory interactions and changes. The emergence of these regulatory developments within the national settings of Hungary, Romania and Slovenia, constitute the main focus of the next three chapters to follow. Regulatory complementarities are evaluated around slightly different forms of flexible employment practices in the three national settings as the manifestation and political salience of particular issues varies according to the legacies of the industrial policies and institutional reforms adopted during the early 1990s.

Chapter 3:

Regulatory Complementarities in Market Oriented Labor Relations Institutions: Regulation of Temporary Agency Employment in Hungary

This chapter examines the emergence of public-private regulatory complementarities in a national context with weakly coordinated and decentralized labor relation institutions. The scholarly literature suggests that national contexts with more coordinated and centralized labor relations institution—characteristic of coordinated market economies— are more complementary with corporate social responsibility initiatives (Campbell, 2007; Brammer et al, 2011; Kindermann, 2011). In contrast, I show that synergistic interactions across transnational corporate social responsibility initiatives and national institutions are more likely to emerge in market oriented national contexts. I use case studies of two electronics factories from Hungary to illustrate the emergence of regulatory synergies during the late 2000s. In the Hungarian context where tripartite institutions, connections with political parties and industrial relations are relatively weak, labor unions and private auditors rely on interweaving private and public regulatory institutions to promote improvements in the regulation of workers integrated in global supply chains.

Regulatory complementarities are evaluated in terms of improvements in regulation of temporary agency employment[22] - a primary source of flexibility among electronics manufacturing facilities in Hungary. Market oriented reforms adopted by the Hungarian government in the early 1990s to integrate into the global economy through

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[22] According to the Hungarian legislation, temporary agency workers refer to workers who are employed by a company specializing in recruiting and renting workers, often referred to as labor agency, and then contracted by a user enterprise for a specific fee (article 193/C of Hungarian Labor Code).

liberalization of trade and foreign direct investments, generated significant pressure by the end of the first transition decade to acquire greater flexibility in the labor market (Bohle&Greskovits, 2012; Kiss, 2007; Bandelj, 2002). Notwithstanding significant labor law reforms to enable the transition from centrally planned to market oriented economies, state regulation has remained relatively protective of standard forms of employment (Kuddo, 2009; Knell and Shrolec, 2005; Czubak, 2002). In the context of political commitment to promote a functioning market economy based on political stability and relatively reliable legal system (Emmert, 2008), regulation with respect to standard employment has been relatively effectively enforced[24]. With greater integration into the global economy, atypical forms of employment became legalized relatively early on and regulated through liberal guidelines to allow for greater flexibility in labor markets.

Temporary agency employment has become particularly common form of flexible employment among large, export-oriented manufacturing establishments over the last decade (Baranowska, 2008; CIETT, 2010). The increasing reliance on temporary agency workers among electronics manufacturers has generally been associated with precarious working conditions including lack of representation by unions, low compensation, high degree of worker turnover and insecurity for workers (Bormann&Plank, 2010; makeITfair, 2009). The efforts of labor unions throughout the 2000s to strengthen national regulation around temporary agency employment were largely ineffective in the context of weak tripartite negotiations, national bargaining and loose connections with political parties.

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[24] Governance indicators reflecting quality of institutions, including government effectiveness, regulatory quality, rule of law, and control of corruption were all relatively high for Hungary relative to other nations from Eastern Central Europe. The magnitude of these indicators can be seen on Table 7A in the Appendix.

Two electronics manufacturing factories form this national context of weak labor institutions nonetheless improved working conditions for temporary agency workers during the second half of the 2000s through private-public regulatory complementarities. In the mid 2000s, both factories employed a large number of temporary agency workers to accommodate volatility in the volume of production and provided precarious working conditions for these employees. Temporary agency workers at both facilities were compensated with payments that on average were 20 percent lower than wages of "regular" employees[25], were not given standard contracts even after several years of continuous use of their services, and were not included in labor union representation. The implementation of transnational corporate social responsibility initiatives produced improvements in the regulation of temporary agency workers at both of these facilities through their interactions with national regulatory institutions.

The extent and processes driving the regulatory complementarities at the two facilities, however, differed considerably. Improvements at the first factory, referred to as facility Hungary Electronics 1 (HE1), included higher levels of compensation for temporary agency workers, inclusion of subcontracted employees in collective representation, and some initial measures to transfer temporary agency employees to standard employment contracts. These developments were brought about by the strategic actions of the local trade union that used transnational governance efforts and state regulation to improve protection of temporary agency workers at the facility. At the second factory, referred to as facility Hungary Electronics 2 (HE2), there was also an increase in compensation of workers, along with improved coordination across the

[25] Regular or standard employees refer to personnel hired through standard, open-ended contracts.

facility and its labor agencies to continue monitoring their payments, but no changes in the representation of temporary agency workers by the local trade union. These improvements were achieved through the efforts of private auditors to enforce national regulation regarding comparable working conditions provided for standard and subcontracted employees. These differences across the processes driving regulatory improvements at the two facilities were mainly the result of different styles of implementation of transnational corporate governance institutions they were integrated into. While the transnational social responsibility institution in place at facility Hungary Electronics 1 (HE1) encouraged engagement of local stakeholders, the governance institution implemented at facility Hungary Electronics 2 (HE2) relied more on audits to improve working conditions and employment relations.

This chapter sets out with a short introduction to the main industrial policies and development strategy promoted by the Hungarian government since early transition years that have been relevant for the development of the electronics industry in the country over the years. It then proceeds with a discussion of the consequences of these policies and of the emerging production regime on employment relations and working conditions in the Hungarian economy through the 2000s, focusing especially on flexible employment practices. The main section of this thesis consists in the contextualized case study analysis of two electronics facilities from Hungary that supply major corporations from industrialized countries. These cases not only illustrate the precarious working conditions associated with temporary agency employment among electronics manufacturing factories in Hungary, but also analyze and discuss the improvements that were brought about by complementary interactions across domestic and transnational regulatory institutions. The chapter concludes with a brief summary and discussion of the analysis.

The Global Market Oriented Development Path of Hungary and the Rise of Export Oriented Foreign Manufacturing Sectors

Unlike most transition economies from Eastern Central Europe, Hungary has promoted foreign direct investments and export oriented manufacturing since early stages of the transition process (Bohle&Greskovits, 2012; Stark&Vedres, 2003; EBRD, 2011). A representative from the Hungarian Investment and Trade Development Agency (Magyar Befektetesi es Kereskedelemfejlesztesi Ugynokseg) (ITD Hungary)[26], an organization founded in 1993 to help implement the government's investment and trade policies, remarked the following about the mindset of policy makers in the 1990s: "foreign direct investment was considered a means of achieving a whole set of other policy objectives such as industrial and regional development, strengthening the trade balance, promoting more advanced technologies and research and development activities, generating new jobs". While most countries from the region adopted some restrictions on privatization through foreign investments, privatization and economic reforms in Hungary were highly favorable towards foreign direct investments from more advanced economies (Bandelj, 2003; Sass, 2004; Nolke&Vliegenhart, 2009; Bohle&Greskovits, 2012).

Governmental efforts to attract foreign direct investment in the early 1990s relied on a complex variety of measures, including both economic incentives and political/institutional provisions. The economic incentives included land concessions, tax breaks and financial incentives, often based on direct negotiations with potential investors (Sass, 2004; Kiss, 2007; Wang et al, 1995). Investments in one of the major electronics manufacturing sites in Hungary by Nokia corporation, for example, were met with special incentives that included a ten years long holiday from profit tax and five years long holiday from local tax. Additionally, the Hungarian government also provided land and infrastructure free of charge, as well as generous state aid package to encourage employment[27]. Industrial Free Trade Zones established by the Hungarian government in the early 1990s also played an important role in attracting export oriented, technology-intensive foreign direct investments (Bormann&Plank, 2010).

The early market oriented approach of Hungary also emphasized the importance of a stable political environment and good governance institutions to attract foreign investments and integrate into global markets (Stiglitz, 1998; Kapur and Webb, 2000; Woods, 2005). What exactly this translates into for institutions has not always been clear, but the quality of governance institutions in Hungary by the end of the 1990s was superior to most countries from the region (Schimmelfenning&Sedelmeier, 2007). Tripartite institutions in Hungary, for example, were set up and used mainly to maintain social stability and confer legitimacy to policy and institutional reforms in Hungary (Iankova, 2002, 2004; Hethy, 2001). Through the 2000s, Hungary fared relatively well in the region with respect to rule of law, quality of regulation, control of corruption,

[27] This amount was approximately 200 million Hungarian Forints, the equivalent of 670,000 USD.

although still below the overall quality of institutions in most Western European nations (WorldBank, 2013; Wallace&Latcheva, 2006)[28].

These early efforts to promote foreign direct investments in the country eventually led to the emergence of strong foreign owned and export oriented economic sectors in Hungary. The magnitude of foreign direct investments in Hungary was among one of the highest in the region by the late 1990s at 44 percent of total gross domestic production, compared to only 19 percent in Romania and 17 percent in Slovenia (UNCTAD, 2005). Approximately 26,000 companies with foreign participation operated in Hungary in 2001 that accounted for about 80 percent of international trade (Sass, 2004). According to the estimation of the United Nations Conference on Trade and Development (UNCTAD), the inflow of foreign direct investment in Hungary between 1993 and 2000 contributed to about 80 percent of the job creation between during that time period (UNCTAD, 2005).

Significant investments projects were made in automotive and electronics industry, two industrial sectors that were targeted by the Hungarian government to promote industrial restructuring and socio-economic development in the country (Nolke&Vliegenhart, 2009; EBRD, 2011). While Hungary had some legacies in the electronics industry that reached back to the socialist era, the sector became particularly important for the Hungarian economy after transition to market economy. Opening up the Hungarian economy to the global market in the early 1990s exposed its electronics industry to harsh competition from the technologically advanced industries from North

[28] Please see table 7A in the Appendix for more detailed comparisons across the three national settings included in the study.

America, Asia and Western Europe (Bormann&Plank, 2011). Domestic firms were either closed, restructured or sold to investors (Kataria&Trabold, 2004).

The revival of electronics manufacturing in Hungary took place during the first transition decade and was driven almost exclusively by foreign transnational corporations as a significant share of the initial inflow of foreign investments concentrated in electronics manufacturing. During the period leading up to 2001, Hungary attracted more than 60 percent of investments in electronics manufacturing in Central and Eastern Europe (Kalotay, 2005). The dynamic growth of the sector was mostly due to investments of major transnational electronics companies such as IBM, Flextronics, Nokia, Philips and Samsung, and so on, to capitalize on cheap labor and proximity to end markets. These were mostly export platforms of major lead corporations set up to serve consumers from Western Europe, North America and the Middle East. The share of foreign ownership in the electronics industry has reached 84 percent by 2001 and continued to remain significant throughout the years (Sass, 2004; Nolke&Vliegenhart, 2009). Although the growth of the industry has slowed down over the 2000s, at the end of the decade the electronics sector represented around a third of outputs and employed close to a quarter of the Hungarian active labor force in manufacturing (Eurostat, 2013). The economic recession had a powerful impact on the Hungarian economy, but affected the sector less strongly (ITD, 2012).[29]

[29] Source: http://www.hita.hu/Content.aspx?ContentID=4d45a945-daec-4a7c-b6f2-b291c317b865. According to my calculations, the decline in the electronics industry in the aftermath of the economic recession was by16 percent, relative to the fall in manufacturing outputs by 24 percent. Recovery followed quickly from 2010 on (Eurostat, 2013).

Growing Pressure for Flexible Employment: The Emergence of Temporary Agency Employment in Hungary

This global market oriented approach with extensive reliance on foreign direct investment from the early transition era had important implications on labor regulation and practices in subsequent years. The growing importance of manufacturing integrated in global industries gradually intensified the pressure for cheap and flexible forms of employment to strengthen economic competitiveness (Milberg, 2004). Notwithstanding extensive set of changes to the labor legislation after the collapse of the socialist regime, labor market regulation has remained relatively protective of traditional forms of employment (Kuddo, 2009; Knell&Shrolek, 2005). Flexibilisation in the Hungarian context manifested itself primarily in the legalization of atypical forms of employment and softening the application of the rules of full-time employment to these types of employment (Czuban, 2002).

The regulation of temporary agency work, as a particular form of atypical employment, presented important opportunities for both policy makers and employers in the early 2000s. Employers saw temporary agency work as an important source of cheap and flexible labor to meet requirements of major buyers with respect to low cost and volatility in the volume of production. Representatives of the Hungarian Development Agency and the American Chamber of Commerce in Hungary noted that several investors expressed their expectations for flexible employment during initial negotiations and through their lobbying activities once a manufacturing site was established. Policy makers saw temporary agency work initially as an important source of national competitiveness, and later on as a possible platform to generate more employment. As one official from the Hungarian Development Agency noted: "Foreign investors expressed explicitly their preference for employment flexibility during initial negotiations with the agency. Increasing the flexibility of employment institutions came to be seen as a potential institutional advantage relative to other countries from the region to attract promising foreign investors in the country".

The growing export-oriented manufacturing sector, including the electronics industry, lobbied early on for the legalization and liberal regulation of temporary agency employment. Several electronics manufacturing facilities operating in Hungary reported major fluctuations in their production, with around 40 percent difference between highest and lowest activity periods. In fact, the pragmatic origins of sub-contracting workers from another organization reach back to the practices of electronics manufacturing corporations in the mid 1990s. During this time period, an IBM facility in Hungary, for example, relied on contracting workers for short time periods from a Hungarian electronics manufacturing company, Videoton, to flexibilize its workforce and cut back on costs with human resource management[30]. Agency work represented one of the few issues that most corporations and employers' associations agreed on, and led to significant collective action on the employers' side. Labor unions during the early 2000s, on other hand, were preoccupied mostly with the reversal of a set of neoliberal reforms adopted by the conservative government in power since 1998 that weakened industrial relations system and reduced protection for full-time employees in Hungary (EIRO Hungary (b), 2003).

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[30] These lending agreements used stipulations in the Hungarian Labor Code referring to off-site assignment of direct employees of the Videoton company to perform work at the IBM site.

The Hungarian government finally legalized the practice of temporary agency work in 2001 with very liberal regulation of the terms of employment (Governmental Ordinance 118/2001). The focus on providing employment flexibility and achieving greater national competitiveness is reflected in the ministerial motivation introducing the law proposal with respect to temporary agency work in 2000. This document explicitly notes that: "the responsibilities of the Hungarian legal framework ought not to focus solely on the protection of employees' interests. It has to consider and harmonize the interests of both employees and employers in a general effort to increase national economic competitiveness."[31] The regulatory framework adopted by the Hungarian government in the early 2000s was very liberal with no restrictions on purpose or duration of use, or the working conditions to be provided for these employees at user facilities. Hungarian regulatory framework of temporary agency employment was often compared to the Anglo-Saxon liberal system due to its relatively liberal approach (TUC, 2005).

The significance of agency work increased considerably in Hungary over the last decade. The share of temporary agency employees was estimated to be around 2.7 percent of the total workforce before the onset of the economic recession (MMOSZ, 2011). Temporary agency workers in Hungary consist mainly of manual workers with lower levels of education, employed for lower-skill manual jobs (CIETT, 2009; EFILWC, 2006). Multinational manufacturing companies operating in Hungary have been the most important consumers of temporary agency work (CIETT, 2010;

[31] This approach towards regulation of temporary agency work persisted throughout the year as both representatives of employers' associations and the Hungarian government justified demands for liberal regulation of agency work on the need to maintain economic competitiveness relative to the regulatory frameworks of neighboring countries that might be more successful at attracting foreign investments (MOSZ PR person).

Baranowska,2008; TUC, 2005), with the share of temporary agency employees often approaching 50 percent of total employees during peak activity periods (Bormann&Plank, 2010). The significance of temporary agency employment grew more prominently in Hungary relative to other countries from Eastern Central Europe. While temporary agency employees represented about 30,000 workers in full-time equivalent (FTE) in 2002, it nearly doubled by 2007. The number of agency workers in full-time equivalent was only 30,000 in the much larger Romanian workforce and a mere 2,743 in Slovenia (CIETT, 2010). These corresponded to penetration rates of about 1.4% in Hungary, relative to 0.3% in Romania and 0.58% in Slovenia. Another aspect that is indicative of the dynamic growth of temporary agency employment in Hungary is the significant increase in the number of agencies from 282 in 2002 to around 757 in 2010. The number of labor agencies in Romania and Slovenia were 142 in Romania and 73 in Slovenia in the late 2000s. These differences are summarized on table 3.1 below.

Table nr. 3.1: Prevalence of temporary agency work in Eastern Europe in 2010

	Number of temporary agency workers (in Full Time Equivalent)	Penetration rate (%)	Number of labor agencies
Hungary	55,000	1.40	757
Romania	30,105	.30	142
Slovenia	2,743	.58	73

Source: CIETT, 2010

With the growing significance of temporary agency employment in the Hungarian economy, precarious working conditions associated with subcontracted temporary employment became more obvious. The report of the Hungarian Labor Inspectorate from the mid 2006 noted that irregularities around the contracts and operations of agency work represented one of the important sources of labor violations in the manufacturing sector

(OMMF, 2006). Nonetheless, regulation of temporary agency employment has not become a priority for enforcement agencies as state inspections in subsequent years focused primarily on eliminating undocumented employment practices, especially among foreign workers. Representatives of the two most important labor union confederations, the National Association of Hungarian Unions (Magyar Szakszervezetek Orszagos Szovetsege) (MSZOSZ) and the League of Independent Unions of Hungary (Fuggetlen Szakszervezetek Ligaja) (LIGA), as well as civil society organizations focused on providing legal assistance to workers, also remarked significant differences in the working conditions provided for temporary employees relative to regular workforce. According to a representative of the National Association of Hungarian Unions (MSZOSZ) union, an internal study they conducted in 2009 suggested that agency workers earned between 20-30 percent less compensation than standard employees with similar qualifications and job descriptions.

Public-Private Regulatory Complementarities: Regulation of Temporary Agency Work at Two Electronics Manufacturing Factories

Multinational manufacturing companies operating in Hungary have become important users of temporary agency work over the last decade (CIETT, 2010). The share of contracted employees at electronics manufacturing sites often reaches half of the total workforce during peak activity periods. The prevalence of agency work and the precarious nature of their working conditions in Hungary have been strongly criticized by international civil society organizations monitoring working conditions in the global and/or regional electronics industry (makeITfair, 2010; Bormann&Plank, 2010).

Hungarian labor unions organizing workers from the industry, the National Association of Hungarian Unions (Magyar Szakszervezetek Orszagos Szovetsege) (MSZOSZ) and Hungarian Metalworkers' Union (Vasas Szakszervezeti Szovetseg) (Vasas), have also raised concerns regarding the increasing prevalence of these employment practices (EIRO Hungary (b), 2005). Main areas of concern included the relatively low payment of agency workers, their inferior occupational status, and lack of representation by labor organizations. Moreover, these positions are also very insecure. As a representative of National Association of Hungarian Unions (MSZOSZ) reported: "while some workers face very high volatility as they get assigned to diverse factories on very short terms, others have been used at specific enterprises for several years, without getting transferred to the pool of regular employees". Finally, private audits conducted by major corporations at several electronics manufacturing sites from Hungary also revealed problems with compensation and working time among temporary agency workers[32].

1. Flexible employment practices at two electronics facilities in Hungary

The case studies of two electronics facilities from Hungary, referred to as facility Hungary Electronics 1 (HE1) and Hungary Electronics 2 (HE2), that supply major multinational corporations from Western Europe and North America, illustrate relatively well the prevalence of these problems associated with temporary agency employment in the electronics industry. These two facilities were included in the study because they share a set of important similarities not only with each other, but also with the other facilities operating in Romania and Slovenia that are included in the study. These facilities are similar in size, technical sophistication, production profile, foreign

[32] Source: These refer to audits conducted by representatives of a major multinational information technology corporation from Northern America, Hewlett Packard that has been sourcing from six electronics manufacturing companies from Hungary over the 2000s.

ownership, export-orientation, and are integrated in transnational governance institutions. These characteristics are discussed in greater detail in the next paragraphs and then summarized in Table 3.2.

The two factories included in the study were set up during the 1990s in peripheral areas of Hungary, through significant investments by foreign corporations. Facility Hungary Electronics 1 (HE1) was established in 1998 with an investment fund of approximately 100 million Euros that was generously supported by the Hungarian government[33]. The site specializes mostly in the assembly and maintenance of information and telecommunication equipments, and manufactures exclusively for a major Western European brand corporation, referred in the thesis as Corporation Electronics 1. Facility Hungary Electronics 1 (HE1) is one of the major exporters of Hungary as it supplies the European, North African and Middle Eastern markets of Corporation Electronics 1. Over time, production expanded and specialization shifted from larger volumes of a smaller set of products to smaller quantities of a relatively large and technically sophisticated range of products[34].

While this facility generated a large number of jobs in the periphery of Hungary, the use of temporary agency workers and the inferior working conditions provided to them became more significant over the years. In 2008, the facility employed close to 6,000 people and provided a monthly average wage of around 400 Euros (close to 600 USD). Out of the 6000 employees, however, 3000 workers were contracted from eight labor agencies that operated in the region. A significant share of the temporary employees

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[33] It was a green-field investment that quickly became one of the biggest manufacturing sites in the country through ongoing investments.

[34] In 2004, for example, the investment was expanded to add an additional 50 Euros million to expand manufacturing capacity; in 2007 another investment of 10 million Euros were added.

consisted of Hungarian speakers from Slovakia. According to representatives of human resources management at the facility, the large share of temporary agency workers was mainly to acquire greater flexibility in the adjustment of labor input to volatility in production volume, as well as to outsource a part of human resource services regarding their recruitment and administration. Volatility at this facility was estimated to be quite significant, with the volume of manufacturing during low activity periods representing approximately 65 percent of production during peak times. Temporary agency workers were mostly direct personnel assigned for technically less sophisticated positions.

Similarly, the establishment of facility Hungary Electronics 2 (HE2) dates back to the 1990s when it was set up as a smaller facility in the southwestern part of the country. The initial brown-field investment was encouraged by the generous tax incentives of the local government. An additional green-field investment of 70 million USD was made in 2000 to essentially double the manufacturing capacity of the site. Facility Hungary Electronics 2 (HE2) specializes in assembly of electronics products, manufacturing of some components, and provision of repair services. The computing and telecommunications industry represented approximately 60-70 percent of its business over the late 2000s, along with aviation/automotive and medical devices industries as the other areas of activity. Similarly to facility Hungary Electronics 1 (HE1), this factory also specializes more in the production of smaller batches of a relatively wide variety of products. Notwithstanding the greater diversification of the end markets this facility supplies for, the technical sophistication of production is very similar across the two facilities[35] as attested by an electrical engineer who accompanied me during visits to these facilities.

This facility initially started its activities with only a few hundred people, but the number of positions grew considerably over the years. By 2008, the facility employed approximately 5,300 employees. Temporary agency workers represented between 25 and 50 percents of the workforce depending on the intensity of production during a particular time period. The average wage at this facility was approximately 380 Euros, comparable to the average compensation at facility Hungary Electronics 1. Similarly to facility Hungary Electronics 1, these employees were contracted mostly to enable greater flexibility and meet the volatile fluctuations in production volumes with outputs during low activity periods representing around 60 percent of the production during very active months.

Table nr 3. 2: Similarities and divergences across the facilities

Characteristics	Facility HE1	Facility HE2
Established	1998	1994
Size (Number of employees)	6,000	5,300
Production profile	Assembly, repair services	Assembly, components, repair services
Lean manufacturing management system	Yes	Yes
Volatility (share of lowest production in highest level of production volume)	65%	60%
Workplace representation (unionized)	Yes	Yes
Share of temporary agency work	40-50 percent	25-50 percent
Role of temporary agency work	Lower skill, direct	Lower skill, direct

Reviews of working conditions at these two facilities revealed *very similar set of problems* regarding temporary agency employment during the mid 2000s. Firstly, reviews

35 The similarity in technical sophistication across facilities Hungary Electronics 1 and 2 was attested by an electrical engineer who accompanied me during visits.

of human resources documents showed that both facilities employed high shares of temporary agency workers that came close to half of the entire workforce during time periods of high level of activity. The union representative at facility Hungary Electronics 1 estimated that around 11,000 temporary agency workers were contracted at the facility over the decade since the establishment of the factory. Secondly, there were no restrictions with respect to the length of use of temporary agency workers at the facilities. Several of them had been contracted as agency workers for long time periods and were provided no security or stability with respect to their employment situation. One employee at facility Hungarian Electronics 2, for instance, was employed as a temp for several years. The facility would assign him to work at the factory for 2-3 months at a time, and then just sign a new temporary contract with him when he was done.

Thirdly, union and audit reports also expressed concerns about the significantly lower compensation provided to temporary agency workers at the facilities relative to regular employees. The gap between the compensation of direct personnel with low skill levels and temporary agency workers with similar qualification and job responsibility were around 25% at facility Hungary Electronics 1 (HE1) and 30% at facility Hungary Electronics 2 (HE2). These differences were mostly due to differences in monetary bonuses that are added to basic pay for workers but nonetheless represent a significant chunk of the final wages of employees. At facility Hungary Electronics 1 (HE1) these bonuses were often made conditional on yearly presence, which is inherently problematic among temporary agency workers due to their volatile time schedules with frequent interruptions in their use at the facility over the course of the year. At facility Hungary

Electronics 2 (HE2), local management failed to provide them with performance bonuses, but sometimes, even with appropriate compensation for weekend work and night shifts.

2. Domestic regulation of temporary agency employment: liberal state regulation and reluctant unions

The precarious working conditions associated with temporary agency employment at electronics facilities were greatly enabled by liberal regulation and deficient enforcement. The legal amendments adopted in 2001 clarified the contractual position and obligations of the parties but included almost no other stipulations with respect to the use and terms of employment of contracted employees[36]. A whole set of revisions and additional amendments to the Labor Code were adopted in subsequent years, but state regulation has nonetheless remained one of the most liberal ones in the European community and was often compared to the regulatory approaches of liberal market oriented societies like the United Kingdom and the United States (TUC, 2005).

In the mid 2000s, Hungary was among the few countries from the region that did not have stipulations with respect to equal treatment of regular and contracted employees, reasons for use, or limits on duration of use. These specifications were quite common in the national labor legislations of other European Union member countries, including most Eastern European nations (TUC, 2005). The only restriction with respect to the use of temporary agency workers was with reference to their use as substitutes for employees on strike. Even with respect to the use of temporary agency workers during strikes, prohibitions were limited only to new temporary agency workers and not to the ones that

[36] Employment of workers by the labor agency can be both for open ended or fixed terms, but since temporary agency work is considered a special category of employment contracts, the same employment legislation as for regular employees does not apply. For example, in case of contracts between labor agencies and the workers, there is a shorter period of dismissal, no compensation in case of dismissal, exemption of stipulations with respect to collective redundancies, etc.

have already been utilized at the user company (EIRO, 2009). Specific stipulations with respect to providing equitable employment and working conditions for temporary and standard employees were adopted only in 2006 in Hungary. These amendments required equal monetary compensation to be provided for standard and temporary agency employees after six months of service at a particular facility, and equal in-kind benefits after two years of employment.

Notwithstanding legal reforms adopted in 2006 to provide greater protection for subcontracted labor, the inferior compensation and occupational status of temporary agency workers persisted as enforcement of state regulation has remained relatively weak (EIRO Hungary (b), 2009). Representatives of trade unions and civil society organizations expressed concerns repeatedly with respect to the deficient implementation of comparable conditions in principle. Temporary agency workers continued to receive compensation that was much lower than wages of employees hired through open-ended contracts, even though they had similar responsibilities and educational backgrounds. A study conducted by the trade union pointed out that agency workers earned in average 15 to 20 percent below standard employees in Hungary. Representatives of the union confederations from Hungary also insisted that enforcement of state regulation regarding flexible employment practices have also been strategically lax in order to provide more flexibility for major foreign employers in the country.

Implementation of state regulation regarding temporary agency employment has been challenged by the relative importance of large foreign industrial investments that drove exports and provided employment, as well as by technical difficulties to monitor compensation of workers. Some of the main users of temporary agency employment in the Hungarian context are major manufacturing facilities that employ thousands of workers, make significant contributions to local and national budgets, and are key exporters in the Hungarian economy. The state has become increasingly accommodating of the needs of major export oriented sectors and sites to allow for greater flexibility in employment. Moreover, while the certification of labor agencies has been regulated relatively effectively, equitable treatment of standard and subcontracted workers at user enterprises remained more difficult to assess.

The complexity of compensation schemes and the triangular structure of the employment contract created an information problem that made accurate assessments of the compensation of standard and atypical employees rather difficult. Facilities Hungary Electronics 1 and Hungary Electronics 2, for example, contracted with multiple labor agencies and the administration of the flow of employees represented a challenge even for the human resource departments of these facilities. Compensation of workers at most facilities is determined based on complex schemes that include basic wage and a whole set of financial and in-kind benefits and bonuses. Given the separate book keeping system between the agency and the user enterprise, it is difficult to investigate the compensation that workers are entitled to and are effectively paid. The exact types of financial compensation that temporary agency workers are eligible for during and after the first six month of their use at a particular facility to comply with the comparable condition principle was subject of debate in the Hungarian context in the late 2000s (EIRO Hungary(b), 2008).

In addition to deficient regulation by the state, collective representation of temporary agency workers has been absent as labor unions at central and company levels remained reluctant to organize and represent temporary agency employees in industrial relations with employers and employers' organizations. This was part of a general strategy of labor unions to undermine the legitimacy of atypical forms of employment in the context of limited abilities to impose formal limitations on these practices. Employees in the electronics industry are generally represented by the company level entities of the Hungarian Metalworkers' Union (Vasas Szakszervezeti Szovetseg) (Vasas)[37]. Its recruitment campaigns over the last two decades targeted specifically green-field investments by multinational corporations due to their relatively large size and potential benefits from acquiring more members, but these efforts did not extend to temporary employees. Representatives of both National Association of Hungarian Unions (MSZOSZ) confederation and the Hungarian Metalworkers Union (Vasas) confirmed that unions generally do not include temporary agency workers. This was true also at both facilities included at the study, neither of the unions represented or provided services to temporary agency workers in the mid 2000s. This strategy made sense in a national context where inclusion of labor unions in national tripartite negotiations served the primary role to confer legitimacy to economic and political reforms.

Labor union confederations tried to influence state regulation in the framework of the main tripartite platform, albeit with little success. In the context of relatively good relations between the Hungarian Socialist Party (MSZP) and National Association of Hungarian Trade Unions (MSZOSZ) confederation after the former facilitated the reelection of the party in government, labor union demands played a role in adopting the comparable conditions principle in the Hungarian labor legislations. Notwithstanding the

[37] Founded in 1877, the Hungarian metalworkers union is one of the oldest unions that operate in Hungary. At the end of the 2000s, the union has about 31,000 members from electronics, motor vehicle, and metallurgical industries from all around the country.

significant efforts of the MSZOSZ to support the reelection of the Hungarian Socialist Party (MSZP) in 2004, their demands were met only partially. Initial proposals of the labor unions included a much broader and stricter set of limitations on the use of temporary agency employment. The demands put forth by various labor union confederations included comparable conditions principle, restrictions on the purpose of use, numerical limitations on the number of subcontracted employees, and stipulations regarding the employment through open-ended contracts after a specific duration of use.

The ability of labor unions to exert further influence regarding the regulation of temporary agency employment has remained largely unsuccessful throughout the 2000s, especially after political connections across the main leftist party and one of the key labor union confederations were dissolved. Most labor unions discontinued any connection with political parties by the end of the 2000s to acquire greater legitimacy, and political parties also refrained from close ties with labor union to maintain credibility regarding their market orientation (Avdagic, 2005). The National Association of Hungarian Trade Unions (MSZOSZ) was the last union confederations to have some connections with the Hungarian Socialist Party (Magyar Szocialiats Part) (MSZP) but these finally discontinued in 2006 after a major political scandal surrounding the prime minister and leader of the Hungarian Socialist Party. A representative of Democratic League of Independent Trade Unions (LIGA) confederation, for example, expressed discontent with respect to the fact that the National Interest Reconcialiation Council (Orszagos Erdekegyezteto Tanacs) (OET), the main tripartite forum of Hungary, would systematically prioritize the interests of investors, and accused the government of engaging in interest coordination only with respect to employers' associations. This is consistent with the scholarly literature pointing to the subordination of industrial relations system to the primary strategy of the Eastern Central European governments to promote and accommodate foreign investors (Aguilera&Dabu, 2006; Bandelj, 2009).

3. Evaluating the extent of regulatory complementarities at the facilities

Within this national context with weak labor relations institutions and segmented regulation of the labor market where precarious working conditions for temporary agency employment is the norm, improvements in regulation of agency workers might seem unlikely to come about. And yet, at both facilities included in the study, improvements in the regulation of temporary agency workers unfolded gradually over the 2000s, driven by complementary interactions across private transnational and public domestic regulation. The adoption of private transnational regulatory initiatives by the lead corporations, corporations Electronics 1 and Electronics 2, in the mid 2000s interacted with Hungarian state and collective regulatory institutions in ways that enabled improvements in the social regulation of agency workers at the two facilities.

At facility Hungary Electronics 1 (HE1), local management adjusted its payment arrangements to include temporary agency workers into its bonus schemes, and set up a systemic plan to transition temporary agency workers to standard contracts at an annual rate of 200 employees. Additionally, the local union extended membership and representation to temporary agency workers at the facility, a rather unique development that diverged significantly from what was generally the norm at establishments located in the country. The union also initiated a recruitment campaign specially targeted towards agency workers employed in the region to be represented through a special department of the regional representative office. Finally, in addition to more traditional approaches to address labor concerns through collective representation and bargaining, the union also initiated the establishment of a multi-stakeholder certification program of labor agencies that operate in the region.

At facility Hungary Electronics 2 (HE2) improvements were somewhat more limited but nonetheless significant considering the national trend in the country. Local management of the facility agreed to retroactively pay all due weekend and night shift benefits to contracted employees, and eventually consented also to extend its performance bonus scheme to temporary agency workers. While these adjustments were initially limited to the information and communication technology department of the facility where the manufacturing activities supplying corporation Electronics 2 take place, the company union helped to diffuse these practices at other departments at the facility. Moreover, local management representatives adopted an improved system of information sharing between the user facility and the 9 labor agencies it worked with. These developments are summarized in table nr. 3. 3. The table illustrates that while improvements at the second facility were more limited to reducing discriminatory practices between temporary agency and core standard employees, regulatory developments at facility HE1 included a broader range of developments.

Table nr. 3. 3: Improvements over time: Divergences in the extent of improvements

	Facility HE1	Facility HE2
Improvements in regulation of temporary agency work	√√√	√√
• Endow workers with rights and reduce discrimination	√	√√
• Set limits on extensiveness	√	
• Empower through representation	√	
• Provide insurance for vulnerable groups such as unemployed, seniors, the sick, etc.		

4. The onset of regulatory complementarities through transnational regulatory initiatives

These developments were the result of complementary interactions across state domestic and transnational private regulation unfolding in the Hungarian context over the second half of the 2000s. Following the major reputational concerns in the global apparel and textile industries due to precarious working conditions at supplier sites, most large corporations in the electronics industry adopted transnational governance initiatives in the mid 2000s to promote corporate social responsibility in their supply chains. These efforts were adopted both by original brand manufacturers and major manufacturing service providers in the electronics industry. As part of collective efforts to promote better working conditions throughout the industry, the Electronics Industry Citizenship Coalition (EICC) was established in 2004. Notwithstanding a gradual convergence towards industry-level action with respect to adopting and implementing a set of principles regarding social and environmental standards throughout the industry, there is still considerable variation in the style of implementation of these transnational regulatory efforts.

The major corporations the facilities in the study manufacture for are some of the most dedicated corporations in the global electronics industry to promote social sustainability. Their institutions of transnational governance, however, differ considerably in the main implementation approaches. While Corporation Electronics 1 emphasizes engagement with local stakeholders to facilitate transnational governance, Corporation Electronics 2 focuses more on unilateral auditing and corrective actions to achieve compliance with its labor standards throughout the supply chain.

The main approach adopted by Corporation Electronics 1 to promote social responsibility emphasizes the importance of engagement with social stakeholders involved with social and environmental issues. Its partners in the past included Oxfam, World Wildlife Organization, the European Metalworkers' Union, and various less-known governmental and non-governmental organizations from around the world. Similarly, in host societies where most of its products are manufactured and associated services are provided, Corporation Electronics 1 has put an emphasis on engaging with local stakeholders to monitor and address labor concerns. As part of its general corporate social responsibility program, Corporation Electronics 1 adopted a Steering Committee to enable cooperation with local actors and facilitate the implementation of the program throughout the supply chain. The transnational governance institution of the corporation also relies to some extent on auditing, albeit to a much lesser extent than Corporation Electronics 2.

The transnational corporate responsibility initiatives of Corporation Electronics 2, on other hand, relies primarily on consistent auditing, perfecting evaluation methods and instruments, tracking violations, formulating coherent corrective action plans to address precarious working conditions through its production base. Another important aspect of its approach is to engage first tier suppliers in rolling out its monitoring efforts further down the supply chain by conducting similar style of audits and corrective actions with second-tier suppliers. Corporation Electronics 2 is also member of several international forums and organizations set up to facilitate diffusion of corporate social responsibility practices throughout the industry but has a relatively limited experience with engaging with local actors, particularly labor unions, to address labor concerns at manufacturing site. The main coordinator of the central corporate social responsibility program of Corporation Electronics 2 in North America clearly stated that the leadership of Corporation Electronics 2 does not believe in and support labor unions because they are based on the idea of making a division between the workers and managers. "In a world of global competition, the emphasis should be on cooperation between workers and manager as we compete together in a global market environment".

Implementation of these different styles of transnational regulatory institutions generated interesting and important differences not only in the extent, but also in the processes of regulatory complementarities emerging in the Hungarian context. Union efforts to influence state regulation of temporary agency workers through interventions in the tripartite institution have been largely unsuccessful. Amendments to the Hungarian legislation in 2006 were limited to stipulations regarding comparable conditions principle and ignored most of the additional union demands regarding the conditions and duration of use of temporary contracted labor. The unions' strategy of undermining the legitimacy of reliance on temporary agency workers by not including temporary workers in their representation has also been unsuccessful. These institutional constraints set an incentive for employee representatives and agents of transnational corporations included in the implementation of the social responsibility programs to engage with alternative institutions, whenever possible, to improve regulation of agency workers. The decentralized character of the national industrial relations system in Hungary facilitated this divergence from the strategies of the central union. The differences in the transnational regulatory initiatives resulted in the emergence of different processes through which one type of regulatory initiatives have been used and sometimes redirected to complement for the deficiencies of the other type of regulatory efforts.

5. Union-driven regulatory complementarities in the context of stakeholder oriented transnational regulatory approaches

The integration of facility Hungary Electronics 1 (HE1) in the stakeholder engagement oriented transnational governance approach of Corporation Electronics 1 enabled the emergence of regulatory complementarities with important implications on working conditions of temporary agency employees. The combined presence of transnational private and national public regulation compensated for each other's deficiencies in the national institutional context of weak labor relations in Hungary. Domestic regulation of temporary agency employment lacked enforcement through state interventions or through effective industrial relations negotiations through the 2000s, but provided legitimacy to regulatory guidelines regarding the compensation of subcontracted workers. The transnational corporate regulatory approach of Corporation Electronics 1 then became the institutional platform to facilitate implementation of state regulation. The corporate social responsibility program, however, did not act as an enforcement mechanism on its own, but was mobilized through the industrial relations system that the facility was integrated into. The main actor at facility HE1 guiding and leading the process of interweaving across alternative regulatory regimes in complementary manner was the local labor union, hence the reference "union driven regulatory complementary processes" at the site. Corporate transnational social responsibility, state regulation, and industrial relations, all played a role in enabling the emergence of these improvements.

The underlying conditions for union driven regulatory complementarities to come about included the incentives set by the institutional weaknesses of national labor relations system, as well as the opportunities set by the transnational regulatory approaches of the lead corporation. Finally, the absence of institutionalized coordination in the Hungarian industrial relation system also facilitated the ability of the local unions to act upon the incentives and take advantage of the institutional opportunities that the facility became integrated into. The following paragraphs trace the emergence of union-driven regulatory complementarities from the perspectives of the incentives and opportunities set by national and transnational institutions.

The weak industrial relations system with delegitimized and powerless labor unions that facility HE1 is embedded into constrained local initiatives by the union to improve working conditions of temporary agency employees through traditional institutional platforms, and set incentives to engage with alternative regulatory approaches. The labor union at facility HE1 was set up relatively soon after the establishment of the site as central representatives of the Hungarian Metalworkers' Federation (Vasas) encouraged the unionization of large green-site investments by foreign investors due to the potential they represented in terms of new membership. As labor unions were generally delegitimized throughout the 1990s due to their socialist legacy, the Vasas union at facility HE1 struggled to recruit members during its initial phase of existence. The credibility of the union and its membership grew only in the early 2000s after union representatives confronted the local management over a conflict regarding the working time schedules of employees during winter holidays. Union membership increased dramatically and included approximately 20 to 30 percent of the workforce by the mid 2000s. Consistent with the general trend in the Hungarian context, the union at facility HE1 did not recruit temporary agency workers even though their number was increasing significantly.

Notwithstanding poor coordination across industrial representation and relations at company and national levels in Hungary, company level unions initially followed the strategy of national unions of delegitimizing temporary agency employment through non-representation. During the mid 2000s, the local Vasas union at facility HE1 approached central representatives of the National Association of Hungarian Trade Unions (MSZOSZ), that Vasas union was part of, about the growing prevalence of this type of employment. Representatives of the union confederation informed local union representatives of their continued efforts to influence the politics of labor regulation. Notwithstanding the relatively good relations across the Hungarian Socialist Party (MSZP) and the major labor union confederation MSZOSZ, union demands in the framework of the tripartite institution National Council of Interest Reconciliation (OET) to strengthen state regulation of temporary agency employment were met only partially in the context of increasing dependence on foreign corporations and transnational production regimes. Initial demands of the unions included restrictions on the use of temporary agency workers, as well as the immediate application of comparable principles. The adoption of restrictions was however strongly opposed by employers' associations and major corporations. While the comparable conditions principle was eventually included in the Hungarian legislation in 2006, the new amendments stipulated their application for pecuniary compensation only after six months, and of compensation in-kind only after 2 years of use. The implementation of this stipulation has been rather limited in subsequent years. At facility HE1, the share of temporary agency workers continued to grow and inferior working conditions persisted.

Facility level efforts by the local labor union to address labor concerns remained limited over the early 2000s as industrial relations in the Hungarian context were becoming increasingly decentralized and undermined by a significant power asymmetry between large corporations and workers' organizations. The labor union at facility HE1 interacted with local management on a fairly regular basis to address general issues related to standard employees, but was very reluctant to approach local management about more controversial issues, including the precarious working conditions among temporary agency workers at the facility. This approach of subservience and power asymmetry between local management and managers at large foreign companies was quite common in Hungary and other Eastern Central European where foreign investors had represented great political importance in the national contexts (Aguilera&Dabu, 2006). Facility HE1, for example, has been one of the major manufacturing sites in the Hungarian economy, of both national and regional importance. The company has been one of the major exporters from the country throughout the 2000s. Celebrations of key moments in the factory's history - such as the inauguration of the new addition to the manufacturing site or the surpassing important landmarks in the volume or type of production, were often attended by the prime minister of Hungary and other top government officials. As reluctant as the union representatives were initially to upset local politics by making too strong of demands on local management, the union eventually addressed the local management in 2006 when the comparable conditions principle was introduced into state regulation about their concerns regarding the inferior payment and growing number of temporary agency workers and demanded changes in its practices. The company representatives, however, simply reminded them of the necessity of their practices and maintained the status quo.

The submissive approach of the union extended even to state-society relations at local level regarding enforcement of labor regulation. In addition to reluctance to approach the local management directly, the union leadership was also unwilling to appeal to the local enforcement agencies to remediate company practices with respect to contracted labor. The primary reason for their hesitation, as the representative explained, was that they "were trying to avoid generating tension with local management". Complaints can be filed anonymously and the labor inspectorate is obligated to follow up on them, but as the representative noted: "These actions have a way to get to the ears of the local managers". A new Hungarian manager was just assigned at the facility and the union representatives were particularly eager to establish good relations with the new leadership.

As one of the major manufacturing sites in the region that employs several thousands of people and contributes millions of Euros to the local budget in taxes, the facility had relatively privileged position with local governmental agencies. Interviews with labor inspectors from the regional labor inspectorate office revealed significant flexibility towards understanding the fine balance between their responsibilities to enforce compliance with state regulation and the need to allow for employment flexibility among large export-oriented industrial establishments. When asked about their awareness of the large number of contracted workers employed at facility HE1, one of the labor inspectors noted: "Facility HE1 represents one of the major employers and has contributed significantly to social and economic development in the region. As the global electronics industry is characterized by great uncertainty, manufacturing companies need to be able to adjust their labor input relatively quickly and at a moderate cost." Considering the large number of Slovakian workers hired at the facility, the local labor inspectorate focused mostly on ensuring that the documentations of these employees and their legal contracts with local labor agencies comply with state regulation.

In the context of institutional failure to enforce stronger regulation of temporary agency employment, incentives were strong to consider alternative strategies. The transnational corporate social responsibility initiative that facility HE1 became integrated into over the decade was eventually used as an alternative institutional platform for the local union to promote better regulation of temporary agency employees at the facility. Union representatives were first informed about the corporate social responsibility program of Corporation Electronics 1 in 2007. The local management passed on the code of conduct to union representatives and provided some additional informative material to them about this transnational initiative. While some union representatives were familiar with the term of corporate social responsibility from media sources, they understood it mostly as public relations strategy of corporations to represent themselves in positive light and somehow excuse or hide their exploitative practices.

The local union started to consider the relevance of this institution for labor concerns at the facility, when representatives were contacted directly by the newly established Corporate Social Responsibility Steering Committee of Corporation Electronics 1 to establish a channel of communication regarding social practices at the facility. At the beginning of 2008, representatives of both union and management were invited to participate in a workshop organized by Corporation Electronics 1 regarding the meaning of corporate social responsibility and the particular features of the program to raise labor standards throughout their supply chain. One of the local union representatives described this event organized on the site of the facility as a platform where both factory management and union representatives were placed on equally inferior position in reference to the representatives and demands of Corporation Electronic 1. The local workers organization recognized a potential ally in the lead corporation to balance the power asymmetry at the local level and engage with local management on a more equal footing. In other words, the existence of corporate social responsibility program of Corporation Electronics 1 and the inclusion of both management and workers' organization in their informational and training programs had positive implications on local industrial relations that are essential component of the national regulatory system.

Notwithstanding the local character of discontent with flexible labor practices at the facility, the union at facility HE1 used the transnational regulatory effort of Corporation Electronics 1 to put pressure on local management to adopt changes in their practices. Empowered by their involvement in Corporation Electronics 1's transnational corporate social responsibility program, the local union approached again the local management regarding their concerns about temporary agency employment. Shortly after the training program on Corporate Social Responsibility, union representatives compiled data on the number, duration of use, and compensation of temporary employees and approached representatives of the human resources management during one of their regular meetings. This initiative proceeded with a new meeting that included also the plant manager in addition to the human resources management, and the unions continued to frame the dialogue in terms of the expectations of Corporation Electronics 1 to promote socially sustainable practices. Initial requests to change company practices regarding temporary agency work were linked to the corporate social responsibility principles, particularly its emphasis on non-discriminatory practices and compliance with state regulation.

As negotiations across local management and union proceeded, the general framing and common reference by the union to the transnational corporate social responsibility of Corporation Electronics 1 was combined with reliance on state legislation to legitimize particular demands regarding the compensation and use of temporary agency employees on site. Labor union representatives made clear references to stipulations of the National Labor Code regarding comparable conditions to be provided in compensation for standard and subcontracted employees. While the presence of the transnational corporate social responsibility had implications on improvements on industrial relations system, stipulations in state regulation were necessary to make legal claims on the need to adjust compensation schemes at the facility to provide higher payment for subcontracted workers. With respect to compensation of subcontracted workers, the management agreed to extend equal payment only for subcontracted employees who had been working at the facility for more than 6 months, as stipulated by state legislation. Additional requests to limit the use of temporary agency employees to one year were dismissed by the local management as part of the negotiation, reflecting the necessity of the authority of state legislation adopt initial changes. This development indicates that sometime additional pressure by the lead corporation can nudge local practices ahead, but legality of these demands still sets constraints on how far the local decision-makers are willing to go.

Improved coordination across management and unions facilitated by the transnational corporate social responsibility program thus became an arena to discuss and negotiate further changes at the site, setting in place a virtuous cycle of ongoing interactions across domestic and transnational regulation, setting in place regulatory improvements. Labor unions considered that extension of the transnational social responsibility program of Corporation Electronics 1 played an important role in engaging the local management to cooperate about adopting changes in local management and union practices. Human resource management representatives confirmed that while they have already had frequent interactions with local management to coordinate over employment practices and labor standards at the facility, the corporate social responsibility program of Corporation Electronics 1 "strengthened the commitment of local management to promote social dialogue with the union and seek common solutions".

These discussions and negotiation across the facility leadership and union representatives contributed to the extension of union membership to temporary agency employees and their representation in collective bargaining. As local management agreed to adjust the compensation of temporary agency employees to that of standard workers, they represented less of a threat to become substitutes for standard employees and presented potential benefits to the union to combine their interests in collective negotiations. The inclusion of temporary agency employees in the union membership was a rather unique development at the time when most local unions continued to refrain from recruiting subcontracted labor in its membership. The inclusion of these employees in representation and extension of the collective agreements meant that the same rights would apply for these employees and that the union would monitor the implementation of the collective agreement for agency workers as well. While in-kind benefits, such as the cafeteria system and transportation services, were not extended to temporary agency workers, their coverage by the collective agreement resulted in an increase of approximately 25 percent in the compensation of all temporary agency workers, regardless of the length of their use at the facility.

The transnational corporate social responsibility program provided considerable leverage for the local union to make additional demands and gain the cooperation of local management at the facility. In the absence of state regulation regarding the limitation on use of subcontracted labor, the local union appealed again to the corporate social responsibility program of Corporation Electronics 1 by addressing the Steering Committee directly. The local union sent a report to representatives of management at both the manufacturing and lead companies on the high share of subcontracted employees at the facility and appealed for intervention to change these practices. Faced with additional pressure from another regulatory authority, local management eventually consented to setting up a joint plan to transfer a number of workers from temporary to open-ended contract, with sensitivity to oscillations in the production volume. Even though no limitations were set on the purpose or length of use of temporary agency workers at the facility, local management eventually committed to transitioning between 200 and 300 workers per year to standard contracts.

Considering the high turnover rate and short-term assignments of some of the agency workers utilized at the facility, the representatives of the factory union eventually approached the local management to support their efforts to organize temporary agency workers at the regional level. The industrial park that facility HE1 operates in also hosts a few suppliers that specialize in the manufacturing of some of the components and provision of packaging materials, and are also important users of temporary workers contracted from the labor agencies. The legality of freedom of association and operation of unions is clearly stipulated by Hungarian government, although local and regional representation schemes of temporary agency employees were completely absent in Hungary in the 2000s. As the union representatives in Hungary receive payment by the facility to represent workers at the facility and coordinate with local management at the facility, a general practice throughout the region that is also regulated by law, the agreement of the local management was essential. With an emphasis on promoting corporate social responsibility through the entire value chain, the local management appealed again to the transnational corporate social responsibility program to acquire the cooperation of the local management regarding their regional representation efforts. A regional representation unit for atypical employees was established in 2010, in cooperation with other Vasas unions operating in the region in general, and the industrial park in particular.

In the absence of an integrated industrial relation system in Hungary, the local union had considerable leeway to adopt local solutions and proposed a truly innovative approach to promote more equitable working conditions for subcontracted and standard employees. Realizing that negotiating and concluding collective bargaining with labor agencies or user enterprises at the regional level faced both organizational and political challenges, the representatives of the union initiated a voluntary certification program of labor agencies operating in the region. This approach was inspired by private governance institutions that became increasingly common in Hungary with the growing presence of foreign corporations and greater integration into transnational production regimes. To acquire additional political support and legitimacy to this market based approach, the union representatives also appealed for the support of the Regional Public Employment Office to confer greater legitimacy to this initiative. This Regional Public Employment Office has traditionally been responsible for the regulation of labor agencies operating under its geographic jurisdiction through the obligation of labor agencies to register with the agency and audits organized to evaluate compliance with a set of requirements stipulated by the law to allow for their operation[39]. These processes however, relied on very formalistic rules and paid little attention to the actual practices of labor agencies. The certification initiative proposed by the Vasas union at facility HE1 was intended to complement state regulation, through the evaluation of actual practices of the labor agencies and certification of local labor agencies by union leaders and representatives of the Regional Employment Office[40].

These unique developments at facility HE 1 were enabled by the loose coordination system across unions and employers in the decentralized and weakly coordinated Hungarian industrial relations system. Notwithstanding industry level representation - a legacy from the socialist era, Vasas did not participate in industry level

[39] These include: the professional requirement of the employees at the agency, appropriate permanent office, availability of a collateral of approximately 4,000 Euros.

[40] At the time of my last visit at the facility in 2011, this initiative was still in progress and was not yet in operation.

collective bargaining. The sector level industrial relations system is very weak in Hungary, with no collective bargaining in most industries. As a member of the MSZOSZ Confederation, Vasas is included to some extent in the national regulatory politics, coordination across the industry level union and the confederation is however much less extensive as in the cases of Slovenia and Romania. While national level union representatives set general trends and strategies for factory level unions, coordination across them is not very dense and does not constrain experimentation with local solutions.

In summary, the transnational corporate responsibility initiatives that facility HE1 became integrated into in 2007 played an important role in the onset or processes driving public-private regulatory complementarities at the facility, and to some extent, at the regional level. Through its stakeholder oriented approach and direct engagement with local unions, the private governance institution provided a platform that enabled balancing out of the power asymmetries between local union and management. This institution played an essential role in empowering the local union to initiate solutions at the local and regional levels. The regulatory program of Corporation Electronics 1 was then used strategically by the local union to facilitate cooperation and coordination with local management to address concerns with precarious working conditions characterizing the use of temporary agency workers. While the transnational corporate institution provided opportunity and an instrument to achieve improvements in the regulation of temporary workers, the liberal character of state regulation and the decentralized collective bargaining system set the incentive for the local union to seek solutions with the help of alternative mechanisms. State regulation played an important role in legitimizing union demands regarding specific changes in the working conditions of temporary agencies, enabling freedom of association at regional level, and in rendering greater authority to the certification program of labor agencies. These complementarities resulted in improvements of individual and collective rights of agency workers, elimination of discriminatory practices, adoption of some restrictions on the use of agency work, and the initiation of an innovative certification system.

6. Compliance-driven regulatory complementarities in the context of market-oriented state regulation

Similarly to facility Hungary Electronics 1 (HE1), regulatory improvements of temporary agency employment at facility Hungary Electronics 2 (HE2) were contingent on the combined effects of transnational private regulation, state regulation and industrial relations that the facility is integrated into. In contrast with the processes of union driven regulatory complementarities at facility HE1, however, regulatory developments at facility HE2 were shaped primarily by the strategic efforts of private auditors to interact with state regulation, while labor unions had a much more limited role. Transnational private regulation complemented the weak enforcement of state regulation and played the role of a direct monitoring and constraining force to facilitate its implementation. It also improved coordination and information flow across the facility and labor agencies that facilitate monitoring of working conditions of temporary agency employees by local management, union and state inspectors. State regulation complemented the weak legitimacy and accountability of private regulation, and rendered greater authority to the specific regulatory demands of the lead corporation. Transnational private regulation excluded labor unions from the monitoring and enforcement process, and labor unions only facilitated the diffusion of some of the improved practices at other manufacturing departments of facility HE2. The main actors driving regulatory change at the facility were the private auditors of Corporation Electronics 2 and hence the reference as compliance driven regulatory complementarities at facility HE2.

These processes of regulatory improvements unfolding at facility HE2 are discussed from the perspective of the national and transnational institutional conditions facilitating their emergence. The weak national labor relation institutions set incentives for the local labor union to seek alternative strategies, but these efforts were more limited in the absence of stakeholder engagement oriented transnational regulatory approach. While the compliance oriented transnational regulatory approach of Corporation Electronics 2 did not empower the local union and improve coordination across the union and management at facility HE2, it provided the opportunity to develop and institutionalize regular monitoring and coordination across the facility and the labor agencies from the region. This is essential given the triangular character of the labor contract connecting the user facility, labor agencies and temporary employees; as well as the shared responsibility of the user facilities and labor agencies to comply with state regulation.

Considering the economic and political significance of facility HE2 at both local and national levels, industrial relations at the enterprise level were also marked by the generally stronger bargaining position of the local management relative to the union. Similarly to facility HE1, manufacturing is dedicated almost exclusively to exports and facility HE2 is therefore one of the key exporters from Hungary. The initial investment was supported through generous concessions from the Hungarian government that persisted to some extent to ensure that manufacturing will not be relocated. In the weak labor relation institutional setting of Hungary, the Vasas labor union operating at the facility had considerably smaller economic and political importance, with implications on industrial relations and working conditions at the facility. Representatives of the local union had initially been reluctant to approach the local management about the growing number and inferior compensation provided to temporary employees at the facility, mainly to avoid tension. Over time however, as the number of temporary agency employees grew, the union representatives initiated discussions with the department of human resources management in the mid 2000s about the general state of employment relations and working conditions at the facility, including concerns regarding the temporary agency workers. These discussions, however, did not result in any significant changes in the flexible employment practices at the facility. Local management ignored the unions' concerns and demands to increase the compensation of temporary agency employees and limit their numerical presence on site.

With initial efforts to coordinate with local management largely ineffective, the union eventually appealed to the regional labor inspectorate and submitted a complaint in 2007 about the high share and poor working conditions of temporary agency employees at the facility. The union had made other complaints in the past regarding labor concerns among standard employees and the regional labor inspectorate often helped to remediate the sources of the complaints. This, however, was not the case with respect to regulation of agency workers at the facility, as the inspectorate didn't address and rectify the low payment of temporary agency workers and their increasing prevalence at the site. State enforcement through the labor inspectorate has been deficient at this facility as well, given the lack of political will to restrict flexibility large foreign investors and technical difficulties to detect violations with respect to temporary agency work. Similarly to facility HE1, facility HE2 is also a major investment site in the northwestern part of Hungary, with tax contributions of several millions of Euros by year. The facility is also an important employer in the area, pulling in workers from rural areas in the region that have traditionally been affected by high unemployment and increasing levels of poverty.

While state inspections following the complaint submitted by the union resulted in some penalties for violations of collective rights with respect to overtime, they did not impose any sanctions for violation of state regulation regarding the precarious conditions provided for temporary employees. A labor inspector from the regional labor inspectorate explained that when a complaint is filed by labor unions or employees of any facility, they usually check for a broader set of issues, not only the issue in case. It is common that they identify non-compliances connected to other aspects of employment practices than the ones motivating the initial complaints. State inspectors also noted the challenges of monitoring compliance "with an increasingly complex and often ambiguous set of regulatory guidelines, especially as the rate of reforms had increased in the process of accession and new forms of employment had been adopted". This is consistent with reports of the International Labor Organizations about the growing difficulties that inspectors face as atypical forms of employment are becoming increasingly common around the world (ILO, 2011). Finally, the inspectorate also demonstrated sensitivity regarding the need for flexibility among major corporations: "Major manufacturing sites located in the region, such as facility HE2, face significant volatility with respect to the volume of production and flexibility of employment is very important for them. As major employers in this region, we tried to be sympathetic to that necessity." This strategy was part of the segmented regulatory strategy adopted in Hungary to balance across employment security and flexibility in the globally integrated sectors.

Although the number of temporary agency workers was growing since the early 2000s, the union leadership remained reluctant to extend its recruitment efforts and interest representation to include contracted workers. Labor concerns at facility HE2 were to some extent integrated into a national strategy to regulate labor throughout the economy. As part of the Hungarian Metalworkers' Union (Vasas), some exchange of information across the local cells and national office of the Vasas union and National Council of Hungarian Trade Unions (MSZOSZ) confederation existed, but coordination remained limited in the absence of strong sector level industrial relations. The strategy of the local union at facility HE2 was shaped only partially by the national trend to avoid legitimization of this new form of employment by the labor unions. The decision of the union leadership was also influenced by their strategic efforts to consolidate and strengthen the position of the union at the facility by recruiting members who are more likely to stay for a longer time period at the facility.

In the absence of effective institutional platforms in the domestic context to address labor concerns related to temporary agency employment at facility HE2, the labor unions also considered alternative transnational approaches to address these problems. The labor union at facility HE2 interacted more actively with the European Workers' Council and participated in some of its training. While participation in the European Workers' Council was generally useful, there had been no direct implications on industrial relations and working conditions at the facility to the date. Transnational corporate social responsibility initiatives were extended to facility HE2 in 2005 as Corporation Electronics 2 started to implement regular audits at the facility. These audits included evaluations regarding the labor, health and safety, environmental, and ethical business practices at the facility, along with the management systems. The evaluations lasted for about two days and relied on extensive interviews with local management, reviews of labor contracts and documents regarding the administration of human resources at the facility, and to a more limited extent, interviews with workers.

Considering the emphasis on monitoring and compliance among the private auditors trained by Corporation Electronics 2, transnational corporate regulatory efforts largely excluded local organizations from these processes altogether. Labor unions were informed about the existence of the transnational regulatory approach strictly from management as the local leadership was addressing the violations regarding the inadequate integration of the code of conduct of Corporation Electronics 2 at the facility and among its suppliers. This entailed the inclusion of information on the Social Responsibility Code of Conduct of Corporation Electronics 2 in the initial training material of newly recruited workers, as well as posting information on boards designated to communication with employees and workers' organizations. With no engagement of the labor union, the transnational private regulatory institutions provided little to no opportunities to be used as alternative channel by the union to address labor concerns at the facility.

Non-compliances with respect to the compensation of temporary agency workers were first remarked in 2007, when the evaluations revealed that these employees are not included in the performance bonus and additional payment systems of the facility.

Stipulations of the code of conduct guiding these corporate monitoring efforts included directions to comply with national regulation and avoid discriminatory practices of any sort throughout the supply chain. Moreover, as the issue of comparable conditions provided for temporary and regular employees became a more prominent concern on both the European and national labor agenda, the private inspectors of Corporation Electronics 2 with a regional focus on mostly Eastern European suppliers, made a greater effort to evaluate the working conditions provided for temporary agency workers. An evaluation of this sort in 2007 resulted in the discovery that while the basic payments were comparable across external and internal employees at 82,000 HUF at that time (the equivalent of approximately 360 USD); the compensation of standard employees also included performance bonuses, overtime and nightshift pay, and cafeteria system that temporary agency workers were not entitled to. Considering the familiarity of these auditors with the every-day practices of their supplier facilities and ongoing audits over several years, the private auditors were relatively well equipped to acquire information and monitor the working conditions of temporary agency workers at the facility.

The implementation of transnational corporate social responsibility program of Corporation Electronics 1 however provided other alternatives as it influenced regulatory developments at the facility through interactions with national regulatory institutions. There are three aspects of these processes that were particularly relevant for the emergence of regulatory complementarities and will discuss them one by one in the rest of the section. The first one refers to the improvement in compensation of temporary agency workers used at the information and telecommunications department, through references to national state legislation by private auditors to legitimate and reinforce their demands for comparable compensation for contracted labor relative to regular employees. The second aspect of regulatory interactions consists in the efforts of the local trade union to diffuse improvements in the compensation of temporary agency workers to the entire facility. The third aspect refers to the relevance of audit based transnational corporate social responsibility initiatives for improving coordination across local management and labor agencies that the facility contracts with, essential also for compliance with state regulation.

In the absence of legitimacy, characteristic to corporate regulatory authority, initial requests by private auditors from the local management at facility HE2 were met with significant resistance. The corrective actions following the audits failed to remediate compensation of temporary agency employees. Local management considered that they were complying with national regulation and refused to make amendments in their practices. In order to address resistance by local managers, the private auditors referred to European and state legislation with respect to temporary agency employment, including the comparable pay principle, to legitimate their demand for better working conditions provided to temporary agency employees. Notwithstanding a systematic deficiency in enforcing state regulation regarding temporary agency workers in the national regulatory context, state regulation had considerable legitimacy and authority in the political context that promoted rule of law as part of its global general market oriented development strategy (Eggert, 2009). As a result of these pressures, both the bonus system and cafeteria package was eventually extended to temporary agency workers who have been working at the facility for longer than six months. The private auditors, in essence, used state legislation to legitimate their demands to extent financial compensation to temporary agency workers and increase pressure on local management to complement the deficiencies in enforcement of state regulation in the Hungarian context.

As the combined positive influence of transnational private and national state regulation applied only to the manufacturing department dedicated to supply for Corporation Electronics 2, further interactions with local industrial relations were essential to diffuse these improvements at the facility. The adjustments resulting from complementary interactions across national and corporate regulation applied only to the production unit where most of the manufacturing activities supplying Corporation Electronics 2 took place. This represented about 35% percent of the entire business operations of facility HE2 and close to 70 percent of its operations dedicated to information and telecommunications industry. Given the higher cost of temporary agency employees at the production section, the share of temporary agency workers declined somewhat over the next years. While in 2006 agency workers at this section represented 23% of the workforce, which was relatively close to the general level of 27% of the workforce at the factory level, by 2009 the gap between the two proportions reached 10%, with 20% in the production section of Corporation Electronics 2 and 30% at the factory level. Union representatives eventually brought these differences up in a meeting with local management to try to diffuse these practices to other sections as well. Their requests for higher compensation throughout the factory were framed in terms of the transnational regulatory approach of Corporation Electronics 2 and other major clients of the facility. The improvements regarding compensation of temporary agency employees were eventually extended to all temporary agency workers at the computing and telecommunication sections, but did not diffuse over to the automotive and medical instruments manufacturing departments. Perhaps more importantly, as interactions across private transnational regulation and local industrial relations did not empower local labor unions, temporary agency workers remained largely excluded from collective representation in industrial relations at the facility.

Finally, the monitoring-oriented approach of Corporation Electronics 2 to promote social responsibility throughout its entire supply chain made an additional contribution to the regulation of temporary agency workers in the Hungarian context. An important aspect of the transnational corporate governance effort was to engage first tier suppliers to monitor sustainable labor and environmental practices further down the supply chain. As most of the material inputs for the activities of facility HE2 are imported from abroad, mostly from Asia, very few of their suppliers are located in the proximity of the facility. The most important local suppliers included the labor agencies and the suppliers of packaging material for the shipment of assembled products. Adopting regular coordination and information sharing across facility HE2 and the labor agencies not only improved compliance with corporate regulation, but also has the potential of improving access to information for workers' organizations and state regulatory agencies.

The efforts to roll out an auditing program to the labor agencies that supply workers for facility HE2, however, were not immediately embraced by local managers and took gradual changes over several years to implement. Failure to inform agencies about the transnational governance initiative was one of the first violations identified at the facility, reaching back to the first audit in the February of 2005. Audits conducted in subsequent years revealed that although the local management of facility HE2 informed the agencies about the code of conduct of Corporation Electronics 2, it failed to include it in the contracts signed with the labor agencies. By 2007, the local management included the code of conduct in the contract but failed to organize actual audits to ensure compliance. It was largely due to these violations, that the corporate social responsibility department of the brand corporation eventually organized a capability-building program focused on raising awareness of the importance of social responsibility major suppliers from Eastern Europe and their second tier-suppliers, and help institute rolling out the audits to the entire supply chain located from the region.

The local management at facility HE2 eventually organized the first audits in 2010 and as a result improved the administration system regarding the temporary agency workers used at the facility. These audits were modeled after the procedures that the private auditors of major buyer corporations followed at their facility and focused on interviewing the administrative personnel at the labor agencies, review employment contracts and documentation regarding the compensation of workers that are used at their own facility. Considering the triangular relations of employment, these interactions have been helpful to adopt a better management system with respect to temporary agency workers that make the working conditions provided for temporary agency workers more transparent for both the managers of facility HE2 and, potentially, for labor inspectors. Labor unions, however, have so far not been involved in this process.

In summary, complementarities at this facility have been emerging largely due to a combination of pressure legitimized by national legislation, diffusion facilitated by collective representation, and improved coordination between user corporation and labor agencies. The main contribution of the transnational governance institution was to achieve better monitoring, generate pressure on adopting more labor friendly practices at facility HE2, and to improve coordination across facility management and labor agencies. A greater familiarity with everyday practices at electronics facilities shared by the private auditors and authority from the market position of the client corporation were both essential at initiating some of the changes at this facility. National legislation was essential to legitimize pressure to adopt more comparable monetary compensation terms for permanent and temporary workers. In the absence of stipulations with respect to restrictions of use of agency workers, regulatory improvements failed to go beyond these influences. Local labor unions largely excluded from the implementation of the private transnational governance institution played a much more marginal role in this case. Their efforts to diffuse the regulatory improvements throughout the factory resulted in some benefits for temporary agency employees, but failed to engage more in improving representation and regulation of temporary agency workers at the facility.

Conclusions

This chapter illustrated that complementarities across national public and transnational private regulatory approaches are likely to emerge and lead to significant improvements in the context of market oriented labor relation institutions. The extents and processes of regulatory complementarities were evaluated and examined from the perspective of regulation of temporary agency work, a primary form of employment flexibility in the Hungarian electronics industry.

National institutions have multiple roles and functions in facilitating the emergence of complementary interactions across domestic and transnational regulatory efforts at the two facilities included in the study. First of all, the weak tripartite institutions and industrial relations systems that were subordinated to the primary political objectives to promote business friendly environment and economic competitiveness throughout the 2000s, set incentives for company level unions to use alternative institutions to promote improvement in the regulation of temporary agency workers. Second, the relatively loosely coordinated and decentralized industrial relations system enabled greater experimentation with the use and conversion of alternative institutions to serve their objectives and interests. Third, state regulation provided legitimacy and strengthened the political pressure of local unions and corporate actors to achieve compliance with state and corporate standards.

The extent of regulatory complementarities and the processes underlying interactions across national public and transnational corporate institutions, however, varied based on the implementation style or institutional design guiding the implementation of transnational corporate social responsibility initiatives. The adoption and implementation of stakeholder engagement oriented regulatory initiatives were more likely to enable strategic action by company unions in decentralized labor relations systems to engage with corporate initiatives. These interactions gave rise to union driven regulatory complementarities, where the agents promoting transnational corporate social responsibility played only a secondary role. In contrast, compliance oriented corporate social responsibility initiatives largely excluded unions from any engagement with these alternative regulatory initiatives. It was the private auditors who became primary promoters of national and corporate regulation as part of their effort to ensure compliance with the codes of conducts of Corporation Electronics 2. In some sense, both institutional approaches facilitated coordination within the domestic setting and compensated for the deficient coordination of national labor relations institutions. While stakeholder engagement oriented approaches facilitated coordination across union and local management by balancing out the power asymmetries across them, the monitoring oriented corporate initiatives facilitated inter-firm coordination that is consistent with shared responsibility for compliance with state regulation.

These processes and outcomes were illustrated empirically through the case analysis of two electronics facilities. These manufacturing sites are similar in production profile, technical sophistication, size, strategic importance, and role in the global industry, with electronics plants from the Romanian and Slovenian context. These facilities will be the focus of comparative case study analysis in subsequent chapters that explore the implications of state-directed and coordinated labor relation institutions on the emergence of private-public regulatory complementarities.

Chapter 4:

Limited Complementarities in the Context of State Directed Labor Relations Institutions: Regulation of Collective Dismissals in Romania

This chapter analyzes the emergence of public-private regulatory complementarities in a state directed national context with centralized but uncoordinated labor relation institutions. The case studies of two electronics facilities located in this context illustrate that complementary regulatory interactions do emerge in national settings with state directed labor relations institutions, although to a lesser extent than in market oriented political economies. In the Romanian context where national labor institutions are often dominated by the state and rely on limited coordination with social stakeholders and industrial relations at sub-national levels, regulatory complementarities are built to compensate for the inconsistencies and power imbalances in domestic regulation. These synergistic interactions are relatively more significant than regulatory complementarities emerging in the coordinated institutional setting of Slovenia.

Regulatory complementarities in the Romanian context were built around collective dismissals of workers, also referred to as collective redundancy, an important source of flexibility for electronics manufacturing facilities in Romania. The development path of Romania over the 1990s was guided by attempts to build political careers rather than by efforts to promote social and economic reforms and establish strong and inclusive institutions. This strategy eventually resulted in a political economic system where implementation of policies and formal institutions is often contingent on state interventions and political connections rather than on consistent and fairly applied regulatory guidelines. Due to a good extent to these institutional weaknesses and inconsistencies, an export oriented foreign manufacturing base in higher technology sectors was established only later on in the 2000s. With restructuring of the economy and of the public administration sector still ongoing throughout the decade[41], dismissing large groups of people were common in both public and private sectors, including the quickly expanding and dynamic electronics manufacturing sector[42]. These transformations and adjustments to greater integration in the European and global economy over the 2000s continued to fuel national debates regarding the regulation of collective dismissals to promote economic competitiveness. While temporary employment was also on rise in the Romanian economy, this was still marginal in magnitude at the national level and was largely ignored by labor unions.

Frequent firings of large groups of people by electronics manufacturing facilities in Romania generated significant uncertainty and insecurity regarding the stability of employment in the sector and has therefore been frequently criticized by labor unions, civil society organizations and the media in Romania (Bormann&Plank, 2010). Rising power asymmetries across major foreign corporations and labor unions in the weakly coordinated and enforced institutional setting of Romania greatly undermined effective labor regulation in Romania. Labor union representatives remarked that workers were often treated by large manufacturing companies as disposable inputs in the production process rather than as human beings with material and social needs. Compensations for temporary and/or permanent redundancies were often inadequate and eroded the

41 These reforms were often driven by the accession process to the European Union. Romania became a member of the European Union on the 1st of January, 2007.

42 Firings of large groups of people were also particularly common in Hungary during the 1990s when the restructuring of the economy was still ongoing. These transformations declined in importance by the mid 2000 as major restructurings ended and the cost of labor increased.

livelihood of workers. Selections of the workers to be fired were often based on procedures that lacked objectivity and transparency. Finally, dismissed workers were often replaced by new employees willing to work for lower costs or with fewer privileges.

Improvements in the regulation of collective redundancies in the electronics sector nonetheless emerged at two facilities located in Romania through the complementary interactions across transnational corporate and national public regulatory efforts. The most significant aspect of these improvements referred to the provision of adequate financial payments to protect the newly unemployed workers, but also extended to meliorations in the procedures related to collective firings. The extent of these complementarities and the processes underlying their emergence, however, differed significantly due to a large extent to the differences in the implementation style of transnational corporate institutions. While one of the facilities, referred to as facility Romania Electronics 1 (RE1) was integrated in the stakeholder engagement oriented transnational corporate social responsibility initiative of Corporation Electronics 1, implementation of transnational regulatory efforts at facility Romania Electronics 2 (RE2) relied more extensively on monitoring by Corporation Electronics 2. Regulatory developments at both of these facilities were, however, more limited than in the cases of their counterparts from Hungary as national labor relation institutions weakened the incentives of local unions to engage with alternative institutions and undermined the ability of national laws to confer legitimacy to private regulatory efforts.

The first sections of this chapter discuss briefly the industrial policies and labor relation institutions that have been relevant for the emergence of the electronics manufacturing sector and flexible employment practices in Romania. The chapter than proceeds with the empirical analysis of the emergence of regulatory complementarities at two electronics facilities located in Romania that supply for and are governed by major corporations from Western Europe and Northern America. While the analysis focuses primarily on the emergence of regulatory complementarities around collective redundancies, practices regarding temporary employment are also briefly considered to provide further basis of comparison with the two other national settings – Hungary and Slovenia. The chapter concludes with a brief summary and discussion of the analysis.

From Late Reformer to Major Destination of Foreign Direct Investment: the Emergence of Romania as the Electronics Manufacturing Hub of Eastern Central Europe

Romania in the early 1990s constituted a textbook case of late and partial reformer that distinguished it from other economies from the region. Social and economic reforms to facilitate the transition from centrally planned to market economy were adopted with considerable delay and remained marked by continuous shifting back and forth between openness towards global markets and protectionism, inclusion and exclusion of labor from political decision-making, etc (Bohle&Greskovits, 2012). The sustenance of the old communist elites in power after transition has often been linked to the emergence of the extensive networks of clientelism and patronage that undermined rule of law and effective governance in the country for years to come (Galacean, 2004; Bohle&Greskovits, 2012; Kitschelt&al, 1999). These circumstances had important implications on industrial structure and development in Romania: the private sector emerged relatively slowly and the inflow of foreign direct investment lagged significantly behind most other countries from the region (Ferris et al, 1994; Yoruk, 2001; Voicu, 2004).

By the second half of the 1990s, protests driven by economic and political crisis in the country shifted policymaking towards more neoliberal reforms and accelerated the pace of economic transformations. Privatization strategies shifted from methods that favored mostly insiders, such as management-employee buyouts (MEBO) and distribution of vouchers to the population, towards privatization on case-by-case basis and opened up to foreign investors (Galaceanu, 2004; Earle&Telegdy, 2002). The inflow of foreign direct investments has increased significantly since the late 1990s and Romania started to slowly catch up with other countries from the region in terms of the stock of foreign capital invested in the country. While initial investments were primarily in lower-tech industries such as textile and apparel, increasingly, major electronics and automotive corporations eventually set up manufacturing sites in the country over the last decade.

By the mid 2000s, Romania has taken firm root in the neoliberal camp, often encouraged by international organizations, particularly the International Monetary Fund (IMF) and the European Union (EU). Romania designed and developed one of East Central Europe's most comprehensive incentive packages to attract investments in more complex industries (Bohle&Greskovits, 2012). The Romanian Agency for Foreign Investments (Agentia Nationala pentru Investitii Straine ARIS) was established in 2002 to promote and attract foreign direct investments in the country. The Romanian government signed the Organization for Economic Cooperation and Development

(OECD) Declaration on International Investments and Multinational Enterprises in 2005 to acquire greater credibility as a reliable destination for foreign investors. State incentives included government aid, fiscal incentives, subsidies for employment and training, financial and technical support for internationalization and standardization, deduction of expenses for research and development activities. While coherent implementation of the strategic approach remained problematic at times as tax laws changed frequently, incentives were modified in function of budgetary constraints, etc (Bohle&Greskovits, 2012), Romania eventually became one of the most attractive investment sites from the region for foreign capital (AT Kearney, 2011; Pauwels&Ionita, 2008[43]). By 2004, it developed into the third largest destination for foreign direct investments, after Poland and Hungary. Foreign direct investments over the 2000s focused primarily on manufacturing, financial intermediation and insurance, as well as public utilities.

Over the 2000s, Romania became a particularly important destination country for electronics contract manufacturing companies supplying major companies from Western Europe and Northern America (Frost&Sullivan, 2009; Bormann&Plank, 2010). This was in sharp contrast with developments in the early 1990s, when the general political and economic environment in Romania did not appeal to foreign investors and inflow of capital was very limited. The first important investment in electronic manufacturing was the Solectron (now Flextronics) plant set up in Timisoara with an investment of US 100 million USD. The electronics industry then became a specifically targeted industry to promote, with more favorable economic incentives provided by the government for

[43] By 2004, Romania became the third largest destination countries for foreign direct investments in the region, after Hungary and Poland.

investments in the sector. The relatively low cost of labor, low corporate taxation, Romania's strategic location, have also facilitated its transformation into a preferred destination for investments in electronic manufacturing facilities. Major investments in electronics manufacturing over the 2000s included Celestica, Elcoteq, Nokia, Zollner, Benchmark Electronics and Plexus manufacturing sites[44]. Overall, the current position of manufacturing located in Romania is based on its relatively low labour costs and geographical proximity to end markets.

The significant inflow of foreign investments in the industry resulted in the growing importance of the electronics sector in Romania. Manufacturing has been dedicated almost exclusively to exports, as the facilities located in Romania generally supply the end markets of major brand corporations in Western Europe, Middle East and North Africa. The average annual growth rate of the export of computer, electronics and optical products was 47% during the 2007-2011 time period (CRPCIS, 2012). The share of these products represented 8.9% in total exports in 2011. The main ranges of products manufactured in the country over the second half of the decade include communication equipment (27.8% of total electronics exports), computers and peripherals equipment (26.7%) and measuring, testing and navigating equipment (23.1%). While textile and apparel remained important for Romanian exports, their share decreased significantly over the years shifting from 47% in 1999 to a mere 30% in 2006 (Pauwels and Ionita, 2008). In 2010, the electronics sector represented 15 percent of the output and employed about 16 percent of the active workforce in manufacturing (Eurostat, 2013).

[44] In addition to the large manufacturing companies, a number of smaller foreign players have invested in Romania such as Connectronics, Systronics, GDM, Hanil Eletcronics, etc. Just in information technology hardware there were an estimated 888 factories in the country in 2008 (Bormann&Plank, 2010).

Regulatory Politics and Institutions in Romania: the Persistent Importance of Collective Dismissals

The transition towards a globally integrated market economy and democratic political order required a whole new set of institutional reforms to facilitate these changes. Some of the most important institutional reforms included the establishment of tripartite institutions; neoliberal reforms of labor market policies and regulations; the growing importance of company level bargaining; and the decline in the connections across political parties and labor unions.

Notwithstanding these changes, the institutional legacies of the first transition decade have persisted throughout the next decade. The evolution of the Economic and Social Council of Romania (Consiliul Economic si Social) (CES), the main tripartite institution of Romania was established to facilitate coordination across the state and social stakeholders, has been marked by the dominant role of the state[45]. Notwithstanding a gradual decentralization of industrial relations with the growing presence of foreign investments in the region, collective bargaining system at the national level remained a dominant level of industrial bargaining in the Romanian context throughout the 2000s. Considering the unified character of national bargaining that included negotiations for both the public and private sector, the state continued to exert an important influence on industrial bargaining as well. Finally, clientelistic connections across government officials and labor union representatives persisted over the decline of more formal affiliations and connections.

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45 Over time, however, the political motivations of the Romanian state and politicians have grown more attuned with the increasing influence of international organizations – the International Monetary Fund (IMF), the European Union (EU), the Association of Foreign Direct Investors. These organizations exerted significant pressure on the Romanian government to adopt more neoliberal economic and social reforms.

Unlike in the case of Hungary where the emergence of foreign export oriented manufacturing sectors eventually led to the liberal regulation and growing prominence of new forms of flexible employment, a more "traditional" form of employment flexibility prevailed in the context of Romania – firings of large numbers of people. *Collective redundancies,* referring to dismissals effected by an employer due to objective economic and technical reasons, became a common source of employment flexibility over the 2000s to enable restructurings and adjustments to global demands among multinational enterprises from Romania. Post-privatisation restructuring made by the multinationals resulted in large personnel layoffs, often times in excess of the numbers agreed upon under privatization contracts (EWCO, 2012). Multinational enterprises were also letting people go in large numbers as global demand for particular groups or types of products were changing over time.

By the end of the 2000s, Romania had one of highest rates of collective redundancies in the Eastern Central European region. Over the 2003-2009 time periods, collective dismissals in the private sector affected approximately 200,000 people in Romania, almost three times as many as redundant workers in Hungary and close to ten times more than employees laid off in Slovenia. These numbers corresponded to an average share of 14 percent of the total number of employees in manufacturing in Romania, while there share in the workforce was below 10 percent in both Hungary and Slovenia, as illustrated on Table 4.1.

Table nr 4.1.: Rate of Collective Redundancies

	Number of employees affected by collective redundancies in manufacturing* (2003-2009 average)	Number of employees in manufacturing** (2003-2009 average)	Rate of collective redundancy (%)
Romania	200847	1461920	13.74%
Hungary	74718	253200	10.42%
Slovenia	21814	716960	8.61%

Note: * Source of data: European Restructuring Database, EUROSTAT
**Source of data: ILO Statistics

Within the context of major restructurings going on in both private and public sectors in Romania, regulation of collective redundancies represented a particularly salient political issue for domestic labor regulation. Collective firings in the private manufacturing sector represented a main source of protests by labor unions and fueled political contestations in Romania for years. In the public sector, while privatization of state owned enterprises in the manufacturing sector has declined considerably by the mid 2000s, restructurings of public utilities, financial institutions, and public administration was still ongoing[46]. The unified character of national collective bargaining further enhanced debates around the adequate terms for collective redundancies as it represented an issue of great concern for both public and private sectors.

Collective firings among foreign manufacturing sites to accommodate restructurings and major changes in the volume of production revealed variations in their adherences to domestic regulation. Multinational companies sometimes became examples of restructurings for other companies. The restructuring scheme used in the case of Automobile Dacia, for example, has become a model and source of inspiration for other

[46] As Romania was still struggling with credibility and rule of law of domestic institutions, it often relied on agreements with international financial organizations, like the IMF, to ensure its reliability as a site of investment. The Romanian government accepted major restructurings as part of the conditions for these agreements. In **2009**, the government in power made public its plan for a 20 percent reduction of employees in central public administration.

companies and regional employment offices. The company worked with the trade union to define the criteria for selecting the workers to be laid off and to agree a package of support measures of support for "socially sensitive" cases. A special department – the "Social Reinsertion Service" was set up to provide counseling and guidance to those made redundant, advising them on finding a new job or starting a business. The local agency for employment helped to provide training courses geared towards local labour market needs. The collective redundancies involved significantly higher compensations than the minimum payments set through collective agreements at the national and sector levels.

More often, however, implementation of national laws and collective agreements among multinationals has been rather problematic. When Bechtel corporation, for example, decided to fire 825 of its employees in 2011, it failed to consult with trade unions about the major restructuring and to reveal the objective criteria it was using to decide which employees were to be let go (Ziua de Cluj, 2011a,b). The trade union representative eventually contacted both the Regional Labor Inspectorate and the Prime Minister at the time to put pressure on the company to adhere to the rules. According to trade union representatives, areas of particular concern with respect to implementation of public regulation regarding collective redundancies among foreign manufacturing sites over the late 2000s were related to consultations with the unions, adequate compensation, hiring new employees shortly after the collective firings, etc. Enforcement of national regulation was undermined by a combination of growing power asymmetries across large foreign manufacturing companies and labor unions, as well as institutional weaknesses underlying state regulation.

With a growing wave of neoliberal reforms since the new Labor Code of Romania was adopted in 2003, other forms of flexible employment have also become more common over the years. Temporary agency employment has been regulated and recognized in Romania since 2003 and grew increasingly popular since 2005. The overall share of atypical forms of employment, however, is still relatively low in the Romanian context. Temporary agency workers represented 0.7 percent and fixed term employment accounted for 2 percent of the workforce in 2009 (CIETT, 2010). A recent company survey conducted by Manpower, one of the major labor agencies operating in Romania, revealed that close to two-thirds of companies did not consider temporary employment a necessity for their activities (Florea, 2009). Although the Council of Foreign Investors and American Chamber of Commerce have consistently proposed more liberal regulation of contracted labor and labor unions from Romania expressed concerns with these new forms of employment, temporary agency employment has remained a relatively low priority issue in Romanian politics throughout most of the 2000s. The segmentation of the labor market in Romania is most prominent along the formal-informal, rather than the open-contract/fixed-contract one (Parlevliet&Xenogiani, 2009). Informal labor is, however, more present in small and medium rather than large enterprises in manufacturing and services sectors.

The Emergence of Public-Private Regulatory Complementarities around Collective Redundancies at Two Electronics Facilities

Considering the dynamic development of the electronics manufacturing sector in Romania over the 2000s, hiring and firing employees in large numbers was common throughout the decade as companies restructured brown-field investments and adjusted to fluctuations in global demand. Major electronics manufacturing corporations that established sites in the region were hiring direct and indirect employees by the hundreds to expand manufacturing. Hella Electronics recruited about 600 employees in 2006, Flextronics hired 800 employees in 2006, Nokia planned to open positions by the thousands in 2007. Even through the economic crisis, several companies were expanding production as was the case for BYD Electronics and Emerson, opening 2000 and 200 positions. Restructurings and frequent changes in production volume in the global industry, however, also resulted in frequent dismissals of employees in great numbers. Flextronics fired several hundreds of workers since its takeover of the Solectron plan in Timisoara in 2003, and then let go of approximately 1000 employees during late 2008-2009 time period. Elcoteq and Nokia closed their manufacturing plants in 2009 and 2011, respectively, pushing close to 3000 employees into unemployment.

These significant changes at electronics facilities in Romania generated considerable insecurity in the workforce and often failed to comply with public regulation with respect to collective dismissals. A police raid to the Flextronics plant in Timisoara in 2009 to follow up on a bomb-threat, for example, generated a frenzy among employees as they thought that the police was sent to "escort" them out after several waves of collective dismissals had been going on that year. The most common sources of concern included: insecurity in the workforce, inadequate compensation that affected the livelihoods of dismissed workers, replacement of redundant workers with temporary or contracted workers, deficient coordination with workers' unions and regional employment offices, subjective criteria used to select workers to be dismissed, etc.

1. Collective redundancies at two major electronics manufacturing facilities

Two major electronics facilities located in Romania that manufacture for major corporations from Western Europe and Northern America illustrate these concerns with collective redundancies relatively well. These two facilities, referred to as facility Romania Electronics 1 (RE1) and Romania Electronics 2 (RE2), share a set of similarities with each other, as well as with the factories from Hungary and Slovenia that are included in the study. These similarities refer to size, regional importance, technical sophistication, production profile, foreign ownership, export-orientation, and insertion in the global electronics industry. Perhaps even more importantly, these two facilities are integrated into the same transnational corporate governance institutions as facilities Hungary Electronics 1 (HE1) and Hungary Electronics 2 (HE2) from Hungary, and therefore provide interesting basis for cross-national comparisons.

Facility Romania Electronics 1 (RE1) was one of the largest foreign owned manufacturing sites in Romania that specialized in the manufacturing of telecommunications equipments. The factory had been established in 2008 next to a rural community that earned its living from subsistence farming, had no full-time doctor and lacked an adequate school and indoor plumbing. Manufacturing at this facility supplied exclusively the regional end markets of Corporation Electronics 1. The number of employees grew over time from approximately 700 employees in 2008 to 4,500 in early 2010 during the peak time period of its activities in Romania. The minimum wage at this facility was around 210 Euros in the late 2000s. The factory had initially specialized in low to medium volume production of a rather limited product range, but operations grew more technically sophisticated over time as the factory shifted towards the assembly and maintenance of new group of products in 2009. Flexibility in the volume of production presented an important challenge for this facility, with the volume of production during low activity time periods representing approximately 60 percent of manufacturing during peak activity.

Major labor concerns at the facility included inadequate compensation for both temporary and permanent dismissals of large groups of workers. Employees were often asked to take days off with no compensation offered in return. Several workers were greatly affected by these temporary dismissals, some of them losing as much as 18 percent of their monthly wages in 2010. As the company management committed to generating thousands of positions in exchange of generous governmental support, collective redundancies had been relatively rare during the first years of operation but this changed radically in 2011 when the facility leadership convened all employees and announced them that the company will close its operations by the end of the year. As production was moving to Asia, local management had to dismiss the 1,850 regular and approximately 500 subcontracted employees working at the factory Romania Electronics (RE1) in 2011. The local management was reluctant to provide severance packages and other support for the dismissed employees to protect them during unemployment and facilitate their transition back into employment. This generated considerable tension with both the unions and the general public.

Facility Romania Electronics 2 is the biggest foreign manufacturing site operating in the Western part of Romania. The facility was initially set up in 1998 with an investment of 150 million USD at the site of an electronic compound plant. The number of employees of the facility changed significantly over the years. In 2010, the company had 2,400 employees with approximately 20 percent of them contracted from labor agencies. Minimum wage at the company for unqualified workers was approximately 200 Euros. The facility specializes in small volume production of manufacturing goods of mid-level technical sophistication. Its main operations include assembly, manufacturing of some components and repair services. The main clients of the facility include lead corporations from information and telecommunications, automotive, and medical devices sectors. The information and telecommunications sector represented approximately 70 percent of operations at the end of the 2000s. A significant share of this manufacturing supplied the regional end markets of Corporation Electronics 2.

Similarly to the other factory, major sources of labor concerns at facility Romania Electronics 2 (RE2) were related to the frequent and often controversial collective redundancies. Over the last decade, there have been repeated occasions of collective firings at the facility with very low compensation. In 2005, 600 employees who had been laid off were replaced after a few months later with temporary agency workers. In 2008, the company decided to let go 700 of external workers and 720 regular employees due to restructurings and failed to consult with the labor union about its plans and possible ways to avoid these changes. Finally, in 2010, the facility drew considerable criticism from the regional media about yet another wave of firings and the influence of nepotism in selecting the employees to be dismissed by local management.

The similarities and divergences across facilities Romania Electronics 1 and 2 are summarized on Table 4.2 below.

Table nr 4. 2: Similarities and divergences across facilities Romania Electronics 1 (RE1) and Romania Electronics 2 (RE2)

Characteristics	Facility RE1	Facility RE2
Established	2008	1998
Size (Number of employees in 2011)	3,400	2,400
Production profile	Assembly, repair services	Assembly, components, repair services
Lean manufacturing management system	Yes	Yes
Volatility (share of lowest production in highest level of production volume)	60%	60%
Workplace representation (unionized)	Yes	Yes
Share of temporary agency work	20 percent	20 percent
Role of temporary agency work	Lower skill, direct	Lower skill, direct

2. Domestic regulation of collective redundancies: state interventions and weak rule of law

Regulation of collective redundancies has been an important focus of both tripartite consultations and collective bargaining over the years. While the national legislation provided a set of minimum standards regarding the procedures of collective dismissals in the country, negotiations over compensation of dismissed workers took place mostly within the framework of industrial relations at national and, increasingly, at sub-national levels[48]. In the Romanian context of poorly coordinated and weak institutions and growing influence of international organizations, enforcement of domestic regulation regarding collective dismissals has often been problematic. These circumstances contributed to a great extent to the alarming developments regarding the terms of collective dismissals at the two electronics facilities included in the study.

With the growing influence of international organizations in Romania, national

[48] These negotiations often resulted in granting very generous severance packages for dismissed employees. Compensation often ranged between 6 times the gross monthly average wages up to 24 months' payment.

legislation regarding collective dismissals became increasingly neoliberal in content and enforcement (Ciutacu, 2007; EIRO Romania(b), 2007). The dominance of the state over the tripartite institutions in this context of growing integration into the global economic and political community, further aggravated the general tendency towards removing social protection from vulnerable groups of people. Legislative reforms adopted in consultation with social partners were often overridden by unilateral decisions of the government to meet the requirements of international organizations like the European Union, International Monetary Fund and Council of Foreign Investors.

Labor law reforms that had been adopted in consultation with the social partners in 2003 and had provided generally favorable terms for worker were quickly reversed as the Council of Foreign Investors and other employer organizations approached the Romanian government to suggest modification along a whole set of issues. Only a few months after approving the new labor code, the Romanian government unilaterally adopted a huge wave of additional reforms and relaxed significantly the legal framework regarding collective redundancies[49]. Modifications included a more narrow definition of what constitutes collective redundancy, simplification of the underlying procedures and weaker restrictions on the replacement of dismissed employees. For instance, collective dismissal since then have referred to firing of at least 10 employees due to technical or economic reasons, instead of 5 (articles 68-74). Moreover, the employer was not able to fill in vacancies resulting from redundancies for a period of nine months, instead of a full

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49 Trade unions responded with major protests and accused the Romanian government of transforming Romanian labor regulation into a Trojan horse intended to break up the European social model upon accession. With the state regulation with respect to termination of open-ended contracts becoming more lax, trade unions have been trying to ensure favorable conditions in case of redundancies and often negotiated collective agreements bargaining demands for wage increase in exchange of agreements with respect to dismissals of employees (Trif, 2004).

year as had been stipulated beforehand. While new regulation still required coordination with labor unions to consider alternative strategies and throughout the process of laying off workers, the notification time of unions and public employment offices was considerably reduced. The International Monetary Fund also put considerable pressure on Romanian governments in subsequent years regarding the need for further neoliberal reforms.

Building on the national statutory framework, collective bargaining agreements had an important role in setting the guidelines for severance packages for dismissed employees. In 2011, the national collective agreement stipulated that when an employee is let go due to reasons that don't pertain to his performance and person, he or she is entitled to a one-month salary (article 78 (1) in the CCM for the years 2007-2010). The sectoral agreement then stipulated compensatory premium to additional payment obligations regulated by national directives, of one or twice the monthly salary (articles 22(2) in both CCM for 2007-2010, and 2010-2014). For temporary dismissals at the initiative of the company, the national legislation prescribed compensation of at least 75 percent of the worker's salary, but then the collective agreement at the national level signed for the 2007-2010 time period included an agreement that employers accept to take days off for up to 15 days without any payment, in exchange of efforts by employers to preserve jobs.

Collective agreements at the company level have come to play an increasingly important role in negotiating the terms of severance packages for dismissed workers. While small and medium sized companies generally paid around three times the monthly salary, major corporations often provided very generous compensation that were commonly referred to as "velvet firings" as the payments often reached the equivalent of 10 to 20 times the monthly wages of employees (Hritcu, 2010). This, however, was not the case for the facilities included in the study. While the collective agreement signed at facility Romania Electronics 1 (RE1) did not include any stipulations regarding the terms of severance packages in case of major dismissals of workers, the collective agreement that was eventually signed at facility Romania Electronics 2 (RE2) specified severance payment equal to three times the monthly salaries of dismissed workers.

Enforcement of public regulation regarding collective dismissals in Romania, including facilities Romania Electronics 1 (RE1) and Romania Electronics 2 (RE2), has been deficient over the last decade for several reasons. These include institutional weaknesses, growing complexities and ambiguities in the regulatory system; as well as the growing power of large foreign investors. Romania stands out in the region for its low level of rule of law, poor quality of regulation, ineffective government and high level of corruption (Ciobanu, 2009; WorldBank, 2013). Implementation of national institutions is often contingent on government interventions motivated by particularistic interests (Crowley, 2006). Strong networks of clientelism and personalistic ties often enable powerful elites to shape the institutional infrastructure and their implementation in ways that advantage them (Bohle&Greskovits, 2013; Grodeland, 2007). Both company and union representatives at facilities Romania Electronics 1 and Romania Electronics 2 complained with respect to the integrity of the main enforcement institution of state regulations, the Romanian Labor Inspectorate. The low wages of the inspectors and the complex legislation have frequently resulted in bribing of labour inspectors to ensure favorable interpretation and selective enforcement of labour legislation (Trif, 2004).

Several directors of Regional Labor Inspectorates have been investigated in connections with corruption charges.

Moreover, as public labor regulation has grown increasingly complex and layered over the years, in the absence of adequate coordination with social partners and across different levels of social dialogue, it often failed to set clear and concise guidelines (EIRO Romania(b), 2007). Interviews with company level representatives revealed that with the growing complexity and inconsistencies of national labor regulation, it has become quite common for local companies to hire inspectors through private arrangements to evaluate the major non-compliances with national employment regulations in an effort to avoid penalties in case of an official audit by state inspectors. Inconsistencies and ambiguities often encourage opportunistic behavior and therefore further perpetuate corruption and weak rule of law (Trif, 2004), setting in place a vicious cycle of institutional failures.

Finally, increasing integration of Romania into the global economy over the last decade permitted for a growing power asymmetry to emerge between domestic actors and institutions, on one hand, and transnational organizations and institutions, on the other. State agencies and even labor unions gradually grew rather subservient to the interests of foreign companies operating in the region.

3. Evaluating the extent of regulatory complementarities at the facilities

Notwithstanding significant deficiencies in domestic regulation, both facilities experienced improvements regarding the regulation of collective dismissals of employees, although to somewhat different degrees and through different processes at the two facilities. Similarly to the Hungarian context, these improvements were driven by the combined effect of domestic public and transnational private regulation. The facilities in Romania were integrated into the transnational social responsibility initiatives of major corporations over the late 2000s that enabled domestic actors – union and state representatives – to use them to compensate for the shortcomings in domestic regulation.

At facility Romania Electronics 1, while there had been no improvements in providing compensation for temporary dismissals of workers, local management eventually paid severance packages for permanently dismissed employees and provided additional support to facilitate their reintegration into the workforce. The final compensation included three times worth of monthly salaries. The company also agreed to keep regular employees on the payroll for three additional months after the termination of production at the facility and offered courses of redirection and requalification during that time period. Finally, the company also cooperated with the national and regional governments to recruit other investors in the industrial park. Nonetheless, a large number of workers were unemployed and uncertain about their future, calling into question the commitment of the company to foster social development of its manufacturing workforce. At facility RE2, improvements from regulatory complementarities consisted in negotiating a higher level of severance package that was above the minimum amount set through collective agreements at the sector level.

These developments are summarized on table nr. 4 3. This table illustrates that while improvements at the facility RE1 included endowing workers with rights to generous compensatory payments and providing further protection to them from unemployment and economic uncertainty, improvements at facility RE2 were somewhat more limited to endowing workers to collective negotiation regarding severance packages.

Table nr. 4. 3: Improvements over time: Divergences in the extent of improvements

	Facility RE1	Facility HE2
Improvements in the regulation of collective dismissals	√√	√
• Endow workers with rights and reduce discrimination	√	√
• Set limits on extensiveness		
• Empower through representation		
• Provide insurance for vulnerable groups such as unemployed, seniors, the sick, etc.	√	

4. The onset of regulatory complementarities through transnational regulatory initiatives

Facilities Romania Electronics 1 and Romania Electronics 2 are similar to the other plants included in the study not only in terms of their economic and technical characteristics, but also with respect to the transnational coordination mechanisms they are integrated into. The facilities are major supplier sites of two large corporations from Western Europe and North America, Corporation Electronics 1 and Corporation Electronics 2, respectively. As explained in greater detail in the previous chapter, these corporations are strongly dedicated to promote corporate social responsibility throughout their manufacturing bases. One of the main differences across the transnational frameworks of these two large corporations consists in the style of implementation of these initiatives. While Corporation Electronics 1 emphasizes engagement with local stakeholders to facilitate transnational governance, Corporation Electronics 2 relies more on auditing and corrective actions to promote social responsibility across its manufacturing sites[51].

Corporation Electronics 1 has been rewarded repeatedly for its efforts to achieve social and environmental responsibility throughout its supply chain. The implementation of the transnational corporate social responsibility program of Corporation Electronics 1 relied on involvement of social stakeholders from different levels of society to facilitate the monitoring of and corrective solutions to labor concerns throughout the supply chain. Facility Romania Electronics 1 became integrated in this framework of transnational corporate governance at the time of its establishment in 2008, with the local labor unions getting informed about the program directly from the representatives of Corporation Electronics 1. The transnational corporate responsibility program of Corporation Electronics 2, on other hand, relies almost exclusively on extensive corporate audits and corrective action plans to improve working conditions and employment relations in the global supply chain. One important aspect of these interventions is to ensure compliance with national state and collective regulation. Facility Romania Electronics 2 became integrated in these frameworks in the early 2006 and there is personnel specifically designated to manage interactions with respect to social and environmental responsibility interventions of lead corporations. The labor union on site has been largely excluded from these corporate efforts to promote labor standards at the facility.

The implementation of these transnational initiatives in the state directed and institutionally weak national context of Romania enabled the emergence of interactive processes with domestic institutions, guided mostly by the strategic actions of domestic

[51] The institutional similarities and differences are described in greater detail in Chapter 3.

unions, in rather experimental and incremental manners. The centralized character of labor relations institutions in Romania had traditionally set in place a tendency for union representatives to rely on state interventions to generate new or activate existing laws to promote their individual or group interests. As the national government became more subservient to international pressures, however, domestic unions redirected their strategies to appeal to private governance initiatives of lead corporations endowed with significant economic power and political authority to regulate labor practices in the industry. The ability of local unions to interact with private regulatory efforts to compensate for deficiencies in domestic regulation, however, were influenced by the institutional foundations of transnational corporate social responsibility initiatives. While stakeholder engagement oriented transnational approaches facilitated, compliance or monitoring oriented approaches undermined the emergence of regulatory complementarities.

5. Union driven regulatory complementarities in the context of stakeholder oriented transnational regulatory initiatives

Major concerns about the adequate payment of severance packages at facility Romania Electronics (RE1) were addressed through regulatory complementarities initiated by domestic unions. The corporate social responsibility program of Corporation Electronics 1 served as an institutional platform to rebalance power asymmetries across the facility management and local labor union. As other governments from emerging economies, the Romanian government lacked the institutional strength and political will to govern effectively large manufacturing companies that operate under its jurisdiction. Private regulatory efforts of Corporation Electronics 1 complemented these weaknesses by setting additional institutional constraints on the opportunistic behavior of the management of the manufacturing facility. This institution was however activated and used by local union to address major labor concerns at the site. The role of the state was to legitimize the union's efforts to use the transnational regulatory efforts of Corporation Electronics 1 to enforce domestic regulation. The importance of regulatory interactions in bringing about improvements is illustrated particularly well by the contrast across the regulatory developments around temporary and permanent dismissals of employees. While concerns with permanent dismissals of workers were eventually reconciled through the activation of transnational corporate social responsibility program of Corporation Electronics 1 to complement the deficiencies of national regulation, inadequate payments for temporary dismissals remained unresolved in the absence of similar interactions.

a) Regulatory efforts pertaining to temporary dismissals

Workers' complaints about unpaid dismissals for limited time periods that were affecting their and their families' livelihoods initiated a set of initiatives by workers' representatives and union leadership to safeguard employees from exploitative practices. Initial steps included efforts to address local management directly regarding these practices and require compensation equal to 75 percent of their regular salaries, as stipulated by national legislation. According to state regulation in effect at the end of the 2000s, only employees could ask for unpaid days off. If the company initiated temporary dismissals, it was considered technical unemployment and the employee qualified for a payment of 75 percent of the regular salary. In the context of growing importance of safeguarding jobs in the aftermath of the economic recession, the collective agreements signed by the unions at facility RE1 in 2008 agreed for workers to accept unpaid days off to help the local facility adjust to major fluctuations in the volume of production. This followed the trend set by the national collective bargaining agreement that allowed for unpaid dismissals for up to a maximum of 15 days.

As collective agreements in Romania's industrial relations system have full coverage, the stipulations included in collective agreements applied to all workers regardless of their membership in labor unions. The concessions were made by labor unions on the condition that employers will make significant efforts towards preserving jobs in the Romanian economy. This, however, was no longer the case for facility RE1, as the company management announced in the same year to close its operations at the Romanian site and lay off thousands of workers. The efforts of the domestic union and representatives of non-unionized workers to address these concerns through coordination and cooperation with the local management left problems unsolved as the representatives of the manufacturing company reminded them of the content of the collective agreement.

The appeal of employees to the Regional Labor Inspectorate was also dismissed initially, with a local representative "advising" the workers to look for employment at another company if they are unsatisfied with their current working conditions. Such subversive attitude among state agencies and labor unions was becoming increasingly common in Romania with the rising political importance of major foreign companies in the country. Facility RE1 employed a significant share of the local workforce and contributed to a significant decline in the unemployment rate to a low 2.3 percent in 2010. Moreover, contributions to the local budget facilitated the establishment of a new local hospital, new park for children and important investments in infrastructure. The facility was also important at the national level as the largest exporter in Romania in 2011. When the Romanian economy recorded a decline of 1.5 percent in 2010, economic growth in the region of facility RE1 was to a great extent due to the its manufacturing activities. Civil society organizations from Romania have remarked that regional enforcement agencies have become increasingly accommodating towards the practices of major investors in the region.

As initial efforts of employees to coordinate with local management and appeal to state agencies led to no favorable changes, industrial relations at the national level was activated by the local union to seek further support for their case. Representatives of Cartel Alfa, a major Romanian labor union that the union from facility RE1 was affiliated with, pointed out in the public media that unfavorable agreements for workers can't override national legislation. According to Romanian laws, national labor legislation sets only minimum standards that serve as the foundation for collective bargaining at national, industrial and company levels. While collective agreements also have the effects of laws if they are agreed upon by representative organizations, they can only adopt stipulations that are favorable for employees. Although the relevance of the national union Cartel Alfa in Romanian politics has diminished over the years, the union still carried important status in Romania and maintained connections with state bureaucrats and politicians. The intervention of the Cartel Alfa union contributed to the controversy gaining some political clout and public attention. The Regional Labor Inspectorate eventually agreed to review the case more thoroughly but eventually abstained from making a conclusive decision and referred the case to the Romanian court system.

Inconsistencies in regulatory guidelines and the growing political importance of foreign investors often contribute to labor concerns in the Romanian context. With growing integration in the global economy, the traditional channels of labor relations often fail to address the institutional weaknesses and growing power asymmetries in the national contexts of emerging economies. As the example of regulation of permanent dismissals of workers illustrates below, alternative institutional platforms and new regulatory strategies can be used to improve protection of workers integrated in global production regimes.

b) Regulation of collective redundancies

In contrast with regulatory developments around temporary dismissals of workers, improvements regarding the conditions of permanent dismissals were contingent on the combined effectiveness of both national and transnational regulatory efforts. The shocking announcement in 2011 that the company is moving production to Asia and will permanently dismiss its employees by the end of the year, were followed by new controversies regarding the terms of these collective firings. The first workers who were let go were the external employees contracted through the two labor agencies that the company had been using since it set up production in Romania. The temporary agency employees – representing approximately 20 percent of the workforce, were not eligible for severance payments according to national and collective regulation, even though some of them had been working at the facility for more than to a year. At the astonishment of union representatives and workers, the management also hesitated to provide any sort of severance payment or assistance for the approximately 2,000 regular employees operating at the facility.

The protests and controversy surrounding these developments set into place a whole series of efforts by the domestic union to appeal to traditional and alternative institutions and use them in complementary manners to improve social protection for dismissed workers. Labor relation institutions facilitated the emergence of these interactions through the constraints set on domestic union to address labor concerns through traditional channels. As a consequence, they set incentives for the union to engage with alternative institutional solutions to promote improved conditions for dismissed employees. The relative openness of the transnational regulatory efforts of Corporation Electronics 1 to engage with local domestic actors to identify and address local concerns facilitated the effectiveness of the union's efforts to combine domestic and transnational regulatory approaches. Finally, the relative inconsistencies in the national setting enabled the domestic union to engage the national government to render more legitimacy and add pressure to its efforts to use private regulation in its interest. It also provided sufficient degree of freedom to engage in this innovational strategy. In what follows, the emergence of regulatory complementarities will be examined from the perspectives of these institutional opportunities and constraints.

In the context of weakly coordinated labor relation institutions and growing presence of major foreign corporations, company level coordination and arrangements regarding working conditions and employment relations of Romanian employees have become increasingly important. Soon after the announcement of the decision to move production to Asia, negotiations started between union representatives and local management regarding the terms and procedures of collective redundancies at the facility. As part of these negotiations, a rather ambitious plan regarding compensations were put forth by the local unions suggesting severance packages for regular workers that entailed the payment of ten time or more their monthly salaries. Although the national regulatory framework prescribed only two month's salary for employees who are dismissed as a result of economic and technical reasons in the electronics sector, the general trend in the country was for large corporations to provide very generous compensations.

Similarly to the regulatory deficiencies in the case of temporary dismissals, inconsistencies and institutional weaknesses underlying the national regulatory framework prevented an easy solution to the unwillingness of the local management to provide severance packages. Upon review of the company collective agreement that was signed with the unions, the agreements did not have any stipulations included regarding collective dismissals form the factory. As facility RE1 was established only recently and committed to the generation of several thousand jobs in Romania in exchange for generous governmental support of the investment, the unions did not anticipate major restructurings of regular employees at the facility and focused their efforts on other aspects of collective bargaining. Union representatives claimed that since the collective agreements build on statutory laws and collective agreements, the stipulations in sector level agreements regarding severance payments of at least two times the monthly salary should follow. Representatives of local management, on other hand, suggested that since the stipulations of company level agreements supersede the collective agreements and national legislation laying at its foundation, they relegated themselves from the obligation of paying generous severance packages.

As the developments surrounding the facility were escalating to the national level of labor relation institutions in Romania, new political developments further constrained the ability of the unions to rely on traditional institutions to achieve improvements. The

Romanian government declined to register the new national collective agreement that was negotiated in 2010 and eventually dismissed national level collective bargaining altogether. The national collective agreement that was signed in 2006 and provided the foundation for sector and company level agreements signed in subsequent years ended its effectiveness in 2010. Although the new agreement was not much different in content from the previous one, negotiations around the new collective bargaining reached a deadlock and only four out of the thirteen representative employers' associations signed it. As a result, the national government declined to register it at the Ministry of Labor and Social Affairs. In the context of negotiating a new loan agreement with the International Monetary Fund (IMF), the government eventually amended the Romanian Labor Code without any consultation with the social members and abolished the mandatory character of the national collective agreement (EIRO Romania(b), 2012). The new collective agreement negotiated for the next years did no longer have the same type of legal authority as in previous years.

This context of major inconsistencies and deficiencies in domestic institutions set incentives for the local union to eventually appeal to the transnational corporate social responsibility program of Corporation Electronics 1 to address the problem. Disappointed by previous experiences with the Regional Labor Inspectorate, the domestic union did not even appeal to the local state enforcement agency in this context. Rather, the domestic union used the corporate social responsibility program of Corporation Electronics 1 to promote improvements. The union representatives got exposed to stakeholder engagement oriented private regulatory efforts of Corporation Electronics 1 at the time of the establishment of facility Romania Electronics 1. Representatives of Corporation

Electronics 1 contacted the labor unions at facility RE1 directly and informed them about the corporate social responsibility program, its main focus and mode of implementation. In addition to informative material on major projects initiated by the lead corporation, representatives of Corporation Electronics 1 also encouraged direct interactions with the unions and explained the organizational chart responsible for the administration of the program.

The ongoing controversy surrounding the relocation of manufacturing from a site from western Germany to Romania illustrated the manifestation of social responsibility program of Corporation Electronics 1 in practice. The decision to lay off thousands of workers at a manufacturing site in Germany resulted in a set of agreements adopted in cooperation with the local union to provide generous support for the workforce to be laid off. The closing of the site that affected also about 2,300 workers resulted in an agreement to provide a severance package worth 200 million Euros. The package included average payment of 80,000 Euros per worker and additional 15 million Euros funding to offer a year-long training for laid-off workers This agreement was peerless even in the German setting where trade unions have traditionally been strong and earned significant concessions from local management on their own.

The corporate social responsibility program of Corporation Electronics 1 also became an important institutional platform to appeal to during negotiations at facility Romania Electronics 1 regarding severance packages. Labor union representatives at the facility contacted top representatives of Corporation Electronics 1 responsible for the implementation of its corporate social responsibility program to inform them about major concerns at the facility. Following these interactions, union representatives also referred commonly to the corporate social responsibility program of Corporation Electronics 1 during negotiation meetings with local management and referred specifically to the precedent set at the manufacturing site located in Western Germany. According to union representatives involved in the negotiation process, these references were used specifically with the intention to put pressure on local management to abide to European, and especially to Romanian norms, regarding severance payments.

With the engagement of labor relations at the regional and national level, state interventions served the primary role of rendering legitimacy and authority to unions' demands for severance packages. The involvement of regional and national representatives of the Cartel Alfa in negotiations at facility Romania Electronics 1 resulted in the gradual escalation of the controversy around the case to the national level. In this context of growing national salience of the issue, the Romanian government also adopted steps to intervene on behalf of the workers. The Prime Minister of Romania delegated the Minister of Labor and Social Affairs to intervene and help the involved parties to find a solution regarding the compensatory payments. After a visit at the Regional Agency for Employment, the minister eventually met with representatives of the facility. In the framework of this meeting as well as in public statements to the media, the Minister of Labor and Social Affairs also appealed to the concept of corporate responsibility of European companies. Furthermore, the minister asked for Corporation Electronics 1 to follow up on its commitment to promote social sustainability and ensure that employees from facility RE1 are compensated with appropriate support to enable their livelihood and facilitate their readjustments in the labor market.

These efforts by domestic unions to use and combine national regulatory frameworks of both national public and transnational corporate regimes resulted brought about improvements in the social protection provided for dismissed workers. Local management agreed to provide compensation payments worth three times the salary for each employee and keep employees on the payroll for an additional three months after termination of production at the site. During these time period, the company management provided training for professional conversion and support for job search for the employees. The regional government also participated in these efforts of social protection and reconversion for dismissed workers funded by the European Fund of Adjustment for Globalization that the Regional Office of Employment applied for to provide protection for the newly unemployed[52]. Company and government cooperation also extended to seeking new investors in the region who could employ the workers formerly employed at facility RE1. Finally, with the intervention of the corporate social responsibility representatives of Corporation Electronics 1, the local management also participated in setting up a series of grants for employees who were interested in starting a business or to finish their studies.

These processes unfolding at facility RE1 took place simultaneously with the development of the transnational governance initiative of Corporation Electronics 1 to promote social responsibility in case of major restructurings at its manufacturing sites, and have probably left their mark on the program. The representative of Corporate Social Responsibility program of Company Electronics 1 announced in 2011 the start of a new

[52] The local employment office (Agentia de Ocupare a Fortei de Munca) applied to access this fund was eventually granted 5 million Euros that were invested on retraining, stipends for companies who hired from those left unemployed, covered costs with relocations to other cities to fill in vacancies, etc. The grant also included 2 million Euros that were spent on stipends for the former employees resulting in about 1000 Euros per employee, which included a special allocation to be spent on getting new clothes, haircuts and shaves, in preparation for job interviews. The beneficiaries of this fund also included employees contracted through local suppliers to work on the assembly lines, provide security, catering, etc.

program that helps people readjust in the labor market in case of major dismissals and in content is very similar to the measures adopted at facility RE1.

In summary, although the decision to move manufacturing outside of Romania and leave thousands of employees without a job for at least a temporary time period represents a socially irresponsible act, the stakeholder oriented transnational corporate social responsibility initiative of Corporation Electronics 1 facilitated the emergence of regulatory improvements at facility Romania Electronics 1. The program provided an alternative institutional framework for domestic actors to compensate for institutional deficiencies in the domestic regulatory system. Both union and state representatives appealed to the transnational corporate responsibility program to put pressure on local management and facilitate social protection of dismissed workers. The primary role of private regulation was therefore to balance out power asymmetries across foreign investors and domestic actors, and hence act as an indirect enforcement mechanism in the Romanian context. While the local union initiated and interweaved these regulatory efforts, unions at higher level facilitated the escalation of the industrial conflict to national levels politics and the intervention of the state. Finally, the national government legitimated the unions' efforts and increased pressure on the local management to comply with transnational private regulation.

6. Union driven regulatory complementarities in the context of compliance oriented transnational regulatory initiatives

Implementation of domestic regulations with respect to collective dismissals was also problematic at facility Romania Electronics 2 (RE2). Areas of particular concern included replacement of dismissed workers with temporary agency workers, lack of cooperation with local unions during the dismissal process, biased selection of the personnel to be laid off, and low compensation for dismissed workers. The implementation of domestic regulation regarding these aspects of collective firings at facility RE2 have been deficient over the years and motivated domestic unions to use transnational corporate social responsibility initiatives to promote improvements in the social protection of dismissed employees. In the context of compliance oriented transnational corporate initiatives, however, the ability of the unions to drive regulatory complementarities were more limited than in the case of transnational institutional platforms that are more open towards engaging with local stakeholders.

Improvements at facility Romania Electronics 2 were contingent on the combined role of regulatory efforts of transnational corporation, the state and labor unions, but interactions across them were more limited and improvements regarding collective dismissals were more marginal. Similarly to the case of facility Romania Electronics 1, the corporate social responsibility program of Corporation Electronics 2 provided an institutional framework to rebalance power asymmetries across the local union and management, and enable the emergence of the first collective agreement regarding severance packages. The role of the state was primarily to legitimize and protect the existence and freedom of operation of the union at the facility, and consequently, to enable its strategic efforts to engage in mobilizing private regulation to improve industrial relations and regulation at the site. Notwithstanding the compliance oriented approach of Corporation Electronics 2 regarding its transnational corporate social responsibility approach, the union played an important role in activating and mobilizing interventions of the lead corporation to put pressure on facility management to adopt more socially responsible practices.

Initial concerns with the facility's employment practices regarding collective dismissals started in the mid 2000s when the management of facility RE1 dismissed several hundreds of workers without consulting the local union, and soon replaced the dismissed workers with temporary agency employees. In the absence of collective agreement at the site, local management provided minimum payment of only two months' salary for laid off workers set by the sector level agreements. During the golden era of generous compensation packages ranging from six to 20 times the monthly salary at other facilities, this was particularly poor support for dismissed workers. After several attempts to negotiate a collective agreement at the company level, there was no company level agreement in place throughout the first part of the 2000s.

The traditional institutions of industrial relations and state-labor relations provided inadequate platforms to address these and similar concerns. Poor regulations of collective redundancies at facility RE2 in the mid 2000s were mainly due to the growing power asymmetry across the foreign corporation, and domestic regulatory organizations in the context of weak rule of law. Facility RE2 represented one of the largest foreign investments in the Western part of Romania and employed several thousands of people.

Representatives of the local union approached the facility management to discuss these practices but facility level management was indifferent towards the union's concerns. Relations between local management and union have traditionally been difficult at this facility. Previous attempts by the local management to undermine unionization at the factory by firing several people from the union's leadership resulted in a public trial that obligated the local management to re-employ them. The state played an important role in defending freedom of association and in providing legal protection from unemployment to the union organizers, but its administrative structure often failed to address labor concerns at the site directly. While some appeals to the Regional Labor Inspectorate regarding concerns with working time at the facility resulted in improvements for employees at facility RE2, complaints regarding the procedures underlying collective redundancies were not met with any significant response by the local labor inspectorate.

As facility RE2 was becoming more integrated in transnational corporate social responsibility initiatives of Corporation Electronics 2 and other major global buyers, the domestic union eventually tried to use this new emerging institutional platform to address labor concerns at the facility. Over the mid 2000s, it became increasingly common for the facility to get evaluated by private auditors of major corporations. These audits were initially limited mostly to quality audits, with some evaluations of the health and safety procedures occasionally integrated into them. With the growing importance of the Electronics Industry Citizenship Coalition, more extensive evaluations regarding labor standards became increasingly common at the facility. Even though the code of conduct did not have any specific stipulations regarding the terms and conditions of collective dismissals of employees at manufacturing sites, it stipulated compliance with domestic regulation. The corporate audits have generally been implemented with no interactions with local unions. Without the engagement of the labor union in these evaluations, private auditors largely overlooked major labor concerns at the facility regarding collective dismissals.

Sources from the company also revealed examples when these corporate efforts have been undermined by deficiencies in domestic regulation to produce improvements in working conditions. A private audit conducted in the early 2008 by Corporation Electronics 2 exposed some key differences in the compensation of standard and subcontracted employees. The concerns of the auditors were soon dismissed when local management appealed to a personal connection in the regional state enforcement agency to confirm the legality of these practices. These practices were relatively common in the Romanian context of weak and inconsistent laws. Thus, even in cases where private audits identified labor concerns, inconsistencies in the guidelines and institutional weaknesses underlying enforcement prevented more effective change towards improvements. The effectiveness of corporate social responsibility efforts is often contingent on domestic national regulation that renders legitimacy and further authority to corporate regulatory initiatives.

Although the transnational corporate social responsibility initiatives implemented at facility RE2 did not rely on engagement with local stakeholder, the domestic union made a series of attempts to engage with Corporation Electronics 2 to force local management to adopt more socially responsible practices. The leader of the local union contacted various top-level representatives of Corporation Electronics 2 to inform them about the uncooperative attitude of the local management and of the poor working conditions at facility RE2. After persistent efforts of the domestic company union, representatives of the European office of Company Electronics 1 eventually agreed to a meeting with the domestic union. The meeting took place in 2007 and included the Human Resources Manager of the European office of Corporation Electronics 2, representatives from the County Council, regional representatives of the National Union Association (Blocul National Sindical) (BNS), national leader of the Metalworkers' union, and representatives of local management and union. While the meeting had no concrete outcome, the European representatives of Corporation Electronics 2 made repeated reference to the commitment of the corporation to promote social responsibility. Soon after this interaction, the first collective agreement was signed between the local union and management with an agreement for a compensation payment worth three months' salary, as well as additional compensation of one month's salary in function of seniority.

The efforts of the domestic union to engage higher level representation of Corporation Electronics 2 contributed to more balanced industrial relations at the facility, but the continued reliance mostly on corporate audits has not been conducive to more significant improvements. Notwithstanding the higher compensation provided for dismissed employees and improved coordination with labor union at the domestic facility, further concerns with collective dismissals soon followed. Collective dismissals in 2011 for example relied on marginal coordination with the local unions and obscure criteria to select the employees to be dismissed from the factory. The local union accused the management that instead of following the clearly specified selection criteria set by state regulation, they protected employees who were personally connected to mid- and top- level management. Furthermore, while other companies in Romania often made significant efforts to facilitate the readjustment of their employees in the local labor market, the assistance provided by facility RE2 was limited to providing a simple list of companies that had job vacancies in the region.

In summary, complementary interactions were more limited in the context of compliance oriented transnational corporate regulatory initiatives. As domestic labor relation institutions failed to provide an effective framework to improve regulation at the facility, the local union appealed to the transnational corporate governance system that facility RE2 was integrated into. The primary contribution of the private governance system was to rebalance power relations between local management and the union, and facilitate collective agreement regarding the severance package. While corporate audits have contributed to some small improvements, their effectiveness remained limited by the weak rule of law and lack of engagement with the local union. The role of the state was more indirect and limited to its protection of the rights of freedom of association at the site that later enabled for the strategic efforts of the domestic union to appeal to transnational corporate institutions to improve industrial relations and regulation at the local level.

Conclusions

This chapter illustrated that public-private regulatory complementarities are more limited in the context of state-directed labor relation institutions. The extent and processes of these complementarities are evaluated in terms of collective redundancies in the Romanian electronics industry. The relatively recent emergence of the electronics sector in Romania, in a context of late reforms and reliance on international organizations to promote its private sector, relied extensively on collective dismissals to adjust manufacturing in the region to volatility and uncertainty in the global electronics industry. Regulation of collective dismissals was undermined by a weak rule of law and inconsistencies in the domestic regulatory framework. The growing power asymmetry across foreign corporations and company level unions also enabled the exploitative practices of large foreign corporations in the national context.

Improvements in the regulation of collective dismissals at the Romanian facilities were enabled by complementary interactions across private transnational and public domestic regulation. Transnational corporate regulation played the primary role of improving coordination at the local level across management and the labor union to address major inconsistencies in domestic regulation, and reduce power imbalances between local management and union. The role of the state was primarily to legitimize and add pressure to unions' efforts to engage lead corporations to implement social responsibility programs. National labor relation institutions have influenced the emergence of regulatory complementarities at these facilities in several important ways. Centralized and poorly coordinated labor relations institutions that are characterized by state interventions as a dominant coordination mechanism set incentives for domestic unions to seek alternative institutional platforms to safeguard workers from the pressures of the global economy. While direct state interventions sometimes conferred legitimacy and authority to union efforts to build regulatory complementarities, the inconsistencies and weak rule of law of state regulation also hindered its potential to legitimize transnational private corporate pressures for better regulation. Finally, the relatively weak coordination across different levels of industrial relations in a systematic manner enabled micro level experimentation with corporate regulatory initiatives.

The abilities of domestic unions to use transnational corporate efforts to complement domestic institutions and guide improvements, however, varied greatly across transnational regulatory efforts based on different implementation styles. Once activated by the domestic union, the stakeholder engagement oriented approach of transnational corporate social responsibility efforts at facility RE1 provided a more favorable platform for regulatory improvements than the compliance oriented transnational regulatory approach at facility RE2. Nonetheless, the differences in the extent of improvements and the underlying mechanism of the processes driving regulatory complementarities were much less significant than in the context of the more market oriented institutional context of Hungary.

Chapter 5:

Absence of Complementarities in the Context of Coordinated Labor Relations Institutions: Regulation of Fixed Term Employment and Working Time in Slovenia

Notwithstanding expectations that national contexts with institutionalized coordination provide favorable conditions for corporate social responsibility efforts, the empirical study of Slovenia demonstrates that, in reality, this is not necessarily the case. This chapter examines the interactions across domestic public and transnational corporate regulation in a national context with coordinated and centralized labor relation institutions. In Slovenia, where tripartite institutions and industrial relations systems are strong and coordinated, these traditional institutional channels remained the main platforms to address concerns with precarious working conditions and employment relations in globally integrated industrial sectors. Transnational private regulatory institutions mostly layered on top of these institutions without significant interactions across them.

Over the last decade, electronics manufacturing facilities from Slovenia have been relying increasingly on flexible employment practices associated with precarious working conditions and employment relations. Manufacturing plants have been employing workers on fixed term contracts in large numbers to meet fluctuations in the volume of production at lower levels of economic cost. They have also been using flexible reorganization of working time, particularly in the forms of overtime and irregular working times, to meet frequent changes in the volume of demand from major corporations. Several governmental and non-governmental organizations have expressed concerns with respect to these practices due to the high degree of insecurity, lack of representation and poor remuneration associated with fixed term employment; and poor work-life balance correlated to intensive working schedule (ZSSS, 2011; SKEI, 2007; LIRS, 2009).

Since their adoption in the mid 2000s, transnational corporate regulatory initiatives have been largely ineffective to bring about improvements for workers exposed to global industry pressures. Concerns with labor conditions among export-oriented electronics manufacturing factories from Slovenia have continued to be approached primarily through traditional channels of trade union representation and social dialogue, with no significant interactions with private governance institutions. In the electronics industry, company level unions have cooperated mostly with their central offices and relied on the national tripartite forum to achieve stronger regulation for fixed term employment. Similarly, with respect to flexible working time and work-life balance, local trade unions used on company and sector level industrial relations institutions to address concerns and facilitate better regulation.

Corporate initiatives for social responsibility in supply chains – an increasingly common institution in Slovenia, largely layered on top of national public regulatory institutions without too much interaction across them. Unions saw little opportunity for these institutions to become effective institutional channels to promote improved employment practices in globally integrated industries. Corporate social responsibility efforts have been promoted and mobilized mostly by civil society organizations that are often left out of the national coordination institutions. These initiatives, however, have focused mostly on charitable interventions and had no real implications on the flexible employment practices of companies.

In what follows, this chapter sets out with a brief presentation of some of the unique characteristics of the Slovenian industrial and institutional context, with a particular focus on their relevance for employment practices and working conditions in the electronics industry. The chapter then proceeds with case study analysis of two electronics manufacturing facilities that operate in Slovenia and are integrated in transnational governance institutions of major corporations, unwrapping the interactions across domestic and transnational regulatory approaches. As facility level concerns become increasingly integrated in national level political strategy to address them, the narrative follows with discussion of key developments at the national level. The chapter concludes with a brief summary of the main trends that emerged in the Slovenian context.

The Shift of Industrial Policy from a Focus on Domestic Capabilities to Foreign Direct Investments: The Transformation of the Electronics Industry

In contrast with other countries from Eastern Central Europe, Slovenia did not rely on foreign direct investment as a cornerstone of its transformation from centrally planned to market economy (Crowley&Stanojevic, 2011). The coordinated labor governance institutions and industrial policies focused on strengthening domestic capabilities set Slovenia apart from other transition economies during the 1990s (Bohle and Greskovits, 2012; Crowley and Stanojevic, 2011; Dimovski, 2007; Feldmann, 2006; Knell, 2005; Bandelj, 2003). Notwithstanding a long history of cooperation with foreign investors during socialism and Western influence to liberalize the inflow of foreign investments, industrial policies during early transition years focused on strengthening the technical capabilities and economic competitiveness of domestic industries (Bohle&Greskovits, 2012; Bojnec, 2000; Svetlicic&Rojec, 1998). The Slovenian government adopted privatization strategies that favored insider groups - employer and employee associations, to keep formerly state-owned companies in domestic ownership and to strengthen domestic interest groups (Bohinc&Brainbridge, 2003; Bojnec, 2000). Accordingly, the inflow of foreign direct investments throughout the 1990s was relatively restricted[54] (Bohle&Greskovits, 2012; Orazem&Vodopivec, 2000).

At the end of the first transition decade, Slovenia's development strategy gradually shifted its focus towards liberalizing trade and foreign investment to promote global economic competitiveness of its economy and acquire greater access to foreign markets (Bohle&Greskovits, 2012; Beko, 2003; Damijan&Mrak, 2005). The new tendency became particularly evident when the center-right party came to governance in 2004. The new Prime Minister replaced the "old" generation of governmental economists with a younger neo-liberal team advocating for radical transformation of economic policies[56]. Domestic and foreign investors were eventually given equal rights to enter and exit business in the Slovenian economy, and as a result, foreign investors came to play a an important role in what is often referred to as "the second wave of privatizations" in the country (Blaszczyk et al, 2003). The government eventually adopted policies and

[54] Specific areas of restrictions included manufacturing of military equipment, rail and air transport, communications and telecommunications, major public utilities, insurance and finance, mass media. Even in areas where foreign direct investment was less restricted, investment by foreign sources had to be approved by Slovenian Privatization Agency and registered at the district courts. Moreover, board members of Slovenian enterprises were subjected to requirements with respect to the nationality of the members.

[56] They were part of the Economic Strategic Council appointed to provide expert advise on economic policies, with a mere consultative role. The Council advocated for greater entrepreneurial liberalization, privatization, redrawal of state controls from the marketplace, and greater emphasis on global competitiveness

programs that actively promoted foreign direct investments in the country, very much like other governments from Eastern Central Europe. The foreign market and capital oriented development strategy eventually became the dominant trend in Slovenia as well, with a special focus on increasing manufacturing of intermediate goods in human and physical capital intensive industries like the electronics and automotive industries (Bandelj, 2003; Bojnec, 2004; Bohle&Greskovits, 2012).

These transformations of Slovenia's economic policies are well reflected in the evolution of the electronics industry over the last two decades. The electronics sector has a long industrial tradition in Slovenia with domestic companies such as Gorenje and Kolektor established during the socialist era. With increasing liberalization of investment and trade policies, foreign direct investment came to play an essential role in expanding electronics manufacturing activities in the country, and integrating them in transnational production networks (Beko, 1999; Svetlicic&Rojec, 1998). For example, a Slovenian manufacturer of lighting systems established in 1921 was transformed into a joint-venture in 1997 at the initiative of a contract manufacturing company from Germany. The latter then purchased the entire company in 2004 and reoriented production to supplying brand corporations from Western Europe. Similarly, Ydria Motors, a Slovenian manufacturer of motors for home appliances became a joint venture with a German firm Alcatel SEL in the 1990s and was then bought completely by the German company in 2001. The skilled workforce and the favorable geographical position of the country greatly facilitated the integration of Slovenia in the global architecture of the electronic industry. The government gradually started to adopt a more pro-active and interventionist approach towards promoting foreign investments in the electronics industry. In the case of a new investment project by Alcatel SEL 2010, for example, the government provided generous support in the form of subsidies for labor costs, to ensure that the investments are made at the local site rather than abroad. The foreign owned Hella Saturnus Slovenije also received subsidies from the government in 2011 to encourage its investments in additional electronics manufacturing capabilities dedicated for export-oriented activities.

By the time Slovenia became a member of the European Union in 2004, most electronics manufacturing companies from the country, both foreign and domestically owned, supplied major brand corporations from abroad (InvestSlovenia, 2008). With more than two thirds of sales destined for Western European markets, around 80 percent of revenues in the industry came from exports (SEEIM, 2010). By the end of 2000s, the electronics sector represented approximately 20 percent of production and employed around 23 percent of the workforce in manufacturing. Electronics manufacturers from Slovenia include companies in foreign or mixed ownerships that supply foreign brand corporations such as Hella Saturnus; subsidiaries of major multinational corporations such as Bosch Rexroth facility; and to a lesser extent, domestic companies that have their own brand, such as Gorenje. Most factories specialize in the development and production of electronic components, electrical devices, equipment and systems[58]. Integration in global architecture of the electronics industry resulted in the introduction of international product and quality standards among most facilities, along with corporate labor and environmental standards promoted through specific implementation strategies by lead corporations (Blaszczyk et al, 2003).

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[58] Key products include electro motors and machines, household appliances, telecommunication equipment, medical and optical equipments, power distribution facilities, electronic manufacturing services, electrical components.

Growing Pressure for Flexible Employment Practices

These changes in the economic development strategy and industrial structure of Slovenia had implications on labor institutions and practices. Labor relations institutions established in the 1990s included a relatively strong and inclusive national tripartite institution, coordinated industrial relations system, and political affiliation across labor unions and social-democratic parties. In the context of increasing integration into the global economy, the Social and Economic Council of Slovenia (SEEE) was also reformed and some of its traditional roles reconsidered (Banerjee&Kozamernik, 2010)[59]. As the relevance of powerful foreign corporations has grown in the industrial system of Slovenia, industrial relations at the company level became increasingly important. Political affiliations across trade unions and political parties have also eroded over time and their relevance diminished by the mid 2000s (Avdagic, 2005). Notwithstanding these changes, however, coordination through the national tripartite institutions and industrial relation at central levels remained relatively strong in the Slovenian context (Feldmann, 2006; Hethy, 2009; Crowley&Stanojevic, 2011)[61].

The issues of employment flexibility and company competitiveness became recurrent themes in the negotiation of employment policies and collective agreements at the national level (Dimovski&Znidarsic, 2007; OECD, 2011; FDI Summit Reports of Slovenia, 2005-2011). As employment legislation in Slovenia had been generally more protective than in other countries from the region, several waves of major reforms were

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[59] Tripartite wage agreement ended in 2006 and sectoral agreements became a primary platform for wage coordination (Banerjee and Kozamernik, 2010).

[61] Radical neoliberal reforms proposed in 2005, including a flat tax system to replace progressive taxation system, were eventually stopped through tripartite negotiations. Slovenia was the only country from Eastern Central Europe where negotiation in the aftermath of the economic recession yielded a social pact.

adopted to promote greater employment flexibility in the Slovenian economy (EIRO Slovenia(b), 2013; Knell&Shrolek, 2005; Vodopivec, 2004). Within the framework of the Social and Economic Council of Slovenia (SEEE), different types of arrangements were discussed among policy makers and social partners as alternative approaches towards greater labor flexibility. Key reforms were adopted in the early and mid 2000s that focused on extending both external and internal flexibility. These changes enabled more flexibility in working hours for greater internal flexibility, and broadened the legal possibilities for fixed-term employment, and legalized temporary agency work for external forms of employment flexibility. The reforms adopted over the 2006- 2007 time period addressed further concerns with flexibility in the Slovenian labor market. Important amendments included allowance of employment by type of work and further extensions of the possible uses of fixed-term of employment.

In this context of gradual liberalization and accession to the European Union, atypical employment contracts and flexible work arrangements have grown increasingly common in the Slovenian economy. Reliance on fixed term employment, overtime and weekend work became some of the most prominent sources of flexibility in the Slovenian economy (EFLWC, 2009). *Fixed-term employment, also referred to as temporary employment,* refers to jobs whereby the employer and employee agree that the end of the employment contract is determined by objective conditions such as a specific date, the completion of a task, the return of another employee who has been temporarily replaced (EIRO Slovenia(b), 2010). As this form of employment does not entail firing costs and is often associated with lower levels of compensation, it has become quite common in the Slovenian economy. Its use is often related high levels of volatility and uncertainty regarding future demands in various industries (IMAD/UMAR, 2012).

The prevalence of temporary employment in Slovenia is above the average in the European Union, and the gap has widened since its accession in 2004 (IMAD/UMAR, 2012). The proportion of fixed term employees in Slovenia grew from 13.5 percent in 2001 to 18.4 percent in 2007 (Eurostat, 2013). In comparison, the share of fixed term employment in Romania and Hungary, were 1.2 and 7.2 percent respectively. Temporary or fixed-term employment in Slovenia includes those contracted through labor agencies as well, but the penetration rate of temporary agency work in Slovenia has been still relatively low at .58% of the total workforce[62]. The European level survey of companies conducted in 2011 also reflects these divergences. While in Hungary only around 5 percent of companies reported using temporary employment, in Slovenia this proportion was nearly a quarter of Slovenian companies (EFLWIC, 2009). The economic sectors that utilize temporary employment include industry, commerce and logistics sectors. In the industrial sector, they are particularly common among large, mostly foreign owned and export oriented manufacturing companies (CIETT, 2009).

Table nr. 5.1. The share of temporary employees in total employees

	2005	2006	2007	2008	2009	2010
Hungary	7.0	6.7	7.3	7.8	8.4	9.6
Romania	2.4	1.8	1.6	1.3	1.0	1.1
Slovenia	17.2	17.1	18.4	17.3	16.2	17.1

Source: Eurostat, Labor Force Survey Series

Another important form of flexible employment that has been commonly practiced by companies operating within the Slovenian context is the intensification of work through *flexible working time arrangements*. These include long-term time accounts (as a form of flexi-time), overtime, night and weekend work, etc (EFLWIC, 2010, 2007). The use of employee-friendly flexible forms of work – such as autonomous working teams, job rotations, job sharing, however, lag far behind the use of more employee-unfriendly forms of flexibilisation. The share of companies using overtime over the last year has also been more significant in Slovenia at 57%, relative to 49% in Romania and 47% in Slovenia (EFLWIC, 2009; 2010). Finally, work at irregular hours has also been quite significant among Slovenian companies, including work in the weekends and work in shift systems (the share of companies that engaged in work on Sundays has been 24% in Hungary, 29% in Romania and 39% in Slovenia; work in shift systems was 22% in Hungary, 28% in Romania and 39% in Slovenia). These contrasts reveal that flexibility in Slovenia was met to a significant extent through internal reorganization of working times of employees.

Table 5.2.: Percentage of companies that engage in flexible work practices in 2009

	Long-term time accounts	Overtime	Sunday work	Shift work
Slovenia	7	57	39	39
Hungary	1.5	49	24	22
Romania	4	47	29	28

Source: Eurofound, 2009, European Working Conditions Observatory

Fixed-term employment and flexible working times have been criticized by labor and civil society organizations from Slovenia and abroad due to their precarious natures. Fixed term employment is connected to a high sense of insecurity and less protection, especially for relatively low skilled jobs (Eurofound, 2010; makeITfair, 2010). The risk of poverty among temporarily employed people is much higher than among those who have permanent jobs (Slovenian Development Strategy, 2012). Improving working conditions and employment relations for fixed term employees was therefore identified as an important area of focus by Slovenian trade unions. According to representatives of the Association of Free Trade Unions of Slovenia (ZSSS), the scope of employment of fixed-term employees has been marked by a whole set of violations of employment law, particularly with respect to the repeated re-employment through temporary contracts and the unequal status of temporary workers compared to permanent employees. "Temporary workers do not receive the relevant tariff classes [of wages] and their remuneration is generally at minimum wage, they remain deprived of their compensations for meals and transport for work, holiday allowance, add-ons for job performance, Christmas bonus. They generally have fewer holidays and sick benefits, while absence is often punished with termination or non-renewal of the short term contracts".

The increasing flexibility of working time schedules has been another important concern for trade unions from Slovenia due to the higher rates of workplace injuries, inadequate payment of overtime, and poor work-life balance. Intensification of work through overtime and irregular hours has also been associated with poor work-life balance among employees (EFLWIC, 2009). According to representatives of labor unions from Slovenia, overtime practices present particularly important challenges for senior workers and workers with families. The regulation of temporary employment and overtime therefore represented important areas of concern in the national regulatory framework through the 2000s.

The pertinence of these issues in Slovenian regulatory politics is also revealed through official reports of the Slovenian Labor Inspectorate as they identify atypical forms of employment and working time as some of the most common areas of violations in Slovenia in the mid 2000s, along with informal work and employment of foreign workers. In 2005, for example, approximately 8 percent of employment contract violations, which represented by far the biggest chunk of employment violations, were connected to the legality of employment relations with temporary workers (LIRS, 2005). Most frequent violations related to fixed-term employment contracts included: contracts being concluded for jobs that constitute part of the regular activity; exceeding time limitations; incomplete contracts, etc (LIRS, 2009). Additionally, around 10 percent of total number of violations in 2004 referred to irregularities with the legality of working hours, including working time, irregular work, assignment of working times and annual leaves (LIRS, 2005). The most common breaches related to working time violation included: going over the limitations of number of overtime hours per week, lack of adequate remuneration of overtime work, lack of adequate notification and management of overtime accounts for employees (LIRS, 2009).

Layering of Private and Public Institutions: Regulation of Fixed-Term Employment and Working Hours

Flexible employment practices have become particularly prevalent over the last decade in export-oriented manufacturing industries including the electronics manufacturing sector (EFLWIC, 2009; EIRO Slovenia(a), 2013). Representatives of the Association of Free Trade Unions of Slovenia (ZSSS) and Trade Union of Electronics Industry of Slovenia (SKEI) expressed concern repeatedly over the high share of temporary workers and the common use of "unsocial" flexible working schedules in the electronics industry (Dnevnik, 2011; SKEI, 2010). Employment through fixed term contracts has become a common way to avoid severance payments and cumbersome firing procedures. The share of temporary employees among electronics manufacturers often reached 50 percent of the workforce. Employees hired through temporary contracts were generally more likely to work for long hours and lower pay, in the hope that they can become full-time employees. Local management of export oriented electronics facilities required from all its employees on a regular basis to work over-time and at irregular hours without proper notification in advance, leaving little autonomy for workers over their working schedules. These practices undermined the work-life balances of employees and generated significant tension between local managers and trade unions in the mid 2000s. Notwithstanding the transnational corporate social governance institutions that most facilities were integrated into, precarious employment practices persisted throughout the 2000s.

1. Labor concerns at two major electronics manufacturing facilities

Two electronics manufacturing companies located in the proximity of Ljubljana that manufacture for major brand corporations from Western Europe illustrate relatively well the propensities of electronics manufacturing facilities towards increasing employment flexibility and work intensity. Facility Slovenia Electronics 1 (SE1) is an electronics manufacturing plant that specializes in the production of components for and assembly of electronic motors used in both consumer and industrial products. Manufacturing at this site is dedicated to serve the end markets of a major Western European brand-corporation, and accordingly, most of its production is exported to Europe. The state of the art plant was set up in 2004 with an investment of around five million Euros and employed around 300 workers in 2010.

Facility Slovenia Electronics 2 (SE1) is an electronics manufacturing company with approximately 2000 employees that specializes in the development and manufacturing of lighting equipment for automobiles, such as headlights, fog lamps, daytime running lights and single- and multi-function lamps. The company was established during the socialist era but was bought and modernized by a German company at the end of 1990s. The company made significant investments in extending and upgrading the physical technologies of the facility as well as in improving production processes to expand its export oriented activities. Today, it represents one of the major exporters from Slovenia with 90 percent of production dedicated to exports. The basic characteristics of these facilities are illustrated on Table 5. 3.

Table 5.3.: Basic characteristics of the electronics facilities from Slovenia

Characteristics	Facility SE1	Facility SE2
Established	2004	1997
Size (Number of employees)	300	2000
Production profile	Assembly, components	Assembly, components, research and development
Lean manufacturing management system	Yes	Yes
Volatility (share of lowest production in highest level of production volume)	75%	70%
Workplace representation (unionized)	Yes	Yes
Share of temporary workers	25-50 percent	50 percent
Role of temporary workers	Lower skill, direct	Lower skill, direct

These two facilities adopted very similar labor practices over the last decade to address the high degree of volatility in the volume of production. Factory Slovenia Electronics 1 (SE1) employed several employees for only limited time periods and asked for overtime work on a regular basis. The share of temporary workers at this facility oscillated between approximately a quarter and half of the workforce, depending on the volume of orders. According to union representatives at the facility, these workers were generally not provided the same benefits and bonuses as the workers hired through open-ended contracts. Temporary employees, for example, were not eligible for payment to cover their meals at and transportation to the workplace. They were also more likely to be asked to work in weekend and do over time. Among the regular employees, complaints about the instability of their working schedules and requirements for overtime without proper notification in advance was one of the main sources of tension at the factory. One of the workers at this factory recounted how she was called in to work on Saturdays frequently, leaving her with no immediate solution to provide care for her children.

Notwithstanding great economic success that has earned considerable recognition by Slovenian officials and public, approximately half of employees at facility Slovenia Electronics 2 (SE2) were hired through temporary contracts at the end of the 2000s. Employees contracted for a limited time or until the finalization of a specific project, were often hired repeatedly through these temporary assignments, without transitioning them to open-ended contracts. In addition to the high share of temporary employees and precarious working conditions provided for them, labor unions and local media also criticized the facility for excessive overtime and heavy shifts required from workers. While these practices were common among both regular and temporary employees, they were especially problematic among temporary employees. Temporary workers at this facility recounted several occasions when they were required to take on six hours of overtime after a regular 8 hour long shift, and then asked to do the same the next day. These requests were often made without prior notification in advance to allow for employees to make appropriate adjustments in their personal lives.

2. Increasing segmentation of labor regulation

In the coordinated institutional context of Slovenia with strong employment protection and implementation of regulation facilitated by a coordinated industrial relations system, the growing presence of foreign export-oriented manufacturing companies exerted considerable pressure for more flexible employment practices. Similarly to the case of Hungary, regulation of the labor market became increasingly segmented between temporary and open-ended contracts. While the legal origins of temporary employment reach back to the socialist era, this form of employment was relatively well protected and less prominent during the early 1990s. Neoliberal reforms in the early 2000s, however, broadened the base of contracting temporary employment in the Slovenian economy and removed a set of restrictions regarding its use.

The regulation in place during most of the second half of the 2000s specified a rather broad and ambiguous set of conditions for the use of fixed term employment. The conditions of use included completion of work that is of limited duration by its nature, replacement of a temporarily absent worker, as well as seasonal work, project work, temporarily increased volume of work (Articles 52-56 of the Slovenian Law on Labor Relations). Several of the stipulations allowed considerable freedom of interpretation regarding the legitimate use of temporary contracts. In case of termination of the term, termination of the work, or upon cessation of the reason for which the contract was concluded, the contract could be terminated without the obligation for the employer to pay severance payment (Article 77, Employment Relations Law). Similarly, regulation of working time has also gradually become more liberal in content. State regulation during the end of the 2000s continued to specify 40 hours as the full-time working time, but was reformed to allow for more flexibility around it. A working week could be set for shorter or longer, within the limits of 36 hours set as the minimum and 56 hours per week (Article 142, Employment Relations Law).

The legislation in place also spelled out a set of restrictions in place. Slovenian laws prescribed that during fixed term contract, the parties have the same types of obligations and rights as employees contracted for indefinite time periods (Articles 52-56 , Employment Relations Law). The employer was prohibited from including one or more successive fixed term contracts with the same worker for the same position longer than two years, without an interruption of at least 3 months. Similarly, the possibility for extensions of working hours close to 56 hours long workweeks had to be specifically agreed on in the frameworks of individual employment contracts or collective agreements. Moreover, obligation of overtime had to be ordered prior to the commencement of work and notified in writing whenever possible (Article 143, Employment Relations Law).

Implementation of restrictions regarding the use of temporary employment and overtime has, however, been rather challenging throughout the 2000s. In the context of coordinated industrial relations system, trade unions play an essential role in facilitating the application of state legislation and collective agreements in the Slovenian economy. This has been more challenging with respect to the regulation of working time and fixed term employment due to a combination of institutional and structural reasons. The involvement of collective representation and bargaining at the sector level - the dominant level of industrial relations in Slovenia, with regulation of working hours and atypical employment was more limited in the 2000s. Notwithstanding full coverage of collective bargaining in Slovenia, temporary employees were generally not members of unions in Slovenia. Additionally, the increasing presence of foreign manufacturing companies with great economic and political significance weakened coordination across management and employees' organizations to address concerns. Finally, state enforcement agencies were often unable or unwilling to restrain the practices of large corporations that compete in global markets.

The main focus of the Steel and Electronics Industries Union of Slovenia (SKEI), one of the main labor union organizations in the electronics industry that represents employees at both facilities Slovenia Electronics 1 (SE1) and Slovenia Electronics 2 (SE2), has been on negotiating basic wages and payment increases for workers employed in the electronics and metal industries. With a sectoral density of approximately 30 percent of employees in the metal and electronics industries, the Steel and Electronics Industries Union of Slovenia (SKEI) participates along with two other unions, SKEM and SKEIE in sector level collective bargaining with the Chamber of Commerce and Industry of Slovenia (GSZ). Collective agreements in the electronics industry did not extend or restrict working week over the second half of the 2000s (EIRO Slovenia(b), 2013). The involvement with regulation of atypical forms of employment has also been marginal, although Steel and Electronics Industries Union of Slovenia did participate in union protests in 2011 to prevent the adoption of new precarious forms of employment. These protests were initiated by the Free Trade Union Association of Slovenia (ZSSS), one of the major labor union confederations from Slovenia that SKEI is a member of.

Notwithstanding full coverage of collective bargaining that extends to temporary employees, several labor unions from Slovenia made attempts to represent temporary employees directly in industrial relations, but with limited success. Representatives of the Trade Union of Electronics Industry of Slovenia (SKEI) union from Ljubljana noted: "These employees are sometimes concerned that given their short term of their contracts they won't be able to reap the benefits. Other times, they are concerned that considering their insecure position at the company, their membership in the union might reflect negatively on the possibility of getting a permanent assignment at the company. As atypical employees are generally young employees, they are also less likely to be interested in becoming union members." Collective representation at the two facilities included 35 and 40 percent of employees respectively, but only a few members were temporary employees.

In addition to the limited focus of sector level industrial relations on working time and temporary employment, union representatives also noted the challenges with domestic regulation in the context of changing industrial structure in Slovenia and growing power asymmetry across foreign companies and local management. In the context of high volatility and pressure to keep manufacturing sites competitive in the global market, labor unions often faced significant challenges in coordinating with local management to ensure implementation of state laws and collective regulation. Industrial relations at the company level has become less effective in dealing with the growing concerns regarding precarious employment practices, and state enforcement agencies have been largely unsuccessful to fill in the opening regulatory gap. Representatives of the local unions reported these practices to the local inspectorate even though they believe that the local management at facility Slovenia Electronics 2 (SE2) and other companies from Slovenia have multiple sets of records keeping documents "one for payroll and one for inspectors and auditors". "When the Labor Inspectorate announces the management of the company about their arrival and instruct them to prepare records of working time, it is clear which records will the employer present" noted one of the union representatives. It is perhaps of little surprise then that these practices have persisted for years now, with little improvements over time.

3. Transnational corporate regulation of flexible employment practices

In addition to the domestic regulatory system in place to address labor concerns, transnational corporate social responsibility initiatives have grown more common over the last decade as Slovenia became increasingly integrated in global production regimes. Both manufacturing sites included in the study were integrated over the second part of the 2000s in the transnational social governance initiatives of the major corporations they manufacture. While facility Slovenia Electronics 1 is integrated into a transnational private regulatory system of Corporation Electronics 3 that puts more emphasis on stakeholder engagement, facility Slovenia Electronics 2 is governed by more audit and compliance oriented corporate efforts of Corporation Electronics 4. The transnational private regulatory programs of Corporations Electronics 3 and 4 are rather similar in style of implementation to the corporate social responsibility programs of Corporations 1 and 2 that supply from Hungary and Romania.

Corporation Electronics 3 is a major brand corporation from Western Europe that specializes in electronics consumer appliances and industrial equipment. This company has had specific programs in place to promote the social welfare of its employees and their communities since its foundation about 100 years ago. Social responsibility towards workers and their communities is therefore strongly rooted in the company's tradition.

Later reforms of its corporate social responsibility program to bring it in line with initiatives of other major corporations and industry associations from the electronics industry, including the Electronics Industry Citizenship Coalition (EICC), were inclusive of labor unions in both the design and implementation stages. The new principles of social responsibility of the company were adopted in 2006 with the extensive input of labor unions of Corporation Electronics 2 and of main manufacturing sites. After a long negotiation process, the basic principles today include basic human rights and labor norms as defined by the International Labor Organization (ILO). More specifically, these include the basic human rights, equal opportunities, integration of handicapped people, free choice of jobs, rights of children, relations with representatives and their institutions, fair working conditions, occupational health and safety. Implementation of these standards also relies considerably on involvement of unions with emphasis on their role in overseeing compliance throughout manufacturing sites and addressing non-compliances through corrective solutions. In case of criticism by non-governmental organizations due to inadequate environmental protection or poor working conditions, the company generally runs special audits to investigate these concerns in greater detail.

Facility Slovenia Electronics 2 (SE2) is integrated in the transnational corporate coordination system of a major corporation from Western Europe that is more compliance oriented in its implementation. This corporation has explicit social standards in place and initial evaluations of these social standards are integrated into the company's quality and technical audits performed at manufacturing sites. Implementation relies mainly on the activities of compliance officers who are responsible for monitoring and following up reports on breaches of these standards. The compliance officers include the managing directors of the company, the plant managers, and specially trained corporate auditors. Once a breach of standard is detected by or reported to the officers, the audit team examines the issues and adopts corrective action plans if needed. These measures of evaluation and monitoring are part of the corporation's strategy to ensure major buyer corporations about the compliance with basic social standards promoted by globally integrated electronics and automotive industries.

4. Institutional layering at the electronics manufacturing facilities

Notwithstanding alternative approaches towards addressing labor concerns, synergistic interactions across transnational private and national domestic regulation have been largely absent throughout the 2000s at the electronics manufacturing facilities located in Slovenia. Transnational corporate governance initiatives mostly layered on top of domestic public institutions in Slovenia, and generated no significant improvements in regulation of temporary employment or working times. Changes in flexible working time practices at facilities Slovenia Electronics 1 and 2 proceeded mostly from industrial relations at the company and sector levels, with no interaction with transnational social responsibility initiatives of lead corporations. The share of temporary employees continued to remain very high and precarious working conditions largely persisted throughout the 2000s.

In the context of coordinated and centralized labor relation institutions in Slovenia, concerns with precarious labor standards have been approached mostly through traditional institutional channels: industrial relations and tripartite institutions. With strong sector level unions in place that coordinate relatively closely with both company and national level unions in an effort to strengthen labor regulation, there has been no incentive to engage with alternative transnational private initiatives. The coordinated and centralized character of labor relation institutions facilitated the escalation of concerns regarding temporary employment to the national tripartite institutions – the main locus of the political strategies of labor unions in Slovenia to improve regulation of atypical forms of employment. Coordination with sector level unions also played an essential role in addressing concerns with respect to flexible working time practices through the industrial relations system of Slovenia. Within this context, trade unions made limited efforts to engage with corporate social responsibility initiatives to promote their own interests. To the extent that trade unions considered the opportunities that the increasingly prominent institutions could potentially offer to improve labor regulation, these also took place within the framework of the national tripartite institution of Slovenia, albeit with no significant implications. Corporate social responsibility initiatives generated more interest among civil society organizations that have been included in the political decision-making less systematically and saw corporate social responsibility programs as opportunities to promote their diverse interests in social issues.

a) Company level measures regarding working time management

In contrast with the persistence of high share and insecure status of temporary employees, regulation of working time improved at both facilities over the second half of the 2000s. Improvements included mainly the inclusion of workers' representatives in decision-making process regarding scheduling overtime and weekend work, with consideration given to the personal preferences and constraints of employees. Labor union representatives also reported a decline in the extensiveness of overtime over the years. The main channel through which these improvements were achieved consisted in coordination across management and trade unions in the framework of sector level industrial relations institutions. The Steel and Electronics Industry Union (SKEI) – one of the main trade unions that organizes employees in the electronics industry – have traditionally coordinated with company level unions on regular bases to address labor concerns across facilities. The Steel and Electronics Industry Union (SKEI) commonly guided and supported local efforts to negotiate with local management. Occasionally, it also intervened directly to put pressure on employers through protests or negotiations with the electronics department of the Slovenian Chamber of Commerce and Industry (GZS)[66].

As flexible working time arrangements became increasingly common during the mid 2000s, labor unions at facilities Slovenia Electronics 1 (SE1) and Slovenia Electronics 2 (SE2) eventually used the industrial relations system to address growing concern among the workforce about the excessiveness of these practices. This time period coincided with the launch of the transnational corporate social responsibility programs of Corporations Electronics 3 and 4. While representatives of the unions were aware of the presence of these new institutions, they largely ignored their potential relevance to improve regulation of labor practices on site. Rather, representatives of trade unions at the facilities informed and coordinated with top-level representatives of the Steel and Electronics Industry Union (SKEI) to address labor concerns. As company level trade unions are integrated into sector level representation and negotiation – the strongest level of industrial relations in the Slovenian context, this was seen as an effective and easily accessible institutional platform to promote their interests in

66 In 2013 for example, SKEI organized major protests in front of the headquarters of the Chamber of Commerce and Industry (GZS) in Ljubljana to demand coordination regarding basic wages in the industry and overtime payments (UMAR, 2013).

improving working conditions for their employees.

With the guidance and support of the Steel and Electronics Industry Union (SKEI), company unions at both facilities initiated consultations with local managements and proposed a set of administrative solutions to ensure better monitoring and management of working time assignments among the employees. These included joint monitoring of the working times by the human resources management and labor unions, regular discussions around the issue of working time during weekly meetings, and regular communication between union representatives and employees at the facilities about their working time schedules. As a result of these changes, both facilities made progress with respect to regulation of working hours of employees by strengthening coordination across local management and unions regarding the overtime and irregular hours of employees. Implementation of the proposed measures was more complete at facility Slovenia Electronics 1 (SE1) than Slovenia Electronics 2 (SE2), as the volatility and volume of production has also declined somewhat during the economic recession. Excessive overtime has been more persistent at facility Slovenia Electronics 2 (SE2), but the improved coordination between union and local management enabled the union to limit the exploitative practices of local management. Senior employees and workers with families represented a particular focus of the union's efforts to facilitate more work-life balance for employees. These efforts in the framework of the company level labor relations focused primarily on regular employees, but the trade union representative at facility Slovenia Electronics 1 (SE1) in 2011 claimed that they were working on extending their efforts towards temporary employees as well.

b) Coordination with sector and national level labor relation institutions to address concerns regarding temporary employees

While coordination across workers' and employers' representatives often resulted in corrective actions to address labor concerns in the Slovenian economy, this has not been the case for complaints regarding temporary employment at facilities SE1 and SE2. At facility SE1 union complaints about the high share of temporary employees were met with resistance by the local management. They claimed their practices were compliant with domestic regulation and emphasized the importance of more employment flexibility to maintain economic competitiveness. The human resource management representative also insisted that temporary employees, particularly the ones contracted from local agencies, were a great source for recruitment of employees at their facility. The reactions of local managers were fairly similar at facility SE2. The union at this site prepared a report about the presence and occupational status of temporary employees at the site and emphasized the divergence of some of the local practices from the regulatory guidelines stipulated by national legislation. The local management, however, remained indifferent to the union's analysis and requests to remediate their practices.

While both facilities were integrated in transnational corporate social responsibility approaches, the unions did not consider using them as institutional alternatives to put more pressure on local management or engage representatives from the lead corporation to address concerns at the facility. Unions from Slovenia generally considered that "while the corporate social responsibility initiatives don't hurt, they simply reinforce statutory regulation or collective agreements, and do not really add to them", as was noted by a representative at facility SE1. Local management at facilities SE1 and SE2 shared similar views regarding the transnational regulatory approaches of their lead corporations. The Human Resources Manager of site SE1 considered corporate policies with respect to social responsibility to be "completely overlapping with the Slovenian employment regulation". Moreover, she also expressed confidence that the well-functioning of the human resources department in cooperation with other departments at the facility, and coordination with the local union and workers council, was sufficient to ensure implementation of national laws and of the collective agreements. At site SE2, a representative from the human resource departments noted that the implementation of codes of conduct of the parent company and of buyers is a positive re-enforcement of voluntary corporate values, but noted that the same principles have been regulated through a more control-and-command style approach of the Slovenian state and through coordination with unions. When representatives of a global buyer corporation inquired about the overtime of temporary employees working on the assembly line in 2008, for instance, the facility representatives reassured private auditors about their efforts to remain within legal limits through extensive cooperation with the local union.

Local unions continued to rely on traditional institutional channels to address deficiencies in the implementation of state regulation, and to exert further influence on flexible labor practices at facilities. While regional labor inspectorates were considered to be relatively effective to enforce state regulation during audits, union representatives also remarked a potential conflict between the political will of the Slovenian state to maintain its commitment towards implementation of laws and the increasing dependence of the economy on employment flexibility. Coordination with sector level unions was seen as a more effective and reliable institutional approach to both exert pressure on local management, as well as to facilitate the adoption of new measures regarding particular areas of concerns, as was the case with working time flexibility. Instead of engaging with corporate regulatory institutions to exert more pressure on local management to change their practices, union representatives from both facilities coordinated with sector and national level representation to address regulatory deficiencies regarding temporary employees.

In the context of ongoing debates about labor market flexibility and regulation of atypical forms of employment at the national level, the Steel and Electronics Industry Union (SKEI) coordinated on these issues with the Free Union Association of Slovenia (ZSSS) to develop a national level strategy to improve labor regulation of temporary employment. The Free Trade Union Association of Slovenia (ZSSS) has played an important role in influencing labor, health, occupational safety legislation through the Social and Economic Council of Slovenia (SEEE). The company level union at facility SE2, for example, communicated with SKEI representatives on a regular basis and provided data on the manifestations of temporary employment in practice, to inform and support collective action at the central level. The leadership of the Free Union Association of Slovenia (ZSSS) from Ljubljana, for example, made a public statement in 2010 against the high share of temporary workers at the facility SE2. The trade union pointed out that the use of temporary workers at the site steps well beyond the cases stipulated by the labor law and argued that some workers had been at the site for longer than two years, without being transferred into the permanent stock. Similarly, the management of facility SE2 became increasingly involved in national efforts to influence state regulation regarding temporary employment through participating in the employers' association, the Slovenian Chamber of Commerce. The management considered flexible employment to represent "one of the main sources of economic competitiveness in the global market of manufacturing electronic components".

Concerns with the precarious nature of temporary employment at the facilities therefore got folded up to the central level to be addressed through national interest representation and political maneuvering. Considering the relative effectiveness of the Free Union Association of Slovenia (ZSSS) to influence state legislation and coordinate with national employers' associations regarding implementation (Crowley&Stanojevic, 2011; Visser, 2011), the main strategy of the unions has been to focus their efforts on the Social and Economic Council of Slovenia (SEEE). Even though cooperation across major union confederations has traditionally been relatively good in the Slovenian context, collective action around the issue of atypical forms of employment was particularly strong. As corporate social responsibility layered on domestic regulatory institutions that facilities SE1 and SE2 were integrated into without any significant interactions across them, facility level concerns regarding temporary employment became integrated in the political strategies of Slovenian labor unions at the national level.

5. **Public and private regulatory interactions at the national level**

In the context of strong coordination across industrial relations at different levels and the growing salience of labor flexibility in the political economy of Slovenia, company level concerns regarding temporary employment became integrated into national regulatory politics ongoing in the framework of the Social and Economic Council of Slovenia (SEEE). The SEEE stands out as an effective institutional framework for interest reconciliation in the Eastern Central European region. While in most countries, the effectiveness of labor unions to obtain legislative and policy concessions has been rather limited (Avdagic, 2005), the influence exerted by labor unions in Slovenia over consultations in tripartite forums has been much stronger (Crowley&Stanojevic, 2011). The significant leverage of labor unions over the SEEE is illustrated relatively well by an incident from 2006 when the labor unions were dissatisfied with the approach of the Minister of Labor, Family and Social Affairs during tripartite negotiations on flexible employment policies. Their complaints to the Prime Minister of the central-right wing government in power during that time period resulted in the replacement of the Minister of Labor. Once a new minister was appointed, trade unions continued negotiations with the new representatives of the Ministry and employers' organizations.

a) Public regulatory developments regarding employment flexibility

Both employers' organizations and labor unions have been strongly involved in national deliberations regarding regulation of flexible forms of employment. Major labor unions from Slovenia, including the Free Association of Trade Unions (ZSSS) and other union confederations, have been highly critical of the increasing reliance on atypical forms of employment and the precarious character of the working conditions associated with them. Trade unions regarded flexible employment practices as a threat to labor standards, with a representative of ZSSS noting: "increase in temporary work cuts the number in permanent employment and increases social exclusion and poverty, all in the name of economic competitiveness". Similarly, a representative of Pergam, another important labor union, remarked: "temporary work is the most precarious form of employment. Temporary employees have considerably fewer rights and therefore represent a cheaper source of labor for employers. .... As state regulation has been rather ineffective to enforce constraints on the use of temporary employment, it will gradually oust regular form of employment". Major employers and employer organizations, on other hand, understood atypical forms of employment as important source of labor market flexibility in the context of highly protective regulatory framework of regular employees. Representatives several major electronics manufacturing facilities operating in Slovenia expressed that temporary work represents an important source of flexibility to respond to volatility in orders and enables them to create new employment possibilities. Accordingly, employers' associations have been advocating for the removal of constraints on the use of temporary employment.

Public regulation of temporary employment has therefore been the source of major political contestations across labor unions, employers' associations and the national government over the last decade. Labor law reforms adopted in 2007 regarding temporary employment, for example, were the result of a year-long consultation and negotiation across the state and social partners in the framework of the Social and Economic Council of Slovenia (SEEE). While both parties agreed on the necessity to introduce greater flexibility in the labor market, employers' association proposed the removal of all or most restrictions on the use of temporary employment, while labor unions demanded for more equitable rights across temporary and regular employees. Occasionally, political negotiations in the framework of the SEEE were complemented with protests organized by the labor unions. In 2010, a controversial legislative proposal was debated in national institutions that would have allowed for unemployed, students and pensioners to work up to 60 hours per week and 720 hours per year. This would have been considered temporary work but with significantly fewer rights, such as lower pay, no reimbursement of work-related expenses, remuneration for sick or parental leave, holiday allowance or severance pay. The leader of ZSSS who was a member of the workers' group on the SEEE, however, organized major protests in front of the Chamber of Commerce and Industry of Slovenia (GSZ) and called for a national referendum. The law was eventually defeated by 80 percent of the votes cast against the proposed legislation. National debates regarding regulation of working time, including that of overtime work, were sometimes equally controversial. By the end of the 2000, however, the center point of the conflict over working time flexibility gradually moved to industrial relations at the sector and company levels.

b) Considering private regulation at the national level

As a main institutional platform for interest reconciliation, the Social and Economic Council of Slovenia (SEEE) was also one of the first public arenas where the potential role of corporate social responsibility was considered for the Slovenian economy. In the context of major reforms adopted in the first part of the 2000s to facilitate the accession of Slovenia to the European Union, the Free Association of Trade Unions (ZSSS) initiated discussion about corporate social responsibility with the national government and employers' associations about the concept and potential relevance of corporate social responsibility. The concept resonated relatively well with representatives of both the national government and social stakeholders as it was connected to the socialist legacy of Slovenia, when social responsibilities such as ensuring full and life-long employment, providing housing and health care for workers and their families were delegated to companies.

Notwithstanding this shared proclivity towards a past when the economic and social responsibilities of large companies converged, social stakeholders had very different understandings regarding the exact definition and practical relevance of corporate social responsibility in the contemporary world. State representatives understood corporate social responsibility as a potential instrument to encourage partnership with the private sector in providing social benefits and an inter-ministerial working group on Corporate Social Responsibility was soon set up in 2004 to consider its integration into state institutions and operations[67]. Labor unions understood corporate social responsibility mainly as employee friendly approaches throughout the entire production process, including health and safety measures, secure contracts and decent wages. Finally, the business sector interpreted corporate social responsibility mainly as social philantrophy for local communities. The director of one of the main employers' association, the Chamber of Commerce and Industry of Slovenia, remarked that if businesses were to adhere to the union's interpretations of corporate social responsibility, around half of the businesses operating in Slovenia would have to be closed[68]. These differences eventually obstructed for the concept and practice of corporate social responsibility to become an essential part of public policies in Slovenia[69].

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67 This initiative remained fairly fruitless and was short-lived, with no significant consequences on state policies and programs.

68 Representatives of labor unions attribute this narrow interpretation of the concept by managers and representatives of employers' associations to the new generation of leadership of corporations that emerged around the 2000s when a lot of the domestic companies were privatized and new generation of managers trained by business schools got hired, eventually leading to a private sector leadership with a strong "cost-reduction" mentality.

69 Some rather limited measures have been adopted in the Slovenian Companies Act amended in light of EU Directives on CSR (2003/51/EC and 2006/46/EC), which stipulates for companies to include in their reports information relating to environmental and employee matters. Moreover, companies whose securities are traded on regulated markets are required to disclose in their annual reports the corporate codes of conducts to which they adhere.

Labor unions from Slovenia have continued to remain reluctant during subsequent years regarding the potential and effectiveness of private regulatory efforts to address labor concerns in Slovenia. With the growing presence of industrial establishments governed by transnational corporate institutions, however, labor unions would occasionally appeal to the commitment of these large corporations towards social responsibility. In 2010, for example, the Free Association of Unions of Slovenia (ZSSS) made reference to the corporate social responsibility program of facility SE2 to emphasize the contrast with its relatively irresponsible labor practices and demand the employment of temporary workers through regular contracts. Contrary to similar references made by the Romanian government regarding facility RE1, however, these comments were limited only to general statements to the national media with no further coordination with company level unions and representatives of the headquarter corporation regarding the implementation of socially responsible practices. In fact, these statements were made mostly to influence public opinion within the context of national political contestation.

Over the last years, however, it has been mostly civil society organizations that engaged more actively with corporate social responsibility initiatives in the Slovenian context. Left out of the traditional coordination institutions, these organizations adopted a more active role than unions in promoting and guiding the social responsibility efforts of large companies that operate in the Slovenian economy. These programs covered a relatively broad range of social objectives for communities but have rarely focused on improving employment practices for workers. While exceptions exist, as is the case with Ekvilib, a civil society organization established in 2003 to promote the concept and practice of Corporate Social Responsibility (CSR) that developed a certification program of socially responsible employers, these initiatives have been largely ineffective so far to promote real change in the behavior of large industrial establishments.

Conclusions

This chapter illustrated that in a national context with coordinated labor relation institutions, private regulatory initiatives of large multinational corporations are largely redundant. The transnational corporate social responsibility initiatives of large corporations that manufacture in Slovenia have layered on top of domestic labor relation institutions without significant interactions across them to promote regulatory improvements.

The increasing integration of the Slovenian economy into transnational production regimes generated significant pressure for employment flexibility throughout export-oriented industrial facilities, including the electronic manufacturing sector. In the context of a strong tripartite forum in place, a variety of external and internal forms of employment flexibility have been considered. With relatively weaker restrictions set on temporary employment and flexible working time regulation, increasing reliance on temporary employment and frequent changes in working time schedules have become particularly common in the electronics sector of Slovenia. The precarious nature of working conditions associated with these practices generated considerable concern among labor unions and civil society organizations.

The implementations of transnational regulatory initiatives have been relatively ineffective at bringing about improvements in the regulation of these precarious practices.

To the extent that improvements did take place, they were mostly the result of union strategies in the context of domestic labor relation institutions that have traditionally served to promote regulation since the collapse of the socialist regime. Coordination with sector union and local management constituted the primary strategies to provide greater autonomy and social protection for employees regarding overtime and irregular working hours. With respect to temporary employment, company unions relied mostly on coordination with sector and national unions and consequently, on tripartite institutions, to exert pressure on employers for more socially responsible practices that are in compliance with national regulation.

The national institutional context played an important role in limiting the emergence of private-public, transnational and national regulatory complementarities. First of all, in the context of strong tripartite and industrial relations systems with significant coordination across labor unions, the state and employers' associations, there was little incentive to engage with alternative institutional channels to achieve stronger regulation of labor concerns in globally integrated industries. Second, strong coordination across labor unions at different levels to facilitate industrial relations with corporate representatives left little space of maneuver to experiment with alternative approaches at the company level. Finally, as enactment and implementation of regulatory guidelines in Slovenia relied more on strategic interactions at different levels of the industrial relation system, state regulation on its own was likely to render legitimacy to corporate pressures towards better regulation without the engagement of labor unions.

The implementation of both stakeholder and compliance oriented transnational regulatory approaches were mostly irrelevant in this context, with little differences across them. The incentives and opportunities regarding corporate social responsibility initiatives of large corporations have been somewhat more significant for civil society organizations, but with no significant implications on labor standards at export-oriented facilities.

Chapter 6:

Discussion and Conclusions

The previous empirical chapters examined the institutional conditions of public-private regulatory complementarities in three different national contexts from Eastern Central Europe. Since the collapse of the socialist regime, Hungary, Romania and Slovenia have become increasingly integrated into the global electronics industry, albeit at different times and under different institutional conditions. By the mid 2000s, the electronics manufacturing sector was significant in terms of production, employment, and exports in all three countries. Notwithstanding positive contributions to the economy, integration in the highly volatile and very competitive industry generated significant pressures regarding employment flexibility. In Hungary, the electronics industry has become increasingly dependent on the use of temporary agency employment[70] as a main source of cheap and flexible labor providing low compensation and no job security for contracted employees. In Romania, electronics facilities have dismissed large groups of workers on a regular basis to adjust their labor inputs to major changes in volume and organization of production. Finally, in Slovenia, a combination of internal and external sources of flexibility has been used in the electronics industry including flexible working time[71] and fixed-term employment[72]. Temporary employment, collective dismissals and flexible working time represent important sources of employment flexibility throughout

[70] Temporary agency employment refers to the use of employees contracted from a labor agency, for a limited time period.

[71] This refers mostly to overtime, irregular shifts and weekend work.

[72] Fixed-term employment is also commonly referred to as temporary employment. While it can include also temporary employees contracted from agencies, it generally refers to employees hired for a specific term by the electronics facility itself.

the electronics industry (UNIDO, 2009). The precarious working conditions that are often associated with these forms of employment represent common sources of concern for civil society organizations from around the world (Barrientos et al, 2011; Bormann&Plank, 2010; makeITfair, 2009; GoodElectronics, 2009; Smith et al, 2006). The prevalence of these practices and the precarious working conditions associated with them, however, differ to some extent according to the industrial policies and labor institutions in place in particular national settings.

Transnational corporate regulatory efforts to remediate labor concerns at electronics manufacturing sites from around the world led to different types of outcomes across national settings from Eastern Central Europe. Private regulatory efforts of lead corporations interacted with state regulation differently across divergent national institutional settings with implications on the extent of regulatory improvements. Building on the empirical analysis of regulatory complementarities in the national settings of Hungary, Romania and Slovenia – the main focus of the previous three empirical chapters, this chapter sets out with a brief summary of the regulatory outcomes at the electronics facilities and an overview of how were these evaluated. This is then followed by an extensive discussion of the main similarities and differences across the processes that drove regulatory improvements, and their fit with the analytical framework presented in the introductory chapter. Subsequent sections summarize and reiterate the key arguments formulated in the thesis, and then discuss practical implications of the study for a broader context of globally integrated emerging economies. The thesis concludes with a brief discussion of the main limitations of the study.

The Extent of Regulatory Complementarities in the Three National Contexts

Labor relation institutions - including tripartite coordination, industrial relation institutions, and political affiliations across labor unions and the state, sometimes facilitated and other times undermined the emergence of private public regulatory complementarities. In Hungary, decentralized and uncoordinated labor relation institutions facilitated the emergence of complementary interactions across private transnational and public domestic regulation, with significant improvements for temporary agency employment. Public-private regulatory complementarities were more limited in the state-oriented national institutional setting of Romania, enabling more modest improvements in the regulation of collective dismissals of workers. Finally, transnational corporate efforts did not enable improvements in the regulation of flexible working time or temporary employment in the coordinated labor relation institution of Slovenia. These differences across the three national contexts were demonstrated in the previous three empirical chapters using case studies of two electronics facilities in each country. These facilities were selected based on their similarities in size, production profile, technical sophistication, export-orientation, foreign ownership, as well as in function of the differences in the regulatory initiatives they are integrated into, to serve comparative analysis for both within and across national settings.

The extents of regulatory complementarities were evaluated around different forms of flexible employment in the three contexts. While integration in the global electronics industry exerted significant pressure for greater employment flexibility in all three countries, it manifested in increasing reliance on and growing political contestation around temporary agency employment in Hungary, collective dismissals in Romania, and employment flexibility and flexible working time in Slovenia. The particular manifestations of these pressures differed across the national settings because integration into the global electronics industry was driven by different types of industrial policies and took place under different institutional conditions. This approach of focusing on different cleavage points across (historical) institutional settings follows a relatively long tradition in the comparative political economy literature initiated by Locke and Thelen (1995).

Hungary was one of the early promoters of foreign direct investment in the region and adopted a set of weak labor relation institutions in the 1990s to facilitate this development strategy. The emergence of extensive export oriented foreign manufacturing sector during a time of weak inclusion of labor in political decision making eventually resulted in the increasing prevalence of a new form of employment – temporary agency employment, with very liberal regulatory framework. Romania emerged as a hub for electronics manufacturing later in the 2000s due mainly to its late and partial reforms marked by frequent state interventions throughout the 1990s. Major restructurings in the Romanian economy were still ongoing during the last decade and collective dismissals were quite common throughout the economy. In the context of relatively low labor costs, it became an important source of employment flexibility in the electronics industry as well. The national salience of regulation of dismissed workers was further magnified by the unified character of collective bargaining at the national level, that integrated public and private sector negotiations. Finally, Slovenia initially promoted domestic industrial capabilities and shifted its policies towards a more global oriented development strategy at the end of the 1990s. The inclusive and coordinated labor relation institutions adopted in the early transition years persisted throughout this radical shift. The relatively strong labor unions facilitated the consideration of a broader set of sources for employment flexibility, including both internal and external forms of flexibility. The increasingly liberal regulation over the 2000s, however, contributed to the prevalence of precarious working conditions in the electronics industry and political contestation around its preeminent aspects: flexible working time and temporary employment. In the context of increasing integration in the global economy and the emerging power of foreign corporations, the political will and ability of national governments in all three contexts to enforce regulation around these employment practices has diminished. In some cases, additional technical challenges with the clarity and consistency of regulatory guidelines presented additional challenges for domestic enforcement.

The extent of regulatory complementarities around these issues were evaluated based on a procedure that examined the extent and type of improvements on four important dimensions of labor regulation, built through the combined effectiveness of public and private regulation at each facility. Endowment of workers with rights and reduction in discrimination; imposition of limits on extensiveness of a particular practice; empowerment through representation, and provision of social protection for vulnerable groups of people have been identified by the scholarly literature as important aspects of labor regulation (Botero et al, 2004). These dimensions were used to evaluate progress in regulation of flexible employment practices at the facilities from Hungary, Romania and Slovenia, ranging through an ordinal scale from significant to no regulatory improvements.

Improvements in the regulation of temporary agency employment at facility Hungary Electronics 1, for example, included endowment of subcontracted employees with additional compensation to reduce discrimination across standard and temporary agency workers; setting limits on the use of agency employment as part of the collective agreement negotiated between the local union and management; and empowerment of temporary agency employers through representation by the local union. These developments were exceptional at a time when low compensation for temporary agency workers was common and unions did not include temporary employees in their membership (Neumann, 2009). While regulatory developments at facility Hungary Electronics 1 were the most extensive, the transnational governance institution of Corporation Electronics 1 facilitated the emergence of improvements at facility Romania Electronics 1 as well. Regulatory improvements included endowment of dismissed workers with severance payment, along with some additional training courses and consultation. In a context where "velvet firings" with generous severance packages were still common, these improvements were, however, more modest.

Similarly, at facilities Hungary Electronics 2 and Romania Electronics 2, suppliers of Corporation Electronics 2, improvements were relatively more significant in the case of Hungary than in Romania. At facility Hungary Electronics 2, improvements included a systematic change in the compensation schemes of temporary agency workers, along with the adoption of a new system of coordination across local management and labor agencies to reduce discrimination between temporary and standard employees. At facility Romania Electronics 2, improvements also included higher compensation for laid off employees, but problems regarding the procedures associated with collective dismissals persisted. Finally, notwithstanding important similarities across the private regulatory approaches of Corporations Electronics 1 and 3, and Corporations Electronics

2 and 4, respectively, regulatory complementarities did not come about at facilities Slovenia Electronics 1 and 2.

The extents of the regulatory improvements at the facilities from Hungary, Romania and Slovenia are summarized on table 6.1 below. Overall, regulatory improvements at the Hungarian facilities were more extensive and quite exceptional in the national context. Improvements were more limited in the Romanian context and completely absent at the facilities located in Slovenia.

Table 6.1. Summary of regulatory improvements at facilities from Hungary (HE1 and HE2), Romania (RE1 and RE2), and Slovenia (SE1 and SE2)

	HE1	HE2	RE1	RE2	SE1	SE2
Improvements in regulation of flexible employment practices	√√√	√√	√√	√		
Endowment of workers with rights and reduction in discrimination	√	√√	√	√		
Imposition of limits on extensiveness of a particular practice	√					
Empowerment through representation	√					
Provision of social protection for vulnerable groups of employees			√			

Political Economy of Regulatory Complementarities: Putting the Pieces Together

Considering the important differences across the national institutional settings, the case studies within each national context reveal some interesting differences and similarities across the processes driving regulatory complementarities. These differences and similarities can be best understood from the perspectives of the domestic labor relation institutions in each context and the strategic interactions they set in place, as suggested by the analytical framework in Chapter 1. First, national labor relation institutions set different incentives for workers' representatives to engage with alternative forms of regulatory approaches to drive improvements in working conditions and employment relations. Second, national labor institutions influence the ability of domestic and transnational actors to rely on domestic regulation as sources of legitimacy and political authority for their demands and strategic actions. Finally, the divergent transnational regulatory institutions present different types of opportunities for domestic and transnational actors to build regulatory complementarities. The relevance of the institutional features of private regulation, however, is also contingent on the national institutional setting where they are implemented. While the differences across stakeholder engagement and compliance oriented private regulatory approaches were highly relevant in the Hungarian context, the relevance of divergent approaches was smaller in the Romanian context and irrelevant at the facilities operating in Slovenia. The following sections will discuss each of these three roles of national, and to some extent of transnational, institutions.

1. National labor relation institutions as sources of incentives and constraints for union-driven regulatory complementarities

Domestic labor relation institutions are important because they provide platforms for reconciliation of conflict regarding labor regulation. There are three important channels through which labor unions can influence policy outcomes and practices. These include: tripartite institutions, industrial relation systems, and political connections with the state. What matter are not just the formal aspects of these labor institutions, but rather the effectiveness of labor unions to access them and use them to influence policy outcomes and practices regarding flexible employment practices. A more historical approach towards understanding the functional aspects of these institutions, underlying the similarities and main differences across the three setting, was provided in Chapter 2. Their relevance for regulating employment flexibility in the electronics sector were then further considered in the empirical chapters focusing on regulatory developments at two facilities in each national setting.

In national contexts with weak labor relation institutions, as was the case of Hungary, domestic unions used transnational corporate regulatory efforts to compensate for the weak enforcement of state regulation and improve working conditions for temporary agency workers. Notwithstanding a promising start, tripartite institutions of Hungary became relatively weak platforms for effective coordination across state and social stakeholders (Hethy, 2001). While national unions engaged in national level political strategy, their efforts were hindered by the institutional weaknesses to put pressure on the state to impose stricter regulation. In the absence of strong and coordinated industrial relations, company level unions had no alternative strategies available to influence employers' practices through domestic institutions. Therefore, the incentives for strategic engagement with transnational regulatory initiatives as an alternative strategy to influence processes at the company level were strong. The company level union at facility Hungary Electronics 1 eventually used transnational corporate regulatory initiatives to promote improvements for temporary agency employees. In the process of building complementary interactions across corporate and state regulation, union representatives and private auditors used state regulation to legitimize their efforts and reinforce the authority of their demands from local management. The transnational regulatory initiatives, as hierarchical coordination systems that local facilities are integrated into, served the role of enforcement mechanisms through the pressure exerted on facility management to comply with regulatory guidelines. The mobilization of the alternative regulatory institutions thus compensated for the weak political will of the state to enforce legislation regarding temporary employees, and also for the relative powerlessness of the union to exert pressure on the company directly.

The relative importance of national labor relation institutions in influencing the strategic approach of domestic unions is also well illustrated by the empirical cases of the two facilities in Romania. The absence of relatively effective domestic labor relation institutions to address sources of conflict in the implementation of regulations regarding collective dismissals set incentives for domestic company unions to rely on transnational regulatory initiatives to promote their objectives. The main national tripartite institution in Romania was established relatively late and remained dominated by the state. Overall, it provided a weak platform for effective coordination across the state and social stakeholders. Industrial relations at the national level were also undermined by strong interferences by the national government (Trif, 2004). This was possible in part because of the unified character of national collective bargaining institutions, and in part because of a strong legacy of state interventions in Romania. In 2010, for instance, under growing pressure by international organizations to restructure and liberalize the economy, the government simply canceled the national collective agreement. In the absence of strong sector level unions, domestic unions relied on weaker coordination with the national unions. These connections with the regional and national representatives of the unions, and with state agencies, sometime facilitated a rebalancing of power between domestic labor and transnational capital. This was the case at both facilities Romania Electronics 1 and 2, when the domestic unions used connection with state agencies – the Ministry of Labor and Social Affairs and County Council, respectively – to acquire political authority for their demands on the management of the facilities and lead corporations. The coordination across unions and state enabled by these political connections between national level representatives was, however, relatively weak and had an ad hoc character. In the absence of strong and consistent platforms to exert influence over state regulation and industrial relations in a systematic manner, domestic unions used transnational corporate regulatory efforts to compensate for deficient state enforcement and power asymmetries in industrial relations.

In contrast with the national settings of Hungary and Romania, the existence of strong and coordinated labor relation institutions in Slovenia, constrained similar incentives for domestic unions to engage with transnational regulatory initiatives. Sector level unions and collective bargaining played a strong role in exerting both political pressure and providing innovative solutions for labor concerns related to working time schedule at facilities Slovenia Electronics 1 and Slovenia Electronics 2. In the case of temporary employment, the role of sector level unions was of mere coordination with the national unions in this matter. Temporary employment represented the topic of national regulatory politics, with contestations by both the unions and employers' associations. The sector level union played the role of intermediary between company and national level representatives of workers' organizations. Concerns with temporary employment were rolled up at the national level and became the focus of coordination across the state and social partners. As tripartite institutions rely on coordination with social partners to a much greater extent to adopt policies and facilitate their implementation in Slovenia, this was used as a main institutional platform to address concerns regarding temporary employees. The tripartite institution was also the main locus for social stakeholders and the state to consider possible complementarities across domestic policies and corporate social responsibility initiatives. Deliberate strategic efforts to build complementarities across corporate and public institutions, however, were challenged by different understandings shared by state, employer, and union actors.

In addition to their influence on the incentives of domestic unions to engage with alternative forms of regulatory institutions, the extent of coordination across the industrial relation system also influenced the degree of freedom of local unions to experiment with innovative strategies to address local problems. Dense coordination across different layers of industrial relation levels set institutional constraints on micro-level institutional approaches. This is best illustrated through the comparisons across Hungary and Slovenia, where the institutionalized coordination across company, industry and national level social dialogues differ considerably. While coordination across company and national level unions was relatively loose in the case of Hungary, it was institutionalized through the presence of strong sector level unions and industrial relations in Slovenia. The absence of similar coordination systems provided greater degree of freedom for company level unions at facilities Hungary Electronics 1 and allowed them to diverge from the national trends and strategies. In Romania, the lack of consistency and poor coordination in national regulatory context also provided considerable degree of leverage for alternative strategies at the company level. In the Slovenian context, on other hand, company level unions were more closely integrated into the national approach of union confederations to put pressure on employers and state at the national level.

2. National labor relation institutions as sources of legitimate and consistent guidelines for private regulation

The extents of centralization and coordination characteristic to labor relation institutions were also relevant for the ability of transnational actors to utilize domestic regulation to confer legitimacy to private regulatory efforts and exercise greater pressure for improvements. Large corporations are endowed with significant economic resources, technical know-how, and now, regulatory power, to promote improvements in labor standards. These regulatory efforts, however, lack legitimacy (Anner, 2011; Fransen at al, 2012), and are therefore often dependent on the political authority and procedural predictability of state regulation to compensate for their key deficiency. In national contexts where the adoption and implementation of domestic institutions were part of a national strategy to promote a more stable environment for markets, transnational corporate actors were able to use domestic regulation to facilitate implementation of their social responsibility initiatives. In the case of Hungary, for example, political commitment towards promoting business friendly environment with legitimate and predictable set of laws, state regulation was used to complement corporate demands and pressures. The main role of the tripartite organization of Hungary has been to legitimate policies and maintain political and social stability in the country, rather than to provide a platform for effective coordination (Avdagic, 2005). References to state legislation were used by domestic unions at facility Hungary Electronics 1, to legitimize and guide demands for improvements in the working conditions and employment relations of temporary agency employment at the manufacturing site. At facility Hungary Electronics 2, the private auditors monitoring the site used national state legislation to legitimize and exert more influence on local management to change their practices with respect to contracted employees.

In the state-oriented institutional context of Romania, where implementation of domestic regulation was based more on state interventionism guided through a combination of public and particularistic interests, the reliance on domestic institutions was more problematic due to their lack of procedural consistency/predictability and legitimacy. In the case of regulation of collective dismissals, state legislation and collective bargaining sometimes stipulated contradictory guidelines regarding the compensation of collectively dismissed employees. Furthermore, the national government refused to register the collective bargaining negotiated in 2010 and confer it full legitimacy to serve as the foundation of collective bargaining at lower levels. These deficiencies in domestic regulation significantly undermined company level pressure at facility Romania Electronics 1 to provide social protection for dismissed employees. In an effort to compensate for these deficiencies, the local union appealed to the Ministry of Labor and Social Affairs through the intermediation of the national union, to legitimize and support their demands for the adoption of more socially responsible practices. The deficiencies in the consistency and rule of law also undermined the efforts of private auditors at facility Romania Electronics 2, to include temporary agency employees used at the facility in the performance bonus system of standard employees. Local management at the facility appealed to connection with the regional labor inspectorate to provide a favorable interpretation of the legislation in place regarding comparable conditions of temporary and standard employees. Personalistic ties and clientelistic networks have been more prevalent in Romania relative to other Central Eastern European countries (Grodeland et al, 2007).

Finally, in the institutional context of Slovenia, implementation of state regulation was driven less by a commitment to political and procedural predictability to promote business-friendly environment, but rather through extensive coordination across industrial relations at different levels. Within such contexts, implementation of national and sector level regulatory guidelines relies in a systematic manner on industrial coordination at all levels, rather than on simple reference to regulatory guidelines that company managers are unilaterally supposed to comply with (Crowley&Stanojevic, 2011). Even though implementation of national regulation around particular issues was nonetheless problematic, corporate regulatory initiatives are not likely to compensate for enforcement deficiencies in state regulation without engaging domestic labor unions. At both facilities from Slovenia, for example, local representatives identified and advocated for coordination with local unions as the primary strategy to address concerns with labor practices at their sites. At facility Slovenia Electronics 2 initiatives of private auditors to promote an increase in compensation for temporary employees were dismissed by local management as decisions regarding labor issues and implementations are made regularly with the local union.

3. Transnational corporate social responsibility efforts as opportunities for union-driven and compliance-driven regulatory complementarities

The empirical cases also illustrated that the institutional design of transnational regulatory initiatives are also relevant for the emergence of regulatory complementarities in a particular national context. A common distinction in the existing scholarly literature on corporate regulation of labor standards is between stakeholder involvement and compliance oriented regulation (Jenkins, 2005). The latter is generally more common and is sometimes alternatively referred to as "business driven" or "corporatist" approach (Brammer et al, 2012; Anner, 2011). The main difference across stakeholder engagement and compliance oriented approaches lies primarily in the mechanism underlying implementation of corporate social responsibility: involvement of domestic non-governmental and governmental organizations to monitor and address labor concerns at manufacturing sites, or regular audits and corrective action plans to improve compliance with codes of conducts (Hughes and Wilkinson, 2008).

These differences in private regulatory approaches have important implications on the ability of domestic actors to build regulatory complementarities and guide improvements. Stakeholder involvement oriented approaches provide more institutional space for domestic governmental and non-governmental actors to utilize transnational corporate social responsibility initiatives to enforce or go beyond state regulation. Compliance oriented approaches, on other hand, generally exclude domestic unions or governmental agencies from both monitoring and remediation efforts. In the Hungarian context, for instance, domestic unions at both facilities Hungary Electronics 1 and 2 had similar incentives and constraints from national relation institutions to use transnational corporate regulatory efforts to improve working conditions for temporary agency employees and balance out the segmentation of internal labor market at their facilities. At facility Hungary Electronics 1, the local union was contacted directly by the representatives of corporate social responsibility program of Corporation 1, and was later included in training about the program. At facility Hungary Electronics 2, the union was informed about the corporate social responsibility efforts of Corporation Electronics 2 through the local management and only management participated in its capability-building program. Moreover, while the representatives of the corporate social responsibility program at Corporation Electronics 1 had direct communication channels with unions at manufacturing sites, audits and evaluations at facility Hungary Electronics 2 largely ignored labor unions during the monitoring and remediation processes. As a result of these differences, regulatory complementarities at these two facilities emerged through very different processes. While at facility Hungary Electronics 1 complementarities were driven by local unions, at facility Hungary Electronics 2, complementary interactions were driven by the compliance oriented efforts of private auditors and the local union had a much marginal role in diffusing improvements. Similarly, in the context of Romania, the institutional design of transnational corporate regulatory efforts had important implications. While at facility Romania Electronics 1 engagement with the transnational private regulation was relatively easy, at facility Romania Electronics 2, it required repeated efforts over the years for the local management to be able to address the lead corporation about labor concerns at the facility.

In a national context where labor unions and industrial relations are generally weak and fragmented, the importance of stakeholder engagement oriented approach is particularly important to create opportunities for participation. While dependence on export-oriented foreign manufacturing has increased considerably in all three contexts and contributed to significant power asymmetries between local unions and major corporations, this power asymmetry is particularly clear in the market oriented institutional context in Hungary. Weak unions that have traditionally been subjected to the global market oriented development strategy of the state, are particularly dependent on the availability of institutional space in these transnational regulatory efforts to include and empower them to become initiators of regulatory complementarities. The relevance of this is illustrated by the contrast across facilities Hungary Electronics 2 and Romania Electronics 2, two facilities from different national contexts but integrated in the same compliance oriented transnational regulatory approach. While the local union at facility Romania Electronics 2 made significant efforts to engage with corporate social responsibility initiatives of lead corporations to put pressure on local management, similar efforts were completely absent in the case of facility Hungary Electronics 2. In the Slovenian context, the presence of stakeholder oriented or compliance-oriented approaches did not make any significant differences, as the incentives to appeal to them were marginal in the first place.

National labor relations influence the dependence of domestic actors on the availability of institutional opportunities to build regulatory complementarities. Notwithstanding the relatively superior regulatory improvements that emerged as a result of union-driven regulatory complementarities, stakeholder oriented transnational regulatory approaches often rely too extensively on initiatives by domestic actors. Even when they are activated, the role of corporate power to exert pressure directly on local facilities is more limited and dependent on the strategic actions of domestic actors. This is not such a problem in national contexts that generate incentives and sufficient strength to engage with alternative regulatory efforts, as was in the cases of the local union at

Hungary Electronics 1, or at the Romanian facilities. But it poses challenges for the emergence of regulatory complementarities when these institutional aspects are largely absent, as was the case for the domestic unions at facility Hungary Electronics 2, and the unions from Slovenia.

Compliance driven regulatory complementarities provide an alternative pathway for regulatory improvements when the implementation of regular evaluations and corrective action initiatives complement weak enforcement of state regulation in a particular context. These initiatives are generally more proactive to engage in monitoring and press for improvements by lead corporate actors directly. These efforts can be quite effective at extending enforcement power to drive compliance with corporate standards and state regulation, hence the reference of "compliance driven regulatory complementarities". The extent of the improvements and their sustainability over time is, however, more limited than in the case of stakeholder involvement oriented approaches.

Main Theoretical Arguments and Contributions

The central argument of my dissertation is that labor relation institutions in national contexts where manufacturing for lead transnational corporations take place, influence the extents and manners of private-public regulatory complementarities. I used the electronics sector from Hungary, Romania and Slovenia as empirical windows in my study to examine the divergent pathways of interactions across transnational corporate social responsibility and national state regulation in different institutional contexts. The electronics industry is one of the most important and globally integrated sectors (Sturgeon&Kawakami, 2010), characterized by the prevalence of transnational corporate regulatory efforts to address concerns with precarious working conditions and employment relations. Notwithstanding their institutional heterogeneity, Hungary, Romania and Slovenia represent important electronics manufacturing sites that are integrated in global production networks (Luthje, 2002; Luthje&Sproll, 2004; Dyker et al, 2003; Rojec&Jaklic, 2002).

The previous chapters illustrated that while labor relation institutions facilitated the emergence of regulatory complementarities in Hungary, these institutions were less favorable for similar developments in Slovenia. Institutional conditions in Romania were more mixed - while some institutional dimensions facilitated, other institutional aspects hindered the processes and extensiveness of synergistic interactions across private and public regulatory approaches. I hereby join other scholars in arguing that implementation and effectiveness of transnational corporate social responsibility initiatives can't be fully understood without factoring in the institutional and political underpinnings of labor regulation in a particular context (Bartley, 2005; Locke et al, 2012).

A second essential claim of the dissertation is that instead of approaching public-private regulatory complementarities as functional synergies that arise on their own when these two regulatory arrangements are combined, to rather understand them as political processes that are closely connected to national institutions. As the three empirical chapters on Hungary, Romania and Slovenia illustrated, regulatory complementarities are more likely to be built by various actors embedded in national and transnational institutions. Institutional complementarities, therefore, do not always emerge due to a logic of coherence or fit across main coordination systems (Amable, 2000; Hall&Soskice, 2001), but are sometimes the result of strategic, interest based actions of actors embedded in political economy regimes. Notwithstanding coherence or fit across corporate strategies that include both economic and social objectives, and national contexts with institutionalized mechanisms to promote coordination across society and the economy, they are not necessarily complementary with each other in practice. Rather, complementarities are often built within the contexts of institutional constellations that set incentives and opportunities for actors to combine alternative arrangements in complementary manners. In this sense, I add to other studies that point to the existence of different types of mechanisms driving institutional complementarities (Schneider&Kircher, 2010), rather than the simple efficiency increasing functional interactions that the varieties of capitalism has focused on for a long time (Hall&Soskice, 2001).

Once we acknowledge the importance of national institutions in shaping public-private regulatory complementarities, a question automatically follows about the type of national institutions that facilitate their emergence. Several studies from the expanding business literature on corporate social responsibility suggest that social responsibility efforts of corporations are more compatible with coordinated types of national institutions (Brammer et al, 2012; Campbell, 2007). In contrast with these claims, I illustrate that transnational corporate social responsibility efforts are actually the least compatible with the coordinated national institutions of Slovenia, and more compatible with the state-oriented national institutions of Romania and liberal market oriented institutional setting of Hungary. State-directed and liberal marker oriented institutional contexts set both incentives and enhance the abilities of domestic actors to build regulatory complementarities across transnational private and domestic approaches.

Moreover, I argue that complementarities across corporate social responsibility and national institutions in developing and transition economies are more adequately approached from the perspective of labor governance institutions, rather than corporate governance institutions as is most common in the existing literature (Brammer et al, 2012; Koos, 2012; Kindermann, 2012). In advanced industrialized economies - the main focus of the business and institutions literature so far, corporate social responsibility can be seen as a mode of governance of corporations embedded in the national context. In emerging economies integrated in global production regimes, however, only the workers are embedded in the national institutional context that are provided as inputs for the manufacturing operations of transnational corporations. It therefore makes more sense for studies exploring the implementation of transnational private regulatory efforts to focus on the institutions that govern relations across workers, employers and the state[73]. The main institutions that have been traditionally indentified as essential for the governance of labor regulation and policies through interactions with the state and employers include: tripartite institutions, industrial relation institutions, and political affiliations across state and labor unions (Avdagic, 2005).

Corporate governance institutions are, however, not completely irrelevant for the emergence of private-public regulatory complementarities, as the transnational governance approaches of major corporations regarding the promotion of social responsibility throughout their supply chains further enhance or undermine the national institutional conditions of regulatory complementarities. While some corporate

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[73] This difference pertains to the divergent modes of insertion of developed and developing nations in transnational production regimes. Even though this is slowly changing, the international division of labor in the global architecture of the electronics industry fits this distinction relatively well (UNIDO, 2009).

governance efforts towards labor regulation rely more extensively on interactions with labor unions, others remain more business driven (Brammer et al, 2012; Anner, 2011; O'Rourke, 2006). These divergent governance approaches than provide different types of opportunities for regulatory complementarities to emerge in divergent national contexts. The influence of the transnational corporate governance institutions is however only secondary to the importance to the national labor relation institutions that workers are embedded in.

The analytical framework I used to examine the processes driving regulatory complementarities from different national institutional contexts was informed by the political economy literature on incremental, endogeneous change in advanced industrialized economies. Building on this body of work (Streeck&Thelen, 2005), I showed that national institutions set incentives and influence the strategic behavior of domestic labor organizations to use the transnational regulatory approaches to compensate for the deficiencies in domestic regulation. In this process, labor organizations convert corporate programs to serve as instruments to promote labor regulation in their domestic context. Domestic unions at in Hungary and Romania, for example, used the transnational corporate social responsibility program of the lead corporation to improve regulation of temporary agency workers and collective redundancies.

Conversely, transnational actors also used domestic regulation to legitimize their demands and strengthen their positions in the process of combining the alternative regulatory approaches. At a facility in Hungary, for instance, private auditors used references to state regulation to legitimize their claims and exert additional pressure to improve working conditions for temporary agency employees. Transnational regulatory initiatives were relevant as they shaped the ability of domestic actors to access them and direct them towards improved working conditions and employment relations. These processes that result from the incentives, opportunities and incentives set by domestic and transnational institutions can be seen as part of an incremental countermovement to the expanding forces of global markets, a phenomena initially described and analyzed by the great political economist Karl Polanyi.

Finally, I suggest that regulatory complementarities are more likely to emerge around labor concerns that are extensive and politically salient in a particular national context. These two aspects influence the objectives and interests of domestic and transnational organizations to promote improvements in labor regulation. The differences in the prevalence and political salience of particular practices across national settings can be understood from a historical perspective that considers the industrial policies and institutions during essential phases of integration into global industries.

Integration into transnational production regimes puts significant pressure on manufacturing practices to rely on cheap and flexible labor everywhere (UNIDO, 2009, Barrientos at al, 2008; Bormann&Plank, 2010). The manifestations of these pressures are then influenced by industrial policies of national governments and filtered through labor relation institutions in a particular context. The demand for flexible labor in globally integrated economies is often accommodated by national governments through deregulation and weak enforcement (Bohle, 2006; Frynas, 2005; Banerjee, 2009). The institutional conditions during key phases of integration can facilitate or undermine the abilities of labor organizations to limit these state strategies and employers' demands.

Government strategies to promote integration in global industries and labor relation institutions therefore have important implications on the practice and politics of flexible employment practices, with implications on strategic actions to build regulatory improvements. While there is considerable overlap across the prominence and political salience of various forms of practices, they don't always go hand in hand together. In the case of Slovenia and Romania, for example, even if temporary agency employment has been rising in the electronics industry, union efforts continued to focus on other forms of labor concerns.

The historical perspective adopted in this thesis therefore serves the purpose to identify the critical points in regulation of labor in electronics sectors across the three national settings, rather than to emphasize path dependency and institutional legacies in Eastern Central European societies. This approach is consistent with a tradition set in the comparative political economy literature on advanced industrialized societies that identifies the critical issues in a particular institutional context and uses them as reference points to conduct cross-national analysis (Locke&Thelen, 1995; Streeck&Thelen, 2005). This thesis contributes to existing efforts to extend this approach to comparative studies of labor regulation in emerging and transition economies.

Practical Implications for a Broader Context

Further efforts to improve regulation of precarious employment practices in global production regimes will have to rely on both transnational private and domestic public institutions and efforts. Transnational corporate social responsibility initiatives over the last years have made relatively little effort to involve domestic actors and institutions in regulating labor practices throughout manufacturing sites in emerging economies. A common assumption among policy makers and scholars of global labor governance has been that domestic regulatory institutions – particularly state regulation and industrial bargaining, are so weak in developing countries that they can essentially be assumed away. My dissertation draws attention to the fact that improvements around critical areas of labor concerns are often contingent on complementary interactions across transnational corporate and domestic state and union efforts. This study, therefore, contributes to the growing literature that claims that transnational corporate regulation is not a substitute, but rather a complement to state regulation and collective agreements (Rodriguez-Garavito, 2005; Amengual, 2010; Locke et al, 2012).

How does Eastern Central European fit in the broader context of emerging economies with weak regulation of employment practices in globally integrated industrial sectors? Are the findings of this dissertation particular to this region or relevant for developing and transition societies from other parts of the world? Notwithstanding membership in the European Union, Eastern Central Europe still represents the periphery of Europe (Bohle&Greskovits, 2012). The collapse of the socialist heavy industries and the eastward relocation of manufacturing in several industries from Western Europe and Northern America, deepened the gap between the Western and Eastern parts of Europe. Similarly to many East Asian societies, and to some extent, Latin American countries, economic and social development in Eastern Central Europe is highly dependent on foreign trade and international (in)flow of capital (Fabrizio et al, 2009). This creates significant structural vulnerabilities and a subordination of social regulation and protection to economic competitiveness. Membership in the European Union and transposition of more democratic institutions were not able to counterbalance these trends. The promotion of social dialogue institutions by the European Union had limited effects on increasing the voice of employees in employment relations and national politics (Cox&Mason, 2000; Meardi, 2004). In fact, several scholars emphasize the neoliberal effect of the European Union as it weakened the strength of social democratic forces and increased pressures towards more liberal labor regulation (Bohle, 2006; Meardi, 2007). Because of the external, often coercive, influence on domestic institutions and policies, the new rules were written into law but have not been consistently implemented in practice (Bandelj, 2004; Schimmelfenning&Sedelmeier, 2005).

In many respects, Central Eastern European countries struggle with similar structural and institutional challenges as emerging economies from Asia and Latin America. These include both a high degree of dependence on foreign trade and foreign direct investments (Fabrizio et al, 2009) and significant institutional weaknesses (Wiarda et al, 2009). Within the limits of other major divergences that pertain to differences in legacies of historical experiences, geopolitical power relations, and cultural affinities, the main practical implications of the empirical findings on public-private regulatory complementarities in Eastern Central Europe could apply to other national contexts relatively well. The main practical implications of the study refer to the potential role of labor unions as key drivers of regulatory complementarities, the relevance of legitimacy and stability of state laws to compensate for weak state enforcement through corporate power, the importance of transnational corporate regulatory efforts that empower and include labor unions, and the value of context-sensitivity in global labor governance efforts.

1) Labor unions as key protagonists in building public-private regulatory complementarities

Domestic labor unions played an essential role in driving regulatory complementarities in Eastern Central Europe. In addition to monitoring labor practices and signaling problems at their facilities, local unions used transnational corporate regulatory efforts to put pressure on local management and improve working conditions for vulnerable groups of workers. This draws attention to the fact that freedom of association is not merely an important labor standard in and of itself, but is also essential for corporate and state regulation. The strength of company level unions was sometimes really constrained by power asymmetries and institutional constraints in particular national contexts. In Hungary, their role was limited to industrial relations at the company level and their strength was overpowered by the national importance of foreign corporations. In Romania, company unions have also become increasingly marginalized by domestic politics and economic coordination system. Nonetheless, their legitimate existence and ability to coordinate and cooperate with various national and transnational institutions and actors were essential for driving improvements.

Labor unions could become important allies in improving labor conditions in transnational production regimes. In developing nations, however, the rights of unions are often very limited (von Roozendaal, 2002). State policies to promote freedom of association and provide more political space for the operation of unions is therefore essential to enable them to participate in global labor governance. To some extent, similar reforms have already started in countries like China with the labor contract law that went into effect in 2008, and with recent union and labor legislation changes in Guangzhou and Shenzen (Liu, 2010). There has been significant progress also in the ability of labor unions in India to organize and resist economic reforms over the last decade (Uba, 2008). Similarly, several countries from Latin America have experienced a resurgence of labor unions in recent years with the rise to power of left governments (Cook, 2012). Nevertheless, major concerns persist and further political efforts are needed to broaden the space for the establishment of independent trade unions and their relatively unrestrained activities in less advanced societies.

2) Legitimacy and procedural predictability of state regulation is essential

As the administrative capacities and political will of national governments to enforce labor regulation remain deficient, state legislation nonetheless remain an important source of legitimacy for regulatory pressures. A major source of labor concerns in emerging economies from around the world is that even if most developing countries have laws to protect workers on the books, they are often violated and weakly enforced in practice (Amengual, 2011). This was also the case in Eastern Central European countries, where the enforcement of regulation concerning flexible employment practices was almost completely absent. The legitimacy and reliability of national regulatory institutions, however, played an important role in the ability of domestic and foreign actors to mobilize complementary enforcement power. In the context of political institutions that conferred legitimacy and stability to state regulation of labor, as in Hungary, private auditors used references to state legislation to compensate for the relative lack of legitimacy and accountability of corporate codes of conducts. Similarly, local unions also frequently relied on state regulation, as in Hungary, or on direct interventions by the state, as in Romania, to justify demands and strengthen pressure on corporations manufacturing in the region.

The good governance model promoted by international organizations such as the World Bank and International Monetary Fund, give a great deal of attention to issues of the good quality of state governance institutions to promote social and economic development (Khan, 2006). While the promotion of effective institutions and absence of corruption are important goals to pursue, my argument is somewhat different. The empirical evidence emanating from Eastern Central Europe suggests that even in the absence of effective institutions with considerable divergence between the letter and practice of the law, state institutions can be important resources for global governance mechanisms, especially when adopted through accountable and transparent political processes. By the same token, whenever state regulatory guidelines are overly ambiguous, complex or lack consistency in other manners, these can be used to justify exploitative practices. The emphasis on establishing and maintaining legitimate, transparent and stable institutions is therefore important. Legitimacy and stability of rules were necessary, although not sufficient, conditions for regulatory improvements.

3) Participatory approach of transnational corporate social responsibility efforts

Institutional designs that facilitate the inclusion of countervailing voices and strategies of domestic organizations are desirable to promote corporate social responsibility in global production systems. The local unions have extensive familiarity with labor practices at their facilities and considerable localized knowledge. They can play essential roles in both monitoring labor standards and devising solutions to address concerns. At one of the facilities from Hungary, for instance, in an effort to improve working conditions for contracted labor, the union initiated a certification program of labor agencies that operate in the region. Its local connections with other unions and state agencies were crucial ingredients to gain further support and help with the implementation of its efforts. Other research on the implementation of transnational corporate social responsibility efforts in Central and Latin America have also found similar synergistic interactions across domestic actors and transnational institutions in the electronics and apparel industries (Locke et al, 2012; Rodriguez-Garavito, 2005).

The ability of labor unions to participate in efforts to build regulatory developments is however contingent on the mode of implementation and institutional design of transnational corporate social responsibility efforts. While stakeholder engagement oriented transnational corporate efforts provide some institutional space for the empowerment of local unions, interactions across the lead corporations and domestic actors on a regular basis are generally marginal or completely absent. Compliance oriented corporate social responsibility efforts often completely exclude local unions from the monitoring and corrective action process. During onsite visits the main contact persons who would facilitate the administration of audits were mostly representatives from the human resources and quality management departments, with no interaction with labor union representatives. Many lead corporations perceive unions as a source of division and conflict that is harmful in highly competitive global markets. However, local unions are also a resource to protect themselves from significant risks regarding their brands and reputations. While there have been some attempts to experiment with new forms of local participation and processes of collaboration with local actors, these have been rather limited in their extent (O'Rourke, 2006; Anner, 2011).

4) A broader focus on labor standards has to be combined with sensitivity towards context-specific concerns

Pressures for cheap and flexible labor emanating from the global economy often manifest themselves in different forms of precarious labor practices through the national settings integrated in global production regimes. Relying solely on a standardized set of procedures to identify and correct labor concerns at different manufacturing sites from around the world is therefore problematic. Corporate monitoring efforts with respect to the regulation of collective dismissals of workers in Romania, for example, were largely overlooked by monitoring efforts of lead corporations. The broad focus of corporate social responsibility efforts has to be complemented with sensitivity towards labor concerns that are specific to a particular national context. Most of the times, the differences in the prominence of labor concerns pertain to the different industrial strategies and institutional conditions driving integration in the global economy. Inclusion of domestic actors that are more familiar with the pressures and institutional weaknesses that exist in a particular setting could then provide the necessary awareness and skills to signal and address these concerns.

Conclusions

This dissertation has suggested that regulatory improvements in global production regimes are often contingent on synergistic interactions across private transnational and public national regulation, and specified a set of institutional conditions that facilitate the emergence of public-private regulatory complementarities. The empirical cases of electronics manufacturing sites in three Eastern Central European countries demonstrated the importance of national labor relation institutions for setting incentives and constraints on strategic efforts to build regulatory complementarities. The labor relation institutions of particular relevance included industrial relation and tripartite institutions, and to a more limited extent, political affiliations between state and unions. On one hand, these institutions influence the incentives for domestic unions to use corporate regulation in a strategic manner. On other hand, they shape the ability of domestic unions and transnational actors to use state regulation as a source of legitimacy for their demands for improvements. I further argued that these favorable conditions are more common in labor market oriented, than state-directed and coordinated labor relation institutions. I also suggested that different types of transnational corporate regulatory efforts generate opportunities for two types of regulatory developments, including union and compliance driven regulatory complementarities. This dissertation makes an essential contribution of our understanding on how regulatory complementarities are built around particular issue areas in different national contexts and provides a set of valuable policy implications.

There are two main limitations to this study that create opportunities for future research. The first limitation pertains to limitation of time. Given the relatively short history of the increasing prominence of transnational regulatory efforts in the electronics industry, the dynamic approach towards analyzing the emergence and persistence of these regulatory complementarities is somewhat limited. Institutions in emerging markets change relatively quickly and this provides further opportunities to test the validity of my arguments on regulatory complementarities over the course of time. The ongoing

Eurozone crisis and new political developments in the current decade in several Eastern Central European countries, set some general trends towards a more state-directed approach in Hungary and more market-oriented approach in Romania and Slovenia. Furthermore, in some countries new legal amendments were adopted at the national level with unclear implications for practices on ground. These might have important repercussions on the emergence and extent of regulatory synergies in the future.

The second limitation pertains to limitation of geographical focus. Considering the primary focus of this dissertation on the importance of national contexts on the implementation of transnational private regulatory efforts and their interactions with state regulation, the extent of research on private regulation in the private-public mix was more limited. The vast literature on transnational corporate social responsibility provides different explanations for the existence of different types of transnational corporate regulatory efforts. Some suggest a connection with the nationality of lead corporations and their host institutions, while others connect it to the type of insertion in the global production regime and the production profile of the specific manufacturing sites. These aspects, however, were not the main focus of my dissertation and explored merely the implications of the implementation style as a possible proxy for this larger set of factors.

Appendix:

Table 1A.: Electronics sector in Eastern Central Europe: Share of electronics activities in total manufacturing output in 2010

Country	Percentage (%)
Bulgaria	11.39
Czech Republic	24.62
Latvia	7.83
Lithuania	6.94
Hungary	32.98
Romania	15.25
Slovenia	19.60
Slovakia	23.69

Source: Eurostat, 2013

Table 2A.: Electronics sector in Eastern Central Europe: Share of employment in total manufacturing employment

Country	Percentage (%)
Bulgaria	13.82
Czech Republic	24.58
Latvia	10.48
Lithuania	10.34
Hungary	26.10
Romania	16.08
Slovenia	23.79
Slovakia	22.28

Source: Eurostat, 2013

Table nr 3A.: Share of electronics industry exports in total exports in 2008

	Share of electronics industry exports in total exports
Hungary	27.57
Romania	14.14
Slovenia	10.59
For reference:	23.94
Mexico	25.78
China	27.57

Source: UNCTAD, 2010

Table nr 4A.: Stock of foreign direct investment in 2010

	In USD per capita	Share in GDP
Hungary	8473.42	60.36
Romania	3280.74	37.68
Slovenia	7442.33	30.58
For reference:		
Mexico	2633.50	26.27
China	528.21	10.08

Source: UNCTAD, 2011

Table 5A.: Dominant level of collective bargaining in Eastern Central European countries

	Dominant level of collective bargaining		
	National	Sectoral	Enterprise
Bulgaria			X
Czech Republic			X
Estonia			X
Hungary			X
Latvia	X		X
Romania	X (until 2011)		X
Lithuania			X
Poland			X
Slovakia			X
Slovenia		X	

Source: EIRO, 2012

Table 6A.: Trade Union Density in Eastern Central Europe

	Trade Union Density
Bulgaria	19%
Czech Republic	16%
Estonia	8%
Hungary	11%
Latvia	12%
Romania	32.8%*
Lithuania	10%
Poland	12%
Slovakia	16%
Slovenia	29.7%*

Source: EIRO, 2012

Note: * indicates that estimates are from 2008 and the source of the data is from the Amsterdam Institute for Advanced Labor Studies (AIALS).

Table 7A: Governance Indicators for Hungary, Romania and Slovenia

		Hungary	Romania	Slovenia
Government Effectiveness	1996	80	34	80
	2002	82	48	80
	2007	78	45	80
Regulatory Quality	1996	78	56	84
	2002	89	55	76
	2007	85	65	75
Rule of Law	1996	78	50	82
	2002	80	46	80
	2007	77	52	82
Control of Corruption	1996	76	50	88
	2002	70	42	78
	2007	72	56	80

Source: Worldwide Governance Indicators, World Bank

Note: The quality of indicators is measured on a scale from 0 to 100, higher values indicating superior quality of institutions.

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