



Deliverable 2.3
(Proj. 101126483)

Trust in relations between unions and employers in Europe – FINAL REPORT

Bengt Larsson, Margaret Heffernan & Aurora Trif (Eds)

Contents

1	<u>Introduction</u>	2
2	<u>Trust - a conceptual discussion</u>	7
3	<u>Trust in employment relations - literature review</u>	20
4	<u>National and sectoral industrial relations contexts</u>	28
5	<u>Labour and management trust - a quantitative comparative approach</u>	36
6	<u>Ireland</u>	63
7	<u>Austria</u>	84
8	<u>Sweden</u>	101
9	<u>Czechia</u>	117
10	<u>Slovakia</u>	135
11	<u>Romania</u>	148
12	<u>Serbia</u>	165
13	<u>Lithuania</u>	181
14	<u>Comparative conclusions</u>	198

1 Introduction

Bengt Larsson, Margaret Heffernan and Aurora Trif

Trust is widely recognised as a central element of societal well-being. Comparative studies show that high levels of generalised trust among individuals are associated with well-functioning democratic institutions, population health, and economic and social equality (e.g. Charron and Rothstein 2018). Trust has beneficial effects on the functioning, efficiency and performance of different institutions and organisations, and positively affects organisational performance and economic growth (Algan and Cahuc 2010; 2013; Beugelsdijk et al. 2004; Dincer and Uslaner 2010; Zak and Knack 2001).

Trust is also said to be central to the functioning of local-level employment relations within firms – between managers, employee representatives, and employees. It further influences the functioning of sectoral and national-level industrial relations between employer organisations and trade unions (e.g. Brandl 2020; Fox 1974; Korsgaard et al. 2010). In both academic research and European Commission statements, it is taken for granted that effective and sustainable social dialogue, negotiation, and cooperation between social partners at European, national, and local levels build and maintain trustful relations. Social dialogue is said to occur through processes of ‘trust-building, information sharing, discussion, consultation, negotiation and joint actions’ (European Commission 2010: 5).

We know that the forms and levels of trust between national and sectoral social partners, as well as between employers, employee representatives and employees at firm level, vary across countries with different industrial relations systems (Baccaro and Howell 2017; Bohle and Greskovits 2012; Eurofound 2018). Yet systematic comparative empirical research on the determinants, functions, and effects of trust in employment relations and industrial relations in Europe remains limited. This is an important yet overlooked dimension of both local employment relations and national and sectoral industrial relations. It remains unclear for example, whether trust creates virtuous circles that reinforce formalised consultation, social dialogue, and negotiations between employer and employee representatives (Charron and Rothstein 2018), or if trust instead functions as an alternative to such formalised interactions, producing good outcomes even in weak organisational settings (Brandl 2021; Kahancová 2010; Martišková et al. 2021). There are relatively few studies explicitly focusing on trust between employer and worker representatives at the local level. Even fewer studies focus on trust between the social partners at sectoral and national levels – especially studies taking a comparative approach.

1.1 Objectives and approach of the TRUE EUROPE project

The EU-funded project *Trust in relations between unions and employers in Europe* (TRUE EUROPE) examined the role of trust in national and sectoral industrial relations, as well as the interactions between local employee and employer representatives, adopting a comparative

approach. The overall objective was to identify and connect the determinants of trust with the functioning and outcomes of trust in local and sectoral employment relations. Specifically, we aimed to explore, understand, and explain the bases, forms, and effects of trust by studying local and sectoral employment relations and their embeddedness in formalised structures of sectoral and national industrial relations.

As it is not possible to study, within a single project, all possible relations in which trust may exist and be beneficial to national industrial relations systems within the EU, this report primarily focuses on the levels and relations indicated by the black and grey arrows in Figure 1.1: a) local level relations between employer and employee representatives; b) sectoral level relations between employer organisations (EO) and trade unions (TU); and c) the relations between these two levels. As indicated by the grey arrow in Figure 1.1 d) relations between cross-sectoral national-level employer organisations and trade unions was to some extent also included, particularly for countries in which sectoral-level social dialogue is weak or absent.

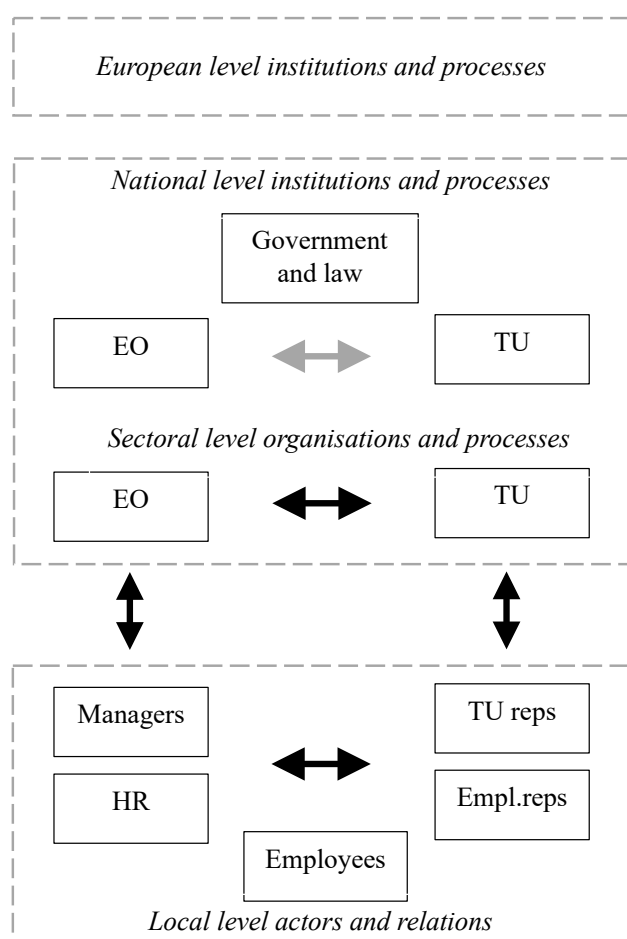


Figure 1.1 The interrelation between key actors and levels

Methods and Material

The project adopted a comparative and mixed-methods design, advancing from explorative to explanatory approaches. We conducted desk research to create a common foundation for the empirical studies by synthesising existing theoretical conceptualisations of trust (see Chapter 2), reviewing previous research on trust in employment relations (see Chapter 3) and examining national and sectoral industrial relations in the countries studied (see Chapter 4). The empirical studies as such include qualitative interview analyses of social partner trust across three sectors in eight countries, and quantitative analyses exploring social partner trust at local level based on existing data from the European Company Survey (ECS) and other data sources covering most EU countries and sectors. Finally, we organised several co-creative workshops with invited employer and employee representatives from local, national and European levels, to gather input on the challenges and recommendations, which conclude the final part of our comparative analysis (see Chapter 14).

The qualitative studies focused on the three sectors of metal, transport, and banking and finance to achieve a variation in private market frameworks (manufacturing-distribution-services), and the degree of social partner fragmentation, while keeping in mind that the chosen sectors are of economic importance nationally. The countries included were selected to achieve a broad variation in industrial relations systems and traditions in the European context. The selection consisted of seven EU Member States, namely Austria (AT), Czechia (CZ), Ireland (IE), Lithuania (LT), Slovakia (SK), Sweden (SE), Romania (RO), and one Candidate Country: The Republic of Serbia (RS).

We aimed for 15 interviews in each country, adding up to a total of around 120 interviews with employer and employee representatives at firm level as well as at sectoral and or national level, depending on the activities and organisation at such levels in the countries and sectors studied (see chapters 6-13 for details). The Interviews were semi-structured and based on a joint interview guide developed against the background of the desk research into theory, previous research and industrial relations contexts. The interviews were recorded, transcribed and analysed through qualitative content analysis based on a joint methodological toolkit for respondent selection and analysis.

The aim of the interviews was to identify the various forms and dimensions of trust in local-level employment relationships and explore whether trust varies across different topics or areas of working life. These areas included regular collective bargaining as well as other areas where social partner trust can be built and maintained at both sectoral and local levels such as digitalization and new technologies related to remote work and robotisation; skills development and training; and occupational health and safety.

The quantitative part the project drew on existing data from the 2019 wave of the European Company Survey (ECS), which covers approximate 21,000 firms in circa 30 European countries. It was supplemented with national-level data from the International Labour Organization (ILO), European Social Survey, and European Values Survey for use in various

statistical analyses (see Chapter 5). The aim of the quantitative analyses was twofold: to provide descriptive analyses relating to trust between employer and employee representatives at local level, and to test various hypotheses concerning the determinants, mechanisms, and consequences of trust across all European countries and all sectors included in the ECS.

Finally, we organised several co-creative workshops with invited employer and employee representatives from local, national and European levels, to feed into our discussion on challenges and recommendations set out in the final section of our comparative conclusions (see Chapter 14). These workshops were based on joint guidelines relating to preliminary results and reports produced from the empirical analyses.

Report structure

The report is structured as follows: We begin by defining trust and identifying its types and key antecedents (Chapter 2). Next, we review previous research focused specifically on trust within employment relations and industrial relations (Chapter 3). We then explore the main variations in, and typologies of, national industrial relations systems in Europe, along with sectoral variations (Chapter 4). Building on this conceptual and contextual framework, we first present the quantitative study (Chapter 5), followed by eight qualitative country analyses (Chapters 6-13). The eight country case studies are ordered roughly from the west to the east of Europe. This ordering is chosen since it has the benefit of presenting countries from similar industrial relations regimes in chapters close to each other: Ireland (Liberal pluralist), Austria (Social partnership); Sweden (Organised corporatism); Czechia and Slovakia (Embedded liberal capitalism); Romania, Serbia and Lithuania (Neoliberal). The report concludes with key comparative conclusions, a discussion of challenges and some recommendations (Chapter 14).

References

- Algan Y. and Cahuc, P. (2010) Inherited Trust and Growth, *American Economic Review* 100:5, 2060-2092.
- Algan Y. and Cahuc, P. (2013) Trust and Growth, *Annual Review of Economics* 5, 521-49.
- Baccaro, L. and Howell, C. (2017) *Trajectories of Neoliberal Transformation. European Industrial Relation Since the 1970s*. Cambridge: Cambridge University Press.
- Beugelsdijk, S., de Groot, H.F., and van Schaik, A.B.T.M. (2004) Trust and Economic Growth: A Robustness Analysis, *Oxford Economic Papers* 56:1, 118-134.
- Bohle, D. and Greskovits, B. (2012) *Capitalist Diversity on Europe's Periphery*. Ithaca, NY: Cornell University Press.
- Brandl, B. (2020) Variations and (a)symmetries in trust between employees and employers in Europe, *European Journal of Industrial Relations* 26:3, 313-329.
- Brandl, B. (2021) Trust as the cement in the employment relationship? *Journal of Organizational Effectiveness* 8:1, 80-96.

- Charron, N. and Rothstein, B. (2018) Regions of Trust and Distrust, in U. Bernitz, M. Mårtensson, L. Oxelheim and T. Persson (eds.) *Bridging the prosperity gap in the EU*. Edward Elgar.
- Dincer, O. and Uslaner, E. (2010) Trust and Growth, *Public Choice* 142:1-2, 59-67.
- Eurofound (2018) *Mapping varieties of industrial relations*. Dublin: Eurofound
- European Commission (2010), *Commission Staff Working Document on the Functioning and Potential of European Sectoral Social Dialogue*, Brussels: European Commission.
- Fox, A. (1974) *Beyond Contract: Work, Power and Trust Relations*. London, Faber & Faber
- Kahancová, M. (2010) *One Company, Diverse Workplaces. The Social Construction of Employment Practices in Western and Eastern Europe*. Palgrave Macmillan.
- Korsgaard, M.A., Pitarui, A.H. and Jeong, S.S. (2010/2008) *The SAGE Handbook of Organizational Behavior*. online version updated 2010. London: Sage.
- Martišková, M., Kahancová, M. and Kostolný, J. (2021) Negotiating wage (in)equality, *Transfer: European Review of Labour and Research* 27:1, 75-96.
- Zak, P. and Knack, S. (2001) Trust and Growth, *The Economic Journal* 111, 295-321.

2 Trust – a conceptual discussion

Margaret Heffernan, Bengt Larsson and Aurora Trif

Trust plays a pivotal role in the development and maintenance of effective working relationships (Dirks and de Jong 2022). Within employment relations and industrial relations, the issue of trust (and distrust) between employers/management and unions/workers is particularly complex, as it rests on a myriad of contradictory features (Mather 2011). The main feature is that it has a contractual basis (an economic exchange of work for wages) but is premised on unequal bargaining power in the labour market and within local workplaces (Fox 1974). Other contributing features include the structurally required long-term relationship between the parties, the multi-issue nature of negotiations (e.g. collective bargaining and grievance management), the dual role of the actors (e.g. members of their group and also agents), the differing value systems of the parties, the different expectations of fairness, and the diversity regarding the negotiating competencies of the industrial relations actors – not to mention public interests, media exposure, involvement of multiple and often competing labour unions, and conflicts of interest between employees in the organisation, and sectoral or national agreements (Lewicki et al. 2016: 93).

Osgood (1959) observed that trust is essential to cooperation, but that trust can be difficult to establish once a cycle of suspicion, competition, and retaliation has been initiated. Therefore, it is important to explore key antecedents of trust within employment relations with a particular focus on exploring how trust forms and on what trust is based. We will explore a number of these issues later but first a general definition of trust will be established.

2.1 Conceptualising trust

Although trust has been defined in various ways, researchers generally agree that two essential elements of trust are: (1) positive expectations about trustworthiness and (2) a willingness to accept vulnerability (Rousseau et al. 1998). These two aspects are reflected in various trust definitions. Mayer et al. (1995: 712) seminal paper defined trust as ‘the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party’. To this, we may add Robinsons (1996: 576) definition of trust as ‘One’s expectations, assumptions, or beliefs about the likelihood that another’s future actions will be beneficial, favourable, or at least not detrimental to one’s interests.’

A critical point in trust literature is the distinction between *trust* itself (the psychological state of the trustor) *trust propensity* (a dispositional willingness to rely on others) of the trustor, and the *trustworthiness* (the ability, benevolence and integrity) of a trustee (Colquitt et al. 2007). The latter two concepts are said to be important antecedents to trust. The following

three characteristics are of particular importance for establishing trustworthiness: (Mayer et al. 1995).

1. *Ability* refers to the domain-specific characteristics of the trustee, which captures the knowledge and skills needed to do a specific job, along with the interpersonal skills and general wisdom needed to succeed in an organisation.
2. *Benevolence* is the extent to which a trustee is perceived to want to do good to the trustor in their relationship aside from an ego-centric profit motive (Colquitt et al. 2011).
3. *Integrity* is the extent to which a trustee is perceived to adhere to a set of acceptable principles or norms (Dirks and Ferrins 2002).

Forms and bases of interpersonal trust

Trust is multidimensional in nature. Different forms of trust exist together with different bases and types of trust, and these lead to differing effects (Legood et al. 2023). Before discussing these in detail we must acknowledge that there are disciplinary differences in how trust is approached, suggesting ‘that inherent conflicts and divergent assumptions are at work’ (Rousseau et al. 1998: 393). Economists tend to view trust as either calculative or institutional, and trust is approached as a solution to the problem of risk between actors, enabling cooperation through reducing transaction costs (Tyler 2003). Psychologists frequently frame their assessments of trust in terms of attributes of trustors and trustees, whilst sociologists often find trust in socially embedded properties of personal relationships or social institutions (Granovetter 1985; Zucker 1986).

Figure 2.1 shows five forms of trust identified by Dietz and Den Hartog (2006), indicating different degrees of trust on a continuum ranging from distrust to complete trust. The vertical dotted line represents the threshold which occurs when the suspicions that justify reinforcement from sanctions recede and are replaced by a ‘positive expectation’ based on predictability and expected benevolent treatment (Dietz 2002). On the left side of the threshold, actors may coordinate actions through deterrence and or a calculus-based low degree of trust. On the right side ‘real trust’ exists.

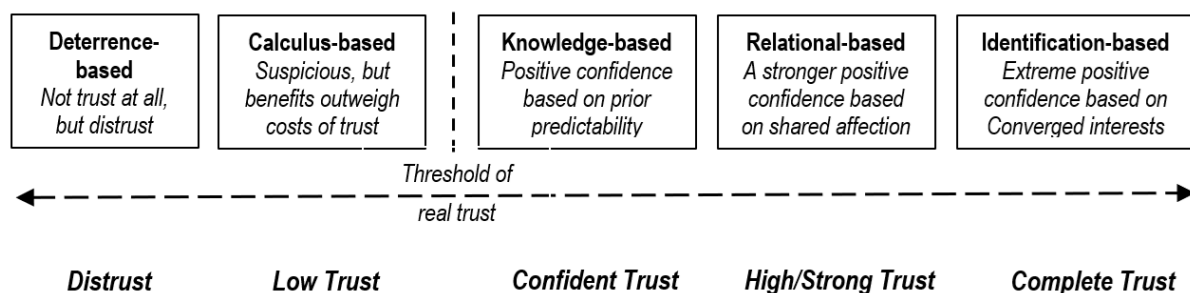


Figure 2.1 The five degrees of trust on a continuum (Source: Dietz and Den Hartog 2006)

Various conceptualisations of trust exist, each based on diverse bases and indicating various degrees of trust. Even though there is no perfect alignment between these various conceptual schemes, Table 2.1 below highlights approximate similarities in conceptual distinctions between some key authors. We will now discuss these concepts to unpack some of the complexity in Figure 2.1, while also indicating their relevance and applicability to the fields of employment relations and industrial relations.

Table 2.1 Different forms of trust

<i>Degrees of trust</i>	McAllister (1992)	Shapiro et al (1992)	Lewicki & Bunker (1996)	Rousseau et al. (1998)	Dietz & Den Hartog (2006)
<i>High</i>  <i>Low</i>	Affective-based trust	Identification-based trust	Identification-based trust	Relational trust	Identification-based trust
					Relational-based trust
	Cognitive-based trust	Knowledge-based trust	Knowledge-based trust	Institution-based trust	Knowledge-based trust
			Calculus-based trust	Calculus-based trust	Calculus-based trust
		Deterrence-based trust	Deterrence-based trust		Deterrence-based trust

We begin by examining the two-factor model developed by McAllister (1995), which distinguishes between cognitive and affective trust. Cognitive-based trust refers to the available knowledge about the trustee's competence, reliability, and dependability. According to this approach people choose who they will trust, in which respects, and under which circumstances, based on what they consider as being evidence of trustworthiness (cf. Lewis and Weigert 1985). Affective-based trust in contrast is based on emotional investments, genuine care, and concern for the welfare of partners, and the belief that these sentiments are reciprocated. Although there is evidence supporting this two-factor model, research also indicates that cognitive-based trust precedes affective-based trust (McAllister 1995).

Shapiro et al. (1992) introduce more complexity by distinguishing three forms of trust: identification-based, knowledge-based, and deterrence-based trust – thereby indicating that even deterrence-based contexts may shape trust. This model has been the basis for further elaborations: Lewicki and Bunker (1996) add the concept of calculus-based trust in their model, and Rousseau et al. (1998) reconceptualises some of the aspects of affective and identification-based trust into relational trust, and use the concept of institution-based trust, which to some extent overlaps with the concept of knowledge-based trust. Let us discuss some of these concepts in more detail:

Deterrence-based trust is seen as the lowest form of trust (or has also been conceptualised distrust). It is a weak form of trust based on consistency of behaviour because of the risk of negative consequences. The expectation in this form of trust is utilitarian; people are trusted to act reliably only when the anticipated punishments or losses for untrustworthy conduct outweigh any potential benefit. This is close to the sociological discussions of impersonal and

system trust built on an 'institutionalisation of distrust' through formal organisation, legal regulation, and control and sanction (Braithwaite 1998; Shapiro 1987). In industrial relations and employment relations, this may be illustrated by employers and unions refraining from taking illegal action or keeping up legal requirements on working conditions, because of the alternative costs of not doing so.

Calculus-based trust is a weak form of trust based on a rational economic exchange and interaction and thus is similar to deterrence-based trust in its instrumental focus (Lewicki and Bunker 1995; 1996). However, this trust is grounded not just in fear of punishment but in the expectation of future rewards from interaction. Therefore, any short-term gains from dishonesty or untrustworthy behaviour are balanced against the long-term gains of ongoing interaction (Lewicki and Stevenson 1997). Mather (2011) argues that unequal bargaining power in the employment relationship may nurture calculus-based trust, while Euwema et al. (2015) state that calculus-based trust increases when management perceives that unions and worker representatives are capable and knowledgeable, have the support of their members, and may thus contribute to (constructive) decisions. From the union side, calculus-based trust in management will depend on the extent to which they believe management will do the best for the whole organisation, take the interests of the workers into account, and share relevant information with them.

Knowledge-based trust is stronger than the previous two forms of trust and relies on knowledge developed over time, rather than deterrence or exchange. It is a function of the parties having a history of interaction where communication and courtship are key (Shapiro et al. 1992). Regular communication puts a party in constant contact with the other, exchanging information about wants, preferences, and approaches to problems. Such trust, based on the experience of the outcome of previous interactions and exchanges are also discussed in terms of 'process trust' (Zucker 1986), which centres around the predictability of interaction and outcome (Shapiro et al. 1992), and expectations that the other party will behave cooperatively (Deutsch 1958). To build and knowledge-based trust in employment relations and industrial relations settings, actors rely heavily on having formal structures and recurrent processes for consultation, dialogue, and negotiation.

Relational trust also builds upon the repeated interactions between trustor and trustee that may move the actors from calculative to knowledge-based trust. However, relational trust entails not only predictability of the interaction, or beliefs in the positive intentions of the trustee, but also the absence of negative intentions, giving rise to the condition of high trust/low distrust (Lewicki et al. 1998). It is thus similar to what McAllister calls affect-based trust and is discussed as 'an emotional response based on interpersonal attachment and identification' (Rousseau et al. 1998: 399).

Identification-based trust is thought to be the strongest form of trust. It consists of both cognitive and affective forms of trust, founded in identification and self-definitional processes such as a sense of shared values, desires, and understanding. It exists because the parties involved can effectively understand and appreciate one another's wants. It is seen as a deep

and personal kind of trust that may maintain relationships even during periods of conflict and negativity (Lewicki 2006). Thus, when high-trusting parties engage in conflict, they tend to see the best in their partner's motives because they make different attributions about the conflict compared to parties in low-trust relationships. Because employers/managers and employees or their representatives often have conflicting interests, this type of trust is more likely to develop within each side, for example between employers and their association and between employees and their representatives and organisation. Strong forms of identification-based trust are related to the concept of solidarity. While instances of such identification-based trust are rare between social partners, they can occur. They are most likely to occur when both sides connect through a joint national or sectoral identification while engaging with external counterparts from other sectors or countries (Larsson 2020, Larsson et al. 2021).

Institution-based trust as impersonal trust

Institution-based trust (as set out in Table 2.1) is distinct from other trust forms because it is placed in formal institutions (like formal or informal rules and norms, contracts and agreements) rather than in interpersonal relationships or shared identities. This impersonal trust aligns with similar concepts such as institutional trust and system trust (Pixley 1996; Shapiro 1987). Rather than referring to expectations on other people, it is focused on the expectations that the social institutions and organisation will coordinate behaviour, and safeguard interactions from unpredictable outcomes. As such, it forms a broad underlying support mechanism for all other forms of trust.

Institution-based trust exists when actors form expectations regarding the behaviour of others by relying on the strength and quality of the institutional system in which they operate (Rothstein and Stolle 2001). This system, comprising formal rules and norms, lends an 'implied normative meaning' that allow people to trust (or not to trust) others operating within the same framework, even though they may not know each other. Institutional trust can often be the mechanism that helps people to engage in the relationships in the first place (Rus and Iglič 2005). Because institutional constraints and incentives are reassuring, they enable trust, consequently, trust and control are often viewed as functional complements (Costa and Bijlsma-Frankema 2007).

Within the concept of institutional-based trust, institutions play a key role as facilitators of trust by being seen as 'functionally equivalent to a personal third-party guarantor' (Bachmann and Zaheer 2008). Institutional structures that can reduce the risk of misplaced trust may include legal regulations, professional codes of conduct that are or are not legally binding, corporate reputation, standards of employment contracts, and other formal and informal norms of behaviour. While institutions alone are not sufficient for trust to develop (Dietz 2011), they may still influence trust processes in several ways (Bachmann and Inkpen 2011). First, institutions lend meaning to the circumstances in which actors operate, often before a personal relationship has formed. Second, institutions can influence the way trustors and

trustees interact. Finally, third, a trustor may have trust in the institutional arrangements themselves.

However, Bachmann (2011) argues that much of existing 'micro-level' research on trust is too narrow in its view of how institutions may impact on trust; viewing it as a mere external factor to facilitate interaction-based (inter)personal trust. Institutions play a more pivotal role in trust formation. When institutional trust exists, both parties refer to institutional safeguards in their decisions and actions and can thus develop trust without having any prior personal experience in dealing with one another (Spicer and Okhmatovskiy 2015). Institutional trust is thus conceptualized differently from more micro-level trust concepts, as institutions are also seen as the objects of trust. From this perspective, institutions are examined as direct targets of individual evaluation and assessment rather than as mediating structures that produce trust between unfamiliar actors. Institution-based trust can be then defined as 'a form of individual or collective action that is constitutively embedded in the institutional environment in which a relationship is placed, building on favourable assumptions about the trustee's future behaviour vis-à-vis such conditions' (Bachmann 2011: 284).

Kroeger (2011) highlights the complexity of exploring trust at multiple levels by acknowledging that organisations as entities may play a significant role in trust-building, but that it is still individual actors who engage in trust-building activities (Gulati and Sytch 2008; Six and Sorge 2006). Thus, it is important to understand what are the mechanisms and processes that link and mediate between trust on the (inter)personal and the (inter)organisational and/or institutional levels. Lewicki and Bunkers (1995) emphasise that trust can be both an antecedent of productive dynamics in relationship development (when the parties trust each other, cooperation and information sharing are increased) and a consequence of relationship development (when the parties cooperate and share information, trust is increased).

In industrial relations research, it seems obvious that national industrial relations institutions matter for the shaping and maintenance of trust between employer and employee representatives at local, sectoral and national levels; and that trust and even the institutions themselves are developed over time through interactions between the actors involved: employers, employees and their representatives, and the state (Bohle and Greskovits 2012; Crouch 1993; Fox 1974; Hyman 2001). This issue will be explored in more detail in chapter 4 examining the national and sectoral contexts. Given the focus of the project, trust support mechanisms in the institutional environment are of course important to explore. Jones (1999) divides the institutional environment into five distinct parts: Sociocultural, national, industry, firm and intra-firm, and individual. The first three parts are particularly important. National, formal, institutions include both governmental and quasi-governmental institutions that establish the regulatory regime in which firms operate. Sociocultural norms are tacit 'rules' of a society, which include both what actions are deemed morally correct (normative) and how actions and symbols are interpreted (cognitive). Industry norms are related to behaviours sanctioned within what institutional theorists call an 'organizational field' (Hoffman 1995).

That is, industry norms influence managerial decision-making by defining behaviour that is accepted and encouraged within a particular industry (Wicks and Berman 2004).

Antecedents of trust

Much of the research exploring the antecedents of trust has focused on individual and (inter)relational trust between employees and managers – details of which we will come back to in the next chapter. Our focus in this section is to present a theoretical overview of such antecedents. Building upon our earlier discussion of antecedents related to trustworthiness – i.e. a trustee's ability, benevolence, and integrity (Mayer et al. 1995) – we can now introduce a more complex picture of the trust-building process and its various antecedents. This includes factors related to the individual, the nature of the relationship, situational influences, and domain-specific concerns. Figure 2.2 sets out the key influences that shape how the essential trust dynamic is played out, as well as virtuous circles made possible through feedback loops.

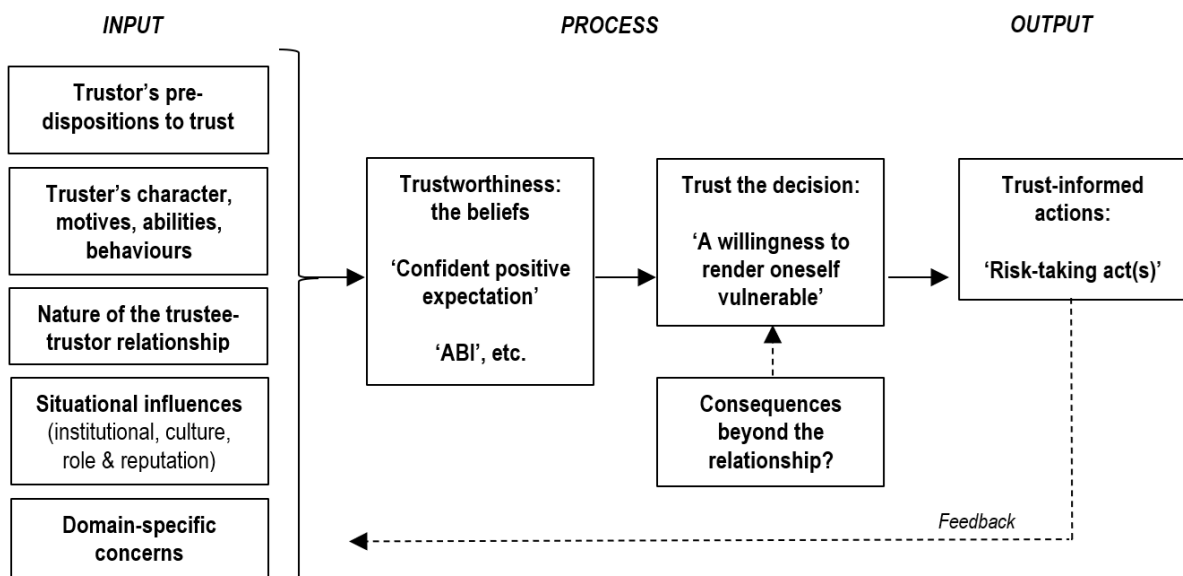


Figure 2.2 Antecedents of trust and the trust process (Dietz 2011)

Dirks and de Jong (2022) and Fulmer and Gelfand (2012) both provide overviews setting out meta-analytic evidence regarding relationships between trust and antecedents which cover the following headings, and which relate to several of the above-discussed forms of trust:

- Trustor characteristics and behaviours (e.g. propensity to trust)
- Trustee characteristics and behaviours (e.g. ability, integrity, and benevolence; justice, fairness, and ethical conduct; leadership styles, participative and consulting decision making).
- Dyad factors/shared characteristics (e.g. length of relationship, expected future relationship, joint dependence)

Communication processes (e.g. communication medium, sensemaking, Information sharing, communication of trustworthiness)
Network and structural characteristics (e.g. types of ties, binding contracts)
Organisational characteristics (e.g. cooperative versus competitive organisational context, organisational change, fair, transparent policies)
External contexts (e.g. laws and regulations, national political systems, competitors)

2.2 Culture, power and combinations of trust and distrust

As indicated above, elements of national-societal culture are likely to influence the trust-related attitudes and beliefs of behaviours. They are also likely to influence the systems and structures in the society that in turn affect the trust in individuals, organisations or institutions (Fulmer et al. 2024). Saunders et al. (2010) explored the idea that culture can shape the sources, content and outcomes of trust. They cite Ferrin and Gillespie's (2010) review of 56 studies which uncovered variance and similarities between different national contexts on how trust is viewed and enacted. There is variance in parties' preparedness to trust in the first place (i.e. pre-dispositions) (Warren 1999), and socioeconomic conditions also shape trust levels. They draw on Chao and Moon's (2005) metaphor of the 'cultural mosaic' to argue that sectoral, professional and organisational cultures also explain variance in trust's fundamental dynamics (Dietz 2011).

However, power is also an important aspect of trust, as it inherently involves dependence and vulnerability. Little research has examined how power differences affect trust dynamics, though Fox (1974) frame of reference (unitarist, pluralist, radical) for exploring power imbalance in employment relations is one example of research that integrates power in understanding trust. In addition, Schoorman et al. (2007) suggest that in contexts where there is a hierarchical power difference, high-power individuals afford more risk and are thus more likely to trust than low-power individuals.

Power is also important in understanding trust violation and repair. Trust violation has been defined as acts on behalf of the trusted party that violate the trustor's expectations (Chen et al, 2011). Trust repair refers to the process through which trust is restored or rebuilt following a trust violation. Small (2002) has shown that misuse of power erodes trust within organisations. Researchers have recognised that trust can be violated in many different ways, and the nature of the violation has important implications for how trust can be repaired (van der Werff et al. 2023). Trust violations can differ based on the type of trustworthiness that is being violated; the nature of the relationship; violation severity, frequency, and timing.

Short-term strategies for trust repair include verbal statements (e.g. apologies and compensation). Longer-term strategies for trust repair have received much less attention. These include: (a) structural arrangements that bound, control, and monitor future interaction; (b) reframing the events such that the perception of the event, or the emotional response and its consequences, is minimised; (c) helping the victim engage in forgiveness; and (d) the role of silence in addressing the violation.

Combinations of trust and distrust – unilateral and mutual

Lewicki and Bunkers (1995) propose that trust is multifaceted and may change in its essential facets as it increases or decreases over time. They also discuss how trust and distrust can exist in various combinations. Trust and positive expectations of the other party, and distrust and negative expectations from the other party, are fundamentally different from each other. Moreover, they categorise two types of distrust: ‘calculus-based distrust’ and ‘identification-based distrust’ (see Table 2.2). This trust/distrust dichotomy may be a useful model to explore relationships between social partners. As an illustration of how that might be the case in employment relations and industrial relations, Lewicki and Wiethoff (2000) discuss situations where management and worker representatives may trust each other completely when it comes to agreements on workplace safety, while at the same time, high distrust may exist with regard to willingness to cooperate on a planned reorganisation.

Table 2.2 Combinations of trust and distrust (Source: Lewicki et al. 2016: 98)

	Calculus based trust	Identification based trust
Calculus based distrust	‘They will deliver on issue A, however unlikely on issue B’	‘They are good people, however they don’t understand why we need to change’
Identification based distrust	‘They will deliver as agreed, although I don’t trust their intentions’	‘I trust our CEO:s intention, but I don’t trust his willingness to confront the shareholder’

The ideal relationship between social partners would be high trust/low distrust. However other variations exist and can impact on trust (see Lewicki et al. 2016). These are presented in Table 2.3: High trust/low distrust is characterised by perceptions that both parties trust each other and work closely together. High trust/high distrust occurs when management and worker representatives are closely monitoring each other, and trust is high in some aspects but distrust is present in others. Low trust/low distrust suggests remote relationships – something Lewicki et al. (2016) suggest is unlikely in work settings. Finally, low trust/high distrust centres on opposition which in industrial relations is often evident. However, it can also have downsides when attempting to develop dialogue in opening discussions. Distrustful assumptions about the other party's interests and values may be so strong that parties are unable to reconcile these assumptions and take the initial steps toward building trust and cooperation.

While trust may have a positive influence on employment relations, mutual trust and its sibling ‘partnership’, is often thought of as the ideal situation. Research also indicates that it is mutual trust, and not unilateral trust (i.e. if one side trusts the other side but not vice versa) that fosters positive outcomes. These include constructive communication flows that enable joint decisions, agreements and deals (Brandl 2020). Only mutual trust constitutes a true basis for a mutual partnership that enables both sides to take risks to strike deals that might potentially involve short-term losses for one party, but which can lead to long-term mutually

beneficial outcomes (Guest and Peccei 2001). Mutual dependence and vulnerability are important to mutual trust as in employment relations there is a potential for conflict.

Table 2.3 Integrating trust and distrust (Source: Lewicki et al. 1998)

	Low distrust: no fear, absence of scepticisms and cynicism, low monitoring and low vigilance	High distrust fear, absence of scepticisms and cynicism, low monitoring and low vigilance
High trust: hope, faith, confidences, assurance and initiative	High trust–Low distrust: high value-congruence, interdependence promoted, opportunities pursued, new initiatives	High trust–High distrust: trust and verification, segmented relationships, opportunities pursued and down-side risks protected, vulnerability monitored
Low trust: no hope, faith, confidences, assurance or initiative	Low trust–Low distrust: casual acquaintances, limited interdependence, arm-length transactions, professional courtesy	Low trust–High distrust: undesirable eventualities expected, and feared, harmful motive assumed, best offence is a good defence, paranoia

Fox (1974) sketches a pattern of high trust and low trust and the means of moving from low trust to high trust situations. He suggests that the circumstances underlying low versus high trust represent distinct configurations of beliefs, interaction processes, and causal dynamics. Fox saw trust as an institutional arrangement reflecting the use of contracts, sanctions, and legalistic procedures as formal substitutes for interpersonal trust. This suggests that when the interpersonal roots of trust are no longer available, trust will take the form of institutional arrangements. This approach focuses on the use of formal (often legalistic) mechanisms that serve as administrative or symbolic substitutes for trust that can enhance the legitimacy of an otherwise suspect arrangement (Sithkin and Roth 1993). Fox also explores distrust and describes examples of an escalating cycle of distrust, leading to reciprocal distrust, initiated when ‘subordinates ... try to limit the discretion of their superiors.... thereby strengthening a management belief in a divergence of goals which disposes it to manifest counter expressions of distrust toward subordinates’ (Fox 1974: 104-105). Fox’s key contribution to trust thus lies in showing how intraorganisational trust is embedded in institutional systems and how internal and external trust dynamics are interdependent and shape each other. Siebert et al. (2015: 1052) draw on this and argue that an analysis of organisational trust, therefore, should begin ‘outside of the factory gates’, shifting emphasis from the focus on organisational trust to a broader focus on trust in institutions and social structures.

References

- Bachmann, R. (2011) At the crossroads: Future directions in trust research, *Journal of Trust Research* 1:2, 203-213.
- Bachmann, R. and Inkpen, A. C. (2011) Understanding institutional-based trust building processes in inter-organizational relationships, *Organization studies* 32:2, 281-301.
- Bachmann, R. and Zaheer, A. (2008) Trust: A bigger picture, *Academy of Management Review* 33:1, 271-274.
- Bohle, D. and Greskovits, B. (2012) *Capitalist Diversity on Europe’s Periphery*. Ithaca, NY: Cornell University Press.

- Braithwaite, J. (1998) Institutionalizing Distrust, Enculturating Trust, in Braithwaite, V. & Levi, M. (eds.) *Trust and Governance*, New York: Russell Sage Foundation.
- Brandl, B. (2020) Variations and (a)symmetries in trust between employees and employers in Europe, *European Journal of Industrial Relations* 26:3, 313-329.
- Chao, G.T., and Moon, H. (2005) The cultural mosaic: A metatheory for understanding the complexity of culture, *Journal of Applied Psychology* 90:6, 1128-40.
- Chen, C. C., Saporito, P. and Belkin, L. (2011) Responding to trust breaches: The domain specificity of trust and the role of affect, *Journal of Trust Research* 1:1, 85-106.
- Colquitt J.A., Scott B.A., and LePine J.A. (2007) Trust, trustworthiness, and trust propensity: a meta-analytic test of their unique relationships with risk taking and job performance, *Journal of Applied Psychology* 92: 909-27.
- Costa, A.C., and Bijlsma-Frankema, K. (2007) Trust and control inter-relations: New perspectives on the trust-control nexus: Towards integrated perspectives, *Group and Organization Management* 32:4, 392-406.
- Deutsch, M. (1958). Trust and suspicion, *Journal of conflict resolution*, 2:4, 265-279.
- Dietz, G. (2002) The Development of Mutual Trust in British Workplaces through 'Partnership', *ERIM Report Series Research in Management*.
- Dietz, G. (2011) Going back to the source: Why do people trust each other? *Journal of Trust Research* 1:2, 215-222.
- Dietz, G. and Den Hartog, D. N. (2006) Measuring trust inside organisations, *Personnel review*, 35:5, 557-588.
- Dirks, K.T. and de Jong, B. (2022) Trust within the workplace: A review of two waves of research and a glimpse of the third *Annual Review of Organizational Psychology and Organizational Behavior* 9, 247-276.
- Euwema, M., Munduate, L., Elgoibar, P., Garcia, A., and Pender, E. (2015) Promoting social dialogue in European organizations, *Human Resources management and constructive conflict behavior*. Dordrecht: Springer.
- Ferrin, D.L. and Gillespie, N. (2010) Trust differences across national-societal cultures: Much to do, or much ado about nothing, *Organizational trust: A cultural perspective*, pp.42-86.
- Fox, A. (1974) *Beyond Contract: Work, Power and Trust Relations*. London, Faber & Faber
- Fulmer, C. A. and Gelfand, M. J. (2012) At what level (and in whom) we trust: Trust across multiple organizational levels, *Journal of management* 38:4, 1167-1230.
- Fulmer, C.A., Gillespie, N., Ferrin, D.L. and Denison, E. (2024) Culture and Trust in Organizational Contexts. *The Oxford Handbook of Cross-Cultural Organizational Behavior*.
- Granovetter, M. (1985) Economic action and social structure: The problem of embeddedness, *American Journal of Sociology* 91:3, 481-510.
- Guest, D. and Peccei, R. (2001) Partnership at work: mutuality and the balance of advantage, *British Journal of Industrial Relations* 39:2, 207-236.
- Guest, D., Brown, W., Peccei, R. and Huxley, K. (2008) Does partnership at work increase trust? An analysis based on the 2004 Workplace Employment Relations Survey, *Industrial Relations Journal* 39(2): 124-152.
- Hoffman, A. J. (1995). *The environmental transformation of American industry: an institutional account of organizational evolution in the chemical and petroleum industries (1960-1993)* (Doctoral dissertation). Massachusetts Institute of Technology.
- Hyman, R. (2001) *Understanding European Trade Unionism*. London: Sage.
- Jones, M. (1999) The institutional determinants of social responsibility, *Journal of Business Ethics* 20, 163-179.

- Larsson, B. (2020) Cultural Obstacles in Transnational Trade Union Cooperation in Europe, *Nordic Journal of Working Life Studies* 10:1, 3-18.
- Larsson, B., Galetto, M., Weber, S., Bechter, B., and Prosser, T. (2020) What's the point of European Sectoral Social Dialogue? Effectiveness and polycontextuality in the hospital and metal sectors, *Industrial relations journal* 51, 410-426.
- Legood, A., van der Werff, L., Lee, A., den Hartog, D. and van Knippenberg, D. (2023) A critical review of the conceptualization, operationalization, and empirical literature on cognition-based and affect-based trust, *Journal of Management Studies* 60:2, 495-537.
- Lewicki, R. & Bunker, B.B (1997) Developing and maintaining trust in work relationships, in Kramer, R.M. & Tyler, T.R. (eds.) *Trust in organisations: frontiers of theory and research*. Sage.
- Lewicki, R. J. (2006) Trust and distrust. *The negotiator's fieldbook: The desk reference for the experienced negotiator*, pp.191-202.
- Lewicki, R. J., McAllister, D. J. and Bies, R. J. (1998) Trust and distrust: New relationships and realities, *Academy of Management Review* 23:3, 438-458.
- Lewicki, R., Elgoibar, P. and Euwema, M. (2016) The tree of trust: Building and repairing trust in organizations, in *Building trust and constructive conflict management in organizations*, pp.93-117.
- Lewicki, R.J. and Bunker, B.B. (1996) Developing and maintaining trust in work relationships, *Trust in organizations: Frontiers of theory and research* 114:139.
- Lewicki, R.J. and Stevenson, M.A. (1997) Trust development in negotiation: Proposed actions and a research agenda, *Business & Professional Ethics Journal* 16:1/3, 99-132.
- Lewis, J. D. and Weigert, A. (1985) Trust as a Social Reality, *Social Forces* 63:4, 967-985.
- Mather, K. (2011) Employee relations and the illusion of trust. In *Trust and Human Resource Management*. Edward Elgar Publishing.
- Mayer, R.C., Davis, J.H. and Schoorman, F.D. (1995) An integrative model of organizational trust, *Academy of Management Review* 20, 709-34.
- McAllister, D. (1995) Affect- and cognition-based trust as foundations for interpersonal cooperation in organizations, *Academy of Management Journal* 38: 24-59.
- Pixley, J. (1999) Impersonal Trust in Global Mediating Organizations, *Sociological Perspectives* 42:4), 647-671.
- Robinson, S. L. (1996) Trust and breach of the psychological contract, *Administrative science quarterly* 41:4, 574-599.
- Rothstein, B. and Stolle, D. (2001) Social Capital and Street Level Bureaucracy: An Institutional Theory of Generalised Trust, paper presented at the EURESCO Conference Social Capital: Interdisciplinary Perspectives, Exeter, UK, 15-20 September.
- Rousseau, D.M., Sitkin, S.B., Burt, R.S. and Camerer, C. (1998) Not so different after all: A cross-discipline view of trust, *Academy of management review* 23:3, 393-404.
- Rus, A. and Iglič, H. (2005) Trust, governance and performance: The role of institutional and interpersonal trust in SME development, *International sociology* 20:3, 371-391.
- Saunders, M.N.K., Skinner, D., Dietz, G., Gillespie, N., and Lewicki, R.J. (2010) *Organizational trust: A cultural perspective*. Cambridge: Cambridge University Press.
- Schoorman, F.D., Mayer, R.C. and Davis, J.H. (2007) An integrative model of organizational trust: Past, present, and future, *Academy of Management review* 32:2, 344-354.
- Shapiro, D.L., Sheppard, B.H. and Cheraskin, L. (1992) Business on a handshake, *Negotiations Journal* 8, 365.
- Shapiro, S. P. (1987) The Social Control of Impersonal Trust, *American Journal of Sociology* 93 (3), 623-658.

- Siebert, S., Martin, G., Bozic, B., and Docherty, I. (2015) Looking 'Beyond the Factory Gates': Towards more Pluralist and Radical Approaches to Intraorganizational Trust Research, *Organization Studies* 36:8), 1033-1062.
- Spicer, A. and Okhmatovskiy, I. (2015) Multiple paths to institutional-based trust production and repair: Lessons from the Russian bank deposit market, *Organization Studies* 36:9, 1143-1170.
- Tyler, T. R. (2003) Procedural justice, legitimacy, and the effective rule of law. In M. Tonry (Ed.), *Crime and justice: A review of research* 30, 431-505. Chicago: University of Chicago Press
- van der Werff, L., O'Shea, D., Healy, G., Buckley, F., Real, C., Keane, M. and Lynn, T. (2023) The neuroscience of trust violation: Differential activation of the default mode network in ability, benevolence and integrity breaches, *Applied Psychology*, 72:4, 1392-1408.
- Warren, M.E. (Ed.) (1999) *Democracy and trust*. Cambridge: Cambridge University Press.
- Wicks, A.C. and Berman, S.L. (2004) The effects of context on trust in firm-stakeholder relationships: the institutional environment, trust creation, and firm performance, *Business Ethics Quarterly* 14:1, 141-160.
- Zucker, L.G. (1986) Production of Trust: Institutional Sources of Economic Structure, 1840-1920, *Research in Organizational Behavior* 8, 53-111.

3 Trust in employment relations – literature review

Bengt Larsson, Margaret Heffernan and Aurora Trif

The previous chapter conceptually established that trust has multiple forms and bases, which are influenced by cultural context and power. This chapter now turns to the empirical evidence regarding the bases and effects of trust within employment and industrial relations.

In the area of industrial relations, many studies mention or implicitly address the issue of trust without making it the main topic – e.g. it is indicated through concepts such as ‘co-operation’ and ‘social partnership’ as discussed in chapter 2 (Bray et al. 2020; Hyman 2001). However, in this chapter we discuss studies *explicitly* analysing the antecedents and effects of trust. Many organisational trust studies focus on trust between employees and management, rather than on trust between employer and worker representatives at local, sectoral, and national levels. Therefore, we have chosen to also include such studies in this review. Although the project does not focus on the relationship between employees and management (see Figure 1.1), we believe that the effects and antecedents found in this micro-organisational level trust research are valid in informing and ‘sensitising’ the analysis of the relationships between representatives, at both local and higher levels. We will start by discussing research on the effects of trust, before moving on to discuss research on the antecedents of trust. The chapter ends with a summary of some main conclusions and a brief discussion of the knowledge gaps that the TRUE EUROPE project aimed to address.

3.1 The effects of trust in employment relations

According to an overview of research on **employee trust in management**, one of the main consequences of such trust is that it improves the performance of individuals, groups, and units. Partly, this is because it increases risk-taking choices such as information sharing and delegation, and partly because trust increases organisational commitment and the willingness to go beyond contractual tasks, thereby improving the effectiveness of the organisation. In addition, employee trust in management is related to job satisfaction and acceptance of management decisions. Consequently, trust is said to decrease intentions to leave and non-cooperative behaviour among employees (Korsgaard et al. 2010; cf. Yunus and Mostafa 2022).

Taking a closer look, we will first discuss some studies indicating the effects of employee trust in management on employee performance. Mayer and Gavins (2005) survey-based study in a non-union US Manufacturing company showed that trust in management increased the employees’ focus on value-producing tasks, which improved performances. Renzl’s (2006) qualitative study at two companies in the knowledge industry in Austria, indicated that both trust in management and general interpersonal trust increased knowledge sharing, by reducing employees’ fear of losing unique value and by improving the willingness to document knowledge. In addition, a 2-year longitudinal study in UK by Kougiannou et al. (2015), showed

that employee trust in management had positive effects on the employees' satisfaction with the performance and outcomes of their local works council, thereby indicating that trust seems to increase the cooperation between the management and local employee representatives.

Other studies have demonstrated that firms where employees trust management tend to experience increased profitability. Davis et al.'s (2000) survey-based study of the US restaurant industry found that employee trust in management was related to the performance of the company (i.e. profits, sales, and turnover), thus concluding that employee trust may give a competitive advantage for firms. A survey-based study of employee workplace level trust in the UK, also showed a positive relation between average employee trust (operationalised as managers being seen to keep their promises, being honest and fair, and trying to understand the employees' views) and the financial performance, labour productivity, and quality of service production of the firm (Brown et al. 2015).

Managers' trust in employees has also been shown to have beneficial effects. A quantitative study of managers' trust in their employees in Israeli public and private organisations by Tzafrir (2005) showed that such trust had effects on both how the HRM system was shaped, and on the perceived market performance of the company. The results indicated that the HR departments were more likely to offer employee training and internal promotion systems in companies in which the management had high trust in their employees. This implies that trust is a two-way street between management and employees – a fact that is also highlighted by studies of mutual trust.

Mutual trust between managers and employees and/or employee representatives has been found to have effects both on the forms and outcomes of bargaining, as well as on organisational performance. Friedman's (1993) longitudinal survey-based study of both employer and labour negotiators in the US, emphasised that mutual trust was important for the development of interest-based (rather than positions based) mutual gains bargaining. In particular, for negotiators on the employee side, trust was essential for engaging in constructive bargaining where the respective parties' concerns were not treated as closed positions. In a study based on surveys of HR managers in a number of European countries, Elgoibar et al. (2021) found effects of trust on employee representatives' bargaining influence. The perceived trustworthiness of employee representatives (in terms of their abilities, benevolence and integrity) positively affected both how much trust the management had in them, and the degree of influence employee representatives had in bargaining. These effects were stronger on integrative bargaining topics in which there were possible win-win situations, as compared to zero-sum distributive bargaining situations. A qualitative study of information and consultation bodies in non-union firms in the U.K., by Kougianniou et al. (2021), showed that trust-building is part of the process of forming constructive information and consultation processes. Whereas the initial judgements regarding the trustworthiness of the counterpart were rather insecure, the employee representatives' trust in management increased with the manager's willingness to share information and control, whereas the manager's trust increased with the employee representatives' ability to act competently, and

if the consultation process seemed to be adding business value. However, the results also indicated that such trust in non-union employee representatives was rather fragile.

A German survey on the effects of trust on the preference for decentralized bargaining among managers and works council members in Germany, by Nienhueser and Hossfeld (2011), indicated that the existence of mutual trust between managers and works councillors increased the preference for local-level bargaining among the councillors, but not among managers. This should be understood against the background that the managers generally favoured decentralised bargaining, whereas the works councillors were generally averse to local-level bargaining. The results indicated that trust was more important for the weaker party (i.e., the works councils), who otherwise were sceptical of the possibility that local level bargaining would result in constructive compromise and integrative bargaining. Regarding the outcomes of bargaining, a survey-study by Guest and Pecci (2001) on partnership in the UK confirmed that 'high trust partnerships at work' between managers and employee/employee representatives in firms who were members of the Involvement and Participation Organisation, were associated with positive outcomes for both parties: for employers in terms of employee contributions, employment relations outcomes and performance; for employees and their representatives in better opportunities to contribute to and influence decision making. However, trust was still rather low between management and employees, and employee representation in decision making had little effect on employee attitudes, and even a negative effect on sales. The interpretation of this was that representative participation on its own will fail to overcome low levels of trust.

Finally, there are studies indicating an effect on the profitability of the firms from mutual trust between employers and employee representatives at local level. Brandl (2020; 2021a; 2021b) has showed in studies, using the European Company Survey, that such effects are shaped by the existence of mutual trust between employers and employee representatives rather than on unilateral trust from either side. In addition, the levels of trust need to be relatively high to have such effects, and this was rare. This research highlights the contextual effects of industrial relations systems, a crucial factor often missing from single country, firm-level studies. While Europe's industrial relations institutions are strong compared to other contexts, Brandl (2020) shows strong variations in trust levels in Europe, depending on individual countries industrial relations traditions and regimes (e.g. Visser 2009; Eurofound 2018a; Furåker and Larsson 2020; Hyman 2001). There were particularly high levels of trust in Scandinavian countries, which have long traditions of strong and relatively constructive industrial relations. The trust levels were relatively low in Mediterranean countries, which have a tradition of more conflictual industrial relations. For Central and Eastern European countries, the results showed relatively high levels of mutual trust at firm levels – but only when organised social partners and dialogue existed at that level. These countries have relatively fragmented industrial relations institutions, with low levels of local level bargaining and representation in many countries. Finally, Brandl's research indicates that managers' trust in employee representatives generally is higher than the employee representatives' trust in

the management – a fact that surely reflects the power relations between the parties (Brandl 2020; 2021a; 2021b).

3.2 The determinants of trust in employment relations

In an overview of the antecedents of **employee trust in management**, four factors are discussed as established by previous research (Korsgaard et al. 2010). First, employee trust may be based on the perceived levels of management ability, benevolence, integrity (and fairness) in the management's behaviour and interaction with employees. A second, and related antecedent is the employees' experience regarding the quality of the exchange relationship between management and employees. That is, whether employee support is given, and the 'psychological contract' upheld. In some instances, the length of the relationship may have a positive effect on trust. Third, some contextual factors are mentioned as antecedents of employee trust: mainly local contextual factors such as consistently used and fair HR policies and processes, local training and development opportunities, and shared group member identity and values between employees and management. Macro contextual factors, such as industrial relations institutions and traditions are, however, not mentioned in this rather HRM-focused overview. Finally, the effects of individual propensity to trust are highlighted. For our approach, such individual trait-based antecedents are less relevant, unless they are seen as related to broader contextually varying cultures of trust and thus may be used as control variables in the quantitative studies (Fukuyama 1995; Sztompka 1999)

Looking closer at some of the results from previous research on antecedents of employee trust in management, a survey-based study in Australia, by Morgan and Zeffane (2003), showed that organisational change negatively affected employee trust in management. While structural reorganisation was particularly corrosive to trust, employee consultation was shown to reduce such negative effects. In line with this, a survey-based study of the effects of the changing working conditions following the Covid-19 crisis in Norway, by Drange et al. (2023), indicated that even though change decreased trust in management, these negative effects were reduced if the employer adhered to collective agreements and employee influence. Additionally, survey research in the UK by Yunus and Mostafa (2022) indicates that trust in management is strengthened not only by employee consultation but also flexible working practices and job.

In addition to such effects on trust from organisational change and employee consultation, some studies indicate that perceptions of management fairness affect employee levels of trust. An EU quantitative study by Searle et al. (2011) showed that both procedural justice and HR practices had effects on employees' trust levels, and an interview-based study among employees in a UK public sector organisation, by Saunders and Thornhill (2003), confirmed that employee justice perceptions could mitigate losses of trust in organisational change processes. Employees who felt that the outcomes of change were fair for both the organisation and for themselves, were trusting, whereas those focusing only on fairness from their personal point of view felt more distrustful. Consequently, a conclusion was that

commitment to and identification with the organisation were factors that increase trust in management during processes of change.

Studies that introduce employee representatives into the mix, give a more complex picture of employee trust in management. A survey-based study of employee trust in management from Australia indicated that 'direct voice' (i.e. two-way communication channels between managers and staff in meetings or workgroups) was positively related to trust, whereas 'indirect voice' (i.e. through union representation) was negatively related to trust – more so if management was negative towards the union presence. A conclusion regarding the Australian context was thus that direct employee-management cooperation was important for the shaping of employee trust (Holland et al. 2012). However, a UK survey-based study by Bryson (2001), indicated that employee trust in management increased if management supported union membership, and if there was a perceived balance of power locally between management and unions. In addition, employee perceptions of union effectiveness were correlated with high trust in management. The general implication was, that managers may affect their employees' trust by supporting unionisation and by ensuring that unions have the 'right amount' of power to make a positive contribution to the workplace.

Turning to **employee representatives' trust in management**, a survey-based (longitudinal) study of works council (WC) members in the Netherlands found both 'instrumental antecedents' (i.e., the amount of actual WC influence on management decisions in the organisation) and 'relational antecedents' (i.e., management's intentions and the existence of procedural justice) for the councillors' trust in management (Kerkhof et al. 2003). These two types of antecedents were correlated, but the relational ones were most important for works councillors' trust. A key conclusion was that 'although favourable outcomes often go hand in hand with respectful treatment and fair procedures, it is the latter that causes trust' (Kerkhof et al. 2003: 634). These results are to a high degree supported by the previously mentioned study by Kougiannou et al. (2021), indicating that non-union employee representatives' trust in management increased with management's willingness to share information and control.

There are also studies discussing antecedents of **mutual trust between employee representatives and managers** both in unionised and non-unionised workplaces concerning the introduction of 'partnership at work' in the UK. A qualitative study of three case companies, by Dietz (2004), showed an improvement in trust after the establishment of partnership forums in previously conflict-ridden relationships. These results were said to show that a 'mutual gains' approach, based on information sharing and joint participation in decision making, increases trust – if mainly between the 'key players' and less among the employees at large. In conclusion, the study claims that attitudes and behaviours of key players, and good processes, matter more than institutions. A quantitative study from the UK, by Guest et al. (2008) contradicted these results, however, stating that there was no general support that partnership practices lead to higher mutual trust between management and employee representatives. In addition, whereas mutual trust only existed in around a third of the cases involving union representatives, it existed in two-thirds of the cases involving non-union representatives, indicating that trust was higher in direct rather than in representative

partnership participation. Moreover, mutual trust between management and trade union representatives was stronger when management had a positive overall view of trade union membership and unions.

3.3 Summary of previous research

Overall, the above studies show benevolent effects of trust between management, employees, and employee representatives, and imply a variety of determinants of such trust:

4. *First*, employee trust in management tends to increase performance, and employee satisfaction with both the management/organisations and their local worker representatives.
5. *Second*, management trust in employees and employee representatives – in particular, if there is mutual trust between them – tends to also improve employee access to training and shape constructive and influential (mutual gains-) bargaining.
6. *Third*, some of the main antecedents of both employees' and employee representatives' trust are their experiences of: a) management behaviour (i.e., ability, integrity, benevolence, and fairness), b) management interactional attitudes (e.g. being supportive towards unions and workers' representation), c) existence of formal organisational processes for such interaction and, d) employee identification with or commitment to the organisation. An antecedent that tends to impact employee trust negatively is organisational change, but this effect may be mitigated if employees or employee representatives have influence, or if flexible working practices and job autonomy is offered.
7. *Fourth*, the presence of local employee representatives has been shown to impact trust in local management both positively and negatively, depending on whether this affects the possibility for employees to express direct voice to the management, and whether management supports and offers employee representatives influence. As the studies demonstrated somewhat contradictory effects between different countries, this may indicate that national and sectoral industrial relations traditions influence the impact of the presence of local employee representatives on employee trust in management.
8. *Fifth*, some single country studies indicate that attitudes, behaviour, and local processes are stronger antecedents for mutual trust between managers and employee representative, than formal institutions are. However, comparative studies show national contextual effects from industrial relations traditions and institutions on the levels of mutual trust between employer and employee representatives.

With the exception of Brandl's (2020a; 2021a; 2021b) research showing that mutual trust between managers and employee representatives varies between countries and industrial relations regimes in Europe, most studies are based on research in one country which seems to underplay contextual factors relating to the industrial relations systems. In addition, most previous research does not connect the determinants of trust with the outcomes of trust, and there is usually a focus only on local-level employment relations, while their institutional embeddedness in sectoral or national industrial relations systems is somewhat underdeveloped – not least because of the lack of comparative approaches. In short, there is still a need for more contextually sensitive and comparative studies on trust between employer and employee representatives across countries and sectors.

References

- Brandl, B. (2020) Variations and (a)symmetries in trust between employees and employers in Europe, *European Journal of Industrial Relations* 26:3, 313-329.
- Brandl, B. (2021a) Trust as the cement in the employment relationship? *Journal of Organizational Effectiveness* 8:1, 80-96.
- Brandl, B. (2021b) Trust Relationships in Employment Relationships, *International Journal of the Economics of Business* 28:1, 139-161.
- Bray, M., Budd, J. W. and Macneil, J. (2020) The many meanings of co-operation in the employment relationship and their implications, *British Journal of Industrial Relations* 58:1 114-141.
- Brown S., Gray, D., McHardy, J. and Taylor, K. (2015) Employee trust and workplace performance, *Journal of Economic Behavior and Organization* 116:1, 361-378.
- Bryson A. (2001) The Foundation of 'Partnership'? Union Effects on Employee Trust in Management. *National Institute Economic Review* 176:1, 91-104.
- Davis, J.H., Schoorman, F.D., Mayer, R.C. and Tan, H.H. (2000) Trusted general manager and business unit performance: empirical evidence of a competitive advantage, *Strategic Management Journal* 21:5, 563-576.
- Dietz, G. (2004) Partnership and the development of trust in British workplaces, *Human Resource Management Journal* 14:1, 5-24.
- Drange, I., Falkum, E. and Wathne, C.T. (2023) Covid, work reorganization and trust: the importance of employment relations, *Labour and Industry* online ahead of print: <https://doi.org/10.1080/10301763.2023.2251220>
- Elgoibar, P., Medina, F.J., Euwema, M.C. and Mundante, L. (2021) Increasing Integrative Negotiation in European Organizations Through Trustworthiness and Trust, *Frontiers in Psychology* 12: 655448.
- Eurofound (2018a) *Mapping varieties of industrial relations*. Dublin: Eurofound
- European Commission (2010), *Commission Staff Working Document on the Functioning and Potential of European Sectoral Social Dialogue*, Brussels: European Commission.
- Friedman, R. (1993) Bringing Mutual Gains Bargaining to Labor Negotiations: The Role of Trust, Understanding, and Control, *Human Resource Management* 32:4, 435-45.
- Fukuyama, F. (1995) *Trust*. Hamish Hamilton.
- Furåker B. and Larsson, B. (2020) *Trade Union Cooperation in Europe. Patterns, Conditions, Issues*. Palgrave Macmillan
- Guest, D. and Peccei, R. (2001) Partnership at work: mutuality and the balance of advantage, *British Journal of Industrial Relations* 39:2, 207-236.
- Guest, D., Brown, W., Peccei, R. and Huxley, K. (2008) Does partnership at work increase trust? An analysis based on the 2004 Workplace Employment Relations Survey, *Industrial Relations Journal* 39(2): 124-152.
- Holland, P., Cooper, B. K., Pyman, A. and Teicher, J. (2012) Trust in management: The role of employee voice arrangements and perceived managerial opposition to unions, *Human Resource Management Journal* 22:4, 377-391.
- Hyman, R. (2001) *Understanding European Trade Unionism*. London: Sage.
- Kerkhof, P., Annemieke, B., and Klandermans, B. (2003) Instrumental and relational determinants of trust in management among members of works councils, *Personnel Review* 32:5, 623-637.
- Korsgaard, M.A., Pitarui, A.H. and Jeong, S.S. (2010/2008) *The SAGE Handbook of Organizational Behavior*. online version updated 2010. London: Sage.
- Kougiannou, K., Dundon, T. and Wilkinson, A. (2021) Forming Effective Employee Information and Consultation: A Five-Stage Trust and Justice Process, *British Journal of Management* 32: 200-218.

- Kougiannou, K., Redman, T. and Dietz, G. (2015) The outcome of works councils: the role of trust, justice and industrial relations climate, *Human Resource Management Journal* 25:4, 458-477.
- Larsson, B. (2020) Cultural Obstacles in Transnational Trade Union Cooperation in Europe, *Nordic Journal of Working Life Studies* 10:1, 3-18.
- Mayer, R., and Gavin, M. (2005) Trust in Management and Performance: Who Minds the Shop while the Employees Watch the Boss? *Academy of Management Journal* 48:5, 874-888.
- Morgan D. and Zeffane, R. (2003) Employee involvement, organizational change and trust in management, *The International Journal of Human Resource Management* 14:1, 55-75.
- Nienhueser, W. and Hossfeld, H. (2011) *The Effects of Trust on the Preference for Decentralized Bargaining*, SAGE.
- Renzl, B. (2006) Trust in management and knowledge sharing: The mediating effects of fear and knowledge documentation, *Omega: The International Journal of Management Science* 36, 206-220.
- Saunders, M. and Thornhill, A. (2003) Organisational justice, trust and the management of change, *Personnel Review* 32:3, 360-375.
- Searle R., Den Hartog, D.N., Weibel, A., Gillespie, N., Six, F., Hatzakis, T. and Skinner, D. (2011) Trust in the employer: the role of high-involvement work practices and procedural justice in European organizations, *International Journal of Human Resource Management* 22:5, 1068-1091.
- Sztompka, P. (1999) *Trust. A Sociological Theory*. Cambridge: Cambridge University Press.
- Tzafrir, S. (2005) The relationship between trust, HRM practices and firm performance, *International Journal of Human Resource Management* 16:9, 1600-1622.
- Visser, J. (2009) The quality of industrial relations and the Lisbon Strategy, in European Commission (ed.), *Industrial relations in Europe 2008*, Luxembourg: Publications Office of the European Union.
- Yunus, S. and Mostafa, A.M.S. (2022) Flexible working practices and job-related anxiety: Examining the roles of trust in management and job autonomy, *Economic and Industrial Democracy* 43:3, 1340-1368.

4 National and sectoral industrial relations contexts

Aurora Trif, Margaret Heffernan and Bengt Larsson

Given that the previous chapters underscore the importance of cultural norms and institutions for developing and maintaining trust, this chapter focuses on the industrial relations (IR) norms and institutional contexts affecting trust between employers and employee representatives. In a narrow sense, IR refers to ‘interactions between workers and their representatives (e.g. trade unions, works’ councils, workers’ director, etc.), on the one hand, and employers and their representatives (e.g. employers’ associations or managers) on the other hand’ (Trif and Paolucci 2019:16). In a broader sense, it also includes the relations of social partners with government and specialised state agencies ‘through which such interactions are mediated’ (Brown et al. 2018). The interactions between social partners are stabilised over time through ‘institutional arrangements shaped by legislative frameworks, historical traditions, accumulated vested interests and learned patterns of behaviour’ (Hyman 1994: 1).

In addition to the legal framework, the features of IR used to compare developments across countries and sectors include: (a) trade union and employers’ association density, (b) collective bargaining coverage and style (e.g. integrative or distributive), (c) the role and influence of direct forms of employee representation at company level and the role of social partners at the national level, and (d) the role of the state (Bechter et al. 2012, Visser 2009). The combination of these IR features in a country (or sector) constitutes an IR regime. Countries with similar IR regimes can be grouped into IR clusters (Visser 2009).

This section starts with an overview of the main IR clusters in Europe, drawing primarily on Visser’s (2009) regime typology, which roughly corresponds to the geographical regions of Europe. We then discuss the key features of the IR regimes across the eight selected countries in the TRUE EUROPE project along with an analysis of the three selected sectors in each country.

4.1 Industrial relations regimes in Europe

There are five IR clusters identified in Europe (Bechter et al. 2012, Visser 2009). The first is the **North** cluster (Denmark, Finland, Norway, and Sweden) (see Table 4.1). This is characterised by organised corporatism including strong social partners involved in public policies and (cross)sectoral bargaining which seeks to achieve long-term benefits for all parties involved (Visser 2009). Accordingly, social partners in this cluster primarily use integrative bargaining characterised by relatively high (mutual) trust and long-term mutual gains (Brandl 2021b).

The second cluster is the **Centre-West** (Austria, Belgium, Germany, Netherlands and Slovenia). This shares several features with the North cluster, including a focus on social

partnership and integrative bargaining. However, in this cluster trade unions are generally weaker and more likely to focus on protecting workers with high(er) power resources (e.g. on standard contracts and highly skilled) leading to a dualised employment regime (i.e. a gap between working conditions for workers on standard and non-standard contracts) (Visser 2009). Accordingly, in this cluster, the trust between social partners is expected to be contingent on the sectoral context, varying from relatively high in sectors with strong social partners and a tradition of sectoral bargaining (e.g. metal) to low in sectors where workers (and unions) have weak capacity to disrupt production (e.g. retail).

Table 4.1 Industrial relations regimes in Europe (adapted from Visser 2009)

	North	Centre-West	South	West	Centre-East
IR regime	Organised corporatism	Social partnership	Polarised/ state centred	Liberal pluralist	Fragmented/ State-centred
Employment regime	Inclusive	Dualistic		Liberal	Liberal
Power balance	Labour oriented	Balanced	Alternating	Employer oriented	
Principal level of bargaining	Sector		Variable/ Unstable	Company	
Bargaining style	Integrating /high (mutual) trust*		Conflict oriented /low trust*		Acquiescent/ Low trust*
Role of social partners in public policy	Institutionalised		Irregular/ politicised	Rare/event driven	Irregular/ politicised
Role of State in IR	Limited/ mediator	'Shadow of hierarchy'	Frequent intervention	Non-intervention	Frequent intervention
Employee representation	Union-based/high coverage	Dual system/high coverage	Variable	Union-based/ small coverage	
Countries (selected in bold)	Denmark Finland Norway Sweden	Austria Belgium Germany Netherlands Slovenia	France Greece Italy Portugal Spain	Cyprus Ireland Malta UK	Bulgaria Czechia Estonia Hungary Latvia Lithuania Poland Romania Serbia Slovakia

The third cluster is the **South** (France, Greece, Italy, Portugal and Spain), where the IR regime is polarised, and bargaining is conflictual and relies on statutory provisions. While in the first two clusters, there is a degree of coordination of working conditions via sectoral bargaining, the state ensures a degree of coordination in the South concerning both procedural aspects (e.g. via extension mechanisms for collective bargaining) and substantive aspects, such as minimum wages (Visser 2009).

The fourth cluster is the **West** (Cyprus, Ireland, Malta and the UK) associated with the voluntarist Anglo-Saxon regime. This is characterised by limited state intervention and distributive bargaining generally at the company level (Visser 2009). Although social partners rely primarily on their internal power resources in the West and on external (statutory rights) resources in the South, both clusters are associated with distributive bargaining style and relatively low trust relations between the social partners (Brandl 2021b).

Finally, the **Centre-East** cluster comprises all Central and Eastern European (CEE) countries except Slovenia (Visser 2009). It is characterised by strong state intervention and fragmented and decentralised bargaining (Czarzasty 2024). However, the original classification of all Central Eastern countries as belonging to one regime has been nuanced in later research. Apart from a coordinated market economy in Slovenia, Bohle and Greskovits (2012) identify two capitalist types within the region, associated with different IR features. The first is the *embedded liberal capitalism* type, found in Czechia, Hungary, Poland, and Slovakia. Although their IR systems are dominated by the state and marked by a legalistic approach to labour market regulation, these countries have some sectoral collective bargaining and stronger unions than countries in the *neo-liberal* type, which is the second type of capitalism. This latter type comprises two streams, namely the radical neo-liberal in the Baltic countries featuring very weak unions and limited bargaining (Estonia, Latvia and Lithuania) and the special neo-liberal in Bulgaria, Croatia and Romania and Serbia. Similar to the embedded liberal group, the special neo-liberal subtype is associated with strong state intervention *de jure* while being rather liberal *de facto*, often due to difficulties in implementing the labour regulations (Trif et al. 2016). However, there are stronger unions and higher bargaining coverage compared to the radical neo-liberal variant. Overall, there is an expectation of low trust relations between the social partners in Centre-East (except Slovenia), similar to South and West clusters, despite lower conflict orientation in the CEE countries (Brandl 2021b).

Furthermore, the weakening of IR institutions over the last three decades (Baccaro and Howell 2011, 2017) has led to increased variation across (and within) sectors in most EU countries. Bechter et al.'s (2012) study of nine sectors across 27 EU member states indicates that only five countries, namely Finland, Denmark, and Sweden (North cluster), Austria (Centre- west) and France (South), have relatively homogeneous national IR systems. Accordingly, the IR aspects affecting trust are likely to be primarily contingent on key IR features in each sector rather than national institutions in 22 (out of 27) EU countries. Their study indicates that across countries, the steel industry was the most likely to have IR indicators associated with North and Centre-west clusters (and high trust levels), while the hairdressing industry was the most likely to have IR indicators associated with the Centre-east cluster (and low trust levels). Accordingly, the IR regimes (and the level of trust between social partners) can vary greatly across (and within) sectors in most countries contingent on the contextual factors at the level where the joint regulations occur.

At the bargaining unit level, there are three main IR contextual factors affecting trust between the social partners. First, the tradition and the current degree of cooperative or conflictual relations between social partners influence trust, as generally strikes and other forms of

industrial action lead to distrust (Geary and Trif 2011). Second, the extent of fragmentation of each social partner involved in joint regulations influences trust, as it is more difficult to develop and maintain trust amongst several organisations with different interests. Finally, the extent of bargaining coverage influences trust, as strong mutual trust is more likely to develop between social partners when all workers in the bargaining unit are covered by the provisions of collective agreements either due to statutory or voluntary traditions (Brandl 2021b). These three aspects will be examined in the next section to identify the contextual IR features affecting trust in the three selected sectors.

4.2 IR features affecting trust in the selected countries and sectors

The TRUE EUROPE project focused on investigating IR and trust in banking and finance, metal, and transport sectors across eight countries with a wide range of IR national regimes (Table 4.2). First, the organised corporatism IR regime in **Sweden** (SE - North cluster) is characterised by high union density (65%) and very high (88%) bargaining coverage as a result of sectoral bargaining with some adjustments at the company level. A degree of variation in bargaining coverage across sectors does exist, ranging from 65% in banking to 90% in the metal sector, and almost 100% in the public transport sector (the overall transport sector including also the private part has a coverage of 87%) (Kjellberg 2023). In addition, the presence of two or more social partners in each sector could make it difficult to maintain trust during joint regulations, despite a tradition of organised corporatism.

Table 4.2 Key IR indicators across the selected countries and sectors (percentages)

	Cross-sectoral (%)*			Sectoral CB coverage (%)		
	TU density (UA-hist)	EO density (EA)	CB coverage (AdjCov_hist)	Banking**	Metal***	Public transport ****
AT	26	100	98	Almost 100	100	100
CZ	11	56	35	49	9	80
IE	25	71	35	30-40	20	90
LT	10	33	27	14	NA	80
RO	21	60	15	2	50	80-90
RS	26	25	30	NA	NA	NA
SE	65	88	88	65	90	100
SK	11	50	24	Almost 90	13	82

Sources: * OECD/AIAS Database 2021; **Eurofound (2019); ***Eurofound (2018b); ****Eurofound (2017)

Second, **Austria's** (AT) social partnership IR regime is categorised within the Centre-West cluster. Although union density is relatively low (26%), compulsory membership to employers' associations and the statutory extension of collective agreements results in almost 100% bargaining coverage in each sector. Accordingly, the statutory regulations and the social

partnership tradition facilitate the development of relatively high levels of (mutual) trust between social partners in Austria.

Third, the liberal pluralist IR regime in **Ireland** (IE) is part of the West cluster. Although union density is similar to Austria, the voluntarist tradition resulted in bargaining coverage of only 35%. Moreover, as collective bargaining takes place at the company level in the selected sectors, there is variation in bargaining coverage ranging from circa 20% in metal to 30-40% in banking and 90% in the public transport sector. Despite having voluntary social partnership between 1987 to 2008, the tradition of distributive bargaining associated with the 'them and us' attitude of the social partners combined with a lack of 'statutory beneficial constraints' to facilitate long-term cooperation makes it very difficult to develop mutual trust between social partners (Trif and Brady 2013).

Finally, the remaining five CEE countries have state-centred and fragmented IR regimes. **Czechia** (CZ) and **Slovakia** (SK), both part of the embedded liberal subcluster, present an exception among CEE countries. Although their unionisation (11%) and bargaining coverage (CZ: 35%, SK: 24%) remain low, they were the only two countries where multi-employer bargaining still existed in certain sectors (like banking and transport) during the late 2010s. In addition, there is low(er) fragmentation of social partners in Czechia and Slovakia, which could make it easier to develop trust between these social partners than in the other CEE countries.

In the neo-liberal subcluster, bargaining coverage varies from 30% in **Serbia** (RS) to 27% in **Lithuania** (LT) and 15% in **Romania** (RO). In Lithuania, there was a surge in bargaining coverage from 14% in 2019 as a result of negotiating new collective agreements in the public sector in 2021 (Blažiene 2023). In contrast, there was a steep decline during the 2010s in the two countries that had the highest bargaining coverage during the 2000s, namely Romania (from over 90%) and Slovakia (from over 50%) due to the undermining of the legal support for collective bargaining in the aftermath of the 2008 Great Recession (Trif et al. 2016). Overall, there is greater variation in bargaining coverage across the selected sectors in the CEE cluster and Ireland than in Austria and Sweden.

Having discussed the IR regimes, we now turn our attention to specific features within the selected sectors being studied.

The banking and finance sector roughly employs around 10% of the labour force in most selected countries, and large variation exists in the bargaining coverage across these countries (Eurofound 2019). First, in Austria, Slovakia, and Sweden, most employees were covered by either multi-employer and/or single-employer collective agreements before 2019 (Table 4.2). Second, in Czechia and Ireland, between a third and a half of employees were covered mostly by single-employer agreements. Third, in Lithuania and Romania, a minority of employees (under 15%) were covered by collective (single employer) agreements. Nevertheless, in Romania, a multi-employer agreement regulating wage increases and remote work was concluded in 2022, which increased bargaining coverage (UNI Europa 2022).

Overall, the level of fragmentation of social partners is relatively low in the banking sector, as one or two unions and employers' associations exist in most selected countries (Eurofound 2019). Finally, in terms of conflict, only Slovakia has experienced recent strikes in the banking sector (Eurofound 2024).

The metal sector roughly employs around 20-30% of the labour force in most of the selected countries (Ireland has a lower share), and there is a large variation in the collective bargaining coverage across the selected countries (Eurofound 2018b). First, in Austria and Sweden, over 90% of employees were covered by multi-employer and/or single-employer agreements. Second, in Romania, half of employees were covered. Third, in Ireland, Slovakia and Czechia, only a minority of employees (20% or less) were covered by collective agreements. The fragmentation of trade unions in the metal sector is higher than in the banking sector in most countries, except in Lithuania and Slovakia (Eurofound 2018b). Finally, there have been recent strikes in Czechia, Slovakia, and Sweden in the metal sector (Eurofound 2024).

The railway and urban public transport sector employs less than 4% of the total labour force in each country, and there are more similarities than differences across the selected countries regarding the IR indicators that affect trust in this sector (Eurofound 2017). Given the large share of workers employed in large state-owned companies, bargaining coverage was high across the countries studied in this part of the transportation sector: 100% in Austria and Sweden to 80-90% in each of the other countries (Eurofound 2017). The transport sector shows a relatively high fragmentation of trade unions across each country, typically three or more organisations (Eurofound 2017). Furthermore, there have been recent strikes in the transport sector in most selected countries.

Given the weakening of IR institutions over the last three decades in most countries (Waddington et al. 2023), the great variation across the selected sectors is not surprising, with the notable exception of Austria and to a lesser extent Sweden. Given the IR sectoral features, one could expect that there would be more similarities across countries regarding trust between the social partners in the public part of the transport sector compared to banking and finance, and metal, where there is greater variation across countries in the contextual aspects that affect trust. Nevertheless, there could be variation contingent on the sub-sector investigated in each country, particularly in the transport sector, as bargaining coverage is likely to be lower in the private (sub)sectors.

4.3 Summary

In summary, this chapter shows that there is still a degree of variation in IR features across the five clusters identified by Visser (2009), despite the weakening of IR institutions over the last few decades in most countries. Still, contrary to predictions that CEE countries IR regimes would 'transition' toward Western European models, this cluster has retained its unique characteristics two decades after the 2004 enlargement, marked by strong state intervention and relatively weak social partners capable of mobilization (Czarzasty 2024; Trif et al. 2016).

Furthermore, somewhat surprisingly, IR regimes in Western Europe clusters have become more similar to those in the Centre-East. The adoption of neo-liberal policies since the 1990s across Europe (Baccaro and Howell 2011) combined with increased government interventions to address external shocks, such as the 2008 financial crisis and the 2020 COVID-19 pandemic followed by the inflation crisis in 2021-2022, resulted in increased state intervention in IR. This has weakened joint regulations by social partners in many countries across all five clusters (Waddington et al. 2023). Although a degree of variation still exists, it is unclear to what extent the decline in union density and collective bargaining coverage in Europe has affected the trust between social partners. However, we expect to find the highest (mutual) trust between social partners in the countries belonging to the North cluster, followed by Centre-West and the lowest in the Centre-East cluster.

References

- Blažiene (2023) Lithuania: Trade unions still see light at the end of the tunnel, in Waddington, J., Müller, T. and Vandaele K. (eds) *Trade Unions in the European Union. Picking Up the Pieces of the Neoliberal Challenge*. Brussels: Peter Lang, 697-729
- Baccaro, L. and Howell, C. (2011) A common neoliberal trajectory: The transformation of industrial relations in advanced capitalism. *Politics & Society* 39:4, 521-563.
- Baccaro, L. and Howell, C. (2017) *Trajectories of Neoliberal Transformation. European Industrial Relation Since the 1970s*. Cambridge: Cambridge University Press.
- Bechter, B., Brandl, B., and Meardi, G. (2012) Sectors or countries? Typologies and levels of analysis in comparative industrial relations, *European Journal of Industrial Relations* 18:3, 185-202.
- Bohle, D. and Greskovits, B. (2012) *Capitalist Diversity on Europe's Periphery*. Ithaca, NY: Cornell University Press.
- Brandl, B. (2021b) Trust Relationships in Employment Relationships, *International Journal of the Economics of Business* 28:1, 139-161.
- Brown, G.W., McLean, I. and McMillan, A. (2018) Industrial Relations, In *A Concise Oxford Dictionary of Politics and International Relations*. Oxford: Oxford University Press.
- Czorzasty, J. (2024) 20 years after. Changing perspectives on industrial relations in Central and Eastern Europe two decades after EU enlargement: from transition to transformation, *Transfer: European Review of Labour and Research* 30:1, 15-31.
- Eurofound (2017) *Representativeness of the European social partner organisations: Railways and urban public transport*, Dublin: Eurofound.
- Eurofound (2018b) *Representativeness of the European social partner organisations: Metal sector*, Dublin: Eurofound.
- Eurofound (2019) *Representativeness of the European social partner organisations: Banking sector*, Dublin: Eurofound.
- Eurofound (2024) Labour disputes across Europe in 2023: Ongoing struggle for higher wages as cost of living rises. Available at <https://www.eurofound.europa.eu/en/publications/all/labour-disputes-across-europe-2023-ongoing-struggle-higher-wages-cost-living> (accessed October 23rd 2025).
- European Commission (2010), *Commission Staff Working Document on the Functioning and Potential of European Sectoral Social Dialogue*, Brussels: European Commission.
- Geary, J. and Trif, A. (2011) Workplace partnership and the balance of advantage: a critical case analysis, *British Journal of Industrial Relations*, 49:1, 44-69

- Hyman, R. (1994) Industrial Relations in Western Europe: An Era of Ambiguity? *Industrial Relations* 33:1, 1-24.
- Kjellberg, A. (2023) *The Nordic Model of Industrial Relations: Comparing Denmark, Finland, Norway and Sweden*. Lund: Lund University.
- OECD and AIAS Database (2021), available <https://www.oecd.org/employment/ictwss-database.htm>
- Trif, A. and Brady, M. (2013) Implications of Game Theory for Theoretical Underpinning of Cooperative Relations in Workplace Partnership, *Industrial Relations Journal* 44:3, 258-275.
- Trif, A., and Paolucci, V. (2019) Employee relations in context: Globalization, uncertainties, and dynamics of change. In *International Comparative Employee Relations* (pp. 14-38). Edward Elgar.
- Trif, A., Koukiadaki, A. and Kahancová, M. (2016) Fighting precarious employment in the new member states through industrial relations: comparative report (Croatia, Czechia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia), European Commission: Research project VS/2014/0534.
- UNI Europa (2022) Sector agreements for bank workers in Romania show the way forward through collective bargaining, available at <https://www.uni-europa.org/news/sector-agreements-for-bank-workers-in-romania-show-the-way-forward-through-collective-bargaining/> (accessed October 23rd 2025).
- Visser, J. (2009) The quality of industrial relations and the Lisbon Strategy, in European Commission (ed.), *Industrial relations in Europe 2008*, Luxembourg: Publications Office of the European Union.
- Waddington, J., Müller, T. and Vandaele K. (eds) (2023) *Trade Unions in the European Union. Picking Up the Pieces of the Neoliberal Challenge*. Brussels: Peter Lang.

5 Labour and management trust – a quantitative comparative approach

Olof Reichenberg

5.1 Introduction

This study aims to describe and hypothetically explain the macro determinants, mechanisms, and consequences of labour and managerial trust using the European Company Survey (ECS) (Eurofound 2019). For linguistic simplicity, this study uses “labour” as synonymous with “employment representatives” (ER) unless otherwise stated. The projected poses questions such as:

- What macro determinants vary with greater aggregate trust in labour and management? Here, this study examines collective bargaining coverage, union density and regime type.
- What macro mechanisms vary with aggregate labour and management trust? Here, this study examines country work values, country aggregate trust, and diffusion of trust.
- What micro mechanisms vary with labour and management trust? Here, this study examines delegation of decision-making. meetings, skills, industrial actions, ICT practices.
- What consequences vary with labour and management trust? Here, this study examines relationship satisfaction, worker decisions, and threats of industrial actions

At the micro-level, this study conceptualizes trust as a social expectation about others’ obligations (e.g., of TU-representatives and managers). Thus, this study considers trust as a relational attitude (Giddens 1984, 2013; Lewis and Weigert 1985, 2012; Sztompka 1999, 2008; Welch et al. 2005).

At the macro-level, aggregate trust as collectively shared expectations (i.e., norms) and thus emergent (i.e., independent of the individual) (Lewis and Weigert 1985, 2012; Sztompka 1999; Welch et al. 2005). Both macro- and micro-level trust reduces “uncertainty”, such as risky behaviours (Giddens 1984; Luhmann 2000, Sztompka 1999).

However, trust can also be conceptualized as reflective attitudes , i.e., a set of interpretations and feelings (Giddens 1984; Lewis and Weigert 1985, 2012; Sztompka 1999; Welch et al. 2005). To study trust as reflective attitudes, one requires “focused” interview methods (Merton and Kendall 1946) or biographical interviews (Mills 2000), as explored in the other country reports. Having conceptualized trust, we now consider the macro determinants and mechanisms generate trust.

Theory: Macro and Micro Determinants and Mechanisms of trust

Researchers have repeatedly cited the importance of union density and collective bargaining coverage as indicators of “production regimes” (Hall and Gingerich 2009; Hall and Soskice

2001). Conceptually, collective bargaining coverage represents the degree of coordination in the labour market, whereas union density represents workers' bargaining capacity compared to employers. Greater coordination is expected to result in stable compromises leading to greater trust. Unions however contribute to trust in two cases: when they are either weak or strong, but not when they are moderate. Thus, union density is expected to have a U-shape or curvilinear association.

Another consistent finding in research on labour markets and employment relations concerns distinctions between countries, i.e., welfare regimes (Esping-Andersen 1990), employment regimes (Gallie 2009), and industrial relations (IR) regimes (Visser et al. 2008). Conceptually, a regime refers to a set of policy principles and institutions for problem-solving in society. The type of welfare state overlaps with both the labour market and the industrial relations regime (Gallie 2009). Here, this study differentiates between five regimes: (1) Nordic: "Social democratic welfare", "Inclusive employment", and "Organised corporatist IR" (Nordic countries e.g. Sweden), (2) Western: "Liberal" (English-speaking countries, Ireland, UK, Malta and Cyprus), (3) Central Western: "Conservative welfare" "Dual employment", "Social partnership IR" (e.g., Germany, Austria, France), (4) Central Eastern European: "Dual employment" and "State-centred/fragmented IR", (e.g. Romania, Lithuania and Slovakia) (5) Southern: "Mediterranean" and "State-centered IR". This study focuses on industrial relations regimes (Visser et al. 2008). However, the reader should note that welfare state, labour market, and employment relations overlap.

Beyond IR regimes researchers have proposed other aggregated macro mechanisms of trust. Taking a sociological approach, this study focuses on the macro mechanisms of: (i) shared expectations or (ii) social interdependence within a society (Blau 1960; Lewis and Weigert 2012; Sztompka 1999, 2008). Shared expectations or social interdependence materialise due to exposure to similar people within the same place or space (e.g., country or firm). Essentially, frequency of exposure emphasises social learning (observing, meeting, manipulating, etc.) (Giddens 1984, 2013; Sztompka 1999). Various macro sub-mechanisms have been proposed, including: normative control, e.g., fostering, sanctioning, legitimisation, pressuring, or mutual obligations (Blau 1960; Merton 1949; Sztompka 1999, 2008). Norms explain the persistence of trust/distrust and generalization of trust (e.g., mutual expectations of trust).

Theoretically, sociologists posit that (i) shared expectations or (ii) social interdependence condition people's encounters and behaviours ((Giddens 1984, 2013; Sztompka 1999, 2008). However, sociologists recognise that shared expectations or social interdependence operate as intervening variables and not determinants. For example, regimes explain country differences in shared expectations, such as aggregate trust (Sztompka 1999, 2008).

Researchers have proposed that trust in the labour market depends on "trust cultures" or trust "communities", i.e., the aggregated trust within society. Specifically, societies have greater aggregate social trust than others due to historical legacies, i.e., high vs. low trust societies. Historical legacies may also be reinforced by geographical proximity, i.e., similar

shared histories and social interdependence (Giddens 1984, 2013; Sztompka 1999, 2008; Welch, Sikkink, and Loveland 2007; Yuan and Lee 2022). Conceptually, general trust refers to the extent one trusts other people, i.e. interpersonal. Thus, trust can be either *general* (interpersonal i.e., trust in strangers) or *specific* (e.g., trust in labour and management). Usually, general trust expands to specific trust (Welch et al. 2005, 2007). Sociologists have theorised that trust in other people generalises to specific types of trust, such as trust between management and labour (Giddens 1984, 2013; Welch et al. 2005, 2007). However, sociologists have focused on how trust expectations of aggregate social trust may generalise to specific trust.

Next, we consider the social importance of place (exposure or access to physical space) and space (e.g., imitation or “diffusion”). (Giddens 1984, 2013; Sztompka 2008). Associations between countries represent the importance of geographic “place”, i.e., through common exposure (Giddens 1984; Sztompka 2008). Moral values as indicated by aggregated country values may also explain trust due to common exposure (Giddens 1984, 2013; Sztompka 1999, 2007). Conceptually, values refer to what people evaluate as worth striving and thus justify attitudes and behaviours (Hitlin and Piliavin 2004; Sztompka 1999, 2007, 2008). For example, shared expectations of work values represent the moral ideals within a country, i.e., the “work ethics”(Weber 1905). Work values may be divided into materialist and post-materialist values or economic vs non-economic values(Inglehart 2018). Political scientists frequently claim that materialist and post-materialist values correlate with political trust. However, the correlation between work ethic and trust has been understudied.

Similarities between neighbouring countries reflect an important aspect of space, specifically the social proximity or distance between them (Blau 1974; Sztompka 1999, 2008). It is also important to consider space based on *geographical* proximity. Greater geographical proximity increases encounters and social interdependence and thus diffusion, or what we term imitation (Blau 1977; Sztompka 1999, 2007, 2008; Lazarsfeld, Merton, and others 1954; Merton 1949, Cook 2001; Sztompka 2008). Imitation occurs across time, space, and place as a result of social interdependencies based on: digitalisation, transportation, commuting, travelling, trade, exchanges, etc. (Giddens 1984, 2013, Sztompka 1999, 2008). However, imitation is only a partial explanation, whereas norms offersa deeper explanation.

Turning to the *micro mechanisms* of trust, at the firm-level, we can consider several mechanisms. Throughout life, individuals develop trust through a series of experiences. Repeated routines gradually reinforce either trust or distrust over time. Over the life course, people learn to trust through sequences of events. Routine sequences stable (reinforce) trust/distrust (e.g., frequent meetings between labour and management), whereas critical events (e.g., strikes, strike threats) destabilize (erode) trust (Misztal 2019; Sztompka 1999). Thus, sociological theory posits that more frequent encounters (e.g., meetings) increase mutual trust and that trust promotes frequent encounters(Giddens 1984; Granovetter 1983; Sztompka 1999, 2008).

Beyond encounters, symbolic events may encourage or discourage trust. For example, the delegation of decision-making to workers'(employees) symbolises (i.e., communicate) trustworthiness (Giddens 1984; Roche 1991; Sztompka 1999). As, managers delegate authority to the workers. Similarly, investing in workers' skills symbolises trustworthiness (e.g., confidence in workers' skills) and thus reduces social risks and uncertainties. Thus, sociologists have proposed a correlation between trust and expertise (Giddens 1984, 2013).

In contrast, significant critical events such as strikes can lead to a decline in trust by exposing underlying tensions, conflicts, or dissatisfaction within an organisation or society. Thus, if labour abstains from strikes or threats, they communicate that they take a risk with the employer. In the long run, such actions cultivate trust between labour and management (Giddens 1984; Sztompka 1999, 2008).

Method: Data, Variables, and Analysis Strategies

In the following, a quantitative sociological approach to trust in labour and management is taken by focusing on trust attitudes (Giddens 1984; Sztompka 1999). Data sources include: European Company Survey (ECS) (Eurofound 2019), International Labour Organization (ILO) database estimates (ILO 2020), European Social Survey, and European Values Survey (EVS 2022). The ECS consists of two surveys: one with a complex random sample of firms (i.e., companies), and one with labour representatives whenever possible. To avoid losing cases, this study analysed the two surveys separately.

When combining survey questions, this study used Item Response Estimation Theory (IRT) (Rizopoulos 2006). IRT offers an alternative to principal factor analysis or principal component analysis for measuring and scoring binary/ordinal survey questions (or "items"). IRT recovers a firm score representing the behavioural capacity (cumulative conditional propensity). By contrast, factor analysis recovers a "principal factor", while principal component recovers a "principal component" (i.e., linear combinations).

All analysis was conducted in R (Team 2013). Descriptive measures and graphical analyses were produced with a focus on countries, as countries explained a greater deal of variation than industries did (i.e., "economic activity"). Although not reported, robustness checks were performed with multilevel models. The checks included adjusting predictors such as: industry, establishment size, establishment type, self-identified sex of the labour, and establishment age or labour experience. The analysis combined deduction (theory testing) with retrodution (revising the analysis to find a better explanation) (Olsen 2019).

5.2 Macro-determinants of Labour and Management Trust

In this section, results concerning macro determinants of trust and macro mechanisms of trust are presented. To begin, three macro determinants of labour and management trust are

considered: 1) Collective bargaining coverage, 2) Union Density, and 3) IR-Regimes (Esping-Andersen 1990, 2009). Conceptually, collective bargaining coverage and union density represent indicators of “production regimes” (Hall and Gingerich 2009; Hall and Soskice 2001).

For simplicity, the analysis focuses on the country level i.e., aggregated variables (e.g., country average). Using aggregate variables offers a valid method for testing macro level theories (Giddens 1984; Liska 1990), i.e., inference about firm and labour trust in countries. The research strategy refers to aggregate analysis. This implies that we (strategically) ignore social and psychological concerns (Liska 1990; Olsen 2019). However, additional checks were conducted at the firm level to investigate the results for the firm level.

Figure 5.1 presents an examination of collective bargaining coverage and union density in relation to both managers’ trust in union representatives (“Labour trust”), and union representatives’ trust in management (“Management trust”). Methodologically, the International Labour Organization (ILO) database estimates were used (ILO 2020). The ILO data represents our best quality comparative database on labour market statistics. Empirically, union density displays a curve-linear relation (U-shape or inverse J-shape) with trust for both labour and management. However, the curve fit poorly with the Nordic countries when inspecting union density and labour trust in management. Collective bargaining coverage has a negative rather than positive association with trust. However, the association between trust and collective bargaining coverage does not seem reliable, as only Germany and Portugal fit on the line. In sum, this study finds weak support for the production regime argument that Collective bargaining coverage and Union Density correlate with labour and management trust. Revisiting the argument about production regime suggests that a U-shaped pattern does not necessarily contradict the theory. However, another strategy to understand production regimes would be to introduce a regime variable based on high coordination vs low coordination (i.e., types).

Thus, to get a better understanding of the relationship between trust, union density and collective bargaining coverage a regime variable (coordination cluster) was created. This new variable combined union density with collective bargaining coverage. Specifically, this study used model-based clustering, a.k.a. finite mixture model (Scrucca et al. 2023). Thus, the regime variable has an empirical rather than a theoretical classification. As expected, Nordic countries, Belgium, France, and Italy group together as “highly coordinated” versus the others who are “less coordinated”. As an empirical typology of production regimes, this deviates from theoretical classifications and by producing a cluster of the Nordic countries together with Belgium and Italy (Ahlquist and Breunig 2012).

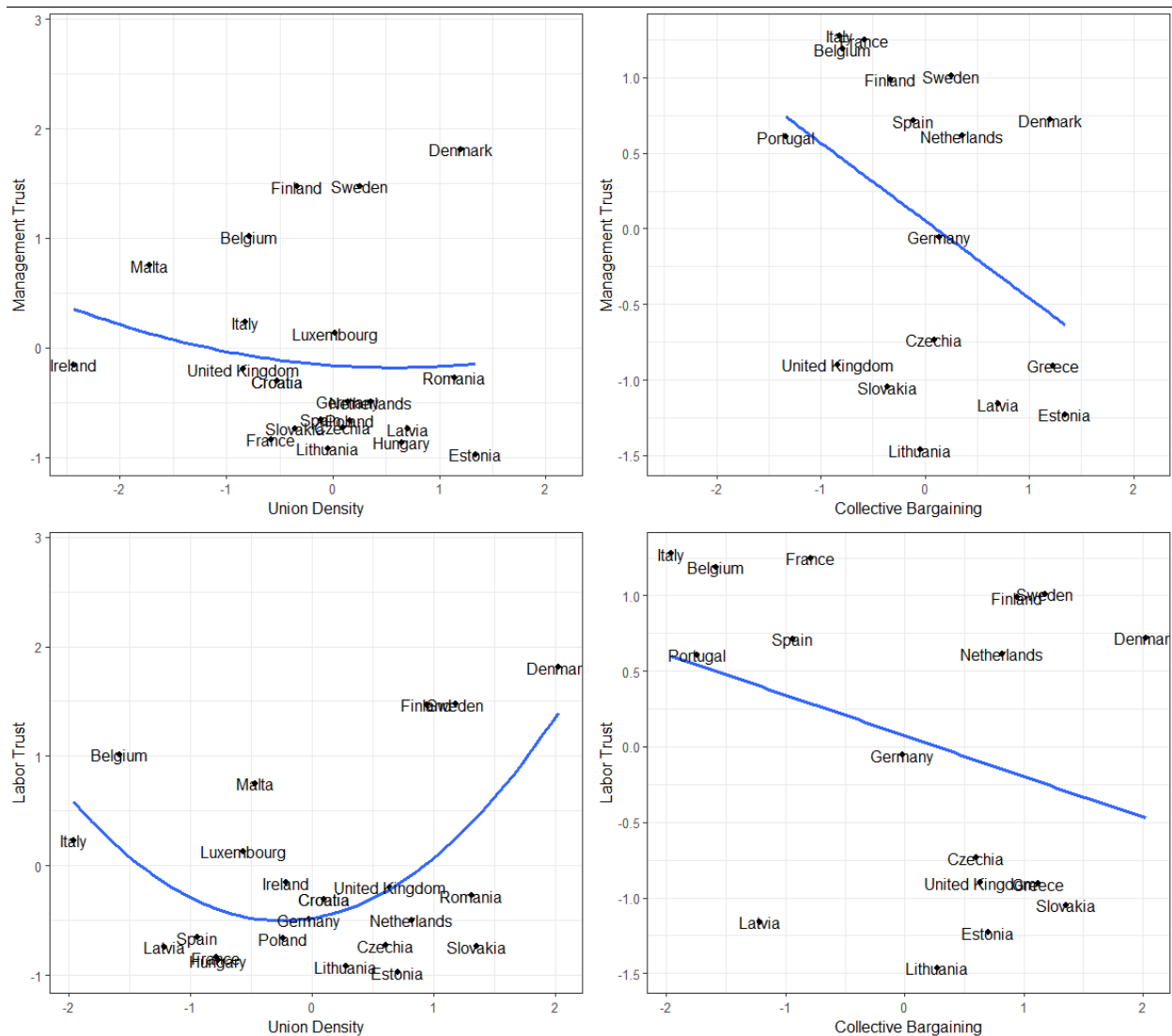


Figure 5.1 Union density, collective bargaining coverage and average country trust in labour and management (Units are standard deviations).

In Figure 5.2 the model was re-fitted, allowing for the empirically created regime variables to have different slopes (i.e., one per cluster). We now see that union density has a positive association with labours' trust in management for the Nordic countries, Belgium, and Italy and a negative slope for less coordinated countries (i.e., all other countries). Nevertheless, France deviated significantly from the predicted line. This may be influenced by the country's unique history of organised labour, characterised by militant unions, blockades, general strikes, and industrial sabotage (a tactic that originated in France).

Figure 5.2 highlights that the role of unions varies depending on the level of coordination within a country. In highly coordinated countries, strong unions are positively linked to both labour's trust in management and management's trust in labour. However, in countries with lower coordination, strong unions tend to reduce trust in management, but no association for uncoordinated countries and management's trust in labour (at the country level).

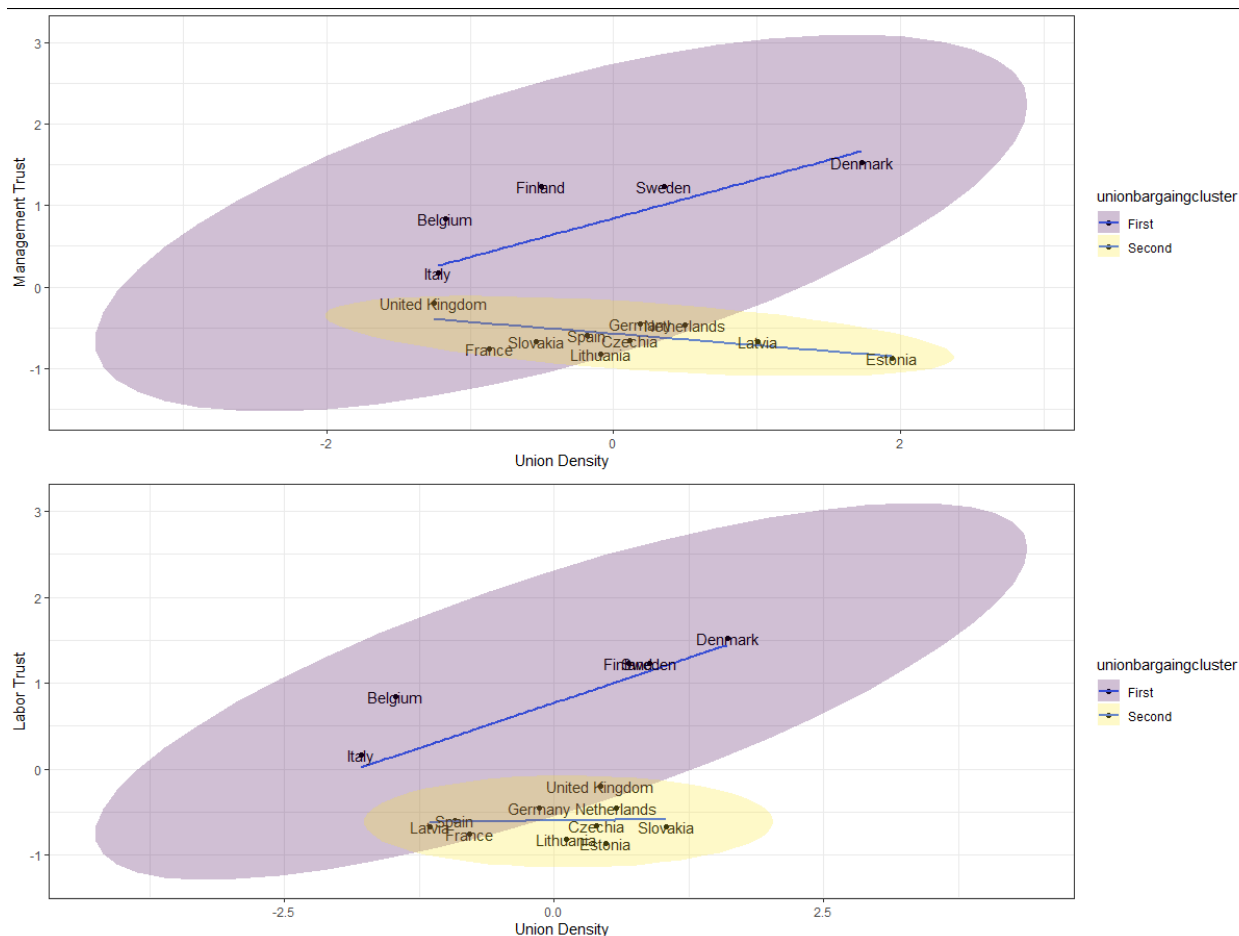


Figure 5.2 Union density and average country trust in labour and management by union bargaining clusters (Units are standard deviations).

Returning to the theoretical regime variables, this study will first consider the firm by country differences (Figure 5.3 and 5.4), i.e., the importance of macro-determinants (country-level) for the micro-level (i.e., company-levels). Thereafter, we consider the average country differences, i.e., country aggregated firms' responses (Figure 5.5).

Beginning with macro-to-micro-level, Figure 5.3 demonstrates that regimes make a substantive difference for both sides (labour and management). However, the upper panel in Figure 5.3 indicates particularly pronounced differences for managements' trust in labour (i.e., strength of the association). For management, the largest contrast seems to be between Nordic and Central Western regimes for management trust in labour (Figure 5.3, upper panel). In Nordic regimes, employers have greater trust in labour compared to the Central Western ones. Nordic policies and industrial relations institutions are believed to create stability in expectations between labour and management. Managers know that labour has more to gain from cooperation than conflicts (e.g., strikes, lockouts). Thus, managers know what to expect from negotiations with labour. Finding decent compromises will also improve the commitment and thus loyalty of workers which may result in productivity gains in the long run.

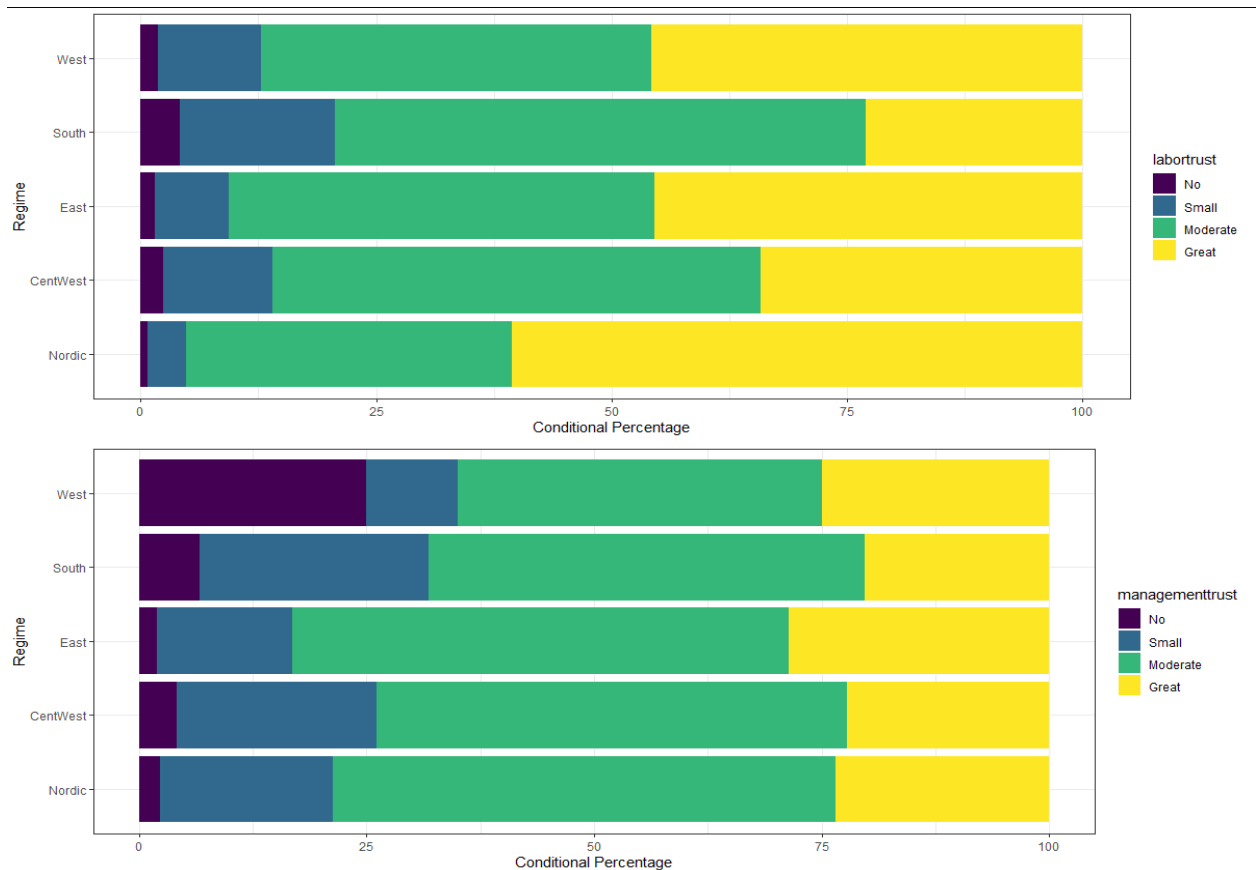


Figure 5.3 Trust in labour and management for each firm by Industrial Regimes.

Turning to the lower panel in Figure 5.3, we do see some meaningful differences for labours trust in management. Surprisingly, in the Eastern regime, labour reports the greater trust in management (Moderate or Great). Perhaps the pattern may be explained by the post-communist legacy. Beyond the Eastern regime, the pattern does agree with IR-regime theory. In agreement with the IR-regime theory, labour in the Nordic regime report the second highest trust (after the Eastern Regime). Similarly, in the Western regime, labour report the lowest trust in management more frequently than other response options, which again agree with theory.

In Figure 5.4, we plotted the data using simple correspondence analysis to visualize patterns of trust and IR-regimes. The correspondence plot indicates the chi square distance, and should be read dimension-wise, i.e., horizontally on the x-axis ("left-to-right") and vertically on the y-axis ("up-down"). However, we can usually "cheat" and read dimensions simultaneously, i.e., vertically and horizontally, as long as we do not overinterpret the patterns/distances (Friendly and Meyer 2015; Greenacre 2017). Roughly, closer distance as between point may be interpreted as greater co-occurrence (more frequent), and more distant points as infrequent co-occurrence. But extreme points should be interpreted with great caution. In the plot, we observe a strong single dimension where Southern (Conservative) and Nordic align at the opposite of one another.

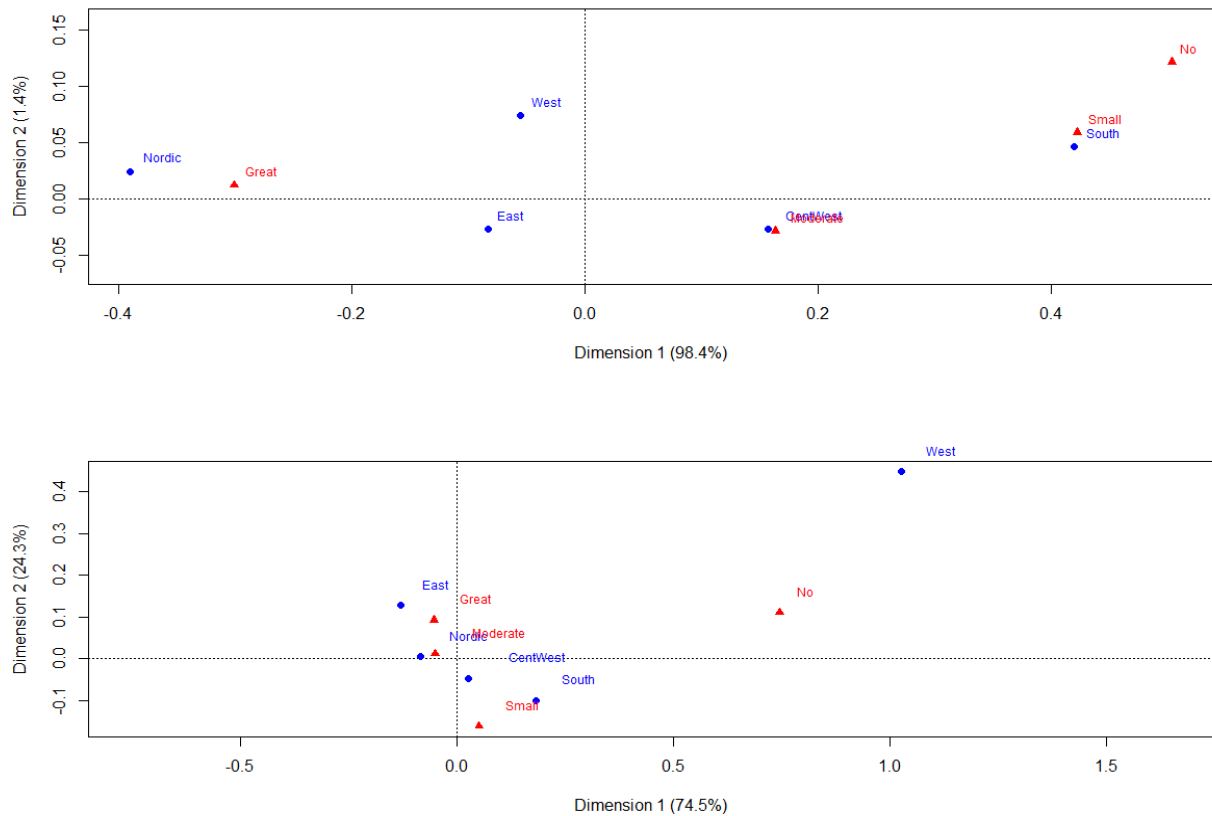


Figure 5.4 IR-regimes and trust in labour and management. (Correspondence graph mapping the chi square distance. Percentages indicate the proportion of explained “inertia” (analogous to variance) by dimension (squared cosine, analogous to explained variance in linear regression or squared correlations).

Figure 5.5 shows the *aggregate* labour and *aggregate* management trust at the country level. Here, a notable contrast emerges between Nordic and other regimes (Figure 5.5, lower panel). Thus, when comparing countries (not firms), we find that the Nordic regimes have greater levels of trust compared to other regimes, and particularly so in terms of *aggregate* management trust in labour.

Shifting to the upper panel Figure 5.5, the graph does indicate differences between the Nordic and other regime types. However, we find no reliable difference. Thus, the differences in Figure 5 (upper panel) should not be considered as trustworthy. Thus, at the country level, we find less reliable support for IR-regime theory regarding labour’s trust in management.

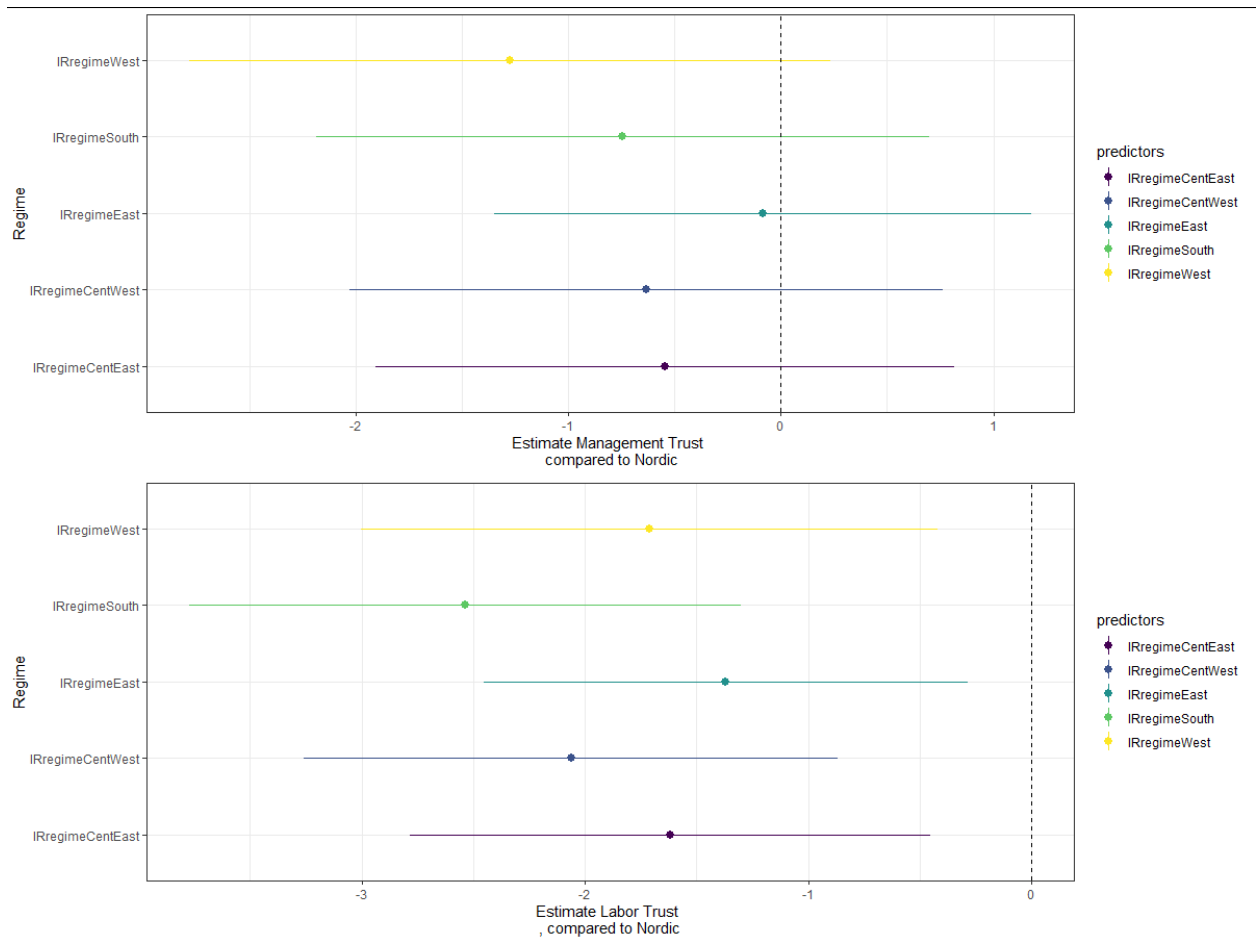


Figure 5.5 Country average trust in labour and management averages by IR-regimes. (the Nordic regime is the reference. Whiskers represent standard errors. Units in standard deviations).

Having reviewed the macro determinants, this study now considers three macro mechanisms of labour and management trust: Aggregate Work Values, Aggregate Trust, and Spatial Diffusion of trust. Once again aggregate variables are focused on for simplicity (Giddens 1984; Liska 1990).

Methodologically, the work values from the European Values Survey (EVS) were used in the analysis (EVS 2022). EVS includes six measures of work values. Technically, we estimated Item Response Theory estimates which generate a latent score of aggregate work values (Rizopoulos 2006). A unique advantage of using work-specific values concerns domain-specific values as opposed to abstract values (Haller 2002).

Empirically, the results suggest that aggregate work values seem negligible and unreliable to explain variation in trust (Figure omitted for the report due to space limitations, but available on request). Thus, our data analysis cannot support the importance of aggregate work values on trust. But this study cannot necessarily disconfirm the importance of aggregate work values, either.

Macro Interrelations of Management and Labour Trust

We now continue with the inter-relations between labour and management trust and general trust. Methodologically, I used data from the European Values Study (EVS) and European Social Survey (ESS) for general (interpersonal) trust. First, this study aggregated the measures at the country level (averaging). Second, this study shifted the variables to common scales. Third, this study replaced the missing EVS with ESS. As the two scales correlated almost perfectly at the country level, combining them makes sense.

Figure 5.6 shows an association between aggregate general trust (x-axis) and aggregate trust in labour (upper left panel, y-axis) and aggregate trust in management (upper right panel, y-axis). The pattern could fit with a curvilinear association; however, this seems like a statistical artifact (e.g. different error variance or regime types).

Therefore, I created trust clusters (i.e., a new type of cluster) and re-fitted the data in Figure 5.7 showing a positive slope in the Nordic countries and the Netherlands for trust in labour (upper panel), but no negative associations in the others. Still, I conclude that, aggregate general trust may generalise to specific aggregate trust in labour. But caution is warranted.

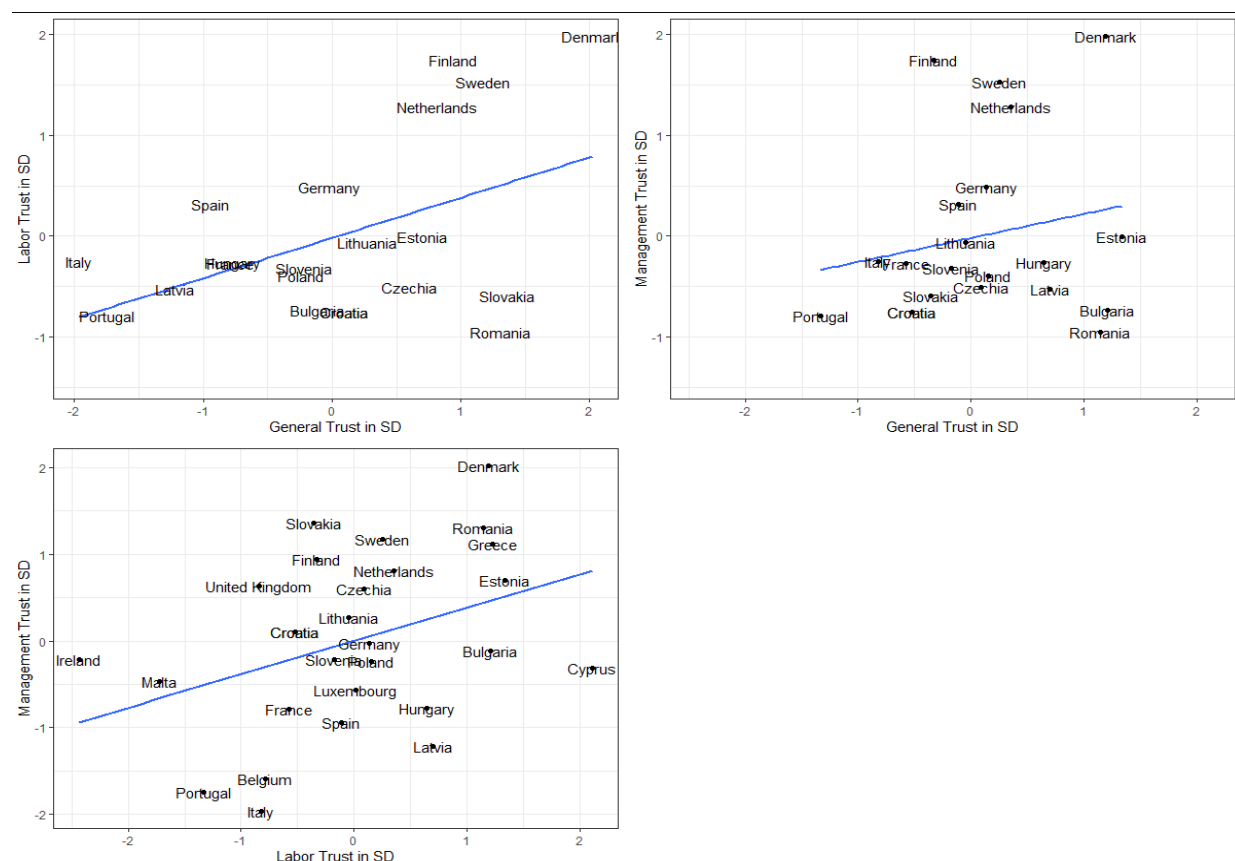


Figure 5.6 Interrelations of Labour, Management and General Trust. (Units in standard deviations).

In Figure 5.7, this study also plotted the association between aggregate labour trust and management trust (lower panel). There is a clear positive correlation suggesting that trust in labour results in trust in management. The causality seems difficult to infer, as the association reinforces one another.

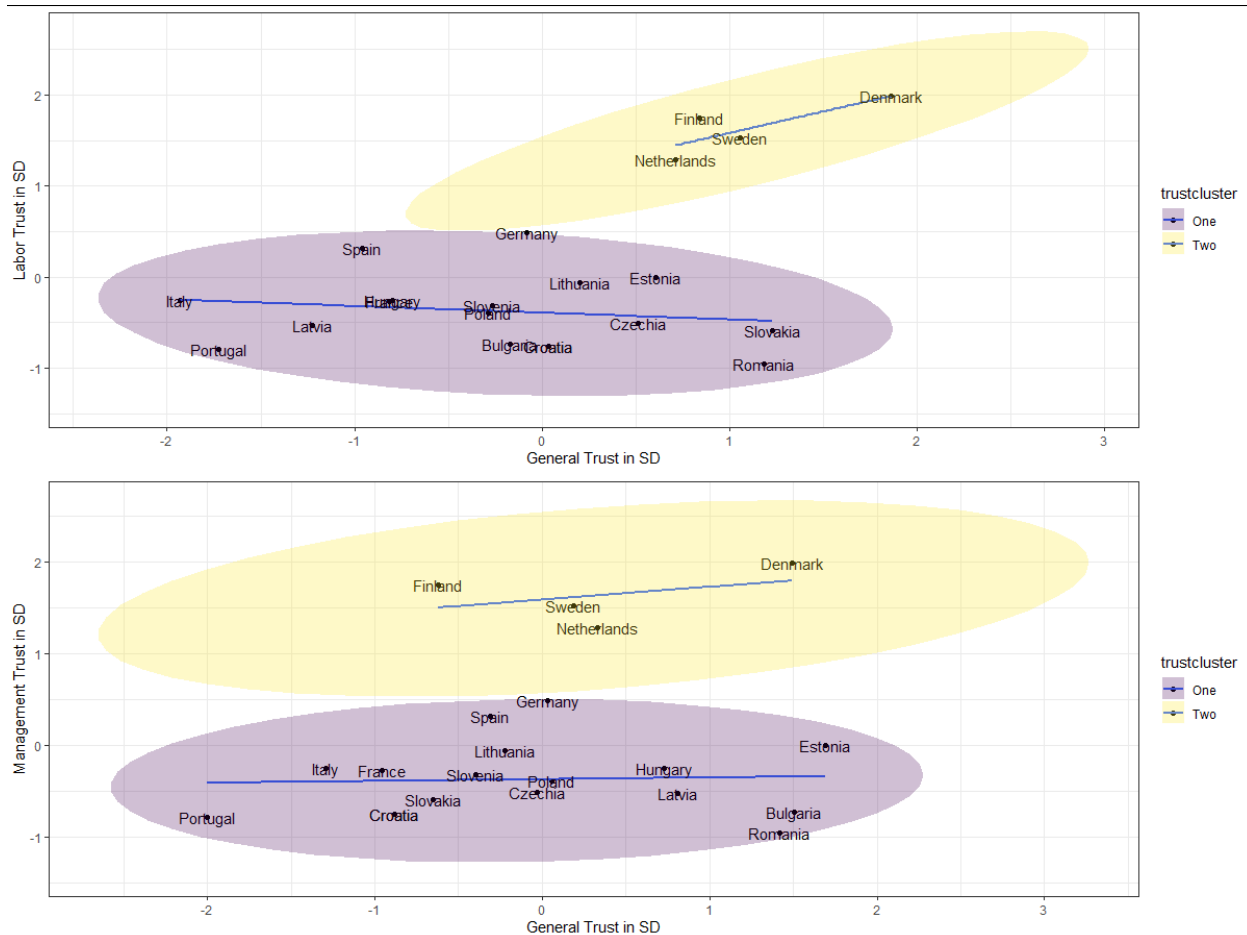


Figure 5.7 General trust and labour and management trust averages by general trust cluster. (Units in standard deviations).

Turning to the spatial aspects, trust correlates with industrial relations regimes. Thus, I suspect a spatial diffusion of trust between countries with similar regime types due to a history of social interdependence between countries. Specifically, neighbouring countries are more similar than distant countries. To conduct spatial analysis, this study began by creating a spatial weight matrix (row standardized) based on geographical proximity (Arbia 2014). For example, the difference between a country to itself is zero and increases for more distant countries. Next, this study used the spatial weight matrix to create spatial lag variables for adjacent countries (i.e., “neighbours”). Finally, this study conducted analysis with and without data imputation. To impute data, this study explored both multiple imputation and single imputation (Stekhoven and Stekhoven 2013; Van Buuren 2018). Multiple imputation creates

several imputed data sets, whereas single imputation creates a single data set based on a machine learning approach (random forest). Our checks suggest no substantial differences; thus, this study focus on single imputation for simplicity.

The results in Figure 5.8 suggest that countries with greater geographical proximity report greater trust in management. Thus, this study observe that managerial trust may spread from one country to another country. The importance of imitation seems substantive. However, the UK does act as an outlier at a point with sparse data (leverages).

By using imputed data for missing values, this study gained additional insights. After imputation, this study finds some support for imitation of labour trust in management. The finding seems encouraging. However, I caution the reader that imputation with few countries may distort the patterns. Thus, this study emphasizes cautious optimism.

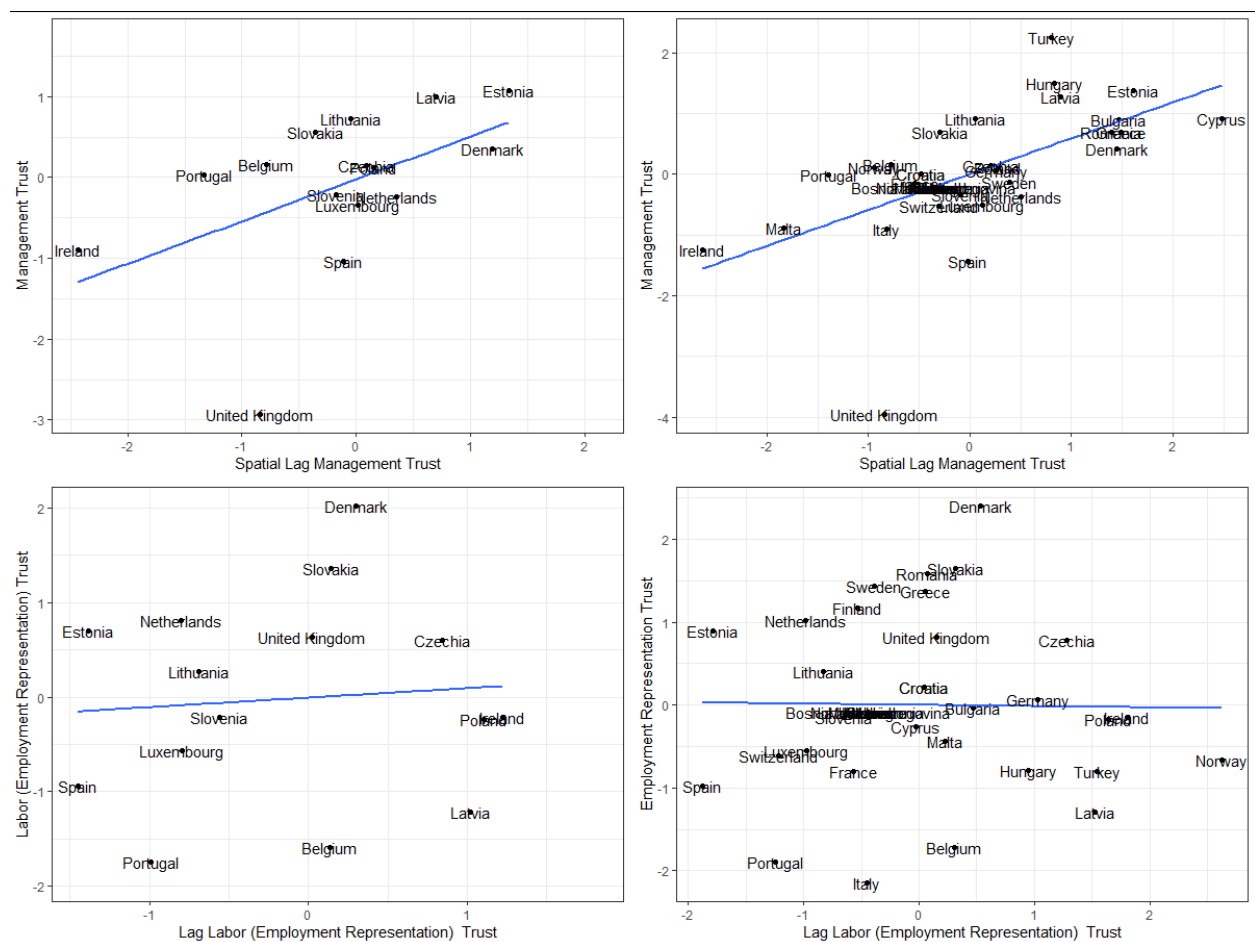


Figure 5.8 Spatial association in trust with and without imputation. (Units are in standard deviations).

5.3 Micro-mechanisms of Labour and Management Trust

In this section, this study considers five micro mechanisms of labour and management trust: delegation of decision-making, meetings, industrial decisions, skills, and ICT practices. First, managers who delegate decision-making to workers may gain trust. Methodologically, this study created an Item Response (IRT) score based on a series of decisions concerning skills, training, pay, and occupational safety and health. The score indicates the capacity of labour or workers to participate in workplace decisions (reported in standard deviations). Alternatively, the worker capacity score included workers' participation in decisions on pay schemes or training.

Figure 5.9 shows the boxplots for decision-making capacity (the x-axis). A boxplot indicates the median (i.e., 50:e percentile, middle of the box), 25:e percentiles (lower box), and 75:e percentiles (upper box). These roughly correspond to intermediate, low, and high decision-making capacity. The "whiskers" indicate additional spread of the distribution of decision-making capacity. Wider boxplots indicate more spread, narrower boxplots indicate less spread in decision-making capacity. Next, these boxplots have been grouped by the trust variables (the y-axis), i.e., one for each response option. The upper panel visualizes decision-making capacity grouped by management trust in labour, the lower panel graphs the decision-making capacity by labours trust in management.

The results in Figure 5.9 support that increased decision-making is associated with labour reporting greater trust in management. This can be observed by comparing the medians in lower panel in Figure 5.9. Thus, the delegation of decision-making seems to be symbolically important for labour to trust the management. Similarly, greater management trust in labour is associated with greater decision-making capacity (upper panel Figure 5.9). Therefore, if the management trust in labours seem to be a condition of delegating decisions. Thus, we could consider delegation as a behavioural consequence of trust (we return to this later in the text).

Second, meetings between managers and labour matter. In Figure 5.10 and Figure 5.11, this study used self-reported frequency of meetings between labour and management. More frequent meetings with managers and labour corresponds to labour reporting greater trust in managers. Similarly, more frequent meetings between labour and management correspond to management reporting greater trust in labour. Thus, the contribution of frequent meetings matters for both labour and managers. The data supports the sociological hypothesis that trust results from frequent meetings, i.e., quantitative matters. However, we should note that the quality of the meetings remains unknown.

Third, actions that signal trustworthiness/untrustworthiness are important for managers' trust in labour, while managers' confidence in employees' skills may influence labour's trust in managers. In Figure 5.12, we consider labour's rating of managers' confidence in workers as an indicator of expectations of mutual trust. To validate the finding, this study used additional rating scales of managers' skill investment in Figure 5.13. Investing in employees' skills cultivates expectations of workers' greater wage potential. Therefore, labour will more

likely trust managers who invest in workers, as suggested by the data. But, having robotics in the workplace does not influence the trust in labour (i.e., ER, not reported in the text). Thus, new technologies do not seem to either boost or undermine the trust. When firms improve the skills of the workforce, the management communicate trustworthiness, as they sacrifice time, effort, and capital. Firms would be unlikely to commit to improving employee skills unless they seek to cultivate long-term trust in workers. For example, firing workers would be costly if one has substantively invested in the workers' skills.

Fourth, labour may communicate trustworthiness by abstaining from industrial action. If the union has undertaken industrial actions such as strikes, then such actions will communicate conflict rather than cooperation. As an unexpected consequence, the managers will learn to distrust labour, as shown in Figure 5.13. Thus, labour needs to consider the long-term consequences of industrial actions before committing to such an action. While industrial actions may result in short-term gains, there will be unexpected consequences in the long run. Thus, if labour prioritises trust, labour should consider compromise first and industrial action as a last resort.

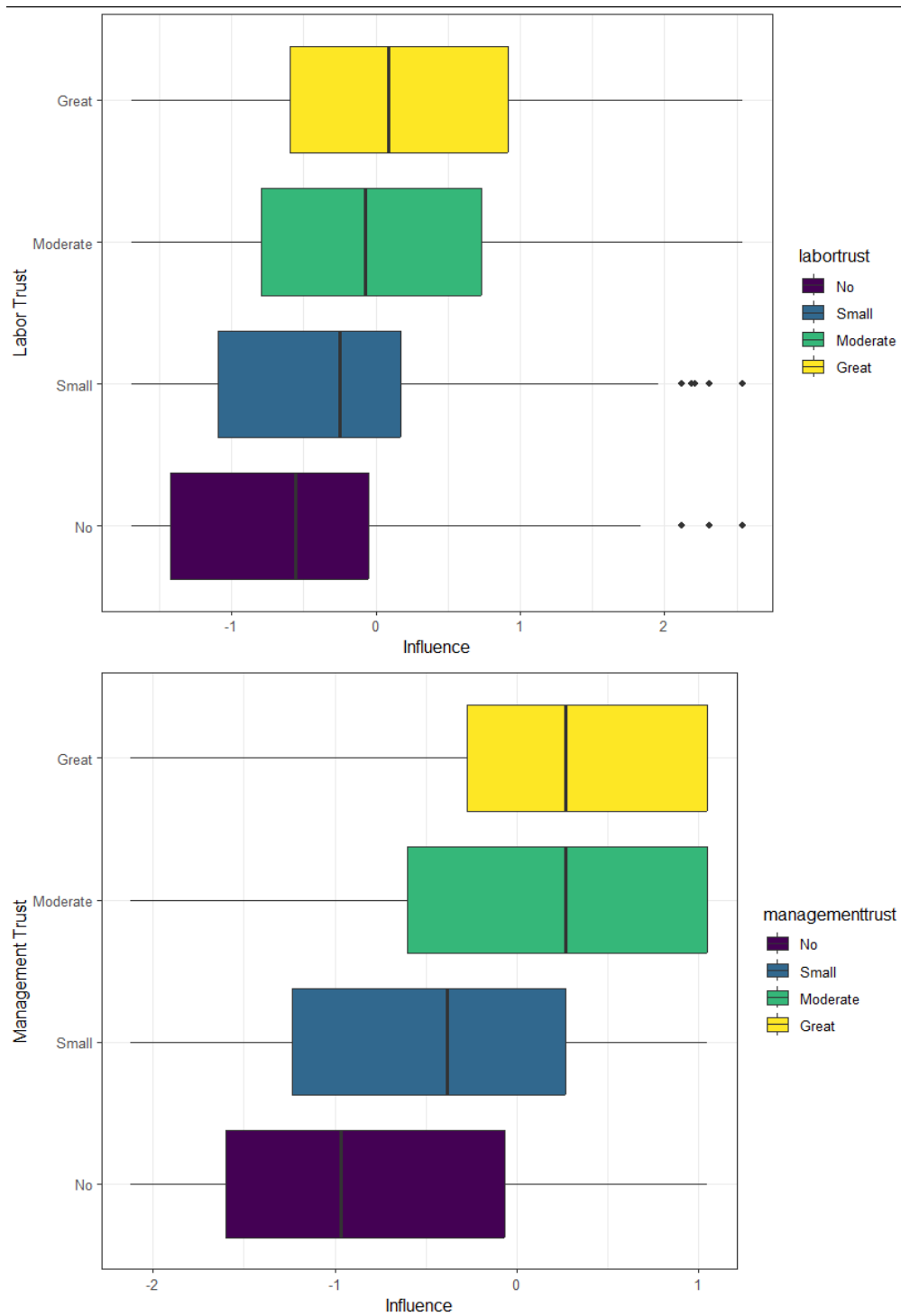


Figure 5.9 Management and labour trust by influence (IRT estimate). (Units in standard deviations).

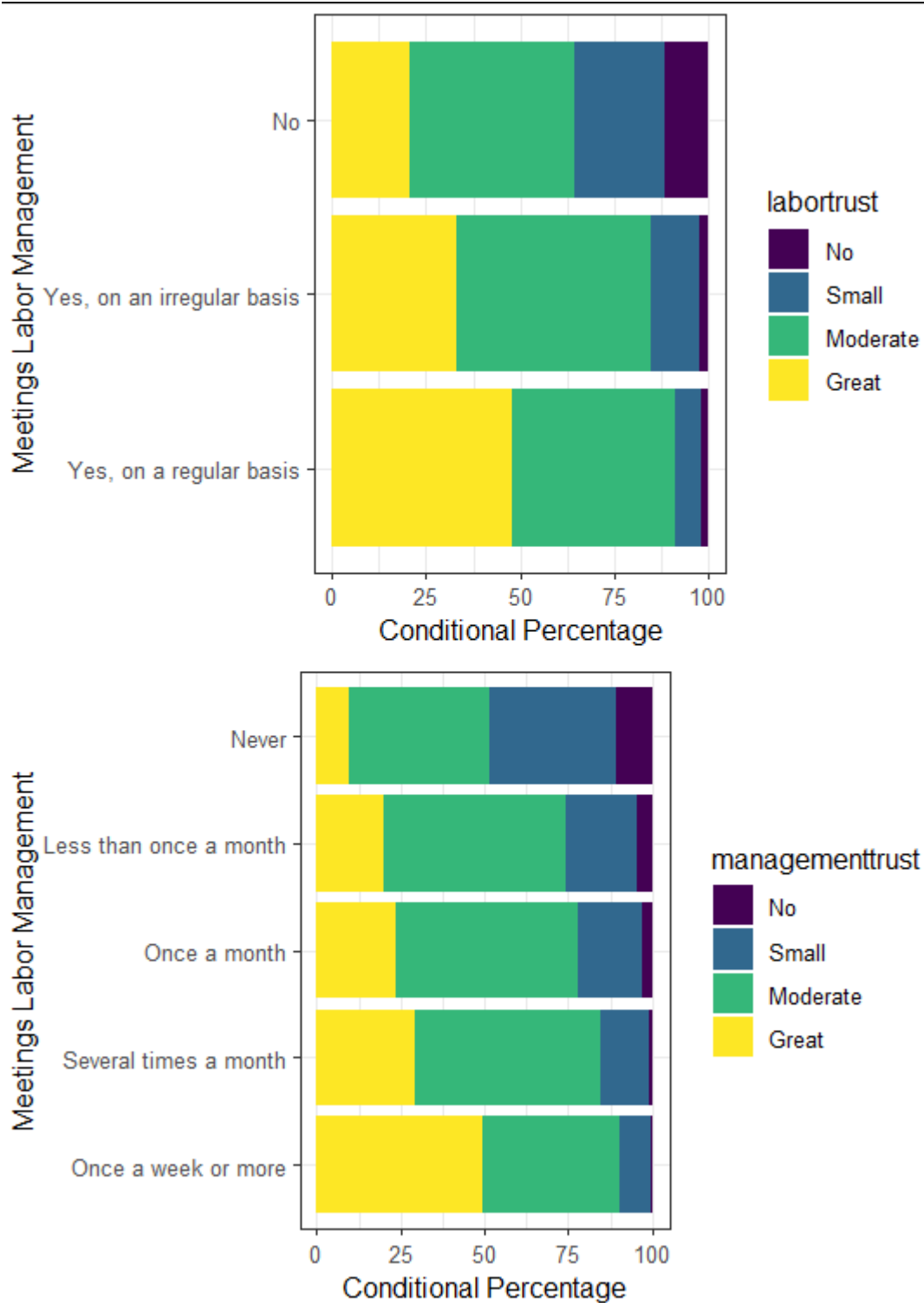


Figure 5.10 Management and labour trust by Meetings. (Units are in conditional percentages).

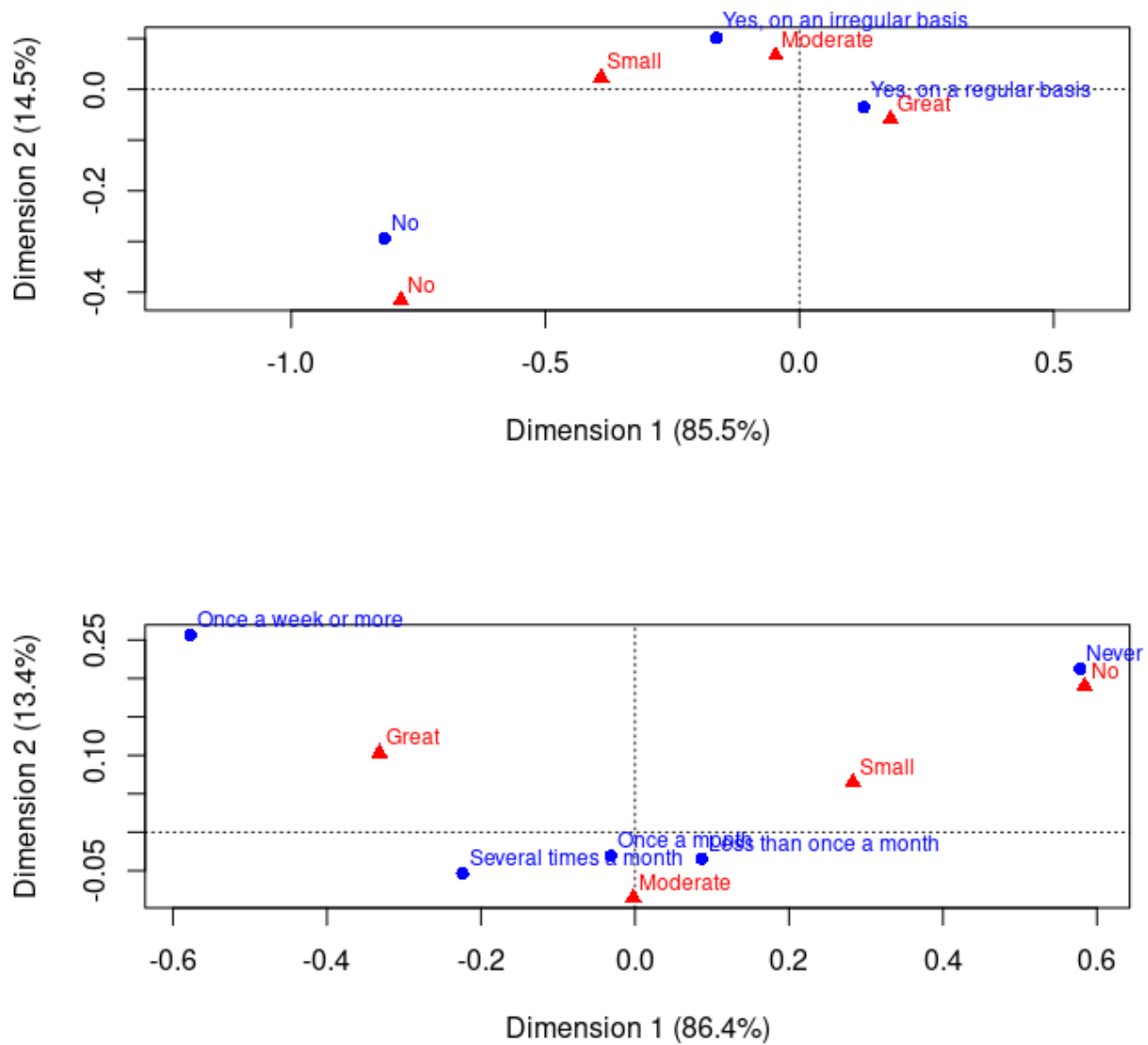


Figure 5.11 Upper panel: Simple correspondence analysis of labour trust (ER) by meetings. Lower Panel: Simple correspondence analysis of managerial trust (Firm/Companies) by meetings. Captures the chi square distance. Percentages indicate proportion of explained "inertia" (analogous to variance) by the dimension (analogous to explained variance in linear regression)

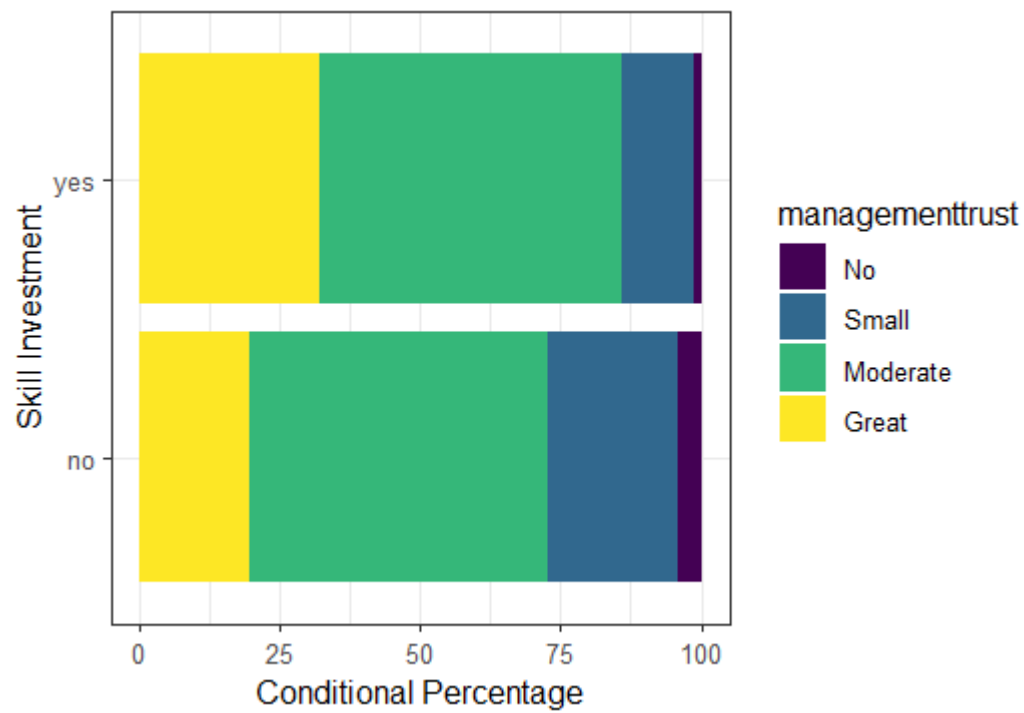


Figure 5.12 Trust in management (firms) and skill investment.

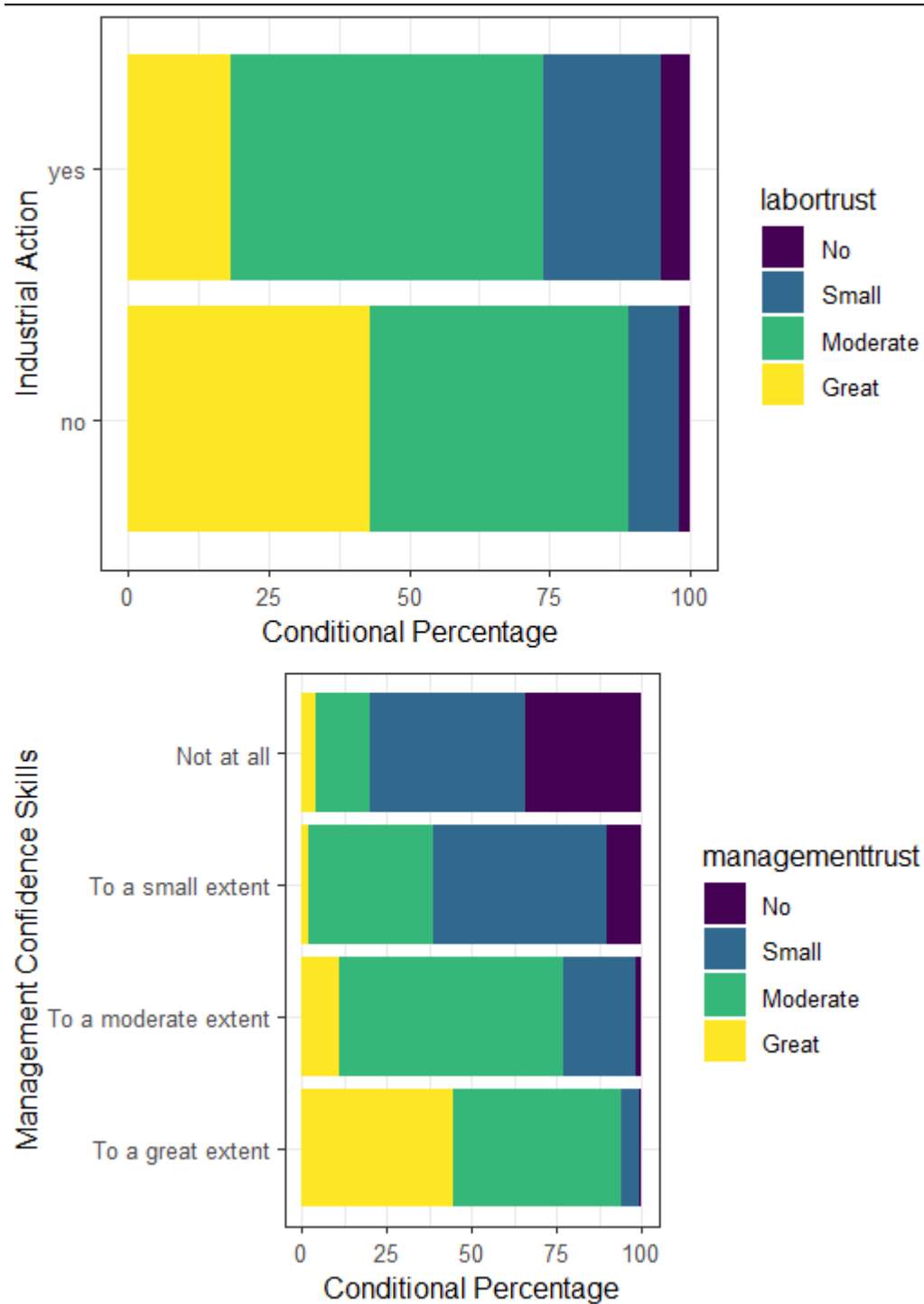


Figure 15.3. Trust in labour and industrial action. Labour trust in management and managerial confidence in workers' skills.

Consequences: Outcomes of Management and Labour Trust

In this section, this section considers two types of consequences (outcomes) from trust: attitudes and behaviours. Attitudinal consequences concern satisfaction with the manager and labour relationship. Behavioural consequences include labours industrial actions, management delegation of decision-making, and ICT practices.

First, this study considered the satisfaction with the labour or management relationship. As shown in Figure 5.14, for labour, greater trust corresponds to greater satisfaction with the management relation. Thus, if labour trusts management, then labour will also be happier with their relations with management, though the causal relation may go both ways. As shown in Figure 5.15, for managers, greater trust in labour results in greater satisfaction with the labour relationship. Thus, the association between trust and satisfaction seems to be reciprocal.

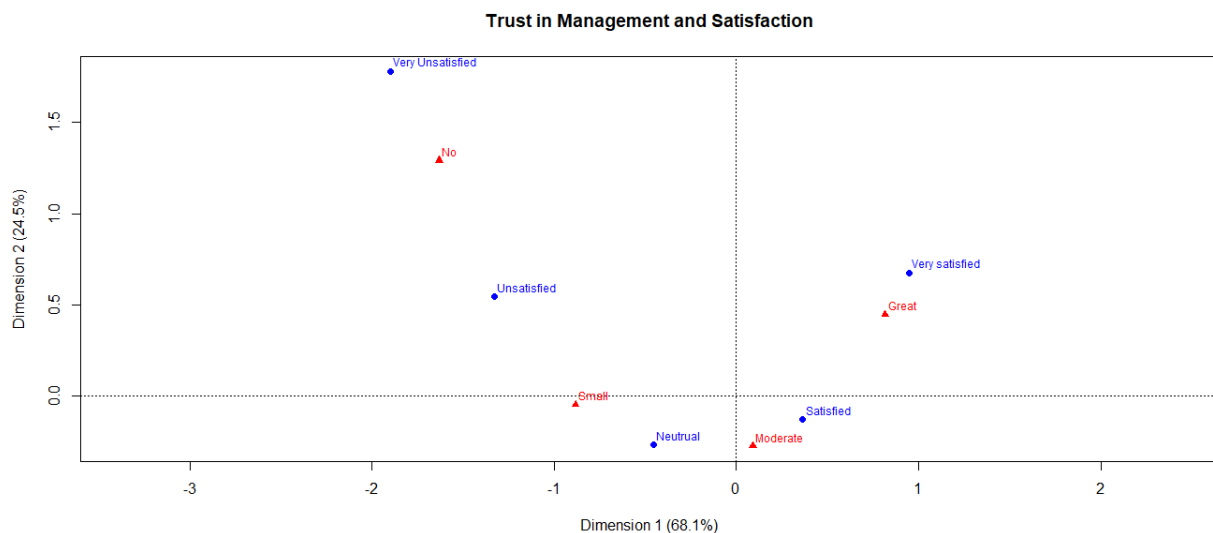


Figure 5.14 Correspondence analysis of management and labour trust by relation quality. (Chi square distance. Percentage indicates proportion of explained "inertia" analogous to variance, by the dimension analogous to explained variance in linear regression).

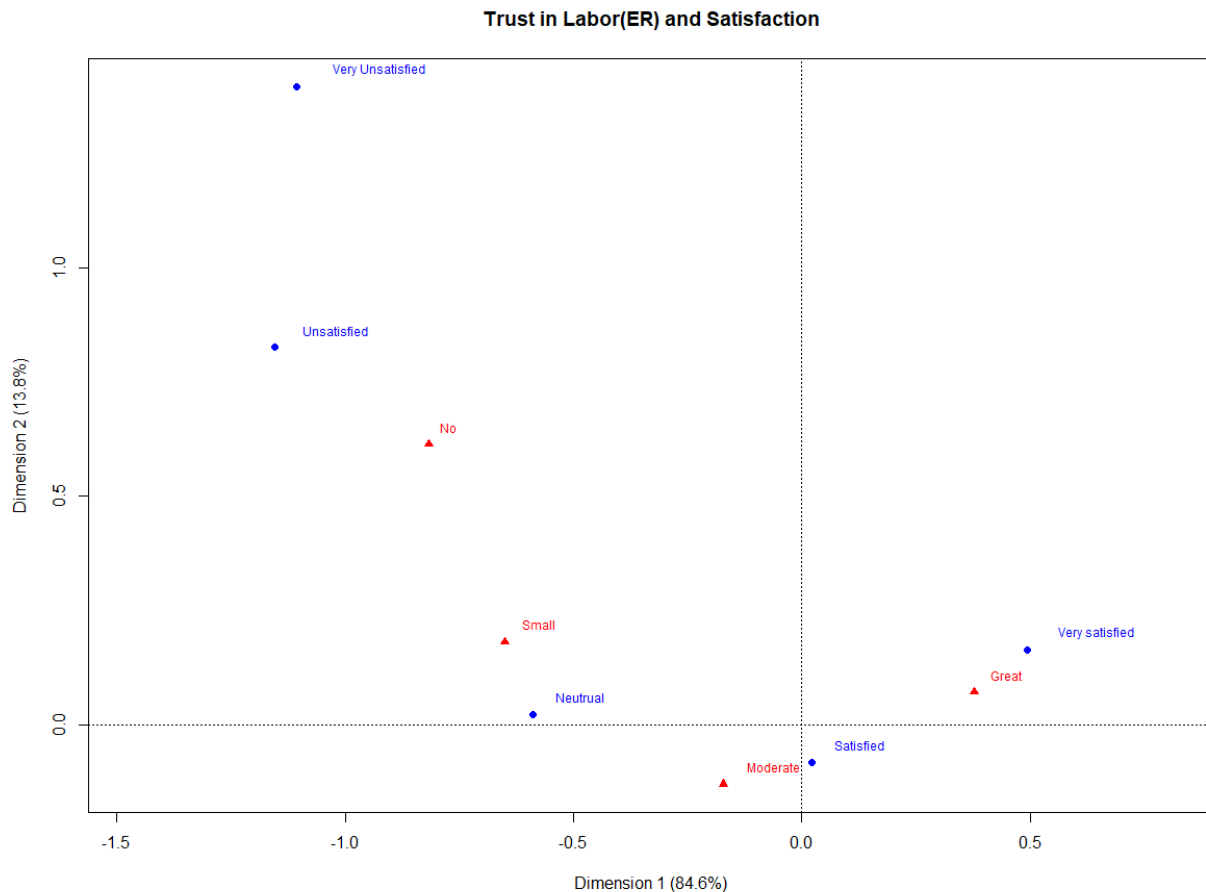


Figure 5.15 Correspondence analysis of managerial and labour trust by relation quality. (Chi square distance. Percentages indicate proportion of explained “inertia” analogous to variance, by the dimension analogous to explained variance in linear regression).

We now turn to the behavioural consequences of trust. Here, I consider labour’s trust in management. If labour trusts management, then labour will be less likely to engage in industrial actions such as strikes. Therefore, abstaining from industrial actions signals that labour is expressing cooperation, whereas distrust leads labour to engage in industrial actions as a way of signalling conflict. As a validation, this study reports the results from a log-linear Poisson model with country adjustments (unreported). For example, when comparing high vs low trust in management, trust varies with an average reduction of 92% in the chance of strike threats. Similarly, comparing high vs low trust in management corresponds to an average of 4 times less chance of striking. Thus, trust in management has both behavioural and attitudinal consequences.

In sum, trust results in both attitudinal and behavioural outcomes (consequences). Higher trust corresponds with greater satisfaction and fewer conflicts. To this we may add greater influences as indicated in the previous section (Figure 5.9).

5.4 Conclusions

In this chapter, this study has analysed determinants, mechanisms, and consequences of trust between labour, i.e. employee representatives, and management representatives based on the ECS. The conclusions concerning our initial questions are as follows:

1. What macro determinants vary with aggregate trust in labour and management? Nordic regimes exhibit greater labour trust, especially when compared to South regimes. Unions have a non-linear association with trust in management. Thus, strong unions only promote trust in highly coordinated labour markets, i.e., the Nordic countries.

2. What macro mechanisms vary with aggregate labour and management trust? Aggregate general trust correlate with trust to labour, and management. However, the association seems weak: aggregate trust correlate with trust to labour and management in high trust countries, but not in low trust countries. Country work values seem unimportant. Turning to spatial correlations, trust in labour but not management may also spread between neighbouring countries.

3. What micro mechanisms vary with labour and management trust? Delegation of decision-making to workers or labour representatives and investment in employees' skills correspond to greater trust in management. Firms who place greater trust in labour avoid industrial actions. Finally, frequent meetings between labour and management correspond to higher mutual trust, i.e., for both labour and management.

4. What consequences vary with labour and management trust? Trust in labour is substantively influenced by greater delegation of decision-making to labour or workers. Greater trust in management reduces the chance of strikes.

The theoretical implication of these results is that they align with sociological theories of trust (Giddens 1984, 2013; Lewis and Weigert 2012; Sztompka 1999; Welch et al. 2005). However, this study introduces complexities (uncertainties) to some of the propositions. For example, regimes matter, whereas aggregate values do not. Similarly, regimes provide a simpler result to interpret and explain than union density and collective bargaining coverage. We should not reject the importance of collective bargaining coverage and union density but recognise that a complex pattern exists that does not conform to simple explanations. This may require further qualitative interrogation (e.g., historical or focused interviews) in future studies.

A second theoretical implication concerns place versus space (Giddens 1984; Sztompka 1999). In this study, regimes indicate the importance of place, i.e., a common exposure. However, space (imitation) did matter for labour trust in management, but only after imputation of missing values. Therefore, the patterns exhibited by space seems more uncertain, i.e., less precise. Meaning that one should not overinterpret the pattern. In addition, the associations also raise the question as to why space matters: imitation do not explain

trust as it is essential we understand the underlying reasons , e.g., induced by: norms, mobility, transportation, digital communication, or economic dependencies (Logan 2012).

A third implication relates to the proposition regarding the interrelations of trust. One type of trust (general, i.e., interpersonal) may expand to other types of trust (e.g., labour-management). Again, we find indications of such patterns, in agreement with theory (Giddens 1984, 2013; Welch et al. 2005, 2007). However, the pattern again seems less precise.

A final theoretical implication concerns what events cultivate trust between labour and managers. Sociological theory predicts the importance of sequences of routine events to cultivate trust because such events reduce social uncertainties. By contrast, critical events would be expected to destabilise trust or undermine trust. Here, we observe how regular meetings (routine events) cultivate trust (and supposedly vice versa). Similarly, investment in skills cultivates trust. Critical events such as strikes, or strike threats undermine trust. Almost all results agreed with theory underscoring the importance of routine events that reduce social uncertainties as well as avoid destabilizing events (Giddens 1984; Sztompka 1999, 2008).

Nevertheless, the association between delegation of responsibility and trust seems less reliable. Such patterns do not agree with theory (Roche 1991). Similarly, we should temper our expectations about trust and technology. Skills rather than technological variables seem to correlate with trust, in agreement with a sociological hypothesis (Giddens 1984;).

Next, we turn to policy implications based on the theoretical implications. Here, we outline the policy recommendation to manage emerging problems of trust in the labour market. Our recommendations target policymakers in government, labour, and firms. However, no policy decision should be made on a single report. Therefore, I base our recommendation on a combination of our results and recommendations from previous studies. Thus, this study urges policymakers to pool studies into their decisions. Finally, our recommendation will focus on Nordic policies, as those policies represent our best scientific knowledge (Kenworthy 2019).

First, our results suggest that the Nordic types of policies and industrial relations institutions have positive consequences for both labour and management. Therefore, this study suggests that other EU countries would benefit from learning from Nordic policies while adapting them to their needs and situation. This recommendation agrees with increasing agreement in labour market sociology and welfare sociology, as Nordic policies do better or no worse than other countries concerning trust as well as poverty, inequality, job security, employment, and safety (Kalleberg 2018; Kenworthy 2019).

Second, Nordic policies focus on developing workers' skills and delegating decision-making to workers (Kalleberg 2018; Kenworthy 2019). Nordic policies have empowered and cultivated workers to manage the emerging social problems of the welfare state (Esping-Andersen 2009; Kenworthy 2019). Our results agreed. Therefore, this study suggested that

delegation of decision-making to workers and improving their skills will improve labour trust. High trust reduces the need for strikes or other conflicts that reduce firms' productivity and foster distrust in labour. Thus, economic democracy and knowledgeable workers benefit labour, firms, and governments (Esping-Andersen 2009; Kenworthy 2019).

Third, Nordic policies of delegation of power may be supported by frequent meetings between labour and management. At first, frequent meetings often seem "bureaucratic", "boring", or a "waste of time". However, frequent meetings may have unexpected consequences such as greater trust. Thus, this study suggested that time spent on meetings means a long-term investment in trust.

Fourth, this study recommend labour to favour negotiations to conflicts. However, abstaining from conflicts or delegating the right to strike seems unwise. Although trust matters in the long run, labour may need to exercise threats and punish firms for violating expectations of trust or obligations (Korpi 1985; Korpi and Shalev 1979). However, both management and labour benefit from compromise

References

- Ahlquist, John S., and Christian Breunig. 2012. "Model-Based Clustering and Typologies in the Social Sciences." *Political Analysis* 20(1):92-112.
- Arbia, Giuseppe. 2014. *A Primer for Spatial Econometrics: With Applications in R*. Basingstoke: Palgrave Macmillan.
- Blau, Peter M. 1960. "Structural Effects." *American Sociological Review* 178-93.
- Blau, Peter M. 1974. "Presidential Address: Parameters of Social Structure." *American Sociological Review* 615-35.
- Blau, Peter M. 1977. "A Macrosociological Theory of Social Structure." *American Journal of Sociology* 83(1):26-54.
- Esping-Andersen, Gosta. 1990. *The Three Worlds of Welfare Capitalism*. Princeton University Press.
- Esping-Andersen, Gosta. 2009. *Incomplete Revolution: Adapting Welfare States to Women's New Roles*. Polity.
- Eurofound, Improvement of Living and Working Conditions. 2019. "European Company Survey."
- EVS. 2022. "European Values Study 2017: Integrated Dataset (EVS 2017)."
- Friendly, Michael, and David Meyer. 2015. *Discrete Data Analysis with R: Visualization and Modeling Techniques for Categorical and Count Data*. Vol. 120. CRC Press.
- Gallie, Duncan. 2009. *Employment Regimes and the Quality of Work*. Oxford University Press.
- Giddens, Anthony. 1984. *The Constitution of Society: Outline of the Theory of Structuration*. Univ of California Press.
- Giddens, Anthony. 2013. *The Consequences of Modernity*. John Wiley & Sons.
- Granovetter, Mark. 1983. "The Strength of Weak Ties: A Network Theory Revisited." *Sociological Theory* 201-33.
- Greenacre, Michael. 2017. *Correspondence Analysis in Practice*. chapman and hall/crc.
- Hall, Peter A., and Daniel W. Gingerich. 2009. "Varieties of Capitalism and Institutional Complementarities in the Political Economy: An Empirical Analysis." *British Journal of Political Science* 39(3):449-82.

- Hall, Peter A., and David Soskice. 2001. "An Introduction to Varieties of Capitalism." *Op. Cit* 21-27.
- Haller, Max. 2002. "Theory and Method in the Comparative Study of Values: Critique and Alternative to Inglehart." *European Sociological Review* 18(2):139-58.
- Hitlin, Steven, and Jane Allyn Piliavin. 2004. "Values: Reviving a Dormant Concept." *Annu. Rev. Sociol.* 30:359-93.
- ILO. 2020. "International Labour Organization . ILO Modelled Estimates Database, ILOSTAT [Database]."
- Inglehart, Ronald. 2018. *Cultural Evolution: People's Motivations Are Changing, and Reshaping the World*. Cambridge University Press.
- Kalleberg, Arne L. 2018. *Precarious Lives: Job Insecurity and Well-Being in Rich Democracies*. John Wiley & Sons.
- Kenworthy, Lane. 2019. *Social Democratic Capitalism*. Oxford University Press.
- Korpi, Walter. 1985. "Power Resources Approach vs. Action and Conflict: On Causal and Intentional Explanations in the Study of Power." *Sociological Theory* 3(2):31-45.
- Korpi, Walter, and Michael Shalev. 1979. "Strikes, Industrial Relations and Class Conflict in Capitalist Societies." *The British Journal of Sociology* 30(2):164-87.
- Lazarsfeld, Paul F., Robert K. Merton, and others. 1954. "Friendship as a Social Process: A Substantive and Methodological Analysis." *Freedom and Control in Modern Society* 18(1):18-66.
- Lewis, J. David, and Andrew J. Weigert. 1985. "Social Atomism, Holism, and Trust." *The Sociological Quarterly* 26(4):455-71.
- Lewis, J. David, and Andrew J. Weigert. 2012. "The Social Dynamics of Trust: Theoretical and Empirical Research, 1985-2012." *Social Forces* 91(1):25-31.
- Liska, Allen E. 1990. "The Significance of Aggregate Dependent Variables and Contextual Independent Variables for Linking Macro and Micro Theories." *Social Psychology Quarterly* 292-301.
- Logan, John R. 2012. "Making a Place for Space: Spatial Thinking in Social Science." *Annual Review of Sociology* 38:507-24.
- Luhmann, Niklas. 2000. "Familiarity, Confidence, Trust: Problems and Alternatives." *Trust: Making and Breaking Cooperative Relations* 6(1):94-107.
- McPherson, Miller, Lynn Smith-Lovin, and James M. Cook. 2001. "Birds of a Feather: Homophily in Social Networks." *Annual Review of Sociology* 27(1):415-44.
- Merton, Robert K. 1949. *Social Theory and Social Structure*. 1968 enl. ed. New York: Free press.
- Merton, Robert K., and Patricia L. Kendall. 1946. "The Focused Interview." *American Journal of Sociology* 51(6):541-57.
- Mills, C. Wright. 2000. *The Sociological Imagination*. Oxford University Press.
- Misztal, Barbara A. 2019. "Trust in Habit: A Way of Coping in Unsettled Times." Pp. 41-59 in *Trust in contemporary society*. Brill.
- Olsen, Wendy. 2019. "Social Statistics Using Strategic Structuralism and Pluralism." *Contemporary Philosophy and Social Science: An Interdisciplinary Dialogue* 237.
- Rizopoulos, Dimitris. 2006. "Ltm: An R Package for Latent Variable Modeling and Item Response Theory Analyses." *Journal of Statistical Software* 17(5):1-25.
- Roche, William K. 1991. "Trust Dynamics and Organizational Integration: The Micro-Sociology of Alan Fox." *British Journal of Sociology* 95-113.
- Schilke, Oliver, Martin Reimann, and Karen S. Cook. 2021. "Trust in Social Relations." *Annual Review of Sociology* 47(1):239-59. doi: 10.1146/annurev-soc-082120-082850.
- Scrucca, Luca, Chris Fraley, T. Brendan Murphy, and Adrian E. Raftery. 2023. *Model-Based Clustering, Classification, and Density Estimation Using Mclust in R*. Chapman and Hall/CRC.
- Stekhoven, Daniel J., and Maintainer Daniel J. Stekhoven. 2013. "Package 'missForest.'" *R Package Version* 1.

- Sztompka, Piotr. 1991. "The Theory of Social Becoming: An Outline of the Conception." *The Polish Sociological Bulletin* (96):269-79.
- Sztompka, Piotr. 1999. *Trust: A Sociological Theory*. Cambridge university press.
- Sztompka, Piotr. 2007. "The Return to Values in Recent Sociological Theory." *Polish Sociological Review* 159(3):247-61.
- Sztompka, Piotr. 2008. "The Focus on Everyday Life: A New Turn in Sociology." *European Review* 16(1):23-37.
- Team, R. Core. 2013. *R A Language and Environment for Statistical Computing*.
- Van Buuren, Stef. 2018. *Flexible Imputation of Missing Data*. Chapman and Hall/CRC.
- Visser, Jelle, Marieke Beentjes, Minna Van Gerven, and Valentina Di Stasio. 2008. "The Quality of Industrial Relations and the Lisbon Strategy." *Industrial Relations in Europe* 45-72.
- Weber, Max. 1905. *The Protestant Ethic and the Spirit of Capitalism*. Routledge.
- Welch, Michael R., Roberto EN Rivera, Brian P. Conway, Jennifer Yonkoski, Paul M. Lupton, and Russell Giancola. 2005. "Determinants and Consequences of Social Trust." *Sociological Inquiry* 75(4):453-73.
- Welch, Michael R., David Sikkink, and Matthew T. Loveland. 2007. "The Radius of Trust: Religion, Social Embeddedness and Trust in Strangers." *Social Forces* 86(1):23-46.
- Yuan, Yaqi, and Kristen Schultz Lee. 2022. "General Trust in the Health Care System and General Trust in Physicians: A Multilevel Analysis of 30 Countries." *International Journal of Comparative Sociology* 63(3):91-104.

6 Ireland

Margaret Heffernan and Aurora Trif with the support of Eugene Hickland and Lisa Van Der Werff

6.1 Introduction

This Ireland report presents key findings from semi-structured interviews (see Table 6.1 below) conducted with managers and union representatives between July 2024 and March 2025. A total of 21 interviews were conducted, the majority in person, with the remainder carried out via Zoom. The interviews generally lasted between 60 to 90 minutes and were audio-recorded, except in three cases where notes were transcribed immediately following the interviews. Given the decentralised nature of collective bargaining in Ireland, most interviews (15) were undertaken at the local level. Interviews were carried out in two large multi-union organisations within the financial (FinanceCo) and transport (TransportCo) sectors and a small automotive components company, focusing on managers and union representative dyads involved in setting working conditions (MetalCo).

Table 6.1 Interviewees: levels and sectors

Level	Banking & finance	Metal	Transport	Cross-sectoral	Total
Local Level					
Employee rep.	4	1	3		8
Employer rep.	2	1	4		7
Sectoral Level					
TU official	1	2	3		6
EO official	NA	NA	NA		
TOTAL	7	4	10	0	21

At the local level, interviews were conducted with seven managers (including two former senior managers, a Managing Director, two HR managers, and two Industrial Relations managers) and eight union representatives (four officials and four shop stewards, three of whom were also on a European Works Council). At the sectoral level, six union officials were interviewed. No sectoral-level counterparts to represent employers exist in the three selected sectors. It is also important to highlight that, at the national level, social partners do not participate in collective bargaining. As a result, we focused our data collection predominantly on local-level collective bargaining.

6.2 Industrial relations at national and sectoral level

Ireland operates within a liberal pluralist industrial relations regime (Visser, 2024) which is based on a tradition of voluntarism - meaning that collective bargaining between employers and trade unions takes place largely without state intervention. Trade unions are generally the only channel for workers' representation at the company level, given the Irish Government's minimalist approach to "hard" regulation of information and consultation rights when transposing EU Directive legislation, which makes it difficult to establish works councils. Moreover, Ireland does not have statutory recognition of trade unions, allowing employers to refuse to bargain collectively. Collective bargaining is decentralised and fragmented and occurs mostly at the company or workplace level. In this context, trade union density is circa 25% and collective bargaining coverage is 34% (Eurofound, 2024).

Collective agreements are generally not legally binding in Ireland. However, there are State bodies that assist with dispute resolution, including the implementation of collective agreements. One of the most important State institutions is the Workplace Relations Commission (WRC). In addition, the Labour Court (which is not a judicial body) deals with individual and collective dispute referrals, often being the court of last resort. The recommendations of the WRC and Labour Court are not legally binding, however, except when they relate to decisions relating to the implementation of labour laws. Finally, the Health and Safety Authority is the national statutory body with responsibility for ensuring that all workers are protected from work-related injury and ill health. It enforces occupational safety and health law, promotes accident prevention and awareness and provides information and guidance.

At the national level, the two main social partners involved in tripartite or bipartite fora are the Irish Congress of Trade Unions (ICTU) and the Irish Business and Employers Confederation (IBEC). There was a tripartite social partnership system in Ireland from 1987 to 2009, although the provisions from these social pacts were not legally binding. The global financial crisis of 2008 was a key factor in the demise of social partnership in Ireland. In 2016, a tripartite Labour Employer Economic Forum (LEEF) was established to bring together representatives of employers and trade unions with the Government to discuss economic, and labour market issues. This forum has been instrumental in addressing challenges related to Brexit and the COVID-19 pandemic (Eurofound, 2024). In addition, the Low Pay Commission, a bipartite body approved by the Department of Jobs, Enterprise and Innovation, is responsible for reviewing and discussing the national minimum wage rate. The social partners also sit on two other tripartite bodies, the National Economic and Social Council, dealing with environmental and housing issues, and the National Economic Dialogue, established in 2015, to discuss societal interests, including the budget development process.

At the sectoral level, there is limited collective bargaining in the private sector. Specifically, there is no multi-employer bargaining in the banking and finance, metal, and transport sectors. Some sectoral bargaining occurs (supported by the Labour Court) to establish

minimum rates of pay and conditions of employment in certain sectors, such as construction, security, and contract cleaning. In the public sector, successive national agreements were concluded by the ICTU and the relevant government department since 2010: the Croke Park Agreement (2010), the Haddington Road Agreement (2013), the Lansdowne Road agreements (2015 and 2017), the Public Service Stability Agreement (2018) and the Building Momentum agreements (2021 and 2022) (Eurofound, 2024). At the local level, collective bargaining mainly takes place in large, unionised private sector companies. In many large companies, there are multiple unions representing workers in different occupations, and they negotiate separate collective agreements. Nevertheless, some unions may use a single table bargaining process where all trade unions recognised by an employer negotiate together. Accordingly, collective bargaining in the private sector is mostly decentralised and sometimes fragmented.

Industrial relations in banking & finance, metal, and transport

This report examines three sectors: banking and finance, transport and metal. Industrial relations in the banking and finance sector, which employs circa 107,000 people, with appr. 47,000 employed in the banking subsector (Statista, 2025), are decentralised. Collective bargaining occurs only in a few large banks. The main union representing retail banking employees is the Financial Services Union (FSU), while SIPTU, Unite and Mandate also have members representing other occupations (e.g. security and cleaners) in the financial sector. On the employer side, there is a sectoral trade association, Financial Services Ireland (a trade group within IBEC), which is not involved in social dialogue with the trade unions. Accordingly, collective bargaining is decentralised, generally consisting of a single-employer arrangement (Eurofound, 2019). There have been no strikes in the sector since 1992 (FSU, 2025).

There are no sector-specific social partners in the metal sector (which employs just under 79,000 workers nationally) (Eurofound, 2018:15). Nevertheless, SIPTU, Connect and Unite represent workers in some metal companies (Eurofound, 2018:15). Also, IBEC - the cross-sector employers organisation - has members (companies) from the metal sector and has been involved in company-level collective bargaining (Eurofound, 2018). As in most private sector industries, only single-employer collective agreements were in place in 2015 in the metal sector, covering circa 6000 employees (Eurofound, 2018). The majority of metal companies are small and medium-sized, and manufacture structural metal products used for construction projects, machinery and equipment, and precision engineering sub-components. In 2015, the average number of employees per company was 21 (Eurofound, 2018:15). Industrial action is rare in the metal sector. In some companies, there is a tradition of workplace partnership, with high levels of trust between management and trade unions.

Although industrial relations in the transport sector are organised by subsectors (e.g. air, road, railway and water), most of these subsectors include large, highly unionised companies that are public, semi-state, or privatised. Also, there are no employers' associations in the transport (sub)sector(s) (Eurofound, 2017). Unions are generally fragmented, with multiple unions representing different occupations in large organisations (Eurofound, 2022).

Specifically, SIPTU represents some workers in each subsector (Eurofound, 2017; 2022). In addition, Connect, Forsa, Unite, the National Bus and Rail Union, and the Transport Salaried Staffs' Association represent specific occupations in each subsector. Collective bargaining takes place at the company level (Eurofound, 2017; 2022), while each occupation may have separate collective agreements within an organisation. Finally, there have been strikes in several subsectors in recent years (e.g. in 2024, in air and road transport organisations).

6.3 National and sectoral level interactions and trust

Although collective bargaining in the Irish private sector is mainly conducted at the enterprise level, in 2025 there are three active Joint Labour Committees (JLCs) that set the employment conditions and minimum rates of pay for all employees in Contract Cleaning, Security Industry and Early Years/ Childcare sectors. In addition, there are six inactive due to employers refusing to participate in those JLCs. It is the Labour Court's responsibility for organising JLC, a function it has held since its establishment in 1946. However, there has been a rise in legal challenges by employers against the existence and operations of JLCs, culminating in the collapse of the 1946 model after a court decision in 2011 which deemed it illegal as incompatible with Irish constitution- see *John Grace Fried Chicken v Catering JLC*, and in 2013 *McGowan v Labour Court*. The Irish Government subsequently introduced the Industrial Relations Amendment Act (2015) to reinstate a limited State-led institutional form of sectoral bargaining and other matters. They have also introduced several legal amendments in response to increased legal actions by employers. Employer actions against the JLC and other State-led sectoral bargaining forms can be described as a division between larger employers and those representing SMEs who do not wish to be bound by any form of national or sectoral agreements.

In a context of relatively high trust in public institutions and among people in Ireland (OECD, 2024; [European Union, 2024](#)), there is moderately high trust between social partners at the national level. Although there were no legal obligations for cross-sectoral social partners to bargain collectively at the national level, the two main social partners, ICTU and IBEC, voluntarily negotiated several social pacts that set pay increases and other conditions between 1987 and 2009. Also, despite the collapse of social partnership due to the 2008 financial crisis and the government's austerity measures, there was no fallout between the social partners in 2009. They continued to interact informally to address major issues in the economy until 2016, when it was formalised in the LEEF. Interestingly, Danny McCoy, the Chief Executive Officer of IBEC since 2009, considers that joint collective actions with ICTU are needed to address key challenges that people and businesses face in Ireland, including the housing crisis and environmental issues. This recognition of the utility of collaboration at this level is likely to motivate trust between these key stakeholders.

Given the weak institutionalisation of sectoral collective bargaining, the level of trust between social partners may vary across sectors contingent on their shared history of cooperation and/or conflict and social partners' ideology. The absence of employers' associations and

multi-employer collective bargaining and in the banking and finance, metal, and transport sectors means that the variations in trust levels across these sectors largely depend on the shared history of cooperation and/or conflict and social partners' ideology as well as their personal relations at the company level.

Anchoring trust in institutions and trusting lower-level actors

Overall, respondents generally agreed that Ireland's voluntarist institutions and decentralised collective bargaining contribute positively to building trust between local actors at company level. All managers were happy with the limited state intervention in relations between them and unions and considered that the support provided by the WRC and the Labour Court facilitates building trust. Union respondents also confirmed that generally, the WRC and the Labour Court contribute to developing trust. However, an experienced union official reported that the lack of statutory recognition of trade unions hinders the development of trust between unions and employers. Specifically, this respondent argued that the voluntarist institutional framework was an '*employer veto*' system in practice, given that

..employers can ignore unions even if their membership is over 80%..... if an employer recognises unions, the WRC has a positive impact....It is useless if an employer is not willing to show up. It should be mandatory for employers to engage in collective bargaining and with the WRC and Labour Court. (#5 IE)

Effects of trust according to national and/or sectoral level actors

At the national level, sectoral representatives highlighted the broader societal value of trust-based collective bargaining. Specifically, they pointed to the role of trust in fostering social cohesion, particularly in times of national crisis, such as during the COVID-19 pandemic, when cooperation between unions, employers, and the state proved essential. Furthermore, mutual trust is seen as a foundation for more stable and consistent policymaking, supporting long-term strategic planning.

6.4 Local level interactions and trust

The primary actors at the local level are management and union representatives. In FinanceCo and TransportCo, union representatives include shop stewards and union officers. MetalCo is represented by shop stewards. Company representatives are HR and employee relations representatives (at the senior and operational level). For MetalCo, the Managing Director represents the company's perspective. FinanceCo recognises three unions, but its primary dealings are with one white collar union which represents its main employee group. TransportCo recognises five unions, each union being the sole and exclusive bargaining agent

for particular worker groups within the organisation. MetalCo recognises one union and bargains with them on pay and other issues.

Figure 6.1 below sets out where each company sits on a continuum of low to high trust. TransportCo is characterised as having low trust, echoed by both unions - *"I don't believe there is trust present"* (#8 IE) and managers. It could be said that TransportCo also shows examples of high distrust, certainly when looking at the union's view of senior management (as opposed to how they view HR and IR managers they are dealing with). Research suggests that trust and distrust are distinct constructs, and that distrust is more deliberate than having low trust. It is often rooted in past negative experiences and previous breaches of trust. Trust and distrust both entail certain expectations, but *"whereas trust expectations anticipate beneficial conduct from others, distrust expectations anticipate injurious conduct"* (Lewicki et al., 1998: 444). We will see later that past negative experiences at TransportCo did increase distrust expectations on the part of unions.

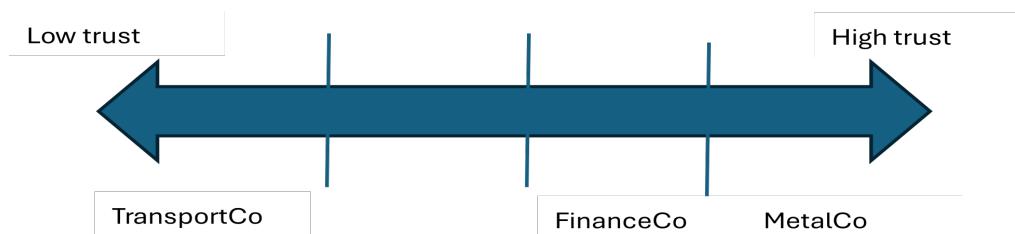


Figure 6.1 Continuum of trust

MetalCo is characterised as being high trust, with union and management working in partnership to ensure the viability of the organisation during uncertain times. Prior to partnership both union and management at MetalCo acknowledged that relations were very adversarial, with the traditional piece work payment system in particular causing instability in staff pay, leading to frequent disputes with SIPTU. In the mid-2000s, management and unions collaborated to develop a partnership approach with its first focus on managing customer complaints which at that time was a significant challenge for the company. Upskilling and new processes for teamwork were introduced, which led to decreased customer complaints and paved the way for the introduction of lean manufacturing and new technology. According to the shop steward, this was an easy transition as it *"was just the next step. So, the spade work was done"* (#21 IE).

Finally, FinanceCo is characterised as having mid-level trust. Whilst management and some union representatives believe there is high mutual trust, this can vary depending on what is being negotiated. In addition, FinanceCo has a second union (representing a small number of employees) which is seen to be a more low-trust relationship. In describing differences between the two unions, the relationship with the white-collar union is characterised by mutual trust, but:

the [other union] official is nearly coming in with a bag over his head to meet me in a hotel somewhere in Dublin, because he's afraid he's going to be seen meeting with me, there's not that level of mutual trust (#7 IE).

The majority of respondents indicated that they interacted informally with each other on a regular basis. In FinanceCo, there is a permanent employee relations team that interacts with the union daily on an informal basis, with one manager indicating *"I speak with the union [my counterpart] more than with my husband"* (#7 IE). Each month, there are formal meetings scheduled with union representatives and management and formal structures to support employer-union collaboration. Within this meeting both employee representatives and management agree on the agenda. Union representatives can request managers from specific functions to join this meeting, should they have any queries. Both parties stress the importance of informal communication with one manager highlighting *"the informal conversations that happen as well, which is key to how we get things done"* (#7 IE).

Trust was shown to vary across levels within FinanceCo and operate in a dynamic way. Various levels of management had counterparts within the union so if there were bad relations within one dyad (senior manager and senior union representative) then the dyad at the next level would work to maintain communication and trust. This structure also ensures some continuity when changes in personnel occur, so that the trust is not based solely on specific personal relationships. Differential trust across levels also came up in TransportCo where the manager indicated strong trust with their union counterparts but commented that trust decreased at higher and lower levels of the hierarchy:

...I have observed a lessening of trust there... gap between union officials and shop stewards and shop stewards and the worker members. Equally, there was probably an increased tension between HR management and senior management and in the business. (#10 IE)

Trust within organisations and their impact on union-employer relations emerged within the interviews. One respondent described how their own managers within the organisation undermined the CB process by communicating changes that had not been properly vetted through the appropriate channels involving industrial relations managers and unions.

A new HR Manager joined FinanceCo who was significantly anti-union. In their 3 years in the position, they never met with the union, instead leaving it to the industrial relations team to deal with union issues. This period (what one union representative termed the *"Deep Freeze"*) culminated in a period of low trust. Senior management distrusted the union, and unions distrusted senior management. A new HR manager was subsequently appointed, who was an internal appointee. He is more open to dealing with unions which has shifted trust levels significantly. By having more support at the senior level, *"it was an eye opener for the business to see that they (union) can be a trusted stakeholder"* (#7 IE).

In TransportCo, there is also an HR employee relations team interacting formally and informally with the five unions. There are formalised long-established, structured fora with periods of engagement on terms and conditions and workplace changes, while the daily

interaction process is less structured than in the other two companies. Unlike in FinanceCo, the process is ad-hoc and inconsistent, contingent mostly on when it is needed to address specific issues. Only representatives of one (out of the five) unions indicated that shop stewards have regular bimonthly meetings with their line manager (#12 IE). Both parties indicated they could informally contact their counterparts to discuss any issues. A union official said that there is *"always stuff going on, meaning daily you are in contact. They could ring us and say, we want to meet you to talk about something, or ...we'll ring them"*(#14 IE). However, union respondents noted that the provisions agreed upon with the employee relations team are often altered by senior management or may not be fully implemented in practice. A union representative indicated: *'Everything is a battle...they [management] are gaslighting us. ...They tell us one thing and do another thing. ...they give us nothing unless they are forced to do so'* (#11 IE).

The primary focus of bargaining at the local level was pay, pensions and general terms and conditions, which is done through formal collective bargaining structures. All actors acknowledge that bargaining on pay-related matters was the most contentious issue and also the most important. Within FinanceCo and TransportCo, strategic changes resulting in altering workplace practices and terms and conditions are also covered. In TransportCo, collectively negotiated pay increases are often linked to changes in work practices, including technological changes, roster as well as outsourcing and/or insourcing of non-core services, and are often contentious. In FinanceCo, issues such as technology or training and development are not covered in collective bargaining but rather informally. Examples of high-trust negotiations (not formal collective agreements) were around changing working hours in a new era of almost peopleless branch offices and the company's right to disconnect policy, which was one of the first organisations to introduce such a policy in Ireland. In MetalCo, changes to improve productivity are not part of collective negotiations. There are joint management and shop stewards' structures seeking to co-create solutions addressing technological changes and other aspects that increase productivity, that meet regularly, separate from the collective bargaining process. With regard to technology, in TransportCo unions focus on job security and want *"to make sure that it's beneficial for the staff as well, and we're not losing jobs in the process because and so what was negotiated was this kind of job security. Job security is main priority"* (#12 IE).

For all companies, Health and Safety was seen to be an issue where high trust exists. In FinanceCo, it was reported that *"We're not going to negotiate to a lower level of health and safety. So that's a non-negotiable thing"* (#6 IE). Even in TransportCo *"in terms of safety, there is relatively high trust"* (#8 IE; #13). One example in TransportCo was the introduction of a peer support system as example of trust in setting it up:

its express purpose is to provide support for staff, confidential and non-judgmental.... That has been and remains extremely successfulit was sold to them as a cost-saving. That's how we got them on board (#8 IE).

Finally, in MetalCo, it was reported by both parties that the company has provided support for workers with mental health or addiction issues beyond those stated in the company handbook, although it is not part of a collective negotiation. A union representative reported:

...that one of the guys in here came in to me on a Friday evening, saying that things were getting too much for him So in fairness, to [MetalCo], I phoned the HR manager, and we got them into [institution] by Sunday. And the company paid for all that themselves, so they would have been very good in that way (#20 IE).

The management confirmed that the company supports individual workers with personal issues, including by paying for treatment and providing a salary during treatment that could be up to 9 months (#19 IE). A high degree of trust in the other party increases the probability of integrative bargaining and reduces that of distributive bargaining (McKersie et al., 1965). We see here that the interests of both partners on Health and Safety were focused on collaboration and integrative bargaining due to health and safety being something of common interest. This cooperation in the area of Health and Safety could be rooted in genuine shared values, or it could be an instrumental alignment of interests. MetalCo interviews suggest the former, with both parties showing a mutual recognition of the moral imperative to protect worker well-being. In terms of health and safety, both unions and management perceive each other as acting with integrity and genuine concern for employee welfare. Alternatively, in the other two companies, the trust observed in the context of health and safety was more instrumentally driven, grounded in aligned interests rather than shared values. From this perspective, both parties stand to benefit—unions through improved working conditions for its members and legitimacy, and management through reduced absenteeism, lower accidents and enhanced reputation as an employer.

In contrast, negotiations on pay were more contentious and appeared to be more aligned to distributive bargaining. All three companies have collective pay agreements, and all agree it is the most contentious issue. TransportCo in particular had significant industrial unrest due to pay negotiations. In describing their pay bargaining process, the manager discussed different dynamics across each union group. Some were focused on job security, some on changes to pay scales and levels and others were more focused on pay, status and rostering. In describing how pay is negotiated *"We have ...with the exception of [one specific occupation], generally, managed to negotiate on pay with the unions as a collective group"* (#15 IE). One union sat outside the collective umbrella and negotiated separately. These were a particular high skill, high status occupational group with significant power to disrupt the organisation should they go on strike. An industrial dispute did occur in recent times and was seen negatively by some of their other union counterparts, with one saying their pay dispute should not have happened and was a case of *"very privileged workers seeking a bigger piece of the pay pie"* (#18 IE). This union has higher union density than other unions in the company who have seen membership decline. Nienhueser and Hossfeld (2011) suggest that trust is more important for the weaker party, which could suggest that a stronger union who have more power is less focused on maintaining mutual trust.

Korsgaard et al. (2018) highlight that trust is likely to change as the conditions that contribute to or undermine trust vary. The white-collar union within FinanceCo acknowledges that they, for the most part, have a successful relationship with the employer, and both parties acknowledge the difficulties associated with engagement, where the two parties often have conflicting priorities, particularly around pay when they have competing interests. In TransportCo, it was reported that:

After meetings when we agree to changes or pay rises or whatever, I will trust those outcomes when what we agreed are put in writing and implemented, and on time, as stated in the agreements. Actions speak louder than verbal agreements and we need the written agreement to keep them honest, which sounds distrustful, but that's my experience! (#16 IE).

Anchoring trust in higher level institutions

All respondents indicated that higher level national institutions such as the WRC and Labour Court play a pivotal role in ensuring agreement is reached during collective bargaining. There was strong agreement that these institutions worked well (*"It provided a framework for both ourselves and the union to roll our sleeves and get the job done"* - #7 IE) and were staffed by knowledgeable staff who used the structures and legislation well. From a union perspective *"The Labour Court is a great system. It's a stabilising force within Irish industrial relations"* (#5 IE). The WRC was seen as a useful forum to reach a consensus and avoid industrial conflict. Unions viewed the WRC in two ways:

Now, everybody wants a result that avoids industrial conflict, but you can only do that if one of two things happen....One is you actually come to a consensus, great. The other is if one side realises the other side is actually going to go all the way to the end of this, and one side basically concedes within the process, those are the only two ways out... And it's very obvious when you go in there, that the goal is to basically drive you into find a solution" (#11 IE).

The companies differed in how they engaged with these institutions to reach an agreement. At FinanceCo, the WRC and Labour Court were seen as important backstops that fostered trust and encouraged resolution without formal escalation. The mere threat of going to the Labour Court often focused negotiations, with one manager noting: *"suddenly there might be that last little tweak that gets the thing agreed... the actual existence of the Labour Court... leads to agreements being made that wouldn't be made if [it] wasn't there"* (#6 IE). The WRC was viewed as a helpful mediator—*"like marriage guidance... they go from one side to the other to try and get to an agreement"*—and while it could not impose outcomes, it provided useful endorsements that *"say this is reasonable"* (#6 IE). Although FinanceCo had used the WRC several times, it had not gone to the Labour Court in years, seeing it as a last resort: *"you sort of lost control... neither side really likes going to the Labour Court"*. With a strong foundation of mutual trust, the company preferred to resolve issues internally: *"it's rare that we air our dirty laundry in public... we'll use all the resources we have to try and resolve the issues between us"* (#7 IE). The same was true at MetalCo, where improved management relations under the partnership approach saw Labour Court visits drop from once a year to

just once in 16 years. That sole case—changing shift work from two to three shifts—was a mutual decision: *“it was the right thing to do for both parties”* (#19 IE) to finalise compensation. Like FinanceCo, both sides at MetalCo view the WRC and Labour Court as last-resort options.

In contrast, TransportCo saw the Labour Court as an important mechanism to get agreement and have referred cases on multiple occasions, and often there was an expectation that they would always end up in the Labour Court. This is particularly the case when dealing with one specific occupational union who has more significant power in bargaining and where a mutual distrust exists between parties. If you are in the Labour Court, then it is assumed *“there is no trust, and you are there because you cannot reach an agreement”* (#8 IE). Other unions within TransportCo preferred to deal with issues in-house and rarely referred matters to either the WRC or Labour Court. We know from previous research (Lewicki and Bunker, 1995) that in cases where there was low trust between unions and management then strong institutional trust was seen to act as a stabilising force before escalating into industrial conflict. In TransportCo, which was characterised as having low mutual trust and adversarial employment relations, all stakeholders highlighted the importance of institutions such as the Labour Court and the WRC to provide neutral, third-party intervention in disputes. This indicates that if a company and union have a history of conflict, they may still engage in bargaining because they trust that the Labour Court or WRC will step in if needed.

The use of Labour Court recommendations and other agreed frameworks developed through these institutions was shown to be critical in bringing parties to the table and trusting to reach an agreement. Although both personal and process-based trust are considered important, discussions highlighted the crucial role played by agreements reached via external institutions. At FinanceCo, for example, both union representatives and managers referenced a past agreement, [the X Agreement], agreed several years ago. This agreement outlines recommendations for both parties, emphasising the importance of early consultation and engagement when considering potential changes. All respondents referred to this as a crucial resource to allow for trusting behaviours to continue. A senior manager highlighted *“the union trusts us that we do the right thing most of the time, and they work with us on those once we're keeping within the realms of our X agreement”* (#6 IE). It is seen as the ‘bible’ in addressing any issues that arise.

Effects of trust according to local level actors

The effects of trust for local actors in collective bargaining are significant, shaping both the process and outcomes of negotiations. When trust is present, it facilitates more open communication, reduces conflict, and enhances cooperation between unions and management. Conversely, a lack of trust can lead to adversarial bargaining, delays, and a greater likelihood of disputes. This report shows examples where high trust can foster stability, continuity, and more constructive engagement between unions and management, even amid ideological or structural tensions. At the organisational level, trust has been shown

to strengthen strategic planning and communication, facilitate integrative bargaining on shared priorities such as health and safety, and enable informal problem-solving in sensitive areas like mental health. It also contributes to overall productivity. As a manager at MetalCo noted, when trust is high:

nobody's focused on fighting or negative stuff. They're only focused on improving the company. So the company's productivity and profitability improve, and employees benefit because the company can afford payday (#19 IE).

Trust further helps organisations manage personnel changes without eroding institutional memory or damaging long-standing relationships. For employees, trust enhances job security and job quality, supports greater voice and agency, improves access to workplace supports, and fosters more meaningful engagement with management.

Dimensions and bases of trust at local level

Various forms of trust were evident among key actors in each company. Calculus-based (CBT) trust was evident across all of the companies. Calculus-based trust suggests that contextual factors such as social and/or legal incentives can compel trustworthy behaviour. In weighing up options to trust they ask if the extent that the benefits of acting in a trustworthy manner outweigh costs, then the trustor can be confident that the trustee will act accordingly. Interviewees gave examples reflecting CBT where trust is extended conditionally, based on performance and risk management. Examples given include strategic concessions, honouring past agreements due to risk of legal or reputational damage and low risk initiatives. In FinanceCo, for example a union official mentioned that management is happy to provide support with initiatives dealing with domestic violence, menopause, mental health, "*as these policies do not cost much*" given that few workers use such support (#5 IE). It is far more difficult to negotiate pay increases applying to all workers because they are significantly more costly. Similarly, in MetalCo, the manager was explicit that support for mental health and other personal issues was cost-effective. He confirmed that such actions have huge benefits for the organisation in that the initial investment pays off tenfold. MetalCo also gave examples of all employees receiving full pay whilst on a reduced work week (due to supply chain issues during Covid). Also, in TransportCo, the company agreed to implement certain policies (e.g., IVF support for women) not out of altruism, but because they are relatively inexpensive while enhancing the company's reputation and ability to attract female employees (#12 IE). This instrumental form of trust is grounded in rational calculations of costs and benefits. Both unions and managers at TransportCo highlighted differences in perceptions of trust:

...it seems like it's one way traffic.....the company are being asked all the time to make certain moves, you know, to build the trust. But we're not seeing evidence that that is being recognised or valued by the other side, and that they're equally coming to the table to demonstrate that we can trust them (#9 IE).

We also saw evidence of identification-based distrust proposed by Lewicki et al. (2016). This distrust is reinforced often in public actions where both parties accuse each other of taking advantage of the other. For example, one manager spoke of a recent union dispute where one of the unions was on national media bad-mouthing management making it difficult to then engage with them in good faith.

Research shows that calculative trust is gradually replaced by relational trust through repeated interactions. We find evidence of this also with relational trust evident across key actors where there are daily interactions between union representatives and their management counterparts to deal with queries and issues as they arise. Koorsgard et al. (2028) emphasise that trust evolves over time, either strengthening or deteriorating as relationships between parties develop and mature. Evidence in this study shows that maturing relationships strengthen trust. MetalCo showed how formal partnership arrangements meant there was strong collaboration and communication between management and unions. This was done both formally and informally. In contrast, TransportCo gave examples of lack of consistency in relationship building with the higher senior management constantly rotating roles in their wider enterprise making it difficult for senior management to understand the employees and the business or to embed themselves in the organisation – *“I think our current CEO is my 17th”* (#14 IE).

Relational trust was identified as a key factor impacting trust and successful collective bargaining. It is built over time through repeated positive interactions and a history of cooperation. This type of trust is crucial for fostering collaboration and effective communication. When managers and union representatives trust each other, it can lead to smoother negotiations, better problem-solving, and a more positive workplace environment. The relational trust between HR and unions was well established across the organisations. Most of the union counterparts identified relational trust as being pretty good with their HR counterparts and vice versa (with one exception). A key aspect that aligns with relational trust is cognitive trust (McAllister, 1995). Cognitive trust is built on evidence of another party's competence and consistency in interactions. One party's competence or ability has been shown to impact on trusting behaviours. In FinanceCo for example, a large-scale pension change was negotiated and agreed by union and management. The manager driving this change believes his expertise in pensions was a critical factor in helping reach an agreement: *“I'm a pensions expert.... You have to make a massive effort to try and explain things from the point of view of the person you're talking to”* (#6 IE).

Knowledge and reputation were also brought up by other managers across the three organisations. All managers acknowledged the importance of reputation, visibility and knowledge of the company. Key actors mentioned reputation was critical *“So your reputation means an awful lot for both sides, right?”* (#10 IE). In TransportCo, a manager emphasised the importance of *“knowing the business”* and *“fully understanding the job role/s of the person/group you are meeting”* (#18 IE). This reflects a key dimension of relational trust — trust that is built through interpersonal connections, reliability and dependability. As the manager notes, this knowledge enables them to *“bring some authenticity and build trust with*

people by knowing them fully as employees,” (#18 IE) highlighting how trust is relationally constructed through shared understanding and respect. A union representative said that there were strong personal relationships with senior HR and union officials (#13 IE).

Consistency and integrity are fundamental components of relational trust, as it fosters reliability and predictability in interactions over time. Key actors in collective bargaining emphasised that maintaining consistency in agreements, commitments, and decision-making processes was crucial for building and sustaining trust. When social partners, such as union representatives and managers, can depend on each other to uphold negotiated terms, it strengthens the foundation of trust and enhances cooperation. Conversely, when agreements are frequently altered or not implemented as expected, it undermines relational trust, leading to scepticism and potential conflict in the bargaining process. The key principles for trust were *“robust principles, which are honesty, fairness, consistency, respect* (#6 IE). The importance of integrity in developing trust is reflected by a union representative who emphasises that trust in CB is *“one that is a transaction between people who are mostly honest in their intentions, mainly conducted without rancour but trust is made and re-made on each engagement”* (#16 IE).

Knowledge-based trust is a function of the parties having a history of interaction where communication and courtship are key (Shapiro et al., 1992). Knowledge-based trust can be reduced with changes in personnel. As one manager noted *“When X came in, the union pulled back and held back a little bit more on us because they didn't trust him. You have to work up the trust. And it's through engagements. It's through what you deliver with these people”* (#7 IE). The organisations who characterised relations as high or medium trust gave evidence of activities and examples aligning with active investments to protect and maintain trust. Two key trust-building strategies are the willingness to share information and control (Kougianniou et al. 2021). For instance, both MetalCo and FinanceCo demonstrated practices such as proactively sharing information about proposed organisational changes. At MetalCo, the use of a partnership model also contributed to trust by giving employees a greater sense of autonomy and influence over their work.

The development of trust from calculus-based trust to knowledge-based trust and ideally to identification-based trust (full trust) was not evident in this research. While theory proposes a natural, stage model of trust development in interpersonal relationships, trust within the context of collective bargaining (CB) extends beyond the individual manager-union representative dyad. It is also shaped by the broader organisational and external environments in which the relationship is embedded, both of which can significantly influence how trust develops. For example, in TransportCo, a union representative argued that trust was less about interpersonal dynamics and more about long-standing organisational processes and culture. As he put it: *“the level of trust has very little to do with the people involved. It's a cultural issue... when you have a sustained method of doing business over time, that's where your trust is or isn't”* (#13 IE). This suggests that even well-intentioned efforts to build trust can be undermined by a culture of distrust, particularly when leadership

turnover is frequent (*"The average CEO's terms are three to five years"* (#13 IE)) and structural change is slow.

Factors impacting on trust

This section explores key additional internal and external factors that impact trust in the collective bargaining process that have not already been discussed.

Cooperation versus competitive behaviour in CB: FinanceCo and MetalCo demonstrated a cooperative approach to collective bargaining, fostering trust between unions and management. In contrast, TransportCo exhibited a more adversarial and competitive dynamic, with both unions and management emphasising power struggles. Some insightful quotes from both union and management representatives highlight these contrasting approaches. In MetalCo, unions and management developed a partnership approach to employee relations in response to increasing management-union conflicts and industrial disputes. In response to these issues, a joint union-management effort was initiated, proposing a collaborative approach to improve competitiveness, upskill the workforce and address individual issues more constructively, thereby reducing union-management conflicts. In FinanceCo, the binding X Agreement, was an agreement that anchored both union and management to trust in early collaboration and consultation. The focus is on trying to reach a consensus in bargaining where the interests of both parties are satisfied whilst acknowledging some give and take:

I always say that a good industrial relations agreement should make nobody happy, right? Because everybody should feel a degree of pain if it's a good deal, and it's never what either side started with. (#6 IE)

Competitive behaviour in CB was seen in one union's negotiation with management in TransportCo. The union's view of requesting a pay raise was *"the pay claim was a very simple one. It was inflation... wasn't a pay rise"* (#8 IE). Management did not agree and stated what works better is *"being in a room with a group people who are engaged in looking after their own interest, but looking at, you know, being open to look after the general interest, having the vision to understand that the company did well is actually in their interests"* (#15 IE). Management's perception was that the union had put in an extortionate claim with *"no reality to ever achieve it.....their view was, we want to deliver everything on that claim, and there won't be any compromise."* (#10 IE). This was not helped by changes in leadership where *"there's been a change in leadership of the trade union, but also there's relatively new leadership in some of senior roles within the organisation, and kind of facing off of that relationship"* (#10 IE).

Shared ideology and values between unions and management contribute to higher levels of trust. FinanceCo and MetalCo displayed a degree of ideological congruence, particularly regarding the role of unions and the importance of fair negotiation processes. Ideological alignment — or at least mutual acceptance of each other's role — plays a crucial part in

enabling trust between unions and management. In contexts where partnership arrangements are embedded, these ideologies were found to create a structured environment in which trust is not purely personal but reinforced by shared expectations and norms. As a manager in TransportCo explained, *"We've got the basicswe've got that company union agreement in place that can't be broken, that's custom and practice."* (#18 IE) These cooperative goals promoted open-minded engagement between employee representatives and workplace relations teams, leading to better resolution. FinanceCo did show how an incongruence in values can significantly rupture trust, however. The introduction of a *"union-busting"* HR manager at FinanceCo led to a temporary period of distrust where union-management communication and consultation significantly declined. However, this was a specific form of an integrity breach attributed to one person and not the organisation as a whole. Hence, the relationship was not broken as such, but frozen and then unfrozen when that person moved on. It did not lead to distrust. In TransportCo, ideological differences were seen to have contributed to a trust deficit. One union adopted a more adversarial stance, focusing on power dynamics, while management prioritised efficiency, cost-cutting, and shareholder value at what unions perceived was the driving work intensity and lower job security. One union representative stated that the company's main objective is to *"get people to work hard at a high standard, meeting higher targets but for decreasing terms and conditions on an ongoing basis"* (#16 IE). From an organisational perspective, managers highlighted that many senior managers do not see the value of wasting time engaging with unions to drive change.

Norms of Interaction and Communication Processes: Mutual trust was evident in many cases, supported via norms of interaction. Norms of interaction refer to the established patterns, expectations, and behaviours that shape how social partners—such as unions and management—communicate, negotiate, and collaborate in collective bargaining. Relational norms and trust play a key role in guiding reciprocal interactions and individual behaviours, helping to create a more cooperative environment (Arranz et al., 2012). These norms or routines can also support trust between organisations as they shape behaviour in inter-organisational exchanges (union and management), and trust can emerge based on norms of reciprocity (Hurley, 2023). Effective communication and consultation mechanisms played a crucial role in sustaining trust, while breakdowns in communication often led to distrust. MetalCo had *"It would have been a very much open-door policy to management, and it was fairly good to work, especially as a shop steward"* (#17 IE). FinanceCo had clearly established processes for interaction, supported by the X Agreement which established when and how communication happens and the expectation of consultation. Communication was also important. In TransportCo a manager highlights *"don't assume that people know, don't assume that people understand, explain the why"* (#18 IE).

Contextual Factors: Interviews also reveal that external factors can influence trust. Gillespie et al. (2020) argue that trust is always important in organisations, but it becomes particularly vital during crises and disruption. MetalCo shows how trust and collaboration can strengthen during periods of uncertainty. When a key supplier contract with a large European

organisation was lost, union-management negotiations prioritised shared interests to ensure the company's survival. In contrast, the financial crash of 2008 eroded the high-trust relationship in FinanceCo (#1 IE, #2 IE, #5 IE). Management unilaterally changed pensions from defined benefit to defined contribution, justifying the move as an opportunity created by crisis: *"a crisis is a time for change. It would have been, it'd be quite difficult to try and do that if you weren't in a crisis"* (#6 IE). There was also recognition that renewed profitability might now test trust, as union expectations rise: *"expectations are much higher... they believe their members should reap the benefits... and that's thrown up some challenging conversations"* (#7 IE). Similarly, at TransportCo, crisis conditions enabled concession bargaining about outsourcing. As one manager put it, *"doing nothing is gone as an option. So that allowed the development of a conversation"* (#15 IE). These cases show how crises can act as catalysts in employee relations—sometimes strengthening trust through joint problem-solving, as seen in MetalCo and TransportCo, and sometimes straining it, as in FinanceCo, when one party leverages the crisis unilaterally. In all three, urgency was present, but only in two was it used collaboratively to manage the challenge and build trust.

In TransportCo, COVID-19 significantly disrupted operations and trust. Unions noted it was *"very hard to rebuild trust"* after management decisions during the crisis (#12 IE). Staff were placed on 50% pay for a period, and although management engaged with all unions to protect jobs and the company's survival, reaching agreements and retaining most staff, unions were critical of some decisions and their long-term consequences. While management viewed the period as one of high-trust collaboration, unions saw lasting damage to trust. In FinanceCo, COVID also affected trust, particularly through the loss of face-to-face interactions and how it impacted how they worked to maintain open dialogue and engage in active trust. One manager reflected that virtual engagement was a major challenge: *"you're used to reading the room... it was so impersonal... things just got a little bit fraught"* (#6 IE).

One final contextual factor identified by one respondent was the role of social media platforms. Previously in negotiations, a manager stated that *"I would have been very confident that if a deal was done in a room, that any union was going to advocate for acceptance of that deal, that that deal would pass"* (#15 IE). Social media platforms, particularly WhatsApp groups now make that much more difficult for both management and union officials as *"you're battling against punchlines, one line stories"* (#15 IE). There is now a greater need for communication on management's part, when previously they would have seen that as union ground that they did not want to step on toes by going into *"union turf"*. The challenge set out was that unions are formally saying they are in favour of an agreement but then you have WhatsApp groups with members and shop stewards advocating against (for a variety of reasons some valid and some more focused on self-interest) but it is *"very difficult to counter because often industrial agreements are compromise or nuanced" something which is lost in social media"* (#15 IE). Confidentiality also emerged as a trust issue in FinanceCo, where early consultation on changes depends on mutual discretion. One manager described a suspected breach but trusted the union enough to assume it came from

her own side: *"I do my own little investigation, and it's never the union. They don't breach trust because they know it would undermine their ability to deliver for members"* (#7 IE).

Trust repair and trust maintenance play a pivotal role in trust management, particularly in ongoing relationships such as those in collective bargaining. When trust is broken—whether through perceived breaches of agreements, lack of transparency, or unilateral decision-making—it can have lasting consequences, leading to resistance, breakdowns in cooperation and conflict. However, research suggests that trust repair is possible through consistent actions, open communication, and demonstrated commitment to rebuilding credibility. Recognising and addressing trust violations proactively is essential for maintaining long-term, functional relationships between social partners. Respondents identified times when trust violations took place, both from union and management perspectives. Some of these are set out above, around pay and responses to COVID and are centred on the organisational level. We also saw perceptions of trust violations at the individual level (i.e. the management-union dyad). In high-trust contexts, these violations were usually dealt with via active trust and strategies associated with active trust. Active trust was evident in many cases (see table 6.2 below). Active trust suggests that trust is ongoing, requiring continuous reproduction even once established (Möllering, 2013).

Table 6.2 Active trust and strategies

	Characterised by
High Active Trust (MetalCo)	Regular collaboration, open dialogue, and co-created solutions.
Medium Active Trust (FinanceCo)	Some transparency and cooperation, while occasional breakdowns in trust-building efforts.
Low Active Trust (TransportCo):	Minimal effort in relationship-building, frequent confrontations, and lack of reliable communication.

Trust repair and trust maintenance are both essential concepts in trust literature. Trust repair is primarily concerned with restoring trust to a past state following a breach or violation that damaged trust (Gustaffson et al., 2021). Trust repair literature contends that when trusting relationships are destabilised or violated, then active investment is needed to protect and maintain trust. The repairing of trust is said to be a dynamic relational process (Kim et al. 2009). Respondents acknowledged times when trust was broken or damaged and its impact on mutual trust. For example, *"Trust is .. like climbing up a mountain.. one slip and you're down at the bottom, but it's loads of steps to try and get up the mountain"* (#6 IE). Respondents gave examples of trust repair strategies following a perceived trust breach, including apologies. FinanceCo mentioned a recent case where *"it all falls down if we are deemed to*

have breached them, like the X union only last year, had taken a case against us for what they perceived was a breach of one of those collective agreements and I suppose it can have a detrimental ripple effect" (#7 IE). This was followed by a meeting between union and management to discuss what happened and why in order to repair the trust violation. In contrast, there was no meeting ('debrief') between the union officials and management following industrial action in 2024 in TransportCo, which contributed to further diminishing trust (#9 IE, #12 IE). Structural mechanisms were also used, which incorporated control mechanisms into the relationship (Sharma et al., 2023) Both FinanceCo and MetalCo emphasised their union-management agreements as essential contracts that define acceptable behaviour and uphold mutual responsibilities.

In contrast to trust repair, maintaining trust involves preserving it over time and preventing its decline. Kelly et al. (2025) have identified a number of strategies within the trust maintenance process to stop trust being damaged, many of which were used by respondents in this study, suggesting *'mutual agency to maintain their trusting relationship'* (p. 18). Creating a shared mental model focused on (1) open dialogue and (2) perspective-taking to consider their counterpart's position. In FinanceCo, there was evidence of both open dialogue and perspective taking. One manager describes how she proactively dealt with a relational trust threat:

And you know, we all believe we're right. X (union rep) was the middle man no different to myself. So we kind of sat down....understand the different pieces. I explained the impact that the case had on our stakeholders on our side and the feeling and the sentiment, and similarly, it was good to get an understanding of things on his side and the view of his committee in particular. (#7 IE)

In MetalCo they framed crises as shared challenges and negotiated solutions together through partnership.

6.5 Conclusions

Given Ireland's decentralised collective bargaining model, this study shows that trust between managers and unions at the company level can vary greatly across companies and over time due to internal (e.g. leadership changes of parties) and external (e.g. economic boom or bust) factors. Trust between unions and managers emerges through a mix of personal relationships, established processes, and institutional supports. Below, we summarise our key findings.

Bases of trust: Trust in Irish employment relations spans relational, knowledge-based and calculative-based trust. The findings across companies suggest that

- **Relational trust** serves as a crucial linchpin in fostering trust between social partners, as it is built through ongoing interactions, mutual understanding, and the perception of goodwill.

- **Organisational culture and ideology matter:** Long-standing relationships, shared values, and ideological alignment can sustain trust, while adversarial mindsets or mismatched priorities can undermine it.
- **High trust in health and safety issues:** Trust is typically strongest in areas where union and management interests are clearly aligned, such as health and safety, enabling more integrative bargaining.

Institutional trust provides scaffolding: In contexts where there was low mutual trust (or high distrust), institutions such as the WRC and Labour Court are crucial frameworks to facilitate negotiation and resolve conflict. At a societal level, trust in these institutions underpins industrial peace and creates a framework for fair conflict resolution, maintaining confidence in the broader system of labour relations.

Active trust maintenance is essential: Trust requires continual effort, open communication, and responsiveness to breaches to remain robust. It can be strengthened through consistent behaviour and mutual understanding, but easily damaged by unilateral decisions, leadership changes, or crises like COVID-19. Previous breaches, failures to uphold agreements, or perceived violations can significantly erode trust.

Trust fosters better outcomes: Where trust exists, it enhances collaboration, reduces adversarial bargaining, supports innovation (e.g. workplace change, job redesign), and improves worker support systems (e.g. mental health initiatives). Trust is associated with a better relationship with the other party and with more risk-taking behaviour (e.g. information sharing, making concessions).

References

- Arranz, N., & De Arroyabe, J. F. (2012) Effect of formal contracts, relational norms and trust on performance of joint research and development projects. *British Journal of Management*, 23(4), 575-588.
- Eurofound (2017, Representativeness of the European social partner organisations: Railways and urban public transport, Dublin
- Eurofound (2018, Representativeness of the European social partner organisations: Metal sector, Dublin.
- Eurofound (2019) Representativeness of the European social partner organisations: Banking sector, Dublin.
- Eurofound (2022) Representativeness of the European social partner organisations: Civil aviation sector, Dublin.
- Eurofound (2024) [Working life in Ireland](#), (accessed March 26th 2025), Dublin,
- FSU (2025) History of FSU, <https://www.fsunion.org/about/history1/the-banking-crisis/>
- Hurley, R. (2023) An organizational capacity for trustworthiness: a dynamic routines Perspective. *Journal of Business Ethics*, 188(3), 589-601.
- Kelly, S., van der Werff, L., & Freeney, Y. (2025) Plain Sailing or Choppy Water? Maintaining Interpersonal Trusting Relationships in Times of Uncertainty. *Journal of Management*, 01492063241311234.

- Korsgaard, M. A., Brower, H. H., & Lester, S. W. (2015) It isn't always mutual: A critical review of dyadic trust. *Journal of management*, 41(1), 47-70.
- Kim, P. H., Dirks, K. T., & Cooper, C. D. (2009) The repair of trust: A dynamic bilateral perspective and multilevel conceptualization. *Academy of management review*, 34(3), 401-422.
- Kougiannou, K., Dundon, T. and Wilkinson, A. (2021) Forming Effective Employee Information and Consultation: A Five-Stage Trust and Justice Process, *British Journal of Management* 32: 200-218.
- Lewicki, R. J., & Bunker, B. B. (1995) *Trust in relationships: A model of development and decline*. Jossey-Bass/Wiley.
- Lewicki, R. J., McAllister, D. J., & Bies, R. J. (1998) Trust and distrust: New relationships and realities. *Academy of management Review*, 23(3), 438-458.
- Lewicki, R., Elgoibar, P., & Euwema, M. (2016) Trust, distrust, and trust repair in organizational industrial relations. In Elgoibar, P., Munduate, L., & Euwema, M. (Eds). *Building trust and constructive conflict management in organizations*. Springer International Publishing. (93-117).
- McAllister, D. (1995) Affect- and cognition-based trust as foundations for interpersonal cooperation in organizations, *Academy of Management Journal* 38: 24-59.
- McKersie, R. B., Perry, C. R., & Walton, R. E. (1965) Intraorganizational bargaining in labor negotiations. *Journal of Conflict Resolution*, 9(4), 463-481.
- Möllering, G. (2013) Process views of trusting and crises. In *Handbook of advances in trust research* (285-306). Edward Elgar Publishing.
- Nienhueser, W., & Hossfeld, H. (2011) The effects of trust on the preference for decentralized bargaining: an empirical study of managers and works councillors. *SAGE Open*, 1(3), 2158244011425691.
- Shapiro, D.L., Sheppard, B.H. and Cheraskin, L. (1992) Business on a handshake, *Negotiations Journal*. 8, 365.
- Statista (2025) [Number of employees at the largest banks in Ireland in 2023](#), (accessed March 27, 2025).
- Visser, J. (2024) Did employers abandon collective bargaining? A comparative analysis of the weakening of collective bargaining in the OECD. *Industrial Relations Journal*, 55(5), 350-377.

7 Austria

Kristína Gotthardová and Marta Kahancová

7.1 Introduction

This report is based on desk research and 15 interviews with representatives of social partners and experts from the Chamber of Labour from three sectors - finance and banking, the metal industry, and transport. Desk research is based on available information, data, and reports on industrial relations and collective bargaining in Austria across the above-mentioned sectors. Additional data have been collected from available grey literature, e.g., reports, media articles, and collective agreements, all of which are available online.

Table 7.1 Interviewees: levels, sectors, and interview codes

Level	Banking & finance	Metal	Transport	Cross-sectoral	Total
Local Level					
Employee rep.	1 (# 1 AT)				1
Employer rep.					
Sectoral Level					
TU official	2	2	4		8
EO official			1		1
National level					
TU official					
EO official		1		1	2
Other (Gov./Civ.)		1	2		3
TOTAL	3	4	7	1	15

Five interviews were conducted in person, and ten interviews were conducted online. All interviews were recorded and transcribed. The selection of interview respondents aimed at providing a balanced overview of relationships (a) horizontally between trade unions and employers' representatives, and (b) vertically between representatives of social partners at the peak level, at the sector level and in companies. Besides social partners, the Chamber of Labour (*Arbeiterkammer Österreich, AK*) is a relevant organization overseeing the activities of social partners and providing support to individual workers. Worker membership in the AK is automatic with an employment contract in Austria. We have therefore also interviewed AK respondents to gain a general perspective on the dynamics of social dialogue and trust therein; and where possible, we have also gathered sector-specific insights from a third, yet crucial, party that AK represents in social dialogue.

7.2 Industrial relations at national and sectoral level

Industrial relations in Austria are highly organized and structured, resembling the regime of *organised corporatism*. The Austrian system features several unique attributes, such as the obligatory membership of employers in the major employer organisation WKÖ (*Wirtschaftskammer Österreich, WKÖ*), and the important role of the Chamber of Labour (*Arbeiterkammer Österreich, AK*) besides trade unions, and the fact that social dialogue and collective bargaining are occurring in form of sectoral bipartism between autonomous social partners while the role of the state is marginal. This structure and the membership of employers in the WKÖ secures an almost universal bargaining coverage without the real need of activating legal possibilities to extend bargaining coverage.

The tradition of social partnership is traced back to the period after the Second World War when the industrial relations system of social partners was set up to ensure that the interests of all groups were represented (Glassner and Hofmann, 2023, 95). The system is considered mutually beneficial to both representatives of labour and employers, and there is a strong motivation by both partners to negotiate collective agreements. Therefore, the social partnership system in Austria can be described as a *form of integrative bargaining* and there is a strong tendency to seek compromises toward a mutual agreement. Since most groups have their interests represented by social partners, the Austrian model of social partnership is an example of a *corporatist model* of industrial relations. This model was especially successful in the decades after WWII, since the 1980s, this system changed and became even more pronounced after the year 2000. This shift is characterized by privatization, internationalization, rising inequalities, and unemployment, which keep weakening the membership of employee organizations and their powers in social dialogue. These developments have been accompanied by political changes with a number of right-leaning and far-right governmental coalitions, which revealed the weaknesses and challenges of the social partnership system, especially for trade unions (Glassner and Hofmann, 2023).

The right to collective bargaining and negotiating collective agreements is anchored in the Labour Constitution Act of 1974, that regulates that CAs can be negotiated by legal representatives of employers and employees and voluntary organisations of employees and employers if they fulfil certain conditions (Glassner and Hoffman, 2019). The system of collective bargaining is also bipartite and occurs at the sector level. CAs are concluded separately for different occupational groups of employees, resulting in differences in wages and other working conditions, leading to a dualistic employment regime. There is no statutory minimum wage; and minimum wages are set in sector collective agreements. Therefore, the extent of minimum protection greatly varies across sectors and occupational groups.

There are four acknowledged partners in Austria with a relevant role in social dialogue - the *Chamber of Economy (WKÖ)*, the federal trade union (*Österreichischer Gewerkschaftsbund, ÖGB*), the Chamber of Labour (*AK*) and the Chamber of Agriculture (*Landwirtschaftskammer, LK*). Collective bargaining is usually conducted by dedicated sectoral committees within the

WKÖ on the employers' side, and the sector-specific member of ÖGB on the trade union side. The state does not directly interfere into collective bargaining. Within ÖGB, there are seven affiliated industry-specific trade unions and within WKÖ, there are seven main sections: industry; banking and insurance; transport and communications; commerce; crafts and trades; tourism and leisure; and information and consulting.

The Chamber of Labour (AK) has a double role, it is a statutory organization that represents employees and their interests in matters of labour law, social benefits as well as consumer protection. It offers legal counselling on labour law and social benefits and can represent clients in court cases. At the same time, the AK is an expert organization providing background information, data, and statistics about the economy and different industries also in preparation for collective bargaining and negotiations in support of trade unions. The relationship between the AK and trade unions is considered cooperative and by relying on information and data provided by the AK, objectivity and impartiality of the information for negotiations is upheld (Glassner and Hofmann, 2023).

Due to the compulsory membership of companies in the national employer organisation, the Chamber of the Economy, bargaining coverage reaches 98% to 100% of employees across all the sectors. At the same time, trade union density remains comparatively low, around 26% (OECD/AIAS, 2021). Union density has been steadily declining, compared to 37% net density in 2000 and 52% in 1980 (Glassner and Hofmann, 2023).

In sum, social dialogue and collective bargaining in Austria are structured and follow a coordinated order and *pattern of bargaining*, starting with the metal industry in October. Collective agreements are negotiated on an annual basis, with certain exceptions in recent years when some collective agreements were negotiated for two years, because of growing economic uncertainties. The metal industry sets the pattern for the rest of the industries, and therefore, there is considerable pressure to negotiate an agreement that can serve as a benchmark for other sectors. Other industries then follow the metal sectors' agreement and can adjust the stipulations to their own sectors.

Industrial relations in banking & finance, metal, and transport

In the *banking and finance* sector in Austria, bargaining is conducted by the main trade union in this sector – the GPA (*Gewerkschaft der Privatangestellten*). GPA negotiates separately with five employer associations representing the five primary employer types of banking and financial institutions: commercial banks, savings banks, mortgage banks, Raiffeisen Cooperative banks, and Schulze-Delitzsch Cooperative banks. Even though there are five separate collective agreements in the sector, the negotiations are coordinated. The fact that they are all concluded with GPA on the trade union side results in coordinated outcomes and consistency for all employees covered by these agreements in the banking and finance subsectors. Certain clauses are unique to collective agreements in the banking and finance

sector, which is characterized by commitment to job security. Such clauses include occupational pension schemes and benefits related to employment tenure (Traxler, 2001).

The *metal sector* in Austria plays an important role – historically it has been one of the strongest sectors, with a very high trade union density, which resulted in its continued leading position in negotiations. There are two trade unions, which engage in collective bargaining – Pro-Ge (*Produktionsgewerkschaft*), representing blue-collar production workers in multiple industries and GPA (*Gewerkschaft der Privatangestellten*), which stands for the Union of Salaried Private Sector Employees and represents white-collar employees. The two trade unions closely cooperate and have a unified set of demands to ensure that all sector employees are covered and the negotiation outcomes are consistent. The bargaining partner on the employer side is the WKÖ, with six employers' associations in the metal industry. These resemble six subsectors of the metal sector, each negotiating its own collective agreement, which maintains a coordinated approach in their bargaining rounds and the general relationship to trade unions. As a result, the bargaining outcomes often result in similar conditions and pay raises for all employees within the larger metal sector. Collective agreements in these 6 subsectors cover around 200,000 workers.

The *transport industry* in Austria is characterized by a few large companies dominating around 90% of the market, and many small companies accounting for less than 10% of the market. Public transport companies are predominant, and urban transport in larger cities is provided by municipal companies. Transport employers are represented by the industry association for bus companies belonging to WKÖ, the Postbus and municipal companies. Industrial relations and collective bargaining in the transport industry have recently faced challenges related to unequal wages and working conditions for different groups of workers, marked by several warning strikes. Union density is around 80% for municipal company employees and around 40% for private enterprise employees (Fidrmuc and Kahancová, 2024, 15). Collective bargaining is conducted primarily by the trade union *vida: transport and service union*. Other unions, namely the Union of Postal and Telecommunications Workers (GPF) or the Municipal Workers' Union (younion) also engage in collective bargaining in the transport sector.

7.3 National and sectoral level interactions and trust

At the national level, the interviews reveal that trust in social dialogue is perceived as a tool leading to stability and (economic and social) security. Trust in social dialogue helped Austria to overcome all major crises. The fact that social partners trust their established system of dialogue and bargaining helped ensure that people have sufficient income even during times of crises or adverse economic situations. Trust in social dialogue and its effectiveness ensures social security and related benefits, beyond what is legislated. Trust of general society and employees in the system of social partnership is also closely related to solidarity and uniting people's interests vis-à-vis the interests of the employers. At the same time, slight sectoral

differences in the perceived role of trust in social dialogue emerge. These are related to sectoral specificities or to the topics addressed, as explained below.

Characterizing national and/or sectoral level interactions

Due to the stable social partnership model and annual collective bargaining, social partners meet regularly and on various occasions. Most important are the collective bargaining negotiations, which happen annually or biannually and usually consist of multiple rounds. As there is a strong expectation and motivation for negotiations to be successful and beneficial for both parties involved, the relationship is in general considered cooperative and characterized by trust, and with a mutual desire to negotiate a collective agreement. Respondents stressed that negotiations are about finding a compromise. During negotiations, it is normal to expect that each side brings its own interests. At the same time, the parties know that everyone is willing to adjust their expectations to satisfy all involved parties. An employers' representative said:

... if I absolutely want to push through 110% of my own demands, then ultimately, I won't achieve a compromise. And then ultimately the pressure from your own members to adapt your own behaviour will also increase. And success will only be possible if you are prepared to make certain compromises. (# 12 AT)

It is clear that mutual respect between negotiating parties is critical to success as well as respect towards the tradition of social partnership as a whole. The respondents recognize their own responsibility to enter social dialogue and seek the development of trust vis-à-vis their negotiating partner. This is a responsibility towards members, the government, and society as a whole. One respondent described it as follows:

My duty is professionalism. I have to be prepared for that. I have to find arguments. [...] they have their interest. We have our interest. But our duty is to find a solution and a result that both can accept in the end. [...] You are sitting here because we have a contract. We have a social partnership, and this is your duty. And I'm sitting here because I have a contract. We have a duty to the government and, in the end, also to the economic system in this country, to ensure that the people can at least hold their standard of living. (# 7 AT)

While the social partnership in general is described as functioning and cooperative, this varies between sectors and focus areas. A constructive dialogue is crucial to discuss and solve various challenges at the sector level. Respondents from different sectors mentioned difficulties with including any new areas or clauses in collective agreements; namely, a single topic can be subject to discussion before it is finally included in the collective agreement. Wage negotiations are also considered to be difficult among all sectors, especially in the context of rising inflation and with the intention to increase the wages by more than the inflation. However, even this understanding is disputed by some social partners, mainly in the unions. Wage negotiations are supported with data and industry reports from the Chamber

of Labour, where the inflation rate and all the information is based on the previous year, which shows why the social partnership is understood to ensure social and economic stability.

In the **transport sector**, the cooperative relationship was considered to be under strain. The sector recently experienced several warning strikes. In 2025, negotiations in the private bus transportation sector were closed after five rounds. One respondent described the relations with the counterpart as very conflictual (# 6 AT). Both workplace health and safety and skills and training are areas where unions and employer representatives do not easily find a compromise. The sector is characterized by staff shortages and a lack of young people interested. Therefore, there were efforts to lower the ages for driver's licenses or to shorten the training period to increase the number of drivers and railway conductors. Still, this step is seen as a safety risk by trade union representatives. There are also concerns related to working conditions in the sector, such as a lack of toilets for drivers, high temperatures in summer, or the proportion and distribution of free time for long-distance drivers and railway staff, which have been subject to social dialogue for years and remain without an agreement among social partners.

The **finance sector** reveals mutual recognition of the benefits of increased salaries, as illustrated by the following quote:

But the bank representatives in particular are very familiar with the economic effects of salary increases and they themselves repeatedly write enough analyses on the subject, including how important it is to maintain private consumption and what influence this has on overall economic development. And that saves a lot of discussion and always brings us very quickly to the core of the negotiations. (# 2 AT)

Topics of digitalization and new technologies are not included in official negotiations in the finance sector but still explored in some common for a (e.g. a forum called Industry 4.0). In general, the perception is that the challenge will impact the whole economy and society and that a common strategy and cooperation, and guidance and regulation by the European Union are necessary. Deployment of new technologies and automation processes is closely related to training and re-skilling and up-skilling as a strategy to ensure both a qualified workforce and job stability and security for workers. One respondent commented that there is a consensus among social partners about the importance of training, but that the preferred approaches vary, with employer organizations preferring to secure public funding for training to be provided for the unemployed, whereas trade unions attempt to include opportunities and rights for training for employees during work hours.

Trade union and employer association representatives meet during preparations and actual collective bargaining, but in different working groups, platforms or bodies with or without governmental representatives. One respondent mentioned that the top negotiators can meet each other as often as every week. There are several areas considered to be major challenges for the future, where cooperation of social partners will be necessary, such as the deployment of artificial intelligence, digitalization, and automation. In preparation,

independent and separate platforms are organized for social partners, experts, and governmental representatives to discuss them informally.

In the **metal sector**, it is common for all relevant representatives, including union representatives, works council representatives, employer association representatives, company representatives, and possible experts, lawyers or Chamber of Labour representatives to informally discuss various topics before formal bargaining rounds. These topics might be included in future collective agreement negotiations and having them already discussed informally increases mutual trust in negotiations and their effective conclusion. This is especially the case in topics like digitalisation, training or health and safety, thus non-wage topics. The following quote illustrates this attitude:

Because you get together away from these areas of conflict in collective labour agreement negotiations, quite consciously and say okay, we've got time now, let's talk about it for two years. With an open mind, maybe something will come of it, then we can take that and try to deal with it at the next collective bargaining negotiations. Or nothing will come of it. Then we will have thought about it and then texts will be developed. (# 4 AT)

Finally, in all studied sectors, the discussion and regulation of new technological developments, especially related to digitalization is highly relevant. Both employers' representatives and trade unions mentioned taking a reserved stance when it comes to the **regulation of AI or deployment of new technologies** in general and waiting for EU-level regulation. This is demonstrated by one example where there were efforts to create a joint strategy on digitalization by trade unions and the WKÖ, but due to a lack of consensus between individual trade associations and the willingness to respect European-level recommendations, the initiative failed (# 11 AT). The tendency to improve the cooperation and dialogue between social partners at the international level has also been expressed in connection with larger challenges, which will be increasingly difficult to address on a national level.

However, the respondents described a **deterioration** in the established relationship of social partners, which also affects the long-established trust. Examples in the interviews included shifting political power and alliances for various reasons. The first reason is that the economy is increasingly under pressure. Some employer associations' representatives perceive that social partnership is under strain and employers are under too much pressure in the context of a currently unfavourable economic situation. This also influences the trust in relationships between unions and employers, as illustrated by the following quote.

And of course the union always wants very high agreements. That is a fundamental problem [. . .] Yes, but in the last two years we have come under so much pressure that some companies might say that the system is no longer as good as it was. But that can change again if our competitiveness improves. (# 11 AT)

The second reason for more tensions in the social dialogue relates to **changes in the political environment and political access of social partners to incumbent governments**. One trade union respondent said that this means that employer representatives have direct ties with the government and are therefore able to achieve favourable conditions through legislative proposals or through seeking influence via communication channels outside of the social partnership, trust in the functioning bipartite social dialogue will decrease.

Despite the sentiment that the social partnership at times is losing its purpose, there is a strong belief in this system, especially in times of crises when cooperation is seen by both unions and employers' organisations as necessary to ensure stability for the economy. One such occasion was the Covid-19 crisis, which, according to one respondent, improved the relationship greatly as the social partners cooperated to establish the *Kurzarbeit* system to safeguard workplaces. One respondent used the term **convenience logic** to describe their perception of the current state of social partnership and expressed a need for social partnership to always be there as a solid pillar even beyond this convenience logic. This requires mutual commitment not only to bipartite social dialogue, but also to interactions beyond social dialogue. The respondent referred to the legislative process that even therein, the social partners need to demonstrate a willingness to compromise and be flexible about their own exclusive concerns but rather need to work towards a more general societal goal.

Anchoring trust in institutions and trusting lower level actors

Generally, there is a high level of trust in the industrial relations system. It is a functioning social partnership across various levels, vertically and horizontally. The legislative anchoring and its features described above is key for the long-term functioning of the social partnership. This refers to institutional trust, where both parties are committed to the system, recognize its benefits and their responsibility in carrying their roles within the system. Their mutual encounters are strongly affected by this recognition of **institutionalized trust**.

Institutions relevant to the functioning of social partnership, the justice system and labour courts, are seen as objective and trustworthy with accepted authority to resolve conflicts related to the interpretation and implementation of collective agreements. Diverging interpretations and understanding of certain clauses or provisions of collective agreements by trade unions, works' councils or by employer representatives and employers were described as common examples of conflictual situations within the social partnership. Such disagreements related to varying interpretations are not seen as personal or as significant breaches of trust, but rather as a common part of the negotiation processes and social partnership. The justice system, and specifically courts, are trusted to resolve these inconsistencies or varying interpretations impartially and provide a ruling that will be accepted. This in turn demonstrates high levels of institutional trust, as shown in the following quote below.

Yes, it's quite possible to have different opinions. This happened in Austria a few years ago. It was about the child allowance and whether or not it can now all be allocated to part-time employees. We had different opinions on that. Yes, in the end the Supreme Court had to clarify how this regulation should actually be interpreted. Yes, and then that's just how it was done, [...] no one was angry with anyone else. (# 12 AT)

Another source of institutional trust is the understanding of social partnership and some of its related processes as regulated, transparent, and democratic, which leads to the strengthening of institutional trust. In other words, the commitment of social partners to institutional trust generates more institutional trust.

Still, despite a well-entrenched institutional trust, social dialogue is increasingly described as **fragile and dependent on the political environment**. Respondents mentioned increasing attempts to regulate key issues and areas in legislation rather than by collective bargaining (e.g., in the metal and transport sectors) or even attempts to curtail the right to engage in collective bargaining in general.

The vertical articulation of trust and the spreading of institutional trust to lower-level actors is also demonstrated in Austria. The value and importance of democratic principles apply to preparatory negotiations of trade unions and works councils' representatives to unify their demands, as illustrated by a representative of a works council:

[It is] a democratic way. ... If I would like to have 10% more and the group of people say no, our proposal is 9.5 then it's a democratic way. We [raise] the hands and if there is more people for 9.5 than for 10, then it is 9.5. (# 1 AT)

Effects of trust according to national and/or sectoral level actors

The interviews highlighted two key effects of trust: **procedural**, and **practical and material**. Procedurally, trust enhances the quality of dialogue and cooperation among social partners, making interactions more predictable, constructive, and likely to result in mutually feasible outcomes. Trust was described as beneficial directly during encounters of social partners, and in between negotiations and actual bargaining rounds. Some respondents reported they are in touch almost daily, knowing each other well, knowing their preferences, and pre-discussing them also outside of formalized bargaining rounds. During actual bargaining rounds, trust also plays a role: it fosters transparency and reliance on the fact that parties already know what the preference of the other party is. In other words, there is openness and a constructive atmosphere when demands are formulated and communicated.

The respondents also highlighted the benefits of bipartism when social partners can interact directly, have a long-term relationship, and know each other informally. Compared to statutory regulation, this model is seen as more flexible and responsive, allowing for timely adaptation to changing circumstances—something that rigid legal frameworks often struggle to achieve (e.g., in Central and Eastern European countries).

The effects of trust can be furthermore distinguished at multiple levels. Considering personal trust between the parties engaging in social dialogue, the presence of personal trust leads to increased effectiveness of negotiations and thus feasible results, which is considered to be a **practical** and a **material effect**. Moreover, personal trust shapes their ability to quickly and jointly address large-scale issues affecting the whole economy. Sometimes, this leads to the implementation of unique solutions, such as the establishment of *Kurzarbeit* (short-time work schemes) during the Covid-19 pandemic. Within the logic that social partnership is seen by the interacting partners as cooperation towards a common goal, trust is seen as a requirement for the fulfilment of this goal.

Dimensions and bases of trust at national/sectoral levels

In Austria, the **basis for institutional trust** stems from the historical tradition and processes related to its functioning. The uniqueness and achievements of the social partnership system in a global context was marked by the respondents, representing both trade unions and employer associations, making it clear that they take pride in being a part of it, despite the currently increasing tensions in social dialogue.

The Austrian social partnership system is thus characterized by high degrees of **systemic and procedural trust**, but good personal relations are still considered of utmost importance. They are closely related to the development and maintenance of trust over time, even seen as the prerequisite to it. Most officials who negotiate collective agreements do so for a longer time and only leave to retire, meaning that employer associations and trade union representatives know each other for years. There are anecdotal examples of challenging personalities, where cooperation is considered difficult due to someone's character, but this is still not seen as something to stand in the way of breaking the institutional trust, or reaching an agreement, but rather as a temporary obstacle, which attests to the high degrees of procedural trust.

Most respondents feel that **personal trust** and a relaxed, yet professional relationship is the most important. Honesty, trustworthiness, and integrity are the key characteristics that enable the building and maintenance of trust. As one respondent stated: "for me personally, trust means that once things have been discussed, they are implemented accordingly and adhered to" (# 5 AT). There is even the concept of the quality of the handshake (*Handsschlag Qualitat*), which is used to describe a person's trustworthiness.

The professionalism of the relationships within social dialogue, both at the cross-sectoral and the sector level, is apparent also from the discussion of actual or potential breaches of trust. Some respondents referred to rare occasions when trust was breached, which emerged in relation to communication or not respecting the deal/agreement made during negotiations. Collective bargaining and negotiations are seen confidential and revealing information to media without prior discussion and agreement is seen as highly problematic and negatively affecting trust in the social partners' relations. This was described as the only incidence of such breach of trust, which also resulted in a rare strike activity. Another example of

behaviour, which disrupted a trustful relationship was not respecting the agreement reached during negotiations and trying to make changes after the discussion was completed and an agreement was made. Yet, such missteps are rare in Austria and seen as part of the otherwise trustful social dialogue. The respondents claimed that these few cases of breaching trust do not seem to impact the willingness to negotiate and commit to a trustful social dialogue.

Good professional relations are thus considered key, but trustworthiness is determined by keeping one's word and demonstrating it in actions. There is a strong distinction between the demonstrative display of a functioning relationship in the form of reaching an agreement and an actual working partnership. Using the words of a trade union respondent, "the only thing that is trustworthy is that when we have agreed something, it works" (# 5 AT).

7.4 Local level interactions and trust

Beyond sectoral social dialogue and collective bargaining, Austria also has a tradition of works councils (*Betriebsräte*) and elected representatives also participate as members on company supervisory boards. Even though the majority of collective agreements are negotiated on sectoral level, additional specific agreements might be concluded at the company level between the management and works' council. Usually such company-level agreements focus on benefits related to wages or pensions and can only stipulate more favourable conditions for the employees compared to the higher-level collective agreement (Keune, 2010).

The local level of interactions in social dialogue is an integral part of the hierarchical yet transparent social partnership system in Austria. Works councils play a crucial role in these local-level interactions. While many characteristics, e.g., the anchoring in institutionalized trust, investment in relational trust, and the role of individual personalities for maintaining relationships, are similar to the higher-level interactions, there is one crucial feature that differs at the local level. This is a larger exposure to fluctuations, mainly on the side of the employer, due to company restructurings. This also affects trust in the local-level social dialogue between the companies and their s when, in conditions of institutionalized trust, person-based trust has to be rebuilt more frequently than at the sectoral level.

Characterizing local level interactions

A distinct feature that shapes the local level interactions is the dual structure of workers' representation, comprising trade unions at the higher levels and works councils (*Betriebsräte*) at the workplace level. These can be formed in all workplaces with at least five employees. Works councils, which were formed after 2017, have representatives elected for five-year terms. They represent employees at the workplace level and possess distinct rights and competencies – they are informed about certain decisions of the company, and are consulted about education, vocational training, and re-skilling and up-skilling within the company. Co-

determination by works councils is required for a number of measures affecting the workplace, e.g., the implementation of questionnaires and surveys among employees, introduction of payment systems based on performance and statistical data collection, deployment of monitoring and surveillance systems that affect human dignity or automatic collection of personal data.¹

Most importantly, works councils negotiate company agreements with company management on behalf of the employees. Such agreements can cover issues beyond the scope of collective agreements negotiated at the sector level. Agreements with works councils cover, e.g., additional wage increases or benefits specific only to the particular company and workplace. Works councils cooperate closely with both trade unions and the Chamber of Labour. There is a common training program, *Bildungsakademie*, provided for works council representatives in cooperation of the Chamber of Labour and trade unions. All employees are at the same time members of the Chamber of Labour, which also has elected employee representatives within its structures.

Works council representatives may or may not be members of trade unions and several trade unions might be present at one workplace. Based on trade union's estimation, around 90% of works councils are trade union members. Trade unions have more resources and so they assist in the initial creation of the works council and later can be actively engaged in providing legal, economic and other advice, be consulted in preparation of workplace negotiations and offers different trainings. At the same time, members of trade unions actively engage with works councils in preparation of campaigns and other activities

The element of personal trust and good personal relationship is thus important also between different employee representatives. Respondents also mentioned that building and maintaining trust and cooperation between trade unions and works councils could be complicated due to loyalties that work council members may have to their employer, which can result in breaches of trust between the works council and a higher-level trade union organisation. Although such situations are rare, one respondent revealed an example when a works council representative disclosed confidential information internal to the trade union to the company management. In such situations, the issue at stake is whether the trust at the local level (works council vis-à-vis the company management) is greater than trust within the sector (works council vis-à-vis the sectoral trade union).

Another relevant aspect for establishing and maintaining trust and relationships on a local level, is that there is more fluctuation both in management and the works council. Such fluctuation can be caused, e.g. by global restructuring of the company. The company level relationships and agreements can thus be seen as more fragile, less stable and more dependent on specific conditions or situation compared to the industry level.

¹ <https://www.worker-participation.eu/national-industrial-relations/countries/austria>

Anchoring trust in higher level institutions

Trust in the social partnership as a system and its processes varies on local levels based on various factors. There was a sentiment by trade union and works council representatives that the perceived importance, but especially the willingness to participate and engage in the structures of employee representation, be it trade unions or works councils, is decreasing in the context of generational change. A respondent from the finance sector remarked that many employees do not understand the purpose of electing representatives and tend to think that institutionalised and formalised representation is superfluous and that employment conditions can be negotiated on an individual level. Similarly, election for the works council is conditioned by the length of employment, and due to the high fluctuation of employees, it is much harder to interest employees in running for elections.

Respondents from trade unions described a generally good and cooperative relationship with works councils, but there are cases when a works council is hesitant to cooperate with the trade union more closely due to a lack of trust. One respondent described that there are efforts and procedures to maintain contact and a trustworthy relationship with the management, even if there are currently no active bargaining rounds going on:

[...] I did this myself for over ten years. It's [a] very basic relationship [to the] management. Travelling there, having a coffee, asking how things are going. And then at some point the time comes when they might need something that I can help them with. And then it works again. And if it doesn't, then I'm there. Maybe for over two years and just spend a bit of time and can't contribute anything because [there is still some] mistrust. (# 9 AT)

Trade union representatives also underscore that lack of financial compensation for engaging in trade union activities and even collective bargaining is one of the main reasons that the interest of younger generations is declining. Lack of interest in becoming trade union members or works council representatives is connected to a general lack of awareness about the role of social partnership, as indicated by a trade union representative:

I simply believe that this political education, with all the benefits of the social partnership of the trade unions, does not happen enough in primary schools. I believe that this political education needs to be expanded again so that we can explain to young people what it is good for. (# 9 AT)

Accordingly, employees see the purpose and value of the social partnership only in the context of crises and economic hardships; the worse off people are, the more likely they are to realize that there are representative bodies that can help to protect their working conditions.

Trust is also part of the often invisible relationship between the workers and the Workers' Chamber. As one respondent revealed, workers often lack information on the Chamber's role and do not understand the Chamber representatives' tasks or why workers should

participate in their elections rather than solve their own problems individually. This increased individualism among the workers can also potentially negatively affect the established trust across various levels and channels of social dialogue in the Austrian system.

Effects of trust according to local level actors

Trust between trade unions and works councils, as well as between the works councils and the company management, is crucial, above all, when negotiations and collective bargaining are conflictual. Respondents recalled the vulnerable situation of works council members at workplaces, who, of course, have legal protection from termination of employment or victimisation but still might come under pressure from the employer. To mitigate such vulnerability, strong personalities with the courage to face conflicts are needed in the works council. According to the trade union representative in transport, luckily, Austria has enough of such personalities, and that is why the works councils also work relatively well.

Character and trust thus yield **procedural effects** on how workplace activities are implemented and if they are successful. When trade unions prepare to engage in a campaign or a warning strike, the current workplace conditions and the number and strength of works council representatives are considered, and these decisions are strategically made both to ensure the success of the actions and to potentially protect workers and works council representatives from negative repercussions.

One of the focus areas, which plays a crucial role in company-level and sector-level negotiations, is the deployment of new technologies using automation or AI technologies, especially where it intersects with job security, human rights, or workers' dignity. A considerable level of distrust is already apparent from the inclusion of these areas in specific regulations, which include works councils in decision making over their implementation. In the financial sector for example, there are very general concerns about safety and security in the future, relating to automatization of loans or credit and having access to a financial advisor. Practically, this translates to negotiations over changing job descriptions and skills needed, as revealed by the trade union representative in finance. In the metal and transport sectors, because most works council representatives are at the same time trade union members, the degree of coordination between the works council and the trade union is high. In turn, all relevant topics, including digitalisation and health and safety, are pre-discussed with the sectoral union. This vertical coordination also delivers a **material effect**, as the agreements concluded at the workplace level also reflect the interests of workers.

Dimensions and bases of trust at local level

The analysis reveals that the bases of trust at the local level are threefold: **institutional**, **relational** and **personal**. Similarly to the building and maintaining of trust at the sectoral and national levels, notions of democracy and willingness to compromise are key factors in shaping the interactions within social dialogue at the local levels as well.

Regarding **institutional trust**, works councils as the employees' representatives at the workplace are a stable part of the Austrian social partnership system. Works councils possess distinct roles within this system, which are institutionally anchored. Within their defined roles, works council representatives are committed to serve workers' interests.

Relational trust refers to trust based on the frequency and the kind of efficient relationships that emerge between social partner representatives at the local level. Since many individuals continue serving their role within the social dialogue system for years, relational trust, in addition to institutional trust, is also high in Austria. Nevertheless, a slight discrepancy emerges between local and sectoral level bases of trust when referring to relational trust. Due to a higher fluctuation of company representatives, e.g. due to reorganisations, relational trust at the local level is more vulnerable to disruptions than trust at the sector level.

Finally, **personal trust** is related to the characteristics of the individuals and their mutual interactions. The stability of who represents unions and to a large extent also works councils increases personal trust. Trade unions also actively build personal trust between unions and works councils, e.g. by regular coordination of sectoral union interests and that these 'flow down' to the local level to works council representatives. Works councils also develop a relationship to the Workers' chamber where personal trust plays an important role.

Personal trust is also relevant for harmonizing the varying local interests across companies within the sector. For larger (sectoral) bargaining rounds, works councils are asked to pre-discuss their strategies and opinions to ensure an efficient sectoral bargaining and a mutual agreement between unions and the WKÖ. Such a unification of demands across various works councils can mean that some have to compromise on their requests, yet these compromises occur in favour of a larger, sectoral gain.

7.5 Conclusions

Austria is well known for its institutionalized model of social partnership (*Sozialpartnerschaft*), which has, according to interviews conducted within this study with social partners, historically contributed to economic and social stability. The system is characterized by structured and highly coordinated sectoral collective bargaining, underpinned by almost universal bargaining coverage due employer membership in the Austrian Economic Chamber (*Wirtschaftskammer Österreich, WKÖ*).

The study identifies three interrelated forms of trust—institutional, relational, and personal—as central to the functioning of Austria's social dialogue at various levels. Institutional trust is embedded in the historical and legal foundations of this corporatist regime, where social dialogue is seen as a legitimate and effective mechanism for managing working conditions and economic crises. Relational trust develops through repeated interactions among actors who often remain in their roles for extended periods, while personal trust is built on the

professionalism, responsibility, integrity, and reliability of individual representatives who engage in dialogue.

The study reveals that trust serves both procedural and material functions. Procedurally, trust enhances transparency, cooperation, and the predictability of bargaining outcomes within Austrian social dialogue. The material function of trust is contributing to tangible outcomes, such as a defined yet complex structure of wage agreements and crisis-response mechanisms. The Covid-19 pandemic exemplified the functional role of trust, with social partners cooperating swiftly to implement the *Kurzarbeit* (short-time work) scheme, thereby preserving employment and economic stability.

Beyond the national and workplace levels, the study also focused on trust in social dialogue in selected sectors (metal, finance, transport) and around several central non-wage related themes (digitalization, worker education and training, and health and safety at the workplace). Evidence shows some discrepancies in how these themes are handled across the studied sectors. Even if some challenges emerge that can potentially cause disruptions in trust (e.g., the long-standing discussions on health and safety in the transport sector, also related to labour shortages, company restructuring in the metal sector, or digitalization in finance), trust in social dialogue is strongly anchored and not easily decreased. This stability is not only based on institutional trust, but also on personal trust, meaning that the same persons negotiate with each other for many years and know each other very well.

Despite the system's strengths, contemporary pressures — such as economic uncertainty, political shifts, and generational changes in the workforce — pose challenges to the sustainability of trust-based relations. Attempts to bypass traditional bipartite channels in favour of direct legislative influence could potentially undermine the integrity of the high-trust social partnership model. Additionally, declining participation in employee representation, especially at the local level, may erode the foundations of institutional and relational trust.

At the company level, works councils play a crucial role in representing workers' interests and maintaining trust-based dialogue with management and trade unions. However, local-level trust is more vulnerable to disruption due to higher rates of personnel turnover and structural changes within companies. Issues such as technological change and automation have become focal points of negotiation, requiring strong coordination and trust across levels of representation.

Overall, the Austrian case illustrates the resilience and adaptability of a long-embedded corporatist model, where trust acts as both a precondition and a product of effective social dialogue. The study underscores that maintaining this trust—across institutional, relational, and personal dimensions—is essential to sustaining Austria's system of in the face of ongoing socio-economic transformation.

References

- Algan Y. & Cahuc, P. (2010). Inherited Trust and Growth, *American Economic Review* 100:5, 2060-2092.
- Bohle, D. & Greskovits, B. (2012). *Capitalist Diversity on Europe's Periphery*. Cornell UP.
- Brandl, B. (2020) Variations and (a)symmetries in trust between employees and employers in Europe, *European Journal of Industrial Relations* 26:3, 313-329.
- Colquitt J.A., Scott B.A., & LePine J.A. (2007) Trust, trustworthiness, and trust propensity: a meta-analytic test of their unique relationships with risk taking and job performance, *Journal of Applied Psychology* 92: 909-27.
- Fidrmuc, A. & Kahancová, M. (2024) Discretion and (de)centralization in wage bargaining in the construction, hospitality, urban transport, and waste management sectors: A Study on Austria. *BARWAGE Report 3*. Amsterdam: WageIndicator Foundation. DOI: 10.5281/zenodo.13239230.
- Glassner, V. & Hofmann, J. (2019). Austria: from gradual change to an unknown future. https://www.etui.org/sites/default/files/ez_import/CB1-Chapitre+2.pdf
- Glassner, V. & Homann, J. (2023). Austria: Trade unions in a world of 'contested stability'? https://www.etui.org/sites/default/files/2023-06/Chapter2_%20Austria_Trade%20unions%20in%20a%20world%20of%20contested%20stability_2023.pdf
- Keune, M. (2010). Derogation clauses on wages in sectoral collective agreements in seven European countries. *Eurofound*, available at <http://www.eurofound.europa.eu/pubdocs/2010/87/en/2/EF1087EN.pdf>
- Traxler, F. (2001). Banking sector bargaining systems examined. *Eurofound*, available at <https://www.eurofound.europa.eu/en/resources/article/2001/banking-sector-bargaining-system-examined?>

8 Sweden

Ylva Ulfsdotter Eriksson, Glenn Sjöstrand & Bengt Larsson

8.1 Introduction

This report is based on 1) Desk research of data such as reports, webpages, collective agreements (CA), and previous research; 2) 15 interviews from 2024 with representatives from trade unions (TU) and employer organisations (EO) on sector and local level in the three sectors (Table 8.1). Twelve interviews were conducted in person, and three were conducted digitally. The interviews lasted 45-75 minutes, and all interviews were recorded and transcribed.

Table 8.1 Interviewees: levels and sectors (no. of respondents)

Level	Banking & Finance	Metal	Transport	Cross-sectoral	Total
Local Level					
Employee rep.	2	2			
Employer rep.	1	2	1		
Sectoral Level					
TU official	1	2	1		
EO official	1	1	1		
TOTAL	5	7	3		15

For each sector, we recruited 1-2 representatives from the main trade unions involved at both the sectoral and local levels. The TU-ombudsmen can work locally at the firm level or serve as a TU-ombudsman at the regional level, thereby negotiating with multiple employers. On the employer side, we recruited local HR professionals and/or managers, and sectoral negotiators or others with involvement in negotiations, social dialogue, and collective bargaining at the sector level. For confidentiality, we refer to the interviewees as # 1 SE, # 2 SE, et cetera. and have chosen not to connect specific representatives with the selected sectors.

8.2 Industrial relations at national and sectoral level

Industrial relations in Sweden belong to the regime of *organised corporatism*. Swedish TUs and EOs have a vast scope to autonomously regulate working conditions through bipartite collective agreements, and possibilities to influence government policy through corporatist consultation processes (Jansson et al. 2019; Van Rie et al. 2016). As there are no legal extensions of collective agreements, high levels of organisation are important and 90 % of the employees work in organisations that are EO-members, while 88 % are covered by collective agreements. Even though the TU-density is decreasing, Sweden still has one of the

highest figures with approx. 69 % of employees are TU-members (Ljunglöf et al. 2024). Swedish social partners are thus resourceful and highly organised on national, sectoral, and regional/local levels, and there is a strong articulation between levels (Table 8.2).

Table 8.2 Trade unions and Employer organisations on national and sector level in Sweden

	Trade unions (TU)			Employer organisations (EO)		
Peak level	LO Trade Union Conf.	TCO Conf. of Professional Employees	Saco Conf. of Professional Associations	SN Conf. of Swedish Enterprise	SALAR (SKR) Assoc. of Local Auth. and Regions	SAGE Agency for Government Employers
Sector -level	14 TU	12 TU	21 TU	53 EO & 60,000 companies	290 Municipalities & 20 regions	250 Government agencies
Empl.	1,2 million	1.1 million	500 000	2 million	1.1 million	270 000

The tradition of bipartite social dialogue with minimal political involvement dates back to the main agreement between the EO- and TU-confederations in 1938 (Kjellberg 2019; Stern et al. 2021). This agreement aimed to end frequent conflicts causing instability and disturbances, and the tradition of bipartite bargaining stemming from it has been rather successful. It has reduced conflict levels and secured good working conditions and wage developments without undermining competitive power (Anxo 2017).

Today, nearly 700 CAs are covering about 90 % of the labour force. The bargaining processes are set in the main agreements and process agreements. There is an established tradition of social partner cooperation through organisations and committees at national and sectoral levels. One example is the sectoral councils and insurance funds for job transition/outplacement (e.g. *TRR*, *TRS*, *Omställningsfonden*), established to assist employers and employees in transition processes (Walter 2015). Other examples are the joint organisations for information and support on health and safety, *Prevent* and *Suntarbetsliv*, and *Afa Insurance*, which administers collectively negotiated insurances for financial support in sickness, work injuries, et cetera.

The social partners strongly support the Swedish model (Kjellberg, 2019: 584). They are reluctant toward political intervention and legal regulation of wages and working conditions — including regulation at the European level (cf. Larsson and Ulfsson 2019; Stern et al. 2021). Their interactions are institutionalised in bipartite agreements and legislation, giving them the right to organise and perform bargaining. There is also legal regulation of leave, dismissals and employment protection, local consultation and co-determination, and health and safety. The few conflicts that do exist are contained within institutions for dispute settlement. There are labour peace clauses to prevent conflicts during ongoing agreements, a *Labour Court* to settle conflicts within existing agreements, and a *Mediation Office* to settle conflicts between agreements.

During the last decade, however, there has been an increase in political intervention. One instance was when the government decided to review the rights of industrial action after a port strike in 2016 (Hjälmered, 2017; Johansson, 2017). The threat of legislation spurred the national confederations to negotiate changes in the *Co-Determination Act*, which was accepted by the government (Kehrer 2022; SOU 2018:40). Another instance was in 2020, when pressure from politicians to change the *Employment Protection Act* (EPL) led the social partners to negotiate (Berglund 2024). This resulted in a new main agreement in 2022, signed by the *Swedish Confederation of Enterprise* (SN), the *Swedish Trade Union Confederation* (LO) and *PTK* (a coalition of white-collar TUs). The agreement has caused internal disagreements, as only about a third of the LO-unions signed it (Handelsnytt, 2023). According to Kjellberg (2023:12f.), this agreement signals an increase of *tripartite* negotiation in which the threat of legal regulation is used to force the social partners to negotiate on difficult issues.

Industrial relations in banking & finance, metal, and transport

In all three sectors, collective bargaining, dialogue, and cooperation are performed between several EOs and TUs, a few of which are not members of confederations. The TU-confederations (LO, TCO and Saco) are divided on a class basis. Since there are both industry-specific and cross-sectoral TUs and EOs, the bargaining landscape is complex. To simplify, joint coordinating “bargaining cartels” have been created on both sides. The fragmentation varies between sectors, and even though constructive bargaining is the ideal, there may be tensions in the bargaining rounds, and there have been some open conflicts recently in these sectors.

The banking & finance sector is the smallest and least fragmented, with only a few organisations involved in CA-bargaining. A part of the sector in which tensions recently have arisen is connected to the Fintech *Klarna* – the largest Fintech company in Europe in 2020. Klarna was the first Fintech employer to join an EO and sign CA with a TU in 2023. The CA was negotiated first after other TUs had threatened with a strike (FF 2023; Kjellberg 2023).

The metal sector is larger and slightly more fragmented, though coordinated strongly through two “cartels”; the *Association of Industrial Employers*, organising five EOs, and the *Unions within Industry*, organising five TUs. Together, they make up the *Industrial Council*, which negotiates the Industrial Agreement that sets the “norm” for wage formation for the whole economy (Ulfsdotter Eriksson et al. 2021; Industrirådet 2023). It is worth mentioning the strike at *Tesla* called on in 2023, when the company refused to negotiate a CA (Metall 2024a). The conflict has since escalated and eleven other TUs in the Swedish labour market have supported the strike by sympathy measures (IF Metall, 2024b).

The transport sector is rather fragmented, and less coordinated in terms of bargaining. Recent tensions have arisen concerning Gig-work. In 2021, a TU managed to negotiate an agreement with the Gig-employer *Foodora*, covering the bikers while not car- and moped drivers. This was seen as “a victory for the Swedish model as the conditions of a gig company

were regulated for the first time” (Kjellberg 2023:109f), but *Foodora* found ways around the agreement and the union took some cases to the labour court (Banasiak & Jesnes 2024).

8.3 National and sectoral level interactions and trust

The social partners in all three sectors — banking & finance, metal, transport — lean on long traditions and institutionalised forms of interaction, with a strong vertical articulation on both sides. They combine negotiating from opposing interests with cooperating around joint interests, through recurrent interaction in various forums. Trust is seen as important by both sides and presumed to have both procedural and material effects that are beneficial. The institutional set-up is the foundation for the maintenance of trust, and for the recovery of trust in times of conflict. Besides being based on strong institutions, relational trust is built by frequent interactions in various forums, in which good manners are important.

Characterizing national and/or sectoral level interactions

At the national level and in the sectors studied, the relations between social partners are good and cooperative. They are described as respectful, cooperative, trustful, and well-founded in the spirit of the Swedish Model. This does not mean that they always agree. EOs and TUs represent different interests and perspectives on many issues, and their interaction styles vary with context and issues; from adversarial, to negotiating or cooperative:

You must distinguish between different types of negotiations. There are disputes /.../ that need to be resolved. That’s one thing. /.../ Then we have negotiations. /.../ These are different types of issues and how we work, which can mean different ways of how we act as well. (# 4 SE)

The most important and potentially conflictual interaction event — besides disputes over existing CAs — is the regular sectoral CA-bargaining, which occurs every 1-3 years depending on what is stipulated in the previous CA. During bargaining, the social partners meet long hours daily, for a couple of days or weeks, depending on how far apart they are. However, much “maintenance work”, aiming to keep relations ongoing and smooth, is done in between. Social partners meet regularly, often at least once a month, to discuss current issues and plan for future dialogues. The “lines are open” for quick calls to discuss or solve smaller matters (# 3 SE). The representatives also meet regularly in joint committees and consultation with the government, e.g. regarding health and safety and job transition/outplacement. Thereby they have occasions to get to know each other, maintain and build relationships.

Within the manufacturing industries and in the metal sector, TUs and EOs collaborate in the *Industrial Council*, established through the *Industrial Agreement* (signed 1997, updated 2011 and 2016). There are regular meetings in two sub-councils: the *Negotiation Council*, handling negotiations, and the *Development Council*, focusing on joint industry interest such as energy and climate, infrastructure, competence supply, and research and innovation. The *Industrial Agreement* was a “big thing [and] very sensational that the organisations started to work

together" (# 6 SE). It was established to increase coordination, for competitive reasons, and to establish procedures for collective bargaining and function as a social bonding glue to reduce conflicts — thereby stabilising mutual trust as a basis to solve issues where interests diverge. Similar joint organisations are present in other sectors as well. For instance, in the transport sector, TUs and EOs collaborate on improving working conditions and education in the *Transport Union's Occupational and Work Environment Committee* (TYA n.d.).

The situation in banking & finance is unique, as the CA is open-ended and updated only due to new legislation or if the partners agree on new wordings (BAO n.d.). Otherwise, it is updated only with new wage figures yearly. This open-ended agreement was designed to reduce conflicts after some turbulence in the 1990s. The arrangement has had consequences for how the social partners interact. They meet often, and have continuous dialogues organised through joint committees working on specific topics mirroring the areas in regular CA.

Taking a closer look at some of the different topics or areas of interaction discussed in the interviews, it is obvious that the potential for cooperation and negotiation varies, even if the social partners try to lean on a common ground of respect and trust anchored in the spirit of the Swedish model. As stated by a TU official: "one can have a trustful discussion about any subject [even though] some subjects that are more delicate" (# 2 SE).

9. *Wage* is a delicate area. Whereas TUs want to see good wage development for all members, employers often want to reward particularly productive or skilled employees. Another issue concerns the size of wage increases. Some EOs stress the need to follow the norm (mark) set in the industrial agreement, while some TUs push for a higher raise in their sector/company.
10. *Health and safety* are less delicate at sector level, and a TU-representative stated that both partners are interested in having a good work environment for the employees. In addition, as it is a legally regulated area, it is less dependent on trust than other areas.
11. *Digitalisation* is an issue that varies in effects and interpretation between sectors, but the need for reskilling and risk of redundancies are raised by the interviewees. Still, there are statements that these changes are not an issue of trust but of different perspectives: where employers may see advantages, employees and TUs may see threats.
12. *Competence development* is an area that has become a bit trickier after the pandemic. Not whether it is important to address, but in what form. For example, employees are said to prefer a few days at a course facility with nice dinners, whereas employers prefer to stick with cheaper digital courses a few hours per week, as became the standard during the pandemic.

Some issues and areas thus invoke more conflicts and adversarial perspectives, while others are less sensitive and possible to find converging interests. Still, even though discussions may become heated in CA-negotiations, this does not have to threaten the long-term fundament of trust in their relationship and interaction, as these are anchored in solid institutions:

Sometimes, we disagree terribly during the collective bargaining round, but it doesn't have to damage our relationships, it's part of our relationships. (# 1 SE)

Anchoring trust in institutions and trusting lower-level actors

The social partners in the three sectors are committed to the model of autonomous bipartite bargaining and cooperation. A reason to trust this institutional set-up is that it has served the labour market well for 100 years, with low degrees of conflict and a sound wage formation. The long history puts a normative pressure that “obliges” EOs and TUs to not breach trust, since that would destroy years of work, and they might lose already secured “gains” in their bipartite agreements (# 8 SE). This is also the main reason both EOs and TUs are critical to state interference, as that causes disruptions in established processes and increases distrust and conflict, both between EOs and TUs and within their respective confederations.

The trust-based spirit also applies vertically between the sectoral and local firm-levels. Much work is done to anchor sector strategies at the local level, and to secure the implementation of agreements locally. Both TUs and EOs stress the importance of getting mandate and legitimacy, so that their members stand behind them. Sectoral TU-representatives point out that they are democratic organisations; they must listen to views from members and local representatives before bargaining rounds— for instance they might ask the local TU-representatives “What consequences can you see if..., or, what do you think the management would say about this?”, before bringing tough or questioned proposals to the national negotiations (# 6 SE). The EOs also highlight the need of having the firms on-board to not jeopardise the proposed agreements: firms must feel involved and in charge. The EO and TU-representatives partaking in negotiations need to deliver on expectations from the local level continuously. Otherwise: “That’s a classical wrongdoing that you only commit once” (# 8 SE).

The engagement and trust-building toward the local level is also to secure implementation of agreements “down the line”. One EO exemplified with having a committee with large employers to ensure that the CA is anchored properly and to gain knowledge of issues and disputes locally. The local anchoring may also be discussed in the social partner dialogues, so that they agree on what information to share locally. The sectoral level is dependent on working relationships at the local level, and as one interviewee stated:

We have rather high demands on employers at the local level and the trade union representatives locally. /.../ It also requires that there is a local trade union structure as well and that employers invest time in it. (# 4 SE).

Both sides need to have local representatives who understand how the interactions work. From the TU-perspective, a potential problem locally is if new HR specialists refer only to the law, without knowing that agreements “trump the laws to a great extent” (# 2 SE). In such cases, the sectoral TU supports the local representatives and, if needed, tries to explain to the new counterpart or urge the EO representatives to talk to the local employer. The EOs confirm such challenges. One EO representative described how they need to do some “major upbringing-job” if local employers lack knowledge of what applies (# 1 SE). Also, just as the TUs may have difficulties with new HR-staff, the EOs report on situations where newly appointed TU-ombudsmen may have a conflict-oriented attitude, trying to make up for

“wrong-doings” in the past. In such cases, the sectoral representatives need to step in and deal with the situation, so that a local conflict does not spiral. There is thus a need, for both parties, for a continuous top-down and bottom-up dialogue within their organisations to see when something is not working locally and thus address such issues promptly.

Effects of trust according to national and/or sectoral level actors

Two kinds of effects of trust were highlighted in the interviews. The **procedural effects** of trust make bargaining and cooperation constructive, effective, and produce good outcomes for employees and employers. Trust is seen to bring benefits both in and between the bargaining rounds. Trust increases transparency in negotiations and how they present their demands. Between bargaining rounds, trust enables social partners to solve acute issues or problems that arise. It is also stressed that the overall model with autonomous CAs is advantageous compared to legislation, since laws and regulations are less flexible and thus difficult to change.

Trustful relations are said to be important in handling crises. An example is when the pandemic hit, and the social partners on national and sector level mobilised quickly, pausing regular CA-bargaining to negotiate a new short-time work agreement to alleviate conditions (Medlingsinstitutet 2020). An EO representative believed the social partners showed capacity to support the state, and that they are critical to take on such external shocks:

[Whether] they be sun storms turning out all the electricity, a pandemic, or something we don't know what it is yet... the social partners within the industry (metal) will start acting on the sun storm instead of the labour market. (# 8 SE)

Still, there may be negative effects on flexibility and costs from the Swedish model. An EO representative said that large “superstructures” created over the years are difficult to bring down, even if they no longer fulfil any function: “For instance, you agreed on something in the CA in 1973 that you can hardly get rid of, and new things are added all the time... many member companies see this as a big problem” (# 8 SE). Reports from EOs in small companies also claim that CAs work well in large companies but create too much formalism and are costly for small companies (Stern & Samuelsson 2024).

Besides these procedural effects from trust, the respondents also discussed **material effects** for employees, companies and the labour market and economy at large. Trust is said to increase the possibility for both sides to affect work- and employment conditions, which is an interest they are said to share. Trust between social partners also contributes to stability on the labour market, which is mirrored in the low degree of conflicts:

After all, Sweden has long had the lowest number of conflict days per year. It doesn't mean that the unions have given up [but] that they have managed to negotiate good solutions, which is much better than sitting and sulking in their own corners. (# 2 SE)

Good working conditions and stability on the labour market are said to give whole industries and singular organisations the potential to grow and develop by attracting the talents of tomorrow. It is underlined that certain agreements help transforming the industrial structure, in that less profitable businesses disappear, and new businesses prosper. A TU-representative pointed at the restructuring agreement, helping redundant employees to upskill, reskill, retrain, and find another task in other businesses.

Dimensions and bases of trust at national/sectoral levels

Institutional **basis of trust** is strong at both national and sector level. The commitment to the Swedish model illustrates an “identification based” aspect of trust, in that EOs and TUs share a joint interest in maintaining their autonomy from the state — and from EU regulations (Larsson et al 2020; Ulfsdotter Eriksson & Larsson 2019). They hold the institutionalised bargaining rights and processes in high regard, as well as the bipartite arenas for cooperation and bargaining, and the norms surrounding interactions. Even though tensions and conflicts appear, the actors have a strong belief that the established institutions are beneficial for both sides, and to the Swedish labour market and economy overall.

One aspect of institutional trust is the actors’ “learning” of specific traditions and culture in their sector: when coming to a new sector, one needs to learn the major historical issues and how the work has been done previously. By learning from others, new negotiators or ombudsmen are socialised into the working methods, by entering already institutionalised relationships: “It’s heritage, where we also know that there are certain issues that both parties locked in a desk drawer to move on” (# 4 SE). Another said that “When you are new, you need to familiarize yourself with the organisation and its history with the other party, to understand what the relationship looks like” (# 1 SE).

The institutional framework also shapes **relational and knowledge-based trust**. As EOs and TUs meet in various arenas, to talk and cooperate on issues also outside of the regular bargaining, they have many opportunities to develop trust in the relations and in that their interactions usually deliver. Some organisations even engage in “getting-to-know-each other activities” to build and maintain the relationship: joint lunches, dinners, or other sorts of leisure activities. Such elements may be particularly important during conflicts or tough negotiations, to “build relationships beyond just sitting opposite each other in a conflict” (# 1 SE), and because in the end, “we make up each other’s work environment” (# 4 SE).

These forms of trust build on “respect and understanding for each other’s situations” (# 3 SE), and on being transparent and willing to listen. Respect implies acknowledging that they represent different interests, and that it takes time to understand each other’s perspectives: “It can’t be done in five minutes” (# 4 SE). Listening is essential for understanding the counterparts: “because if you are only occupied with what you want to say, or that you are right, then you might miss [seeing] the solution” (# 1 SE). Transparency is critical as, “we need to get them to understand *why* [something] is important” (# 2 SE). Thus, being “open with our

interests [is the] dream scenario; our direction forward" (# 4 SE). The bargaining rounds are therefore prepared by the social partners exchanging "demands" and communicating on what they want to achieve — to find a common ground: "It is a total transparency" (# 4 SE).

Person-based trust is also relevant. The system "does not fall on one or a few individuals [but] it requires a lot from a person" (# 4 SE). Personal trust is something "you deserve" by acting properly in interactions. Even if the relationship is a professional one, it is stressed that "trust is built on the individual level" (# 1 SE). In previous research, having ability, integrity and being benevolent, fair, and ethical, are the main antecedents of being trusted. This is confirmed in the interviews. Good behaviour is of importance: "Well, how do you make someone trust you? You are nice. You are clear. Honest. It is very basic. ... We call it 'winning relationships'" (# 2 SE). New representatives thus need to work on building trustful relationships: "Because you can't escape that in these relationships, between employers' organisations and trade unions, for it [i.e. CA, working conditions] to be as good as possible for both employees and companies, it needs to be a *just* relationship" (# 2 SE).

This indicates a demarcation between having trustful relations and becoming friends. Integrity is important, since it may become problematic if someone exposes too much of their personal values or who they are, "like their relations, family, kids, and social life" (# 6 SE). Even if such information may be positive for personal trust-building, it may breach integrity if being used in negotiations for personal attacks or attempts to discredit someone by talking behind their back, or implicating intentions from what they say that are not true (# 6 SE).

The importance of person-based trust is also indicated by examples of what breaches such trust. Lying and being dishonest are consistently portrayed as eroding trust. As is speaking ill of or talking behind someone's back. New negotiators are instructed never to lie or lose their temper. If they get angry, they are instructed to apologize and postpone the negotiation, as it is important that "No one acts in a bad manner in the negotiation room" (# 1 SE).

Trustful relationships are broken down: 'If I misbehave, make things up or lie or become really angry and throw things and like that - then I have consumed the trust [in me] as a negotiator. Then I am not credible' (# 3 SE).

Even if the tone in the media may be harsh, with some retorting, that is not something to bring to the negotiating table, and it would become extra problematic if such a tone "trickles down to the local level and members believe that the other party is 'hostile and liars'" (# 1 SE).

8.4 Local level interactions and trust

As is shown in previous research, the Scandinavian countries have relatively high levels of mutual trust between employers and TUs at local level (Brandl 2020). The combination of bargaining from opposing interests and cooperation that exists on the sector level, is mirrored at the local level – at least in larger companies. The institutionalised norms of interaction existing on higher levels put a normative pressure on the actors at local level, and the support

from higher levels is often needed when local tensions and conflicts arise. Trust, in the system and each other, is thus acknowledged as having both procedural and material effects. Just as at the sectoral level, such trust is based on a combination of strong institutions, relational trust built by the interactions, and trust related to personal behaviour.

Characterizing local level interactions

The Swedish model is dependent on local level social partner interactions. One reason is that many CAs on sector level stipulate general principles to be adjusted through local bargaining, regarding e.g. wage setting. There are also legal regulations giving local TU-representatives strong rights. The *Co-determination Act* (1976:580), gives the right for TUs to be informed, consulted and negotiate locally on matters like reorganisation, personnel policies, and larger investments. The *Act on Board Representation for Private Employees* (1987:1245), gives the right to have TU-representatives in the board of companies with over 25 employees. The *Act on Position of Union Shop Stewards in the Workplace* (1974:538) stipulates the right to paid working time for local representatives TU-work. In addition, the *Work Environment Act* (1977:1160) gives employees in companies with over five employees a right to a local Health & safety-representative, and in companies with over 50 employees to a safety committee — usually appointed among local or regional TU-representatives (cf. Fulton 2018).

Like at the national and sector levels, there are several interaction arenas locally. The frequency of negotiations regarding e.g. wages, working conditions, competence development, follows from what is set in the sectoral CA, whereas local wage setting and/or bargaining is usually performed yearly (cf. Ulfsson Eriksson 2021). Formal meetings of co-determination with information exchange and negotiations are usually held once a month. Between these, informal meetings take place to solve minor issues and to maintain relations so that formal meetings run smoothly — and to test and adjust ideas and solutions. These continuous interactions are also of importance when exceptional situations or new challenges arise, for instance when short-term layoffs were needed during the Covid-19 crisis, or when new EU-regulations were introduced on “rest rules”.

The balance between cooperation and conflict varies between companies and depending on issues, but there is also a slight sectoral variation in that the tensions seem to be stronger in transport as compared to metal and banking & finance. However, as discussed, there have been strong conflicts in single companies in all three sectors, and the general culture in all three sectors is to make social partner interactions work well, thereby aligning with the ideal of the Swedish model. Even though the TU-representatives are employees and thus subordinated to the employer and the managers, in negotiations it is said that: “you are equals in the negotiation situation” (# 12 SE). That is essential in shaping a trust- and solution-oriented climate. An employer representative also highlighted: “I usually tell the union representatives that I also am an employed worker in the company, even though I can’t be a member of the union and represent the employer” (# 9 SE).

Generally, the employers have an “upper hand”, with more resources and an information advantage, but this varies with company size. In the transport sector, there are several micro firms. In those the employer may lack knowledge of labour law and negotiations routines, which may flip the power relations. As expressed by a TU-representative: “A small company, I could eat them or trick them. But if you do, you are doomed for ever” (# 5 SE). Still, a less knowledgeable employer, who admits a wrongdoing, may also be met with understanding and benevolence: “An employer that comes to me like ‘shit, I did wrong, how do we solve this?’, I would never claim damage compensation from” (# 5 SE).

Anchoring trust in higher level institutions

There are mixed views on local level trust in higher-level institutions, and it depends on issues and the quality of support from higher levels. Small companies may lack knowledge and doubt the benefits of sectoral CAs. As micro-companies often have more “familial” relations between employers and employees, employees can be seen as distrustful if trying to formalise the relations (Stern & Samuelsson 2024). Though, in larger companies, there seems to be trust in sectoral and national level institutions. Some local partners even refer to the history of the Swedish model as a resource in making the opposing partner commit to peaceful and respectful bipartite negotiation, since: “The labour market partners are responsible for wage formation, the government doesn’t interfere, they trust the EO/TU to handle this with great sense of responsibility” (# 8 SE).

The existence of higher-level interactions and institutions creates commitment and helps local agreements to be maintained. One employer representative said that CAs and regulations help foster trust: “If we were to agree on everything locally, it could turn out really crazy” (# 10 SE). If local agreements were negotiated without knowledge and explicit references to national CAs, the TU would, according to one employer representative, try to create voracious deals. Some TU-representatives highlight this coordinating and stabilising effect from higher levels, since they can turn to sectoral and national level for support — especially if conflicts arise: “We can minimize taking conflicts to court... with CB we have to be responsible for making things work – that’s a great advantage with trust” (# 7 SE).

For the local TUs it is important to have moral and financial support from sectoral TUs in conflicts: “We would never take on [company] if we didn’t have strong national support from the Swedish system and our (local) members” (# 12 SE). Representatives from the sector level may balance local conflicts and help in complicated cases relating to the “thousands of negotiations yearly: everything from reorganisations to replacements, resignations or dismissals” (# 2 SE). Sectoral representatives may function as “diplomats” in such negotiations, being less emotional and more respectful in the search for solutions before going to court. But they “must adapt to local situations, you can’t use central agreements for that” (# 11 SE).

There are also less conflictual areas on which local partners need expertise and coordination support from higher levels, such as competence development, energy issues and so on. In some cases, expertise from the national confederate levels is also needed, since “you can’t just go in and support local members by thinking out of the blue, you need to consult the expertise on the national level” (# 11 SE). Similarly, a local employer representative emphasised the importance of support from the national level if a company have foreign owners without knowledge of the Swedish labour market model and thus need expertise to explain the Swedish model of agreements, values, and informal ways of doing things. However, there was also one employer who had a bad experience of asking for support from higher levels EOs. The company have been a member of two different employer organisations, and had similar experiences from both, in trying to get help to solve conflicts:

Unfortunately, I think that if we have a problem and need support from them, they say that ‘you cannot accept that, you have to take it to court’. And if we do what they suggest to us, it always goes to hell – and if we need them in a central negotiation, they always cave... as advisors in a negotiation situation they are pretty useless. (# 10 SE)

Effects of trust according to local level actors

Just as on the sector level, there are beneficial **procedural effects** of trust at the local level. The existence of trust fosters labour peace and a negotiation culture. According to a TU-representative, this means that you can have arguments and conflicts without having to call on strike or lockout to be heard. Some employer representatives agree, and state that bipartite trust increases flexibility, and that problems can be avoided and solved without leading to costly open conflicts. Employers also know that unions may need to “make a fuzz” about issues to show the members that they do something, since: “Without creating and communicating conflicts, the union is not noticeable, and the members might leave” (# 10 SE). If the employer knows this, and still trusts their interaction with the union, they probably have constructive negotiations despite such antagonism.

The **material effects** of trust are said to be on both the local and labour market level. The CAs increase local employees’ belief that the wage setting is performed relatively “objectively” and based on transparent criteria. This benefit both workers and employers as it shapes reasonable expectations. An employer representative also stated that “Good local collaboration is a competitive advantage” (# 8 SE). Members of the union may accept structural changes and layoffs, due to global competition and recessions, because they trust in the overall system and the support for labour market transformations both from EOs and TUs. The shared responsibility and trust are also thought to have made it possible to rationally build and maintain some welfare institutions with good benefits and low administrative costs, like the pension system” (# 7 SE).

The greatest advantage with trust for the EO is labour peace and stability, and for the TU it is security in bad times, salary increases. (# 12 SE)

Dimensions and bases of trust at local level

Some views on **institutions-based trust** at the sectoral level are echoed at local level, but there seems to be a greater variation between companies in how much the institutionalised traditions secure good local outcomes. An important aspect of trust in institutions is that they prescribe clear roles and interaction forms, which reduces costs and conflicts. There also seem to be elements of “identification-based” trust, as some representatives emphasise a joint responsibility to contribute to an effective labour market and economic development. The existence of broad cooperation on sector level also increases trust locally. When external factors such as market structures, competition, and digitalisation impose changes locally, it is beneficial that higher levels have a broad agenda and expertise on the issues. By discussing broad issues also locally, the effect is intensified interactions between the employer and TU-representatives.

The trust in the institution of autonomous bargaining is also indicated by the frustration and distrust TU-representatives experience when challenged by “newly educated HR staff who are ‘more literal’ in their approach to ‘the rules’ and thereby focus more on the exact wording of law and or the CA than of solving the problem” (# 5 SE). A too strong focus on the law undermines the constructive “spirit” of finding common ground and making compromises. Several TU-representatives noticed a tendency towards such a “juridification”, when for instance HR or employer representatives emphasise laws before CAs and negotiations. If employers and HR professionals locally are not sufficiently familiar with the Swedish model, they risk “watering down” both CAs and attempts at constructive dialogues. As an example, when the employer representative in connection to co-determination work says: “‘Let’s *negotiate* on this date’, then you must stress that, ‘No, that is not how the co-determination act works, we are supposed to *agree*’” (# 3 SE). Such consensus aiming dialogue, rather than negotiation from opposing interests, is a part of the institutionalised norms.

Even more accentuated at local level is the **relational and knowledge-based trust**, built on repeated interaction. Over time, as they get to know each other’s roles and strategies, they become more efficient in coordinating interests. In some cases, this process of mutual trust starts with trying to jointly come to terms with the CA-stipulations and legal regulations and how to implement them. The recurrence of the same individuals in meetings on various issues over the years shapes trust, if everyone keeps to both the formal and informal ways to go about. The shaping of trust is thereby also part of the “negotiation technique... and if all representatives could understand that things would be easier for all” (# 11 SE).

Some say that it is too easy to develop local disagreements and then bring in the sectoral level to solve things through central proceedings. It is more difficult to find a joint solution that is productive without pushing the problems “upward”. However, some develop strategies to test ideas and develop compromises without breaking trust. One is to discuss the issue informally, and if turned down, bring more acceptable solutions to the formal negotiations. Such “testing” of ideas is usually looked positively on and increases trust. Another way is to “send forward a person who is lower in rank”: “If the proposition from them is frowned upon,

you may come back with a new suggestion by someone higher in rank, since: "It's always about meeting on reasonably equal levels" (# 6 SE). By approaching the counterpart in that way, trust between the "formal" negotiators is not breached. A very flagrant break of trust, reported from a TU-representative — which illustrates the need to respect each other's interests and position — was a situation in which an EO hired a previous TU-member:

It is still an unwritten rule that one should not try to steal knowledge by, as it were, buying over someone from the other side. (# 7 SE)

Person-based aspects of trust are also important on the local level. Having ability, integrity and being benevolent, just, and ethical, are some main antecedents of trust, as pointed out in previous research. Listening skills, being open-minded and flexible, having humour, being nice and having a good tone are described as behaviours that foster trust. The dimension of integrity is particularly important in terms of having respect for each other's roles and being correct and professional. The justness and ethics of honouring your promises and keeping agreements is also said to be necessary for trust to thrive.

Trust is thus maintained through reliability, status, and in balancing of formal and informal relationships. It includes being able to take a real interest in each other's positions. Most interviewees argue that trust between employers and TU-representatives demands dialogues to be open, straightforward, and honest. Showing humility, honesty, and sincerity is important for both parties in negotiations, and this is also an important aspect of the appointment of new representatives. Both parties are, however, also aware of the roleplay: "TU sometimes need to dramatize situations to recruit new members" (# 10 SE).

Even though bargaining in some ways is a game: "You must never lie to anyone, then they will never trust you... It's about creating win-win solutions" (# 10 SE). There is thus a clear border between respecting opposite positions and performing "roleplay", and tricking and lying. As stated by an employer representative: "In 2012 the TU tried to trick us, and they were not interested in cooperating at all" (# 10 SE). Such behaviour backfires, and since the parties meet continuously for new negotiations, they need to quickly learn that "cheating" for short-term gains will hurt you in the long term (# 7 SE). Lying and cheating break trust, which is described as difficult to rebuild. Naturally, this also applies to relations within the organisations on both sides, as bad behaviour may spill over on relationships more generally. A TU-representative exemplified with previously having "a person on the board who leaked confidential information. That inhibited trust immensely. They had to go" (# 15 SE).

8.5 Conclusions

This study has shown that trust between EOs and TUs at both sectoral and local levels is an important aspect of Swedish industrial relations. At both levels, trust has procedural effects in increasing the possibilities to reach constructive compromises instead of having costly conflicts. In addition, trust has material effects. At local level, trust decreases the costs for

conflicts and increases employee satisfaction and “reasonableness”, thereby securing competitiveness. At sectoral and national levels, trust helps maintain the Swedish model of autonomous bargaining, which is beneficial for the functioning of the labour market and economic development.

The Swedish model builds both on formal regulation in laws, CAs, and cooperation between the social partners. The long-term maintenance of trust on both sectoral and local levels is based on institutions built over a long time. This institution-based trust both supplements and strengthens the formal contracts (CAs) established through collective bargaining, both on sector level and locally. The institutional set-up of industrial relations, with its complementary parts of cooperation and bargaining, and its distribution over all sectors of the economy — and with strong vertical integration between confederation, sectoral and local levels — reduces the risk of vicious circles of distrust. Thereby it secures constructive “integrative bargaining” and reduces the risk of deterrence-based strategies that would increase conflict levels and possibly even reduce Swedish competitive power.

This institution-based trust is constantly maintained through relational and knowledge-based trust, built on repeated formal and informal interaction at both levels. For such trust to develop, there must in turn exist a basic person-based trust between the actors interacting. That is, they must behave in predictable ways by showing respect for the other side’s position, and show ability, integrity, and benevolence, or at least be constructive and transparent. All in all, when functioning well, this multilevel and multidimensional system of trust prevents bad spirals of distrust and creates a possibility to rebuild or maintain trust in the face of tensions and conflict — as the institutions give a stability to interactions and expectations, and as the newcomers are socialized into the existing traditions and culture.

Obviously, this does not imply that there are no tensions, conflicts, or instances of distrust in the three sectors studied. However, the main variation in levels and foundations of trust is not between the sectors but rather between issues and between companies locally. Larger firms are generally more knowledgeable about and committed to the Swedish model of industrial relations, whereas knowledge and views to a greater extent are lacking in smaller firms (cf. Stern & Samuelsson 2024). In addition, there are concerns about the future of the model. EU policy has been perceived as an external threat, through the directives on minimum wage and pay transparency (Stern et. al. 2001). Internal threats exist in the form of declining membership numbers and reduced local union involvement, and in the form of a recent increase of state involvement in the bipartite dialogue model (Kjellberg 2022; 2023).

References

- Anxo, D. (2017) *Industrial relations and crisis: The Swedish experience*. Geneva: ILO.
- Berglund, T. (2024) The Swedish Labour Market Model in Transition. In (eds) Berglund, T & Ulfssdotter Eriksson, Y., *Scrutinising Polarisation*. London: Routledge.
- Brandl, B. (2020) Variations and (a)symmetries in trust between employees and employers in Europe, *European Journal of Industrial Relations* 26:3, 313-329.

- Banasiak, S., & Jesnes, K. (2024) *Riding the Waves of Precarity*. In (eds) Berglund, T & Ulfsson Eriksson, Y., *Scrutinising Polarisation*. London: Routledge.
- Fulton, L. (2018) *Health and safety representation in Europe*. Labour Research Department and ETUI. Online publication: <http://www.worker-participation.eu/National-Industrial-Relations>
- Jansson, O., Jansson, J. and Ottosson, J. (2019) *Neither sticks nor carrots: Swedish trade union involvement in the European Semester*. Brussels: European Social Observatory.
- Kehrer, K. (2022). *En begränsad konflikträtt: Om de nya bestämmelserna i 41 d § MBL och dess konsekvenser för konflikträtten, föreningsfriheten och fackens integritet*. Stockholm: Stockholms universitet.
- Kjellberg, A. (2019) 'Sweden: collective bargaining under the industry norm', 583–604, in T. Müller, K. Vandaele and J. Waddington (eds.), *Collective bargaining in Europe*: ETUI.
- Kjellberg, A. (2022). *Parternas organisationsgrad och kollektivavtalens utbredning. I Avtalsrörelsen och lönebildningen 2021: Medlingsinstitutets årsrapport 2021* (s. 163–172). Medlingsinstitutet
- Kjellberg, A (2023) *Kollektivavtalens täckningsgrad och vita fläckar*. Stockholm: Arena Idé.
- Larsson, B., Galetto, M., Weber, S., Bechter, B., Prosser, T. (2020) What's the point of European Sectoral Social Dialogue? : Effectiveness and polycontextuality in the hospital and metal sectors. *Industrial relations journal*. 51. 410–426.
- Larsson, B., & Ulfsson Eriksson, Y. (2019) Larsson, B., & Ulfsson Eriksson, Y. (2019). Enhancing the effectiveness of social dialogue articulation in Europe: case study for Sweden. ESSDA Deliverable 3.2. Working papers series 2019.1. Göteborg: Dept. of sociology & work science.
- Ljunglöf, T., Fransson, A., & Kjellberg, A (2024) *Kollektivavtalstäckning och arbetsmarknadens organisationer*. Stockholm: Medlingsinstitutet.
- Stern, L & Samuelsson, S. (2024) *Varför inte kollektivavtal?* Stockholm: Ratio.
- SOU (2018) SOU 2018:40, *Vissa fredspliktsfrågor*, Stockholm: Sveriges Offentliga Utredningar.
- Ulfsson Eriksson, Y., Larsson, B., & Adolfsson, P. (2021). Under the Surface of Individual and Differentiated Pay in Sweden: A Zero-Sum Game of Performance-Based Pay?. *British Journal of Industrial Relations*, 59(2), 398–417.
- Van Rie T., Maes R. and Dion D.P. (2016) *Social dialogue*. In *Employment and Social Developments in Europe 2015*. Brussels: European Commission.
- Walter, L., et al. (2015). *Mellan jobb: omställningsavtal och stöd till uppsagda i Sverige*. SNS förlag.

Webpages

- BAO (2024) <https://www.bao.se/om-bao> Accessed 240823.
- BAO (n.d. Avtal. <https://www.bao.se/avtal> Accessed 24111.
- FF: Finansförbundet (2023) <https://www.finansforbundet.se/press-och-opinion/pressmeddelanden/klarna-tecknar-avtal-med-finansforbundet/> Accessed 240823.
- Handelsnytt (2023) <https://handelsnytt.se/2023/09/27/huvudavtalet-vad-ar-det/>. Accessed 241015.
- Hjälmered, L (2017) <https://data.riksdagen.se/fil/6160B8DB-6A79-4D67-B5A2-3143921E7462> Accessed 241015.
- Industrirådet (2023) *IndustrialAgreement*. https://www.industriradet.se/wp-content/uploads/Industriavtalet_eng_2023-05-09.pdf Accessed 2025-01-24.
- Johansson, Y (2017) https://www.riksdagen.se/sv/dokument-och-lagar/dokument/skriftlig-fraga/utredning-om-fackliga-stridsatgarder_h4111602/ Accessed 241015
- Metall (2024a) <https://www.ifmetall.se/aktuellt/tesla/> Accessed 2024-08-23
- Metall (2024b) <https://www.ifmetall.se/aktuellt/tesla/darfor-tingas-if-metall-att-strejka/sympatiatgarder-fran-andra-fackforbund> Accessed 240823
- Metall (2024c) <https://www.ifmetall.se/om-oss/vara-kollektivavtal/> Accessed 240823
- TYA (n.d.) <https://www.tya.se/> Accessed 241011.

9 Czechia

Monika Martišková

9.2 Introduction

Within this research, we have conducted 15 interviews with stakeholders and experts from the company to the national level, of which eight were online, and seven were in person. The interviews lasted 40 to 80 minutes, and all except two were recorded. From these, two detailed notes were taken. All interviews were transcribed and coded using the Dedoose program, which allowed for a detailed analysis. It should be noticed that among respondents, there is a disbalance between 11 trade unionists and only three employer representatives interviewed. This was because of the employers' low response rate to our interview request. We compensated for this by adding two additional interviews conducted with employers in automotive and banking in 2022 and 2023, which also tackled sector-level relations. We also conducted two interviews with experts involved mostly in company-level bargaining in different companies, one on the employer and one on the employee side, who provided insightful comments on the topic of trust in collective bargaining negotiations and within trade unions.

Table 9.1 Interviewees: levels and sectors (number of respondents)

Level	Banking & Finance	Metal	Transport	Cross-sectoral	Total
Local Level					
Employee rep.	3	2	1		6
Employer rep.	0	1	0		1
Sectoral Level					
TU official	1	2	2		5
EO official	1	1	0		2
National level					
TU official					
EO official					
Other (Gov./Civ.)		1		1	2
TOTAL	5	7	3	1	16

Interviews were coded in the Dedoose program. A frequency code analysis revealed that respondents mostly talked about their weak trust in opposing representatives (mostly weak trust towards employees), the missing or insufficient sectoral social dialogue, power imbalances that hammered the trust (primarily because of the foreign ownership in banking and automotive) and the role of foreign ownership in their relations. They also highlighted that trust is strongly dependent on personal relations. In the remainder of this report, we explain the context of the respondent's views.

In the interviews, we did not provide respondents with a definition of trust; thus, the understanding of this category could differ. Trust was most often associated with the presence of non-conflictual relations and willingness to share information with the counterpart or with colleagues/members. We also add our interpretation of the absence of collective bargaining as a low level of trust in the institution of collective bargaining.

9.2 Industrial Relations at the national and Sectoral Level

The collective bargaining system in Czechia is predominantly decentralised, with negotiations primarily conducted at the company level. This structure allows individual companies to negotiate specific working conditions directly with their employees or their representatives. While industry-level agreements, known as higher-level collective agreements (HLCAs), exist, they typically serve as frameworks for company-level agreements. They cannot impose conditions less favourable than those established by law (Eurofound, 2024). At the national level, there is a Tripartite body with only a consultation and advisory role towards the government's decision-making.

Over recent decades, there has been a **notable decline in collective bargaining coverage** and trade union density. From 1995 to 2020, collective bargaining coverage decreased from 47% to 33%, while trade union membership dropped from 45% to 11,4% (OECD, 2024). This decline is attributed to factors such as the decentralisation of bargaining and challenges in coordinating pay and working conditions across sectors. (Eurofound, 2024)

In 2023, there were 24 collective agreements at the sector level concluded, of which 17 were signed by the biggest TU confederation Czech-Moravian Trade Union Confederation (Českomoravská konfederace odborových svazů, ČMKOS), and one sector-level agreement was concluded by the member of the second largest peak-level trade union organisation, the Association of Independent Trade Unions (Asociace samostatných odborů České republiky, ASO ČR) and the remaining six were signed by the independent trade unions. (Trexima, 2023). In contrast, **3,611 agreements at the company level** concluded, covering 1,389,199 employees. (Eurofound, 2024). About 4,202 trade union organisations operate at one or sometimes several employers (Trexima, 2023).

In the Czech system, collective bargaining at the sector and company level can be initiated by either employers or trade unions. However, it is predominantly the unions that take the initiative (Veverková, 2021). Recognised union organisations, which require at least three members for legal registration, negotiate with employers or employers' organisations. These negotiations often focus on wages, employee remuneration, and working conditions, with the agreements reached playing a crucial role in supplementing legal protections for employees. (Myant, 2010).

A plurality of trade unions is possible at the company level, and an unlimited number of trade unions can operate at the company level. Until 2024, there was an obligation to act

unanimously towards the employer in the case of multiple unions in one company, which means the employer could conclude one agreement with all trade unions. In some cases, this hampered the negotiations and the conclusion of the collective agreement. In 2025, as part of implementing the EU directive on minimum wages and collective bargaining, the government initiated a change that only the biggest trade union organisation can conclude an agreement if there is no agreement among multiple TU organisations.

In practice, 76% of workplaces report one trade union organisation, while at 11,6%, there are two organisations, and this number slightly increased since 2021 when it was 10%. Moreover, almost 5% of workplaces have three trade union organisations, 1,7% have four of them, and 5,5% have five, which is mostly the case of big employers with several branches (Trexima, 2023).

The non-derogation principle is strictly enforced at all levels, meaning that legislation is the legal minimum, while higher-level collective bargaining can enhance these standards. At the company level, bargaining can either improve the legislation (if no higher-level agreement exists) or build upon the terms established in a sectoral agreement. The rigid application of this principle, combined with the absence of sector-level bargaining, underscores the central role of company-level negotiations in improving working conditions. However, this also results in decentralisation and a lack of higher-level coordination. Consequently, in workplaces without collective agreements—which make up the majority—labour legislation remains the primary framework governing employment conditions.

Protest in the form of a strike is very rare in Czechia for two main reasons: (1) the low trade union power and workers' unwillingness to strike, and (2) strict legislation which effectively prolongs the moment when the strike can be launched after 12 months or more since the collective bargaining negotiations failed. More common are strike alerts, which already attract media attention and help trade unions advance their agenda (Martišková & Šumichrast, 2023)

Industrial relations in banking and finance, metal, and transport

Automotive is of crucial importance for the Czech economy, contributing to 10% of GDP, employing around 140 thousand employees and producing more than one million cars yearly (1,4 million cars in 2023). Czechia hosts three final producers and more than 900 supplier companies that are fully or partially supplying the automotive industry. The majority of the companies are in foreign ownership, which, as shown in this report, represents a specific challenge to collective bargaining.

A relatively strong trade union presence characterises industrial relations compared to other industries, yet bargaining remains highly decentralised, without sector-level coordination. Trade unions in the sector have played a crucial role in securing wage increases and improved working conditions, particularly in major multinational companies. (Martišková et al., 2021).

However, their bargaining power varies significantly depending on company ownership structures, management approaches and position in the value chain. Suppliers and subcontractors tend to offer weaker protections due to lower union density and more precarious employment arrangements. Additionally, the increasing flexibilization of work, the rise of agency employment and the increase of foreign workers pose challenges for collective bargaining, making it harder for unions to maintain influence across the sector.

The Czech **banking** landscape comprises 43 banks and foreign bank branches. Foreign companies dominate the sector; among these, the largest institutions include Česká spořitelna, a.s. (Eset group, Austria, 18% share on the market), Komerční banka, a.s (Societe general, France, 15% share on the market), and ČSOB (KB, Belgium). The sector is highly profitable. Employment within the sector is stable, with 38ths of individuals employed in 2024.

In the sector, there is collective agreement of higher level (sector level) signed between employers' association Union of Banks and Insurance Companies (Svaz bankovníctví a pojišťovnictví SBP) and Trade Union of Workers in Banking and Insurance companies (Odborový svaz pracovníků v pojišťovnictví a peněžnictví – OS PPP) which covers approximately 30 ths employees, thus majority in the sector. The collective agreement regulates minimum wage for the sector and sets framework working conditions, including home office regulation or the right to disconnect, which are above the Labor Code. The last collective agreement was concluded for 5 years from 2021 to 2025.

In the **transport** sector, there are two sector-level trade union organisations that associate drivers. Trade Union of Workers in Transport, Road Management and Automotive Repair of Bohemia and Moravia (Odborový svaz pracovníků dopravy, silničního hospodářství a autoopravárenství Čech a Moravy, DOSIA) organises workers in urban public transportation, along with road construction workers, while Trade union Transport (Odborový svaz doprava, OSD) organises regional public and private transport drivers. Both organisations sign collective agreements at the sector level for the specific branch of workers with employers associated with the Association of Transportation (Svaz dopravy) and, in the case of road construction workers, with the Association of Employers in Construction. In the following text, we concentrate on industrial relations in urban public transport (DOSIA) and regional public transport (OSD). The first is in the competence of cities, and employers are usually owned by municipalities; in the second, regions (at the NUTS3 level) subcontract transportation services from private companies and usually conclude with them 10-year contracts.

9.3 National and sectoral level interactions and trust

In Czechia, there are formal interactions between employers and trade unions at the national level, as well as sector-level interactions in all three studied sectors. There are different dynamics in terms of sector-level bargaining, which functions in the banking sector and in the regional transport sector, while in the case of metal, there is only informal interaction

between social partners and in urban transport, there has been recent deterioration of the social dialogue at the sector level.

In terms of the topics, wage bargaining is considered the most conflictual topic, associated also with the lower level of trust. At the same time, alliances are observed in non-wage topics such as health and safety and reskilling.

Characterising national and/or sectoral level interactions

There is the Tripartite body where social partners at the national level meet and discuss governmental legislative proposals or suggest their own proposals. Given the advisory role of the Tripartite body, social partners mostly address their requests to the government, but the government is not obliged to implement them. The Tripartite also has working groups, where the cooperation is more cooperative than at the main assembly. At the national level, an expert on the government side described the relations of social partners as conflictual and even further deteriorating (#14CZ). This was also confirmed by another expert who assessed the mutual relationship of social partners as conflictual, especially when there is disagreement.

We do not discuss; each time there is disagreement, it is understood as a conflict. (#15CZ)

On the other hand, social partners cooperate on specific topics such as education and employee requalification. For instance, they commonly prepared proposals for dual education legislation and have a common interest in convincing the government to implement it. (Rathouský, 2024). Similarly, in the case of requalification, they demand the government for systemic solutions to allow adults to retrain. On the other hand, there is less agreement about the regulation of foreigner-inflow into the country or over the statutory minimum wage, or minimum wage for foreigners.

Since the 1990s, minimum wage increases have been the subject of negotiations between trade unions and employers at the tripartite level, though the final decision has always rested with the government. As a result, minimum wage adjustments have been highly politicised, with the centre-right government freezing wages between 2007 and 2013. From 2014 onward, however, the minimum wage saw annual increases. In 2024, the regulation of the statutory minimum wage has changed as a result of the implementation of the Directive on Minimum Wages and Collective Bargaining. The government introduced the automatic valorisation mechanism for 2025 and 2026 through the amendment of the Labor Code and the introduction of the new government order no. 285/2024 Coll². The basis for the statutory minimum wage setting is now the prediction of the average wage in the economy for the following year and coefficients set for the minimum wage; for 2025, the minimum wage was set at 42.2% and for 2026, at 43.4%. In the following years, the intention is to reach 47%, but

² <https://www.zakonyprolidi.cz/cs/2024-285> (In Czech)

this has not yet been set in the legislation. The government also cancelled the minimum wage degrees against which the Czech trade unions issued a complaint in September 2024 (ČMKOS, 2024). The reason was the impact on specific professions, such as cashiers or drivers, who had guaranteed minimum wages higher than the statutory minimum. In the section on transportation, we discuss the impact on drivers.

In the **metal sector**, relations at the sector level are characterised by informal or semi-formal interactions, mostly for the information exchange on the developments in the sector. In 2015, OS KOVO and AutoSAP signed a memorandum on cooperation, which established information sharing and exchange on ad hoc topics. At the same time, employers have long declared unwillingness to sign collective agreement for the whole sector (in automotive). The legal dispute over their representativity and, thus, the obligation to bargain was initiated by OS KOVO, and the Supreme Administration Court confirmed the right of AutoSAP not to conclude the collective agreement in 2019 (Koutská, 2019).

Employers associated with AutoSAP continuously reject the possibility of concluding a collective agreement, despite the fact that they identify topics which are of common interest to both parties, such as reskilling and worker retraining due to digitalisation and automatisisation in the sector, but also switch to EVs or EU regulations of decarbonisation. (Martišková, 2024).

Despite the prevalence of informal interactions at the sector level, respondents confirmed that, to some extent they have personal relations and this yields outcomes in the form of mutual information sharing. Both employers and trade unionists mentioned the importance of personal trust in achieving the results of collective bargaining at the company level. However, the stakeholders interact in the form of irregular meetings. In practice, interactions include mutual invitations to organisations' gatherings (e.g., the yearly assemblies or others) and information sharing. For instance, AutoSAP gathers data about wage levels in the sector and shares those with trade union.

Another form of interaction is mutual support in addressing the common demands of the government. For instance, Czech employers opposed the EU's proposal to regulate CO₂ emissions under the EURO 7 norm, arguing that it was not cost-effective. They also urged trade unions to join them in voicing concerns to the government about potential job losses in the sector. Trade unions agree to join the employers' proposal if they regard it as a job-saving initiative (#7CZ).

By their mutual cooperation social partners mostly target ministries and the government. They channel it via tripartite commission through their membership in their respective confederations. For instance, in the topic of reskilling it is Ministry of Labour, where they aim to reform the education system in the country. However, their trust in ability of state representatives is low (#10CZ).

Another form of interaction is ad hoc consultations, which eventually involve interactions with company-level representatives in the case of problems in company-level collective bargaining. However, this is only informal consultation or intermediation and cannot be understood as a significant contribution to collective bargaining spread.

Unlike in the metal sector, in **banking**, there is sector-level collective bargaining, which is understood by both parties as a platform to narrow expectations at the company-level bargaining. There is a sector-level minimum wage agreed upon, which is well above the national minimum wage, reflecting the overall high wages in the sector. The sector-level bargaining is organised once per year over the sector minimum wage and once per 5 years over the whole sectoral agreement. In between, the interactions are irregular (#1CZ).

Despite the existence of collective bargaining at the sector level, the most important impact on working conditions has company-level bargaining. For instance, sector-level agreements also contain provisions that mention the home office, but companies are responsible for its actual regulation. The home office became a subject of negotiations during the COVID-19 pandemic when both social partners recognised it as a topic to be regulated at the sector level. At the company level, employers in the sector are divided into two groups: those that prefer home office presence to workplace presence and prefer to pay workers compensations, and those companies that still keep the premises and require the presence of workers in the offices.

In transportation, while industrial relations are described as cooperative and constructive in the case of regional public transportation, they are deteriorating in the case of urban public transportation. The main reason is that employers in urban public transportation have withdrawn their membership from the Association of Transportation to avoid higher-level collective bargaining and prefer only company-level negotiations. Their attitude towards trade unions is a priori negative; they do not see benefits in cooperation with the trade unions (#12CZ).

We are trying to explain to them there are benefits in mutual cooperation, especially when it comes to targeting ministry, but they refuse to cooperate. (#12CZ)

Another factor identified is the change of managers in the city transport companies who, priori, consider cooperation with trade unions unnecessary. As a result, the collective agreement for urban transport ended in 2024 and was not renewed, confirming the deterioration of social dialogue at the sector level in this branch.

The biggest issue in transportation is the working time arrangement. In public regional transportation, drivers might have several hours of idle time. Thus, there is a huge discrepancy between the time spent in the work and time paid as a working time. There were compensations agreed upon for the idle time, but due to the legislation changes in the minimum wage in 2024, when the Czech government cancelled minimum wage degrees, which were considered higher than the statutory wage minimum for professions with more

responsibilities. For instance, drivers ranged in the 3-5th category, thus having a minimum of 1.3-1.5 of the statutory minimum. The idle compensation was agreed to be paid as 90% of the statutory recognised minimum for drivers, but due to the change, these compensations could not be maintained, and a new mechanism had to be found. For this reason, trade union OSD, employers SD and the Ministry of Transport and regions signed a Memorandum in which they were bound to set another compensation mechanism for idle time for workers in the sector-level collective agreement. Another issue is overtime work, which is also heavily spread in the sector. Trade union representatives in both topics highlighted the low trust in government representatives, also due to the fact that their decisions impact the transportation sector significantly, but social partners are not consulted ahead (#11 CZ, #12 CZ).

On the other hand, there is trust in topics of digitalisation and automatization in the sector, where employers innovate, and workers are able to upskill to meet current needs (#12CZ). Another topic on which employers are in consensus is health and safety, also thanks to the clear regulation with little space to bargain about (#13CZ).

Anchoring trust in institutions and trusting actors

In the **automotive sector**, the institution of collective bargaining is not regarded as important and beneficial for employers, while for trade unions, it represents a tool for better wages and regulation of working conditions. Employers justify their long-term refusal to negotiate a collective agreement by citing the sector's heterogeneity and the better effectiveness of negotiations at the company level. Their trust in sector-level bargaining as an institution is thus limited. Employers' associations are, however, not against collective bargaining; they leave it to the company level. Eventually, but only irregularly, they might intervene in the negotiations. However, in general, they do not publicly comment on or support collective bargaining at the company level. For trade unions, this attitude means that they have to rely on company-level bargaining, which they try to coordinate between trade union organisations by issuing non-binding recommendations for their members, but this is much less efficient than sector-level coordination (#7CZ).

While automotive actors have never signed sector-level agreement, collective agreements used to be concluded **in the transport sector**. However, as already described, urban public transport is experiencing the deterioration of collective bargaining, which again can be interpreted as decreasing trust in the institution of bargaining on the employers' side.

In the **banking sector**, there is a sector-level agreement. Thus, it might seem that the institution of collective bargaining is much more appreciated by both employers and employee representatives. We can confirm the employers' side only from the older interview in 2022 when the representative claimed that they understand the sector-level collective agreement as a constitution valid for the whole sector, not only banking but also insurance companies, contributing to the stability of the finance sector in Czechia (#9CZ).

The broader context of institutional trust was reflected by trade union representatives from the perspective of trust in courts, labour inspectorates and OSH controllers. In the case of courts, lengthy procedures discourage the legal action of employees against their employers. A typical example is the layoff without a legal basis, in which the worker usually wins the court, but the decision comes two or three years after it was submitted, which is too late for the worker to receive the compensation (#7CZ). In the case of labour inspectorates, it is their limited capacity and low fees in the case of rules betrayal. Similarly, OSH offices suffer from low capacity, and their approach in different regions differs, which further decreases their reliability (#7CZ).

Effects of trust according to national and/or sectoral level actors

The existence of partial personal trust between the social partners at the sector level in **automotive** might slightly improve the social dialogue and the collective bargaining coverage. However, the low trust in the institution of collective bargaining leads to inefficiencies in collective bargaining gains and heterogeneous working conditions in the sector. For instance, one respondent mentioned that even 5 weeks of holidays (instead of 4 as a legal minimum) is impossible to agree on at the sector level, even though the majority of companies offer this benefit to their employees (#7CZ).

On the other hand, if trust exists between social partners, the experience is that the negotiation lasts a shorter time and is more efficient. The efficiency is also given by the fact that they share information about their bargaining positions easily and thus know what the limits are on both sides sooner (#7CZ).

In the **banking sector**, the sector-level collective agreement regulates working conditions only generally, while the most important provisions are bargained at the company level. The minimum sector wage, despite being set higher than the statutory minimum, is relatively low since the lowest wages in the banking sector are twice higher than the minimum agreed in the collective agreement (#4CZ). This reflects the smaller companies in the sector, which also have significantly lower wages than the big players. This suggests that even though there is coordination in the sector, the actual gains for workers are limited. Nevertheless, the existence of trust between social partners is appreciated and was not questioned by our respondents.

The lack of trust in **the urban public transport** sector means there has been collective bargaining present only at the company level since 2025. For trade unions, it means more work as they try to help individually to their member organisations in collective bargaining (#13CZ). They interpret it as trust deterioration towards the institution of sector-level bargaining and, at the same time, as an abuse of the powers of employers (ibid). They point out that at the company level, trade unions are much weaker due to the unequal position of workers who bargain with their employers.

Dimensions and bases of trust at national/sectoral levels

Personalities and attitudes matter both at the company and sector level in building trust in all studied sectors. In banking, the willingness to conclude an agreement is understood as a positive attribute to the institution of collective bargaining, increasing the trustworthiness of the opposite party. The positive attitude to sector-level bargaining also enhances trust among social partners, and their trust can be assessed as **relation-based trust**. Trust is built on positive past experiences, and confidentiality is highly emphasised in negotiations. On the other hand, keeping information prevents its sharing among trade union colleagues, which does not help the coordination at the company level, nor does it help the sharing of negotiation tactics at the sector level.

Contrary to banking, transportation trade unions do not regard strikes as a trust-deteriorating event but as a regular tool for workers to meet their needs. Strikes, however, do not occur often in the sector and are mostly at the local level. In the sector of public urban transportation, the deterioration of social dialogue is attributed to negative attitudes toward collective bargaining on the employers' side. The relations in the transport sector are mostly based on **knowledge-based trust**, emphasising the importance of rules and agreements. Trade unions emphasised that their knowledge of health and safety regulations of regulation of working conditions is determining the topics and relations in the negotiations.

In the automotive sector, we mostly observe **calculus-based trust** between social partners due to purposeful interactions in the form of ad hoc cooperation, mostly when articulating a common interest towards the government or the European Commission. Other interactions are ad hoc and based on informal relations.

9.4 Local level interactions and trust

In this part, we build on company case studies, which offer insights into the company-level relationships. The diversity of the company-level interactions can hardly be captured by only five case studies (one in automotive and transport and three in banking). Thus, we also rely on sector-level representatives' observations towards company-level industrial relations. We point out the role of foreign ownership in building relationships in banking and automotive with a significant presence of foreign capital. We also analyse the role of trust in the conflict and, thus, to what extent trust and conflict are connected.

Characterising local-level interactions

In the interviewed company in the **metal** sector, the social dialogue usually encompasses meetings with employees and management representatives regularly over day-to-day issues and negotiations over collective agreement once a year. The regularity of the meetings with management and employee representatives improves communication and builds trust

between participants (#8CZ, #5CZ). Topics such as employment relations, changes in production, operational issues or any other topic that is brought to the table are discussed there.

Collective bargaining, on the other hand, has specifically defined topics related to working conditions, of which the most important remains the wage increase. This was especially highlighted by the trade union (#5CZ). In contrast, employers expressed reservations about this tactic. In the interviewed company, the HR manager expressed a disbalance between employees' requests and what they offer for it:

They only asked for money, but the management asked what they offered me back. We struggle with absenteeism, and we need to keep occupation and safety regulations, but trade unions in the bargaining did not offer anything to improve but only articulated the need for increased wages. (#8CZ)

The interviewed company was one of the few that experienced a strike at the company level in recent years. Both trade union and employer representatives mentioned that after the strike, relations improved, and the level of trust increased. Trade unions interpret this as gaining the respect of employers, showing them that employees, if not listened to, have the power to raise their voices (#5CZ). HR manager, on the other hand, regarded the situation as narrowing down the expectations of the management and trade union and aligning with the local culture (#8CZ). Both sides used intermediaries to negotiate the conflict. According to the expert, the conflict was mostly accounted for by different culture of foreign management (#15CZ).

In **banking**, we build our evidence on three interviews with trade unions in three different companies in the banking sector. In each of them, collective bargaining is held regularly, and the relationship with the employer is described as constructive. Also, all confirmed that personalities are crucial for better results and that personal relations are the most important. Given the fact that all three companies are owned by foreign capital, the question of language and cultural proximity was also mentioned as important in building trustful relations with the managers, with the preference for local (Czech speaking) management (#2CZ, #3CZ, #4CZ).

Social dialogue at the company level is usually regular, dealing with day-to-day issues such as employment relations and measures to improve health and safety. Relations are less conflictual when trade unionists' requests do not require additional spending (#4CZ). Collective bargaining at the company level concerns not only wages but also other aspects concerning the home office, health and safety regulations, or compensation for damaged equipment provided to employees. According to trade union representatives, it is easier to reach agreements over non-wage topics, such as health and safety measures, especially if those do not imply any additional costs (#4CZ).

Compared to the metal sector, in banking, the strike is understood as the absolute deal breaker. To demonstrate the stake, there was a strike in the bank in Slovakia that operates also in Czechia. The trade union in the Czech branch of that company mentioned that this

event partially deteriorated the trust of the Czech management towards the Czech trade union when it took some effort to explain to the management that the Czech trade union would not protest like their colleagues in a neighbouring country (#3CZ). However, in another bank, trade unionist regarded strike as a valid option and a part of the industrial relations, if necessary (#4CZ). Nevertheless, engaging workers in strike participation remains complicated, and strikes never happened in the banking sector (#4CZ).

The case study in **transport** covers the urban public sector company employing 11 the employees and having more than 20 trade union organisations. This is because of the different branches and services the company offers. Despite the high number of organisations, there is one company-level collective agreement that is regularly concluded between all trade union organisations and the management. Trade unions cooperate since the legislation requires a unified approach for all trade union organisations in the workplace. Since 2025, the legislation has allowed for the biggest organisation, in terms of the number of members, to conclude the agreement if not all trade unions agree. This may change company-level industrial relations in the future.

Relations at this company are described as constructive, with a strong emphasis on following the set rules and standards. For this reason, personal relations do not play a significant role here, and more emphasis is put on the definition of rules and maintenance in the company (#13CZ). Topics that dominate the interaction are related to health and safety and wages. The strike is regarded by the trade union representative as a tool to advance working conditions, but similar to banking, much emphasis is put on specific company rules and standards that need to be aligned with employees' needs (#13CZ).

Anchoring trust in higher-level institutions

In the case of the **metal sector**, trade unionists from the company level expressed a high level of trust in sector-level organisation. Trade union OS KOVO provides legal services and, in many cases, supports unionists in collective bargaining by either consulting the tactics and demands or by direct participation in collective bargaining. In the case of employers, there is little cooperation with the sector-level organisation on the issues related to social dialogue and collective bargaining. This is because of the autonomy of employers, they do not need to share the information with the employers' association. Instead, in the case of conflict, they rely on the private services of experts on collective bargaining or on law experts. This form of professionalisation of collective bargaining was observed as an increasing trend in the sector (#15CZ).

Among unionists from **banking**, the opinions on sector-level bargaining diverged. While some appreciated better negotiations at the company level, thanks to finetuning positions during the sector-level bargaining, others suggested that employers use sector-level bargaining to limit the competitive pressures on the labour market by keeping the wage levels similar across the sector. As a trade union representative confirmed, the difference in wages between

the banks is low, and they mostly differ in benefits with which they try to attract employees (#1CZ). Moreover, trust in sector-level negotiations is hampered by limited internal discussion prior to negotiations and limited information sharing during the negotiations (#4CZ). On the other hand, the mere existence of collective bargaining at the sector level was appreciated by the respondents, acknowledging that this is rare in the Czech context.

In **transport**, sector-level bargaining was regarded by company-level representatives as “something completely different” compared to company level bargaining because of dealing with different issues and topics (#13CZ).

Effects of trust according to local level actors

In the case study in the **metal** sector, the improvement of social dialogue at the company level led to improved working conditions and wages and their regular increase. At the same time, less was gained in terms of absenteeism or other topics that are in the interest of the employer (#8CZ).

In the **banking** sector, respondents confirmed that well established social dialogue is beneficial for employees. Especially the good interaction between the sector and company level was highlighted as beneficial for employees. For local-level actors, it is important to see what is in the sector-level agreement as they can see what the starting point for company-level bargaining is. Mutual communication among trade unions from different companies is beneficial as well. They share their demands and type of benefits for employees and thus spread the knowledge and demands across the sector, and at some point, this demand enters the sector level bargaining to set it up for the whole sector, such as the case with home office regulation (#1CZ).

In **transport**, respondents mostly highlighted the effects of distrust in the part of the sector where the sector-level bargaining deteriorates. In effect, trade unions have more work to coordinate via company-level bargaining. The level of distrust varied with the individual employers, in extreme cases, the sector-level union representatives were denied access to company-level bargaining. In that case, they wait outside the room and wait for the timeout to advise the negotiators, which makes the negotiations inefficient (#12CZ).

Interestingly, also organizing activities were mentioned in the interviews as conflictual activity at the company level across all sectors, and some unionists abandoned organizing activities in order to keep good relations with the employer (#6CZ).

Dimensions and bases of trust at the local level

At the company level, the trade union representatives in **automotive** emphasised personal trust as crucial. On the other hand, an expert engaged in negotiations on the employers' side perceived it differently, emphasising that in the case of multinational corporations, managers

have a set budget for wage bargaining, and thus, it is not that much dependent on personal relations but on the limits set at the corporate level.

For trade unionists, the major issue in the case of foreign-owned companies in automotive is the turnover of the management, which might change often, or if the company is sold to a new owner. In that case, respondents emphasised that the relations have to be built from scratch.

The best case is when the manager knows well the unionist, and they sit privately and show each other cards. (#7CZ)

But as emphasized by the expert, in many multinationals, personal directors/HR managers are also employees and there is not negotiation with the owner, but between employees. HR managers have instructions over the budget and thus personal relations can't play that significant role (#15CZ).

Trust is also developed throughout time; the more collective agreements are signed, the better the relationship. This is attributed mostly to increased trust between the partners. In the specific case of the company that experienced the strike, this exceptional event led to an increase in trust, mostly because of the intensified social dialogue and understanding of each other's preferences and demands after several years of conflict (#8CZ, #5CZ).

At the company level in the metal sector, we observe that most of the social dialogue is based on **deterrence-based trust**, which is when companies are obliged to negotiate due to legal obligations. **Inequal power relations** play a significant role here, with unionists suffering from significant information asymmetry about the budget constraints set by the management at the corporate level months ahead of the bargaining (#15CZ). This, however, does not have to be the case for all companies, as the landscape of company-level bargaining is more diverse, and some companies may experience knowledge-based or even relational trust, which would be the cases when management recognises the value added of the social dialogue at the company level and where unions operate for decades.

In the **banking sector**, personal relations were also emphasised as important, along with the cultural background of the managers. In one of the banks, the social dialogue improved after the management change, accounting mostly for the language proximity and better understanding of industrial relations system in Czechia. This does not mean significant gains for workers but rather a better atmosphere and dialogue between social partners (#4CZ). Thus, trust in banking case studies is mostly relational.

In contrast, **in transportation**, at the company level, the rules were mostly emphasised as crucial, while personalities were not regarded as the most important factor of trustful relations. Here, the belief in legislation was emphasised as crucial to keep the complex system of transportation fair to all employees, suggesting that knowledge-based trust plays a significant role in this case.

The role of foreign ownership

In the interviews in banking and automotive, **foreign ownership was highlighted as a factor that influences trust at the company level** in at least four ways:

One relates to cultural and language differences, mostly referring to the ability to understand needs and requests mutually. This is visible in the case study in automotive, where the strike was attributed to the management not being willing to discuss the trade union's requests and, in banking, suggesting better communication with the local management.

Second, in banking, the obvious was the big managerial differences between the different owners. While in the bank owned by the corporation from country A, the negotiations are difficult, and they meet even 10 times, but nothing changes, while in the bank owned by the corporation from country B, it is much easier to set the agreement (#1CZ)

The third aspect is related to the fact that the branches of multinationals have limited budgets for wage increases from their mother company, and thus, the budget is set before the bargaining enrols. This means that the negotiation is then limited to the split of this budget but not its actual size, and it cannot reflect, for instance, last year's profits, etc. The expert regards this as *virtual bargaining*, showing the power disbalance from which employers are profiting.

Fourth, an aspect highlighted in banking was that industrial relations in the mother countries influence the bank's decisions on wage allocation based on the sector-level agreement, while in Czechia, the negotiations are only at the company level, and employees are thus in a weaker position. In effect, in the mother countries, there is wage indexation in the collective agreements, while in the Czech banks, the wage indexation is rarely in the provisions, and employers refused to include it in the sector-level agreement (#1CZ).

Intra-actor and inter-actor trust

Across the interviews, high trust in own representatives and members was identified in the trade union organisations. On the member's side, it was the trust in a sector-level trade union organisation as an institution that offers good quality services and stands for workers in the case of need. Legal services for the members were especially appreciated, often beyond the defence of employment rights, encompassing a broader defence of civil rights. On the side of sector union representatives, it was a trust in company-level representatives and an effort to help them in negotiations, recognising the power imbalances when negotiating with the employers.

In banking, we observe diverged opinions in terms of the trustfulness between company and sector-level representatives. On the one hand, there is an appreciation of the coordinated bargaining and information sharing among unionists (#2CZ); on the other hand, there is disagreement about the extent of information which sector-level trade union representatives

share during the negotiating sector agreement, but also to what extent to share the information from ongoing negotiations with employees (#4CZ). Here, the preference to build trustful relations with the employer was prioritised over information sharing with companions in the trade union. However, respondents perceived the information sharing across companies to be beneficial.

In contrast to high trust in one's own associates, trustful relations with counterparts were much less present. Even in the case of transport, where the sector collective agreement is signed for regional transport workers, the relationship with the employer was assessed as neutral. Only in the banking sector was the trust in the direct counterpart higher. Low trust in employers was associated with significant power imbalances, recognising the high disproportionality in information and knowledge of negotiation techniques in the metal and banking sectors. As a response, the professionalisation of the negotiators was a recognised trend in automotive, but on the trade unions' side, the limited personal and financial capacities prevented the effort to counterbalance the employer's power.

9.5 Conclusions

In the metal sector, we observe the lack of institutional trust as the main reason why sector-level bargaining is not present. **Institutional trust** can be assessed by whether actors choose to engage in the relationship or not (Rus and Iglič 2005, cited in Deliverable 2.1.). Since, in the case of automotive industry stakeholders, the level of engagement remains such that collective bargaining is refused from the employer's side, this can be interpreted as the low level of institutional trust in this sector.

Based on the forms of cooperation described between the social partners from the metal industry, we assess their relations as **deterrence-based trust** within the context of low trust in institutions. This yields no interest in collective bargaining on the employer's side, while their preference is on the trade unions' side. Collective bargaining is then present at the company level, which is also required by the legislation if trade unions at the workplace are present and demand bargaining. The power disbalance between trade unions and employers is obvious here, further deteriorating the trust-building mechanisms.

In banking, we can talk about a higher level of trust in the institution of collective bargaining as the social partners engage in social dialogue. Also, new topics such as home office regulation have appeared there, suggesting that it is a vivid tool for addressing issues in the sector. Thus, it suggests that social partners are closer to **knowledge-based** trust, which both sides recognise as knowledgeable counterparts relevant to pursuing interests in mutual negotiations.

Table 9.2 Summary of types of trust across the sectors

Sector	Type of trust	Case details
Metal	Deterrence-based trust	Employers engage in interaction with employers only when needed (projects and common positions towards EU policies)
Banking	Knowledge-based trust	Employers and trade union engage in negotiations regularly and with an effort to regulate wages and working conditions in the sector.
Transport Regional public transportation	Calculus-based trust	There is an effort to coordinate at the sector level, but also to address the ministry, when a unified approach of social partners, they got more attention from the ministry and gain more.
Transport Urban public transportation	Deterrence-based trust	Collective bargaining only at the company level since 2025 and, in some cases, hostile employers.

Source: own compilation based on the interviews

Interestingly, while both banking and automotive are dominated by foreign capital, this yields different results in terms of engagement in social dialogue. Here, we observe a different level of trust in the institution of collective bargaining. The most differentiating factor is the number of companies and the presence of the “value chains” in the specific sectors. While in banking, there are several big companies employing thousands of workers competing with each other horizontally, in the automotive, there is also vertical coordination through supplier chains and highly hierarchical powers and resources, which mirrors the wage levels. This prevents coordination on the employers’ side and decreases the trust in institutions of collective bargaining as an effective mechanism for narrowing the competitive environment in the sector.

In the transport sector, we followed two different subsectors where we found different types of trust. While in the regional transportation the calculus- based trust was based on the understanding that the common approach yields better results for the sector regulation, in the case of urban transport the deterrence-based trust was identified at the sector level. We summarize the results in the Table 9.2.

References

- ČMKOS. (2024). Zrušení zaručených mezd. Podali jsme stížnost! ČMKOS. <https://www.cmkos.cz/17113/zruseni-zarucenych-mezd-podali-jsme-stiznost/>
- Eurofound. (2024). Working life in Czechia | European Foundation for the Improvement of Living and Working Conditions. <https://www.eurofound.europa.eu/en/resources/article/2024/working-life-czechia>
- Koutská, D. (2019, December 11). NSS k vyjednávání o uzavření kolektivní smlouvy vyššího stupně. Advokátní deník. <https://advokatnidenik.cz/2019/12/11/vyjednavani-o-kolektivni-smlouve-vyssiho-stupne-je-zalozeno-na-principu-dobrovolnosti/>
- Martišková, M. (2024). BARMETAL: Digitalisation, Automatisisation and Decarbonisation: Opportunity for Strengthening Collective Bargaining in the Metal Sector: Czechia Policy Report. <https://www.celsi.sk/sk/publikacie/vyskumny-clanok/detail/298/barmetal-digitalisation-automatisation-and-decarbonisation-opportunity-for-strengthening-collective-bargaining-in-the-metal-sector-czechia-policy-report/>
- Martišková, M., Kahancová, M., & Kostolný, J. (2021). Negotiating wage (in)equality: Changing union strategies in high-wage and low-wage sectors in Czechia and Slovakia. *Transfer: European Review of Labour and Research*, 27(1), 75-96. <https://doi.org/10.1177/1024258921995363>
- Martišková, M., & Šumichrast, A. (2023). Chapter 7 Czechia: Trade unions escaping marginalization. In *Trade unions in the European Union*. Editors: Jeremy Waddington, Torsten Müller, Kurt Vandaele. Peter Lang. https://www.etui.org/sites/default/files/2023-06/Chapter7_Czechia_Trade%20unions%20escaping%20marginalization_2023.pdf
- Myant, M. (2010). Trade unions in the Czech Republic | etui. European Trade Union Institute. <https://www.etui.org/publications/reports/trade-unions-in-the-czech-republic>
- OECD. (2024). OECD Data Explorer ▪ Trade union density [Dataset]. [https://data-explorer.oecd.org/vis?df\[ds\]=DisseminateFinalDMZ&df\[id\]=DSD_TUD_CBC%40DF_TUD&df\[ag\]=OECD.ELS.SAE&df\[vs\]=1.0&dq=..&pd=2000%2C&to\[TIME_PERIOD\]=false&ly\[cl\]=TIME_PERIOD&ly\[rs\]=REF_AREA&vw=tb](https://data-explorer.oecd.org/vis?df[ds]=DisseminateFinalDMZ&df[id]=DSD_TUD_CBC%40DF_TUD&df[ag]=OECD.ELS.SAE&df[vs]=1.0&dq=..&pd=2000%2C&to[TIME_PERIOD]=false&ly[cl]=TIME_PERIOD&ly[rs]=REF_AREA&vw=tb)
- Rathouský, M. (2024). SYSTÉM DUÁLNÍHO VZDĚLÁVÁNÍ -NÁVRHY A MOŽNOSTI UPLATNĚNÍ V PODMÍNKÁCH ČR. <https://pyramidasocial.cz/f/13b7c31d-4f0b-4b2d-891f-1133b214c401>
- Trexima. (2023). Výsledky kolektivního vyjednávání a benefity [Results of collective bargaining and benefits]. <https://www.cmkos.cz/hotothur/2024/08/Vysledky-KV-a-benefit-2023.pdf>
- Veverková, S. (2021). Enhancing the social partners and social dialogue in the new world of work in the Czech Republic. In *The New World of Work* (pp. 155-187). Edward Elgar Publishing. <https://www.elgaronline.com/edcollchap-oa/edcoll/9781800888043/9781800888043.00010.xml>

10 Slovakia

Adam Šumichrast

10.1 Introduction

This report is based on 1) Desk research of data such as reports, webpages, and previous research; 2) 14 interviews from 2024 and 2025 with representatives from trade unions (TU) and employer organisations (EO), and in one case, a regional actor at the national, sectoral, and local levels in the three sectors (Table 10.1). Two interviews were conducted in person, two in written form, and the rest digitally, mainly via Zoom. The interviews lasted 38-71 minutes, were recorded, and transcribed.

Table 10.1 Interviewees: levels and sectors (no. of respondents)

Level		Banking & Finance	Metal	Transport	Cross-sectoral	Total
Local	Level					
	Employee rep.	1	1	1		
	Employer rep.	1	1			
Sectoral	Level					
	TU official	1	(1*)	1*		
	EO official	1	1	1		
National	Level					
	TU official				2	
	EO official				1	
	Other (Gov./Civ.)				1	
TOTAL		4	3	3	4	14

*This interviewee represented both metal and transport (only counted in transport totals)

Besides the national level, where the largest trade union confederation in Slovakia and one of the largest employer organizations were approached, we recruited two representatives from the main trade unions involved at the sectoral and local company levels for each sector. On the employer side, we recruited local HR professionals and/or managers, as well as sectoral employer organizations. For confidentiality reasons, we refer to the interviewees as (#1 SK), (#2 SK), etc., and have chosen not to link specific representatives to the selected sectors.

10.2 Industrial relations at national and sectoral level

Slovakia is central European post-state socialist country and since its independence status from 1993 it has gone through several changes and important stages. Slovakia has undergone significant transformation to a capitalist market system, and from late 90s and early 2000s Slovakia embraced foreign direct investment (FDI), becoming heavily reliant on multinational

manufacturing and retail companies, particularly in low-cost, low-skill assembly operations. This dependence has characterized Slovakia as a "dependent market economy," with limited domestic decision-making and creativity in production (Šumichrast and Bors, 2023, 71). From industrial relations perspective, Slovakia is classified as an "embedded neoliberal regime," which is characterized by a permanent search for compromises between market transformation and social cohesion (Bohle and Greskovits 2012).

Slovak trade unions, while firmly established as legitimate representatives of workers' interests at both enterprise and industry levels, operate within a legal framework that deeply embeds their institutional powers. However, they frequently face criticism for being influenced by party politics and business interests. The unions' structure remains relatively transparent and not highly fragmented, although fragmentation has been on the rise over the past decade. Their organization, influence, and access to power are largely shaped by legally defined representativeness criteria.

A pivotal amendment to the Labour Code and the Act on Tripartite in 2021 expanded access to national tripartism, allowing unions that do not meet the 100,000-member threshold to participate. This legislative shift has effectively introduced a forced pluralism into the tripartite negotiations. The Confederation of trade unions of Slovak republic (Konfederácia odborových zväzov Slovenskej republiky, KOZ SR) remains the largest and dominant confederation of twenty-four independent trade unions. Prior to the 2021 legislative amendment, KOZ SR was the sole trade union confederation meeting the legal representativeness criteria for national tripartism. However, the landscape has since shifted, with newer and independent trade unions forming the Joint Trade Unions of Slovakia (Spoločné odbory Slovenska, SOS) in 2018. Despite failing to meet the official representativeness criteria, SOS has been participating in tripartism negotiations since 2021 (Kahancová-Uhlerová 2023, 949-951).

On the employers' side, four entities are represented in the tripartite negotiations. The Association of Industrial Unions and Transport (Asociácia priemyselných zväzov a dopravy, APZD) primarily covers the industrial sector, including multinational corporations in the automotive industry and sectors such as construction. The Republic Union of Employers (Republiková únia zamestnávateľov, RÚZ) has a strong presence of Slovak companies, including shared service centers and retail businesses. The Association of Employer Unions and Associations (Asociácia zamestnávateľských zväzov a združení SR, AZZZ) mainly represents smaller enterprises. Additionally, the Association of Towns and Municipalities of Slovakia also effectively stands on the employers' side.

Collective bargaining in Slovakia plays a crucial role in shaping labour relations, yet it remains highly fragmented. The Labour Code grants employees the right to collective bargaining under Act No. 2/1991, with agreements negotiated at both company and sectoral levels. However, most agreements are concluded at the company level, leading to significant wage disparities—especially between the well-covered public and manufacturing sectors and the lagging service and retail industries. Currently, Slovakia has around 18 sectoral agreements,

primarily covering public sector employees and key manufacturing industries such as engineering and metallurgy. However, collective bargaining coverage is only 25%, far below the European directive on adequate minimum wages target of 80%. Since the 1990s, coverage has steadily declined due to falling union density, deindustrialization, privatization, and decentralized bargaining.

Industrial relations and social dialogue in Slovakia have been influenced by political cycles, particularly the alternation of right-wing and left-wing governments. Right-wing liberal governments in the early 2000s imposed austerity measures, prompting trade union-led protests against wage and welfare restrictions. As political shifts occurred, labour activism adapted, with left-leaning governments providing more space for negotiation, while conservative and populist administrations often forced unions into a defensive position (Navrátil et al. 2025).

Industrial relations in banking & finance, metal, and public transport

The three sectors exhibit significant differences. In Slovakia, which remains a relatively industrialized country and was even more so following its establishment in 1993, manufacturing industries has traditionally been a sector where collective bargaining has operated, including at the sectoral level. However, in recent years, the level of sectoral bargaining has been deteriorating. Increasing complications arise as employers increasingly resist sectoral collective bargaining.

Sectoral-level collective bargaining now occurs only in certain subsectors of the metal industry and the Slovak context, a relatively high number of higher-level collective agreements are negotiated, covering the electrotechnical, metallurgical, engineering, and glass industries. A distinctive feature is that the metalworkers' trade union OZ KOVO, as the largest trade union in Slovakia, also attracts members from other sectors. As a result, it currently represents public road transport workers and certain areas of the retail sector. Additionally, OZ KOVO participates in the negotiation of collective agreements for firefighters as well as for public and civil service employees.

Despite Slovakia's status as an "automotive powerhouse," higher-level collective bargaining does not occur in the automotive sector. While partially covered by the engineering industry agreement, employers have long resisted sectoral bargaining and ignored OZ KOVO's proposals. OZ KOVO's automotive commission continues efforts to engage employers, without success (#4 SK). Slovakia has four car manufacturers (with one in development) and over 350 suppliers. In 2020, the sector employed 125,100 people (5% of total employment) and produced 1.35 million vehicles in 2020. Slovakia is the leader in car production per capita (Šumichrast and Bors 2023, 74).

In the public road transport sector, the Independent Trade Union of Public Road Transport ceased to exist in 2008, as it merged with OZ KOVO. This process suppressed sectoral

bargaining in road transport for several years, and although it was later revived, significant regional disparities in wages emerged during this period (#4 SK). The last higher-level collective agreement was negotiated for 2019. In 2020, a change in the statutes of the employers' association led to the termination of negotiations, and this situation persists to this day. Similarly, the presence of trade unions and dialogue at the company level in the public road transport sector, like in the metal sector, has been long-established, making it a traditional industry from this perspective. Another complicating factor for the sector is the involvement of a third player – local governments, which influence financial decision-making. These finances, in turn, are dependent on state funding, creating a complex conglomerate of relationships.

The banking sector has the shortest tradition of social dialogue and collective bargaining compared to other industries. Social dialogue in the sector no longer exists in Slovakia; it ceased after the Trade Union of Banks and Insurance Companies and the Slovak Bank Association (SBA) removed collective bargaining from the SBA's statutes in 2016. There are no meetings between these organizations (SBA and the Slovak Association of Insurance Companies) in any forum, nor is there any discussion outside of them. Trade union efforts to restore social dialogue—directed at the SBA, the management of individual banks in Slovakia, Slovak employer organizations, their foreign management, and European banking associations—have remained unanswered (#8 SK).

10.3 National and sectoral level interactions and trust

This section looks at how social partners interact and build (or fail to build) trust at both the national and sectoral levels in Slovakia. While cooperation at the national level benefits from established structures, a relatively stable tripartite framework, and personal continuity among key actors, developments at the sectoral level paint a more fragmented and inconsistent picture. Industrial relations vary significantly between sectors such as metal, public transport, and banking—each shaped by its own history, institutional landscape, and practical constraints. In some sectors, traditions of bargaining still persist, while in others, dialogue has broken down entirely or remains largely symbolic. Broader economic changes, shifting employer strategies, and political developments have all played a role in shaping these varying trajectories. The sections that follow explore these dynamics in more depth, outlining how trust is formed, challenged, or eroded across different levels and sectors of Slovakia's industrial relations system.

Characterizing national and sectoral level interactions

At the national level, social partners are influenced by two opposing factors. On one hand, social dialogue has functioned in a relatively stable manner since its foundations were established after the Velvet Revolution, even before the dissolution of Czechoslovakia. On the other hand, the functioning of tripartism has been significantly shaped by different

governments, particularly along the left-right political spectrum. These political shifts have tended to steer tripartite relations in different directions—governments on the left have generally been more open to union involvement, while centre-right administrations have often leaned more towards employer interests. While natural antagonisms persist, recent years have seen a certain harmonization of relations between trade unions and employer organizations, supported by their representatives (#1 SK; #2 SK). A contributing factor was the leadership change within the KOZ SR in 2021 (#1 SK). This change, combined with a more pragmatic approach on both sides, has helped stabilize national-level dialogue despite ongoing political variability. Tripartite negotiations have recently been substantive, professional, and argument-based, operating within established structures. However, challenges often stem from the government's stance—most notably in 2020, when trade unions withdrew from tripartite talks after the centre-right government, in agreement with employers, reduced the minimum wage calculation threshold from 60% to 57% of the average national wage. Recently, however, a unifying factor between trade unions and employers has been their joint opposition to government efforts to fast-track legislation through parliament, bypassing standard mechanisms, including social partner participation.

Despite relatively good relations at the national level, reaching an agreement on the minimum wage remains challenging. The only historic agreement between trade unions and employers on the minimum wage was achieved in 2022. Trade unions traditionally advocate for the highest possible minimum wage, while employers push for lower levels. An even greater point of contention is the linkage of night and weekend work bonuses to the minimum wage (#2 SK).

Representatives of sectoral unions also participate at the tripartite level, and in addition to the tripartite negotiations, ad hoc working groups, advisory committees, and sectoral Tripartite forum also function, although the standardized format is the primary structure and holds the most influence, with others being supplementary. Furthermore, several sectoral Tripartite forums have already been dissolved. For example, in the transport sector, the ministry coordinates the process, involving railway workers, and there is mutual information exchange on the situation and discussions on legislative proposals, but no formal negotiations—just an advisory body (#6 SK). In the early 2010s, also an informal "industrial tripartite" declaration of cooperation existed for a while, but it never became legally formalized. After approximately three years, it ceased to function due to a lack of trust between social partners and vastly differing views on what should be prioritized (#4 SK).

Dimensions and bases of trust at national level

Institutional-based aspects of trust are important at the national level. The system of tripartite functioning and its clear rules and framework contribute to this, including the composition of the parties involved. The employers' side is more heterogeneous in this regard. There is cooperation and agreement on fundamental issues, but since each representative

represents a slightly different segment and, in terms of numbers, businesses of varying sizes, there are also differing perspectives on certain matters (#2 SK).

Respondents confirmed that tripartite negotiations are conducted in a professional manner, with emotional outbursts being rare. Whenever possible (except for typically contentious issues such as the mentioned minimum wage), the discussions aim at presenting positions in a non-conflictual way (#1 SK, #2 SK, #4 SK). The fundamental basis for building trust is a simple rule: "Trust works when the rules are followed" (#2 SK). In this sense, a helpful factor is that the people involved have been stable in recent years, and from a personal perspective, the relationships are normal. The change in leadership of the KOZ SR in 2022 also contributed to this. However, social partners are aware of their positions and the different interests they represent. It is not just about personal preferences; they act with the mandate of their respective organizations (#1 SK, #2 SK). However, a critical view has also emerged regarding tripartite negotiations, namely that the process often lacks genuine dialogue and results in little constructive exchange of ideas (#4 SK).

Sectoral level interaction and trust

In contrast to the national level, where trust and cooperation can be observed, the situation at the sectoral level is quite the opposite. Industrial relations in Slovakia are not built on the dominant position of sectoral bargaining, which is reflected in the lower level of trust at this level. There is still limited trust, and ideological differences remain a challenge. Employers often see unions as a problem rather than a partner. They feel unions are radical, they put too much pressure on wages, the unions have been accused of a radical, class approach.

From an industrial relations perspective, union organization has been steadily declining, and although it has stabilized in recent years, when employers perceive that unions are weak, there is no pressure to negotiate, and no relationships are formed. As a result, trust cannot be built according to trade union representatives. The issue is that it is not a mobilizing topic even for trade unions (#3 SK). Among union members, there is sometimes noticeable scepticism towards sectoral bargaining, with more importance placed on negotiations at the company level (#1 SK). They also acknowledge that even existing sectoral bargaining is more formal and has a limited real impact, especially when it comes to provisions in favour of workers. If it exists at all, it is perceived as supplementary; this is how even ordinary union members perceive it (#4 SK). Building trust within the union ranks is a fundamental challenge, with internal communication often cited as a barrier. Rank-and-file union members frequently feel disconnected from higher levels of union leadership, which leads to a lack of trust in the unions' ability to represent their interests (#3 SK).

As the research indicates, sectoral collective bargaining helps unions retain control over working conditions and maintain their bargaining power. It ensures transparency within unions, reduces conflicts, and creates stable conditions for their operations. Through sectoral bargaining, unions can improve their leadership and negotiation skills, taking on greater

responsibility for decisions that impact millions of workers. This role places unions as key political and societal actors, contributing to labour market governance and democracy (Ceccon et al. 2023, 33-34). Furthermore, achieving the goal of 80% collective bargaining coverage, as outlined in the Directive on Adequate Minimum Wages, will be impossible without strengthening sectoral collective bargaining.

The biggest issue has been, and continues to be, wage-related matters. This was particularly the case because sectoral bargaining in the observed sectors ended precisely over this issue. As mentioned earlier, with the exception of a few subsectors within the metal sector, bargaining does not take place in the largest and most important industrial area, the automotive sector, nor in banking and finance, or in the public road transport sector. This has also strained personal relationships among the various stakeholders. In the last-mentioned sector, the situation is even complicated, because there is a third and also maybe fourth actor involved: the municipalities and central government.

Dimensions and bases of (dis)trust at sectoral level

Wage negotiations remain the most contentious topic in sectoral collective bargaining, with all parties acknowledging that these discussions often lead to deadlock. According to several respondents (#7 SK, #8 SK), the issue of wages is difficult to resolve due to radical differences in perspective. This is particularly evident in the banking sector, where wage discussions have become a significant source of distrust, leading to the breakdown of social dialogue (#7 SK, #8 SK). The inability to reach agreement on wages has also resulted in the perception that sectoral bargaining is ineffective and ultimately undermines trust.

In the banking sector, the absence of sectoral collective bargaining is seen as a result of radical stances on wage demands. The Slovak Banking Association, in the context of the absence of sectoral-level collective bargaining and in response to the European directive aimed at promoting collective bargaining, adopted in 2019 the so-called “Memorandum on Respecting the Rights of Employees in the Banking Sector,” which it updates on an ongoing basis. In the Memorandum, banks commit to upholding and supporting the rights of their employees. It goes beyond legal obligations and outlines commitments that employers in the banking sector provide in the form of benefits applied uniformly across the sector.³ The Slovak Banking Association views the memorandum as a certain form of fulfilling social dialogue (#8 SK). (#8 SK). The Trade Union Association of Banks and Insurance Companies responded critically to the existence of the memorandum, considering it vague and legally unenforceable.⁴ This lack of cooperation between sectoral unions and employers has led to

³ Press release on the adoption of the memorandum: <https://www.sbaonline.sk/novinka/memorandum-o-dodrziavani-prav-zamestnancov-bankoveho-sektora/>

⁴ Position of the Trade Union Association of Banks and Insurance Companies: https://ozbp.sk/wp-content/uploads/2020/04/Memorandum_a_poznamky_OZPPaP.pdf

a breakdown in trust and an unwillingness to engage in broader discussions about the future of the sector, including issues such as AI implementation (#7 SK, #8 SK).

The level of trust and the dynamics of sectoral collective bargaining vary significantly across different sectors. In the public transport sector, EU regulations and the push for liberalization have led to a focus on price reduction, which has diminished the role of collective bargaining in some areas. While some employers in the sector support the inclusion of collective bargaining as a requirement for public procurement (#6 SK), there is resistance from local authorities, who control the budget and are more focused on cost efficiency (#9 SK).

The automotive industry exhibits a preference for company-level bargaining, citing the differences between small and large companies as a reason why sectoral bargaining is not effective (#5 SK). Sectoral agreements are perceived as insufficiently representative and are often seen as irrelevant due to these disparities.

External factors, particularly EU regulations, have influenced sectoral collective bargaining. For example, the EU directive on minimum wages could play a pivotal role in strengthening sectoral bargaining. However, employers remain resistant, expressing uncertainty about the changes and whether they will be compelled to negotiate under new legal requirements (#8 SK).

10.4 Local level interactions and trust

The findings regarding trust in company-level collective bargaining reveal a nuanced and complex dynamic, with significant variations in how trust is established and maintained between employers and trade unions. The key themes include the perceived antagonism between employers and trade unions, the importance of building trust through communication and compromise, and the role of leadership changes in shaping the relationship.

Characterizing company level interaction

The situation in the observed cases varied significantly. In the metal sector, the analysis covered a case of a supplier company in the automotive industry. From the perspective of trust, this case represented a positive example, as trust currently prevails within the company, and mutual relationships are standardized (#1 SK0, #1 SK1). A foreign company with a Korean owner initially followed a familiar pattern seen in other similar factories in Slovakia. Drawing from experiences with a militant trade union movement in its home country, the foreign owner was wary of union presence and initially resisted engagement (Šumichrast and Bors 2023, 78-79). The early stages of establishing dialogue were difficult, as unions were not welcomed. However, over time, the situation improved, and labour relations gradually

stabilized and became more cooperative (#10 SK; #11 SK). As the trade union respondent stated:

Of course, the situation at the beginning was very complicated, as the Korean management did not want to allow the formation of a trade union as such. This was accompanied by certain repressive actions on their part. But over time, the employer also realized that it would be better to cooperate and strive for mutual collaboration rather than to fight. (#10 SK)

Interestingly, the relationship was not affected even by the fact that the main trade union leader ran in the last European elections as a candidate for a radical socialist party. He had informed the employer's side about his decision in advance (#10 SK; #11 SK) which indicates a relationship based on open communication and existing mutual trust.

Existing trust has many benefits. It helps solve problems faster and reduces conflicts during bargaining and also other interactions (#1 SK). When trust exists at the company level, it can also be advantageous for the employer to rely on trade union representatives in certain situations:

Of course, when there are any concerns raised by employees, we try to address them together in order to maintain a certain level of objectivity. There is a third party involved, and people trust the fact that the trade union was part of the solution proposed by the company. So even when a concern is initially raised by the employee alone, it often happens that we call in the trade union or reach a solution together, followed by meetings. (#11 SK)

In the banking sector, it was not possible to establish a unified case. In one smaller bank operating on the Slovak market, December 2023 saw the first-ever strike in the Slovak banking sector, which in itself indicates a lack of trust. The deliberate disregard of the trade union at the workplace, including its requests for negotiations and wage demands, ultimately led to the strike situation (#1 SK, #4 SK). The strike was successful, with the bank's trade union receiving broad support not only from its own members but also from other trade unions and the trade union confederation. The strike was accompanied by considerable media coverage.

However, the impact of the strike on the situation within the bank remains unclear. At the time, there was no indication of a significant improvement of situation the workplace or a shift in the level of trust. Quite the opposite, the strike further disrupted relationships and trust (#13 SK). From the sectoral employer level, it was stated that it had a negative impact on the public image of the banking sector as a whole (#8 SK). On the other hand, from the unions' perspective, the strike earned them respect and also gained the attention of the foreign management (#13 SK).

The second case, with the employer's representative, was one of the largest banks in Slovakia. In this case, while labour relations had been strained in the past, a management decision to appoint a new individual responsible for negotiations with trade unions led to an improvement and regular meetings with the unions. As a result, stable collective bargaining

at the company level was established. But the meetings are not limited only to the process of collective bargaining:

For the last three years, we have set up a functioning system based on partnership communication, on regular partnership communication. This means that we have regular meetings... there are no surprising pieces of information (#14 SK).

Regular communication, along with a stable and predictable environment, has been key to building greater trust. The case from the public road transport sector highlighted a complex situation characterized by prevailing distrust. Once again, wage negotiations proved to be particularly problematic (#1, #2 SK). The complexity of the situation is further exacerbated by the fact that regional management of bus companies receives funding from municipalities, which, in a broader sense, remain dependent on state financing:

But this is your ceiling, because those limits are set by the contract between the transport companies in our region... and the municipality. So, this is—on one hand, we're trying, but on the other hand, they tell us yes, but this is your ceiling. You can negotiate, yes, but I see this as a fundamental problem. Basically, we addressed this with the municipality as well, but they didn't really respond. So basically, we see this as a denial of our most basic right to collective bargaining. (#12 SK)

The situation in the sector is further complicated by broader developments. In 2022, suburban bus drivers in one Slovak region planned to strike in response to low wages and poor working conditions. However, their employer blocked the strike by invoking a ministerial order on economic mobilization.

The order had been introduced during the Ukrainian refugee crisis to ensure uninterrupted transport capacity during a national emergency. While such measures may have been justified at the time, the situation later stabilized—yet restrictions that limit constitutional rights, including the right to strike, remained in place (Košč 2022).

In the most negative cases at the company level, trade unions are perceived as an undesirable element by some employers. Employers often view them as antagonistic, particularly when they intervene in decision-making or challenge the employer's authority over managing a private business (#4 SK). The demand for higher wages by trade unions is seen as a direct increase in operating costs, which employers argue reduces profitability. In some instances, the reaction to the formation of a union within a company is one of surprise and scepticism, with employers questioning the necessity of such an organization when, in their view, workplace issues could be resolved through direct communication rather than formal union intervention (#4 SK). This response highlights the deep-seated tension between employers and trade unions, particularly regarding perceived threats to managerial autonomy. On the other hand, the employers' side, for example, negatively perceives the cooperation of trade unions with other actors, as was the case in the banking sector, where the trade union collaborated with NGOs such as Working Poor (Pracujúca chudoba) and the results of this

cooperation, in the form of various analyses and contributions presented on social media (#8 SK).

The failure to honour collective agreements also damages trust. In some cases, employers do not engage with unions to explain why certain provisions are not being implemented, leading to frustration and further distrust (#3 SK). Personal trust between negotiating parties plays a significant role in these dynamics. Some employers are more open to dialogue, but others approach negotiations with the intention of not reaching an agreement and operate from a position of power (#3 SK). Trust is further eroded by the frequent turnover of management on the employer's side, which disrupts continuity and requires rebuilding trust from scratch (#7 SK).

Dimensions and bases of (dis)trust at local level

Company-level negotiations have a distinct character, with a clear difference from sectoral or national negotiations. While employers at the national or sectoral levels might avoid negotiations, the presence of unions at the company level often ensures that negotiations cannot be entirely avoided (#3 SK). However, the level of trust at this level can be strained, particularly during collective bargaining. For example, there are challenges in the negotiation process, where decisions were ultimately made by a manager located abroad, rather than locally, leading to a perception that the negotiations were ineffective (#3 SK). The role of foreign management and its influence on wage policies is another factor, especially mentioned in banking sector (#8 SK, #1 #4 SK). A similar situation was reported in the banking sector, where decision-making processes were often out of the hands of local management, further diminishing the efficacy of negotiations (#8 SK).

Building trust at the company level is a long-term process that hinges on honouring agreements. Several respondents agree that trust is primarily built through consistent and honest communication. A willingness to negotiate in good faith, with a genuine desire for compromise, is essential (#4 SK, #6 SK). Employers and unions must approach negotiations with the intent to reach a mutually beneficial solution, rather than engaging in superficial negotiations that lack sincerity (#4 SK). Compromise, rather than a revolutionary approach, is seen as critical for maintaining stability in business operations (#6 SK). Once trust is broken, it is difficult to rebuild, especially when the system of political cycles or changes in leadership disrupts continuity and reliability (#4 SK).

The personal relationship between the employer and union representatives is another important factor in trust-building. When both parties share a sense of mutual respect, negotiations are more likely to be productive, and agreements can be reached more easily (#4 SK). However, when there is a lack of respect or when parties are solely focused on protecting their own interests, trust is undermined. Also, after many years in the same workplace, it is difficult not to develop more personal relationships in some cases; however,

during collective bargaining, it is important to maintain a certain level of distance and professionalism (#10 SK, #11 SK).

10.5 Conclusion

In the context of Slovak industrial relations, there is a clear division between three main levels: national, sectoral, and company-level, each with varying degrees of trust within their respective frameworks. Currently—setting aside specific nuances—the highest level of trust is found at the national level. At the sectoral level, particularly in the areas under study, and at the company level, the situation is more complex. We have observed both positive and negative examples: some cases where trust in the basic structures functions well or has shown improvement in recent years, and others where trust has long been eroded and either functions poorly or is virtually absent.

Wage related issues are the most complex and create the greatest potential for eroding trust or maintaining distrust. This was confirmed by nearly all respondents and applies across all three levels—national, sectoral, and company. Another significant factor contributing to distrust is the very absence of collective bargaining. Trade union representatives consistently state that employers' avoidance of sectoral collective bargaining significantly undermines trust, which is understandable. If one party deliberately avoids negotiations, it cannot be perceived positively. Employers, however, provide their own justifications—some argue that the system's inefficiency or non-compliance by all parties is the main issue, rather than the concept of sectoral bargaining itself. At the same time, some trade union representatives also show a degree of indifference, emphasizing that company-level bargaining remains the priority. However, the fundamental principle remains: for trust to exist, bargaining must take place. The impact of recent legislative changes, introduced in line with the European Directive on Adequate Minimum Wages, remains to be seen. These changes have reinstated the extension of collective agreements and will compel employer associations that previously used legal loopholes to avoid negotiations to return to the bargaining table.

When it comes to trust vertically within and between the TU-organizations, at the company, sectoral, and national levels—and back again—trust works on a very good level. Of course, there are also nuances regarding certain difficulties that arise, though these were only mentioned marginally, acknowledging that not everything always works perfectly even within "our team."). Between the opposition parties it does not work like that – either because, they do not even come into contact with each other, or because there is a clear lack of trust: if, for example, even trust on the company level works fine, within the company, it does not work in relation to the representative of the opposing party on the sectoral level (#1 SK0).

In most cases, respondents agreed that the arrival or replacement of individuals within an organization does not have the potential to fundamentally change the level of trust. This is primarily because new appointees are typically not entirely new to the field or the organizational level in question but rather individuals who have already operated within the

sector. However, there were differing general assessments, such as the observation that the new generation of employers tends to be more driven by capital interests, which has led to a deterioration in social relations compared to previous generations. Older management was perceived as more socially oriented, while new management is seen as more focused on profitability. This shift has affected the level of trust between employers and trade unions, with the newer generation of employers being less open to negotiation and compromise (#4 SK).

Respondents unanimously agreed that building trust at all levels is a long-term process. The key factors that contribute to its development, support, growth, and maintenance include open, clear, and sincere communication, a willingness to compromise, a genuine commitment to negotiation, and adherence to both formal and informal agreements. Also, regular meetings could help address operational and structural problems. These meetings, or in general, a more predictable environment, create greater stability. Additionally, collective bargaining itself can be viewed in this regard as a stable institution.

Nearly all respondents also agreed that trust is of paramount importance and considered it a critical factor. It was evident that when trust is present, it benefits all parties involved—workers, companies, the economy, and society as a whole. This conclusion was clear and unambiguous. The reality and various nuances, however, presented a significantly more complex narrative, revealing that trust is not easily attainable and, in some cases, there is not even a genuine ambition to achieve it or to sit down at the negotiating table with the opposing party.

References

- Ceccon, D., Kahancová, M., Martišková, M., Medas, G., & Šumichrast, A. (2023). LEVEL UP! Support and develop collective bargaining coverage. Central European Labour Studies Institute (CELSI) Research Reports, Vol. 55.
- Kahancová, M., Uhlerová, M. (2023). Trade unions in Slovakia: From politics to bread-and-butter unionism. In Waddington, Jeremy-Müller, Torsten-Vandaele, Kurt (eds.). Trade unions in the European Union Picking up the pieces of the neoliberal challenge. Peter Lang
- Košč, J. (2022). Základné práva v kliešťach. In SME. Available online: <https://komentare.sme.sk/c/23018643/zakladne-prava-v-kliestach.html>
- Šumichrast, A., Bors, P. (2023). Slovakia: Rough beginnings followed by some stabilisation. In Myant, M. Are multinational companies good for trade unions? Brussels: European Trade Union Institute.

11 Romania

Alina I. Popescu & Irina E. Ion

11.1 Introduction

This report for Romania is based on: 1) documentation on the legal framework for social dialogue, including relevant legislation, reports, websites, and previous research; 2) 15 interviews conducted between April and June 2024, with representatives of trade unions and employers' organisations, at national, sectoral and local levels, in three sectors of activity (banking, automotive industry, and road freight transport) (Table 11.1).

Data were collected following the interview protocol provided by the True Europe project coordinator. Semi-structured interviews were used as the data collection method. All interviews were conducted online, with an average duration of 63 minutes. All informants signed an informed consent form. The recordings were transcribed using dedicated Romanian language software and the transcriptions were manually corrected for accuracy. In this report, we refer to participants by anonymized codes: #1 RO, #2 RO, etc.

Table 11.1 Informants: levels and sectors

Level	Banking	Automotive	Road freight	Cross-sectoral	Total
Local Level					
Employee rep.	1	1	1		3
Employer rep.	1	1	1		3
Sectoral Level					
TU official	1	1	1		3
EO official	2		2		4
National level					
TU official		1			1
EO official				1	1
Other (Gov./Civ.)					
TOTAL	5	4	5	1	15

Informants. For the **banking sector**, representatives of one of the largest commercial banks in Romania were interviewed: an employer (#1 RO), with an executive position in the human resources department, and the union leader within the same institution (#5 RO). At the sectoral level, two representatives of an employer federation (#2 RO and #3 RO) were included, as well as the president of a sectoral union federation (#4 RO). A representative of employers at the national level participated (# 6 RO). In the **road freight sector**, two representatives of a sectoral employers' organisation (#7 RO and #8 RO) were interviewed, as well as the president of a relevant trade union federation for this sector (#9 RO). Two representatives of a large road freight carrier with foreign capital and activity in the field of

freight transport and logistics: an employer in top management (#10 RO) and the union leader within the same company (#11 RO) participated in this research. The company has approximately 4,000 employees and is affiliated with both an employers' organisation and a representative trade union. Furthermore, in the **automotive sector**, the interviews focused on a major component producer with foreign capital, which has approximately 6,000 employees and several production units in Romania. An employer representative (#14 RO), with an executive position in human resources, and the union leader within the same company (#15 RO) participated. The leader of a sectoral union federation (#13 RO) was also interviewed.

11.2 Industrial relations at national and sectoral level

Romania falls into the group of Central and Eastern European countries characterised by strong state intervention and a decentralised collective bargaining system (Czarzasty, 2024). In previous classifications, all countries in this region were treated as part of a single industrial relations model, but subsequent research has highlighted the existence of two distinct models of capitalism: embedded liberalism and special neoliberalism (Bohle & Greskovits, 2012). Romania falls into this second category, where, although the legal framework provides for an active role of the state, effective enforcement of regulations is often deficient, which leads, in practice, to a more liberalised labour market environment (Trif et al., 2016). Furthermore, the level of trust between social partners remains low, a common feature in both Central and Eastern Europe and Southern Europe (Brandl, 2021).

After the fall of the communist regime in the 1990s, industrial relations in Romania were marked by fragmentation, tensions between employer organisations, and notable differences between public- and private-sector unions. With specific exceptions, such as the automotive and banking sectors, the activity and influence of private sector unions were considerably reduced (Guga & Trif, 2023). Until 2008, Romania was notable for a very high degree of collective bargaining coverage, estimated at around 98%, supported by a legislative framework favourable to centralised and national negotiations. This model was radically changed with the adoption of the Social Dialogue Law no. 62/2011, which drastically restricted the possibility of concluding collective agreements at the sectoral level, allowing only negotiations between companies affiliated with the same employer organisation. This effectively blocked cross-sectoral collective bargaining. It should be noted that the amendments were adopted without parliamentary consultation (Trif, 2013). As a result, collective bargaining coverage has declined sharply, from 98% in 2008 to 35% in 2011 (Waddington et al., 2019). Elimination of national collective agreements has contributed to the decline in the share of wages in GDP, as well as to the degradation of working conditions (Volonciu, 2021; De Spiegelaere, 2023).

Romania currently faces a low unionization rate – only 21.4% of employees are members of a union (Statista, 2021). This decrease is also accompanied by a significant decrease in the density of employer organisations (EO) and the coverage of collective bargaining, a constant trend over the last two decades. In 2021, only 15% of employees still effectively benefited

from the right to collective bargaining, while in the early 2000s this percentage was almost 100% (OECD & AIAS, 2021; Statista, 2021).

Starting 25 December 2022, Romania adopted a new Social Dialogue Act (Law no. 367/2022, amended by Emergency Ordinance no. 42/2023). The adoption of this Act occurred within a broader European context, particularly influenced by the EU directive concerning minimum wages and the strong push for enhanced sector-level collective bargaining across the EU. These European priorities were integrated into Romania's National Recovery and Resilience Plan, where strengthening social dialogue and establishing a legal basis for the establishment of minimum wages were set as key requirements for accessing funding.

However, the implementation of these measures faces difficulties, especially in a decentralised labour market, where employers are often reluctant to affiliate with employer federations or confederations. This is problematic because social dialogue requires dialogue partners at equivalent levels within the same sector. At the national level, only two employer associations are currently (n.r. 2025) recognised as representative: the Concordia Employers' Confederation (which mainly groups multinational companies) and the National Council of Small and Medium-sized Private Enterprises in Romania (CNIPMMR). On the trade union (TU) side, five representative national confederations are recognised, which actively participate in social dialogue within the Economic and Social Council and the National Tripartite Council (Table 11.2).

Table 11.2 Nationally Representative Trade Union Confederations in Romania

Confederations	Representativeness
• National Trade Union Bloc ("Bloc Național Sindical", BNS)	It has 30 member federations and trade unions. The member federations have a number of 935 trade unions. Represents 280,387 workers (2023), 5.5 % of Romanian workers. Covers geographically all 42 counties of Romania
• National Confederation of Trade Unions "Cartel Alfa"	It has 39 member federations and trade unions. Covers geographically all 42 counties of Romania. Represents 258,099 workers (2019).
• National Confederation of Free Trade Unions of Romania (CNSLR "Frăția")	It has 14 member federations and trade unions. Covers geographically all 42 counties of Romania. Represents 304,842 workers (2020).
• Confederation of Democratic Trade Unions in Romania (CSDR)	It has 20 member federations and trade unions. Represents 262,663 workers (2020).
• "Meridian" National Trade Union Confederation (CNS Meridian)	It has 29 member federations and trade unions. Covers geographically 33 counties of Romania. Represents 254,280 workers (2020).

Sources: Popescu and Ion (2024)

Industrial relations in banking, automotive, and road freight transport sectors

In this research, we analysed industrial relations in three sectors: the banking & financial sector (with focus on banking), the metal sector (with reference to the automotive industry) and the transport sector (with an exclusive focus on road freight transport). The results indicate clear particularities between the three sectors.

The **banking sector** in Romania represents an example of good practice in terms of social dialogue. Based on a solid tradition in negotiating sectoral collective agreements and an efficient communication system between partners, this sector is distinguished by a relatively high level of procedural trust (as introduced by Zucker, 1986) and trust based on mutual knowledge. These forms of trust generate predictability in interactions and outcomes, embodied in sectoral agreements, but also in shared expectations of cooperation. All informants in this sector reported the existence of a functional framework for collaboration. However, the study also highlighted some sources of distrust – especially reported by union representatives – confirming the idea that trust and distrust can coexist to varying degrees (Lewicki & Bunkers, 1995). The sector benefits from a sectoral collective labour agreement, first negotiated in 2018 and renewed in 2022 and 2024, that extends *erga omnes* to all companies and employees in the field, regardless of union affiliation.

The **road freight transport sector** is characterised by pronounced fragmentation and limited representativeness. There is currently no trade union federation that effectively represents the entire private sector, and the existing unions are concentrated either in former state-owned enterprises or at the company level. This subsector is dominated by microenterprises (over 80% have fewer than 5 employees), and high labour mobility, frequent transitions to self-employment and lack of awareness of the benefits of unionisation contribute to difficulties in organising. Furthermore, in some cases, employers exert pressure against unionisation, which fuels the fear of dismissal. These barriers are compounded by a low level of information on the legal framework. On the employer side, there is only one recognised representative employers' organisation, which opposes the signing of a sectoral collective agreement, citing the heterogeneity of companies in the sector and the differences in economic objectives. On the contrary, the representative trade union organisation strongly supports the need for such an agreement.

The **metal sector** presents a mixed system of social dialogue, with structured practices in some areas but also with visible fragmentation in others. The component subsectors – metallurgy, automotive component manufacturing, vehicle assembly – are often represented by different trade union and employer organisations, which leads to a lack of coherence in social dialogue. Fragmentation is also manifested by the lack of a collective agreement applicable at the sectoral level. Although there are active trade union federations, they are forced to negotiate mainly at company level due to the lack of a unified sectoral structure. Employer representation is equally fragmented, with no entity capable of negotiating for the entire sector. However, there are consolidated practices in large companies, which could constitute a basis for possible unification initiatives at the sectoral level in the future.

11.3 National and sectoral level interactions and trust

Despite recent legislative reforms aimed at revitalising social dialogue, empirical evidence from key sectors, banking, road freight transport, and automotive, reveals persistent structural fragmentation, weak institutional anchoring, and low levels of mutual trust between social partners. These deficits are not merely sector-specific anomalies, but symptomatic of a broader imbalance between formal regulation and actual collaborative capacity. The findings suggest that while legal frameworks provide a necessary foundation, they are insufficient in the absence of credible actors, consistent representativeness, and sustained efforts to build relational trust.

Characterizing national and/or sectoral level interactions

National and sectoral-level interactions in Romania's industrial relations system are marked by significant variation across sectors, reflecting structural fragmentation, institutional maturity, and historical legacies.

This study found a recurrent reciprocal perception of a lack of legitimacy of both TUs and EOs, derived from the generalised opinion that none of the two parties acts *de facto* in the interests of its members. Moreover, generally, EOs considered that the current legislation on social dialogue decreases TUs legitimacy even more, as this has lowered the thresholds for constituency. Overall, the appetite for association seems relatively low both for the representatives of employees and employers. Other aspects that jeopardise social dialogue at a national level are, on behalf of employers, **overregulation** and **the overlapping of local/firm and sectoral level negotiations**, which leaves companies an insufficient margin of negotiation, as legal regulations are perceived to be exhaustive.

The relations between employers and employee representatives in **the banking sector** are generally described as structured, recurrent, and predominantly cooperative, especially in large companies. From the interviews conducted with HR management actors and union representatives (e.g., # 1 RO, # 3 RO, # 4 RO), it emerges that the interactions are institutionalised, taking place within the framework of periodic consultations and biannual collective bargaining. HR policies, reorganisations, and changes in working conditions, including the introduction of hybrid work or flexible working hours, are frequently discussed. A large bank with local capital actively discourages workers' unionisation, does not engage in sectoral collective bargaining, but participates as an observer in such assemblies.

Regarding the relational climate, most interviewees highlight a positive evolution over time, from post-privatisation tensions and during the economic crisis (2007-2011), towards a "cordial" relationship and one of "functional trust" (# 1 RO, # 3 RO). The changes were due both to the stability of the actors involved (the same union and HR team for more than a decade) and to efforts to build trust through transparency and professionalisation (# 1 RO). However, there are variations in the climate of relations depending on the topics. Salary

negotiations and hybrid work distribution are perceived as the tensest, especially due to pressure from branch employees, who do not benefit from the same benefits as head office staff (# 4 RO). Other topics, such as occupational health and safety or training, are treated relatively consensually. A notable feature is the pragmatic approach: although divergences arise, these do not escalate into open conflict, thanks to a minimum level of mutual trust and constant communication (# 3 RO).

Industrial relations in the **road freight transport sector** are characterised by a high degree of fragmentation in both employers' organisations and employee representation. This directly influences the way collective bargaining is carried out, which is rare, uneven in scope, and, most often only at the local level (# 7 RO, # 9 RO). In units with active TUs, negotiations mainly concern basic wages, working standards, working hours, daily allowances, and other mobility-related allowances, as well as working conditions for long-haul drivers. These aspects are particularly important in the specific context of the sector, where employees are often subject to an intensive work regime and precarious working conditions during idle time, why financial compensation for disadvantages are essential (# 9 RO).

Collective bargaining occurs irregularly, depending on union presence or initiatives by employers or employees. The absence of representative employer federations at the sectoral level hinders collective agreement (CA) negotiations, despite legislation permitting them under certain conditions (#6 RO). Social partner interactions mainly happen in tripartite forums focused on legislative, tax, or professional issues, but these do not lead to concrete negotiations on working conditions (#6 RO, #7 RO). Some collaboration occurs in national projects on topics like vocational training, green transition, or digitalisation, but these are consultative efforts, not traditional collective bargaining (#7 RO).

Industrial relations in **the automotive industry** are predominantly structured around collective bargaining at the company level, especially in the case of large manufacturers. Interviews indicate that there are active CAs in multinational companies in the sector, where negotiations take place periodically, depending on pre-established contractual deadlines (# 12 RO, # 13 RO). These negotiations cover a wide range of issues, including wages, working hours, benefits, working conditions, and internal regulations applicable to employees. In general, wages and bonus policies are among the most important topics, being negotiated annually or biannually depending on the contractual cycle of each unit (# 13 RO). Collective bargaining is not practised at sector level, as the current legal structure does not allow this, due to the fragmentation between the NACE codes that define the fields of activity. Thus, collective agreements are concluded at unit level, and groups of units are rare and limited to situations, where the same economic operator controls several legal entities (# 12 RO).

Anchoring trust in institutions and trusting lower-level actors

Comparatively, it is observed that only in the banking sector do higher-level institutions – law, collective agreements, dialogue mechanisms – play an integrated role in supporting labour

relations. In road freight transport and automotive informants considered that the general industrial relations system is unbalanced, and its efficiency depends less on the law and more on the capacity of actors to build real collaborations.

In the **banking sector**, trust in higher-level institutions – such as social dialogue law, collective labour agreements at unit or sector level, and regulatory authorities – is perceived as having an important role in stabilising and professionalising industrial relations. The actors interviewed (# 1 RO, # 3 RO) highlighted that collective agreements, even when not signed at the sectoral level, indirectly influence local labour relations by creating shared expectations and a common frame of reference. At the same time, the current legal framework is considered to be relatively functional, although the fragmentation and representativeness requirements of the union may limit the efficiency of the negotiation process (# 4 RO).

Employer representatives report moderate to high levels of trust in local unions, with whom they collaborate frequently; however, they express doubts about the ability of lower-level union leaders to grasp the technical complexity of issues such as remuneration and HR policies (#1 RO). To address this, companies have invested in professionalising the dialogue through ongoing training and mutual information sharing, ensuring that discussions are grounded in substance, not just form. Employers also note a clear difference between central and local unions; national leaders are perceived as more focused on internal positioning than on the concrete needs of employees (#3 RO). The overall industrial relations system is viewed as functional but needs improvement, with public authorities playing a more limited role compared to collective agreements and bipartite dialogue (#4 RO).

In the **road freight transport sector**, trust in higher-level institutions, be they legislative, administrative or partnership representation, is limited and often formal, according to our informants (# 6 RO, # 7 RO, # 9 RO). Interviews reveal that social dialogue at the national or sectoral level does not have a significant impact on local labour relations, as there is no real articulation between levels. Collective agreements at sectoral level either do not exist or are not perceived as having practical relevance for employers or employees in transport units.

Informants from EOs express serious concerns about the ability of TU-federations to effectively represent employees' interests, arguing that they are often disconnected from on-the-ground realities (#6 RO). At the same time, employers' organisations acknowledge weak internal coordination, with little dialogue between their own levels, leading to fragmented advocacy efforts, as illustrated by the observation that "each started for advocate separately to the government" (#6 RO). Trust in actors on the "other side" of the dialogue is similarly low; informants recount past instances where informal agreements reached at management level were later reversed in practice, undermining confidence and continuity (#7 RO). This systemic lack of coherence across representation levels not only erodes trust but also hampers the overall functionality of the industrial relations framework. The system was widely perceived as overly regulated and inefficient, with legislation seen as promoting conflict rather than cooperation, particularly following recent changes that lowered representativeness thresholds and broadened the grounds for initiating collective conflicts (# 9 RO).

In the **automotive sector**, the role of higher-level institutions was perceived as limited in applicability, but important in symbolic and normative terms. The findings highlight weak

internal trust within both unions and employer organisations due to the lack of a unified sectoral structure and poor coordination between levels (# 12 RO, #13 RO). Local unions are seen to be more effective than national bodies, whereas employer fragmentation makes cross-level dialogue nearly impossible. Some unions reject higher-level employer associations, accusing them of obstructing collective bargaining post-crisis (#12 RO). In general, the industrial relations system is viewed as unbalanced and overly bureaucratic, discouraging sectoral agreements. Respondents call for reform through clearer definition of the bargaining sector, stronger actor legitimacy, and improved representation (#12 RO).

Effects of trust according to national and/or sectoral level actors

In **the banking sector**, trust between social partners is perceived as having a positive impact on the coherence of the industrial relations system, even if in practice sectoral negotiations are limited or absent. Informants (# 1 RO, # 3 RO) argued that the existence of a trust framework between trade union federations and employers' organisations could allow for the harmonisation of labour standards, encourage the dissemination of good practices and facilitate the unified management of structural reforms or external crises. It is underlined that a real and constructive dialogue at this level could support the sector's objectives of fairness, competitiveness and sustainability, especially in the context of the digital transition and European regulatory pressures. On the other hand, the lack of a high level of trust between national actors limits the potential for these benefits. Even if relations are not marked by open conflict, union fragmentation and competition for representativeness generate tensions that prevent the initiation of effective sectoral negotiations. Furthermore, there is a perception that government authorities play a passive role, without actively supporting the building of a space of trust between partners at the macro-level (# 3 RO). Thus, the beneficial potential of trust is recognized but untapped due to structural and institutional blockages.

In **the road freight transport sector**, trust between dialogue partners at sectoral and national level is weak or non-existent, which has profound negative effects on collective capacity for action and representation. According to informants (# 6 RO, # 7 RO, # 9 RO), the absence of a culture of collaboration and coherent representation structures makes it impossible to negotiate collective labour agreements at sectoral level. In the absence of trust, each organisation acts in isolation, which leads to a lack of coherence in promoting common interests, inefficiency in relations with authorities, and missed opportunities for consensual regulation of the labour market.

In the absence of a real partnership at the sectoral level, labour regulation occurs chaotically, either through unilateral state interventions or through individual decisions of companies. This situation contributes to the uneven development of working conditions, the exodus of the workforce, and the reproduction of systemic distrust in the institutions of social dialogue. Additionally, agenda conflicts between political and social actors, not mediated by a functional framework for collective bargaining, aggravate the structural imbalances of the sector (# 6 RO). Therefore, the effect of the lack of trust at the sectoral level is the functional paralysis of dialogue and the lack of a common framework for solving problems.

In the **automotive industry**, the effects of trust are deeply influenced by institutional fragmentation and the history of tense relations between TUs and EOs. Interviews indicate cooperation in some subsectors at company level, while CAs are not negotiated at the sectoral level due to the lack of trust between social partners (# 12 RO, # 13 RO). Informants pointed out that trust at the sectoral level could theoretically produce important benefits for balancing the interests of capital and labour, such as the establishment of uniform wage and working conditions standards, as well as the creation of common crisis support funds. However, in practice, the historical rejection of certain employers' organisations, accused of politically influencing legislative reforms to the detriment of workers, has led to an almost total blockage of high-level dialogue (# 12 RO). This rupture has led to the absence of any dynamic of sectoral cooperation, affecting even the possibility of articulating a common response to major industrial transformations, such as digitalisation or the green transition.

Dimensions and bases of trust at national/sectoral levels

In the banking sector, relations between social partners at the sectoral level are generally cooperative, stable, and predictable, indicating a relatively high level of trust between employers and trade unions (TUs). This is reinforced by a tradition of positive relations and a sectoral collective agreement valid until 2026, which contributes to outcome predictability and dialogue continuity. Solidarity and joint action among actors on the same side also suggest identification-based trust (Shapiro et al., 1992). However, trust is eroded by several factors. An asymmetry of knowledge and expertise exists: employers' organisations (EOs) possess more economic and legal knowledge, while unions are often seen as lacking economic training. This affects the "ability" component of trust (Mayer et al., 1995). Additionally, differing visions of social dialogue—economic priorities for employers versus social goals for unions—limit long-term cooperation. The broader lack of a national culture of social dialogue and a perception of it as a zero-sum game further weakens institutional trust ('institution-based trust', Rousseau et al., 1998).

In the metal sector (automotive industry), trust is low, with fragmented, conflictual, and unstable relations, reflecting deterrence-based or absent functional trust (Shapiro et al., 1992). Negotiations often rely on positions of strength, and a mismatch between active unions and passive or fewer employers' organisations causes structural deadlocks. A major issue is the weak administrative capacity, especially on the employers' side, which lacks representative federations for sectoral negotiation. Employers' anti-union strategies exacerbate tensions and undermine trust (#13 RO). From the union perspective, employers' refusal to invest in wages or training despite profits, and their reluctance to support reforms to qualifications frameworks amid advancing technologies, erode trust further.

In the road freight transport sector, trust is nearly absent. Interactions between actors are rare and conflictual, with both employers and unions criticising insufficient government involvement, weakening institutional trust (Rousseau et al., 1998). Stakeholders express discontent with the legislative framework, viewing it as overregulated and biased toward unions. The pressure to negotiate simultaneously at multiple levels leads to duplication and diminished negotiator effectiveness. This climate reflects calculus-based distrust, where employers view the legal framework as non-neutral. Relationships among sectoral and lower-

level actors are limited and superficial, including those between employer federations and their own members, indicating an instrumental, short-term trust based on calculation ('calculus-based trust').

11.4 Local level interactions and trust

Local-level industrial relations in Romania show significant sectoral variation, largely influenced by the maturity of social dialogue practices and the degree of institutional trust. In the banking sector, interactions are regular, structured, and cooperative, supported by stable communication channels and a history of effective collaboration. On the contrary, the road freight transport sector shows weak or absent dialogue, with low levels of trust and fragmented representation, where negotiations, if they occur, are reactive and limited in scope. The automotive sector, particularly in large companies, demonstrates more functional and predictable relationships, built on recurring negotiations and shared experience.

Characterizing local level interactions

In **the banking sector**, local relations are generally well-institutionalised, recurrent and cooperative, reflecting a mature practice of social dialogue. Interviews reveal that interactions take place regularly, through scheduled meetings between HR management and union leaders, supplemented by ad hoc consultations in special situations (# 1 RO, # 3 RO). There are also clear consultation mechanisms, including in joint committees for occupational health and safety or for the analysis of restructuring. Frequently discussed topics include human resources policies, organisational changes, working conditions, hybrid work, and remuneration, and collective bargaining is usually held every two years, within the framework of collective agreements.

Relations are generally characterised by cooperation and functional trust, even if certain topics, such as salaries or reward policies, can generate occasional divergences. However, according to a HR representative, these differences "fail to ruin the relationship", and trust is based on transparency and the stability of the negotiation teams (# 1 RO). The evolution of the relationship has seen a transition from initial tensions, especially in the context of post-privatisation and economic crisis context, to a professionalised partnership relationship, supported by mutual learning and the development of a "common language" in negotiations. However, there are variations in perception between banking units, between head offices and local branches, regarding access to benefits or work flexibility, which can generate differences in positioning within the same organisation (# 4 RO).

In **the road freight transport sector**, industrial relations at the company level are less developed and less formalised than in the banking sector. Local social dialogue is rarely established as a stable practice, and interactions between employers and employee representatives, when they exist – are occasional and limited in scope (# 7 RO, # 9 RO). In many companies, there are no active TUs and, where they do exist, dialogue is often reactive, arising in the context of occasional conflicts or crises. Relations are described as fragmented,

tense, or simply absent, with a low level of trust between the parties. Both employers and workers seem to view social dialogue as ineffective or irrelevant to concrete problems in everyday work. Changes in the quality of relations occur, if they occur, as a result of external pressures (e.g., controls, European financing) rather than as a result of joint initiative.

The main topics of the negotiations that exist are wage levels, per diems, and working conditions for long-haul drivers, which are sensitive issues due to the difficult working conditions and international regulations that indirectly influence wages. In some cases, wages are set through external schemes, depending on the legislation of the countries in which the transport is carried out (# 9 RO), which significantly limits the real space for local bargaining.

In **the automotive industry**, especially in large companies – relations between unions and employers are relatively stable and functional, being characterised by regular, predictable, and formalised interactions. Findings show that in large companies in the sector, collective bargaining is carried out regularly, and collective labour agreements are renegotiated in fixed cycles, according to internal legislation and practices. Topics addressed include wages, classification grids, working conditions, overtime and training policies, and in some cases, issues related to technologization, and reorganisation are also discussed. These relations are often supported by a history of collaboration but also by the existence of well-organised unions, capable of maintaining a constant dialogue with the employer.

The general climate is described as cooperative, but not without tense episodes, especially in the context of wage negotiations or structural changes imposed by parent companies. However, the actors involved seem to share a common understanding of the importance of maintaining an open dialogue, which contributes to managing tensions and maintaining a functional relationship (# 13 RO). Over time, relations have evolved positively, supported by the stability of union leaders and the continued professionalisation of HR-departments. However, interviews also indicate a lack of meaningful interaction between local and sectoral unions, which limits their ability to contribute to broader collective strategies (# 12 RO).

Anchoring trust in higher level institutions

At the local level, trust in higher-level institutions and actors varies significantly across sectors. In the banking sector, this trust is relatively well established, supported by tradition, collaboration and concrete results. In the automotive sector, trust exists between local and sectoral unions, but is lacking in relation to higher-level employers and public authorities. In transport, trust is almost non-existent, and relations between levels are marked by disconnection, misunderstanding, and lack of collective action.

The actors in **the banking sector** attribute real importance to sectoral institutions in supporting a coherent and efficient dialogue (# 1 RO, # 3 RO). The existence of a sectoral CAs is perceived as a stable benchmark, offering predictability and supports local negotiation. Local unions show a high degree of trust in sectoral union federations, the relationship being described as close, of mutual support and solidarity (# 4 RO). In contrast, trust in higher-level employer organisations is more restrained, due to perceptions related to a lack of

transparency or difficulties in negotiating minimum wages (# 4 RO, # 5 RO). The industrial relations system is assessed as functional, but can be improved, and suggestions include clarifying representativeness and aligning sectoral strategies with local needs (# 3 RO).

In **the road freight transport sector**, local actors perceive higher-level institutions as irrelevant or even harmful to their realities (# 6 RO, # 7 RO, # 9 RO). Social dialogue is considered formal, bureaucratic, and disconnected from realities and issues, such as the staffing crisis or international regulations (# 7 RO). On the employers' side, there is frustration with the multiple negotiation obligations imposed by the new legislation, considered unjustified in the absence of functional union partners (# 6 RO). Local unions, where they exist, express little trust in sectoral federations, as they are rarely present or actively involved (# 9 RO). Trust in higher-level employer organisations is even lower, as they are perceived as opaque and exclusively following their own personal interest (# 7 RO).

In **the automotive industry**, local unions in large companies have a positive and trusting relationship with sectoral union federations, based on collaboration and common history (# 10 RO, # 12 RO). This reflects a clear form of trust built through identification. In contrast, the relationship with sectoral EOs is weak or non-existent, due to their absence or the perception that they are hostile to unionisation (# 13 RO). As for state institutions, they are considered poorly involved and inconsistent, and the legislation – unstable and unsuitable for the specifics of the sector (# 13 RO). Local actors call for the construction of real structures of employer representation and the professionalisation of union federations (# 12 RO, # 13 RO).

Effects of trust according to local level actors

At the local level, differences in the effects of trust have been identified in the three investigated sectors. These differences reflect the maturity of local dialogue and the ability of actors to build institutionalized relationships, which underlines the essential role of trust as an organisational and social resource in industrial relations.

Banking sector informants highlighted clear positive effects of mutual trust in employer-union relations. First, trust contributes to a climate of open communication, allowing for a constant exchange of information and a constructive negotiating framework (# 1 RO, # 3 RO). This makes consultation processes faster and more efficient, including on sensitive topics such as reorganisations, digitalisation, or hybrid work (# 3 RO).

For companies, trust reduces the risk of open conflict, reduces tensions during collective bargaining, and provides a competitive advantage through stability and predictability (# 1 RO). It also contributes to better-founded decisions based on real consultations and to the implementation of smoother internal reforms. A positive side effect is also the reduction of the pressure of employees, who feel that their voice is effectively represented through a functioning partnership (# 4 RO). For employees, trust in the union and in the openness of the employer creates a sense of security and involvement, supporting motivation, professional

development, and staff retention (# 1 RO, # 4 RO). It is also mentioned that trust allows for the negotiation of flexible solutions adapted to different needs, for example, working hours or digital training for staff affected by automation (# 5 RO).

In **the road freight transport sector**, lack of trust has negative effects on all dimensions analysed. Local actors point out that, in the absence of trust, there is no real dialogue, consultation, or negotiation, and interactions are rare and tense (# 7 RO, # 9 RO). Information is provided unilaterally, without openness to compromise or cooperation (# 6 RO).

For companies, lack of trust generates instability, affects internal cohesion, and increases the risk of demotivation and turnover of the workforce, in a sector already affected by staff shortages (# 7 RO). Opportunities to adapt to external changes are also lost in the absence of functional cooperation between the parties. For employees, the absence of trust translates into poor quality of work life, lack of real representation, limited access to negotiated rights, and the impossibility of addressing claims or obtaining real improvements in working conditions (# 9 RO). In the absence of a functional local dialogue, issues of pay, security, or professional training remain unresolved, which contributes to labour migration.

In the large company in **the automotive industry**, trust between local partners has significant positive effects, especially in the context of long-standing relationships and consistent negotiation practices (# 10 RO, # 12 RO). Trust facilitates rapid and efficient negotiation of CAs, even in tense economic conditions (# 12 RO). For companies, this translates into effective management of internal changes, especially concerning digitalisation, reorganization or the introduction of new technologies. Labour conflicts are avoided, and the overall climate remains stable (# 13 RO). For employees, trust in the union ensures effective representation, real participation in decisions, access to negotiated benefits, and a favourable framework for professional development (# 10 RO). Even more sensitive topics, such as production conditions or wages, can be dealt with cooperatively if there is a solid foundation for trust.

Dimensions and bases of trust at local level

In **the banking sector**, trust between social partners appears to be built primarily on process-based trust and mutual knowledge ("knowledge-based trust", Zucker, 1986), the result of institutionalised, recurrent and stable relationships over time (# 1 RO, # 3 RO). The frequency of meetings and the positive history of collective bargaining led to predictability and a general climate of cooperation, in line with the process trust model (Zucker, 1986).

An important element in maintaining trust is the professionalism of the actors and the technical competence of union leaders and HR (# 3 RO), which reflects the "ability" component in the theory of Mayer et al. (1995). Integrity and transparency are perceived positively in many companies but can be threatened in the context of sudden organisational changes or restructuring processes (# 4 RO). At the same time, trust can be affected by the asymmetry of economic knowledge between the parties – a form of power imbalance that

can fuel distrust, especially when unions lack advanced financial analysis capacity (# 5 RO). However, the general climate is characterised by collaborative relationships, in some cases approaching identification-based trust, through solidarity and shared values (# 4 RO).

In **the transport sector of road freight**, the relationships between local partners are marked by poor interaction and low trust, characteristics that predominantly reflect lack of trust or the presence of a deterrence-based trust, i.e. interactions motivated more by legal constraints than trust relationships (# 6 RO, # 7 RO, # 9 RO). Local actors, especially employers, seem to interact only when legally obliged, reflecting a framework based on obligation rather than voluntary cooperation. In the absence of real social dialogue and in the conditions of a strong fragmentation of trade unionism, the minimum conditions for building trust do not exist (# 7 RO). Employee representatives indicate a deep distrust of the intentions of the employer, perceived as exclusively interested in profit. In this context, we cannot speak of calculus-based trust either, since there is no mutual calculation of long-term gains, only a structured opposition and a lack of dialogue (# 9 RO).

In large companies **in the automotive sector**, trust at the local level is gradually built, through frequent and recurring interactions, reflecting a type of knowledge-based trust (Zucker, 1986) consolidated over time (# 10 RO, # 12 RO). Union representatives describe formal and informal processes of cooperation, based on shared history and periodic collective bargaining, which allows for a good mutual understanding of objectives.

In some cases, there are also forms of identification-based trust, based on organizational loyalty and empathy for the company context, especially in crisis situations (# 10 RO). This type of trust, although rare, allows for the continuation of cooperation even in conflict situations. Important factors in maintaining trust are the stability of actors (human resources, union leaders), common negotiation experience, and decision-making transparency. The lack of these conditions (e.g. frequent changes in management or unilateral decisions) quickly leads to the erosion of trust and the emergence of fragile, calculated trust (# 13 RO).

11.5 Conclusions

The analysis of industrial relations in the three sectors – banking, road freight transport, and auto/metal – shows that trust and distrust at different levels (local and sectoral/national) are deeply influenced by the institutional structure, the history of industrial relations, and the capacity of social actors. In Romania, the weak tradition of social dialogue and the instability of regulations contribute to low institutional trust, especially at the senior levels, while at the local level, relations can range from solid cooperation to total disengagement.

The lack of a national culture of social dialogue influences attitudes and beliefs regarding trust, at the level of individuals, organisations, and institutions (Fulmer et al., 2024) in all the three sectors, confirming the importance of culture in shaping the determinants, forms, and effects of trust (Saunders et al., 2010). The underdeveloped national culture and tradition of

social dialogue in Romania affect expectations about trustworthiness of the parties involved, eroding trust and, therefore, the necessary basis of cooperation. Our findings illustrate that social dialogue culture and practices are also shaped by the industry characteristics of the sectors studied. This is in line with the idea that industry norms and specific processes influence managerial decision-making, establishing those behaviours that are accepted and encouraged in a certain industry (Wicks & Berman, 2004), for example, a win-win mentality and a professionalised business practice and in finance and banking. Several types of trust were identified in the study of interactions between the actors involved, together with a series of positive economic and human effects of trust.

In the banking sector, trust is supported by the institutionalisation of negotiation processes and the history of cooperation. Here, clear forms of process-based and knowledge-based trust are found, supported by the professionalism of the actors and recurrent communication. In the automotive sector, especially in large companies, trust is built through shared experience and organisational stability, sometimes reflecting identification-based trust. In contrast, in transport, relationships are marked by deterrence-based trust or even the absence of trust, reflecting structural fragmentation and lack of coherent representation.

At the sectoral and national level, trust is fragile and often calculated (at best, calculus-based trust), especially due to the perception of the legislative framework as unstable, bureaucratic, or biased. Both employers' and trade union organisations report low trust in state institutions but also tense relations between higher-level social actors, especially in transport and metal. In these cases, vertical (inter-level) relations are weak, and actors at the local level express disappointment and disconnection from national or sectoral federations.

An important observation is that trust is most often manifested at the local level, where actors know each other, collaborate directly, and can build relationships based on competence, consistency, and common objectives. Similarly to the actor-centred institutionalism approach, in Romania industrial relations are shaped not only by formal rules, but also by everyday interactions, staff stability, and organisational culture. Therefore, the local climate can compensate for the lack of a coherent institutional framework at the national level.

In conclusion, trust is not given, but built – through regular interactions, through perceived fair outcomes, and through an institutional framework that supports coherence, reciprocity, and collective learning. Without these conditions, industrial relations risk remaining fragmented and the positive potential of trust, on the quality of work, economic stability, and social cohesion – will not be fully realised in Romania.

To maintain and strengthen trust in Romania, an integrated approach is needed that aims at both improving the institutional framework and developing the capacity of the actors. An continuous professionalisation of especially trade union leaders, by increasing their level of economic, legal, and organizational knowledge is essential, so that they can negotiate on a balanced and informed basis. In this regard, the offer of specialised professional training in labour relations, both in the public and private sectors, should be analysed and expanded.

At the same time, improving the administrative capacity of state institutions involved in social dialogue, by reducing bureaucracy and increasing technical competence, is necessary for creating a climate conducive to cooperation. In parallel, trade union and employer organisations also need support to strengthen their institutional capacity, so that they can act coherently, representatively, and efficiently at both local, sectoral, or national levels.

In the long term, it is crucial to cultivate a culture of social dialogue in Romania. This objective can be achieved through awareness and education campaigns addressed to the general public and social partners to change the dominant perception of industrial relations as conflictual or useless. Only through a systemic and sustained approach, based on transparency, competence, stability, and real participation, can trust become a renewable resource, essential for the efficient and fair functioning of the Romanian labour market.

References

- Bohle, D., & Greskovits, B. (2012). *Capitalist diversity on Europe's periphery*. Cornell University Press.
- Brandl, B. (2021). Trust relationships in employment relationships: The role of trust for firm profitability. *International Journal of the Economics of Business*, 28(1), 139-161.
- Czarzasty, J. (2024). 20 years after. Changing perspectives on industrial relations in Central and Eastern Europe two decades after EU enlargement: from transition to transformation. *Transfer: European Review of Labour and Research*, 30(1), 15-31.
- De Spiegelaere, S. (2023). The Curious Non-Advent of Codetermination in Belgium: A Focus on the Christian Trade Union. ETUI Research Paper-Working Paper, HesaMag 27, 8-11. https://www.etui.org/sites/default/files/2023-06/HM27_Assiste-t-on%20%C3%A0%20une%20renaissance%20de%20la%20n%C3%A9gociation%20collective%20en%20Roumanie_2023.pdf [Last access 27/03/2025]
- Fulmer, C.A., Gillespie, N., Ferrin, D.L. and Denison, E. (2024). Culture and Trust in Organizational Contexts (Chapter 13). In: Gelfand, M. J., & Erez, M. (Eds.) (2024). *The Oxford Handbook of Cross-cultural Organizational Behavior*. Oxford University Press.
- Guga, Ș., Trif, A. (2023). Trade unions in Romania: Walking the thin line between politics and the market. In: Waddington, Torsten, Vandaele (Eds). *Trade unions in The European Union. Picking up the pieces of the neoliberal challenge*, pp. 911-943.
- OECD & AIAS (2021), Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts, OECD Publishing, Paris, www.oecd.org/employment/ictwss-database.htm
- Popescu, A.I., Ion, I.E. (2024). Policy Report Romania. BARMETAL project #101052331. Central European Labour Studies Institute (CELSI). [online] Available at: https://www.celsi.sk/media/datasource/BARMETAL_RO.pdf [Last access 5/12/2024].
- Rousseau, D.M., Sitkin, S.B., Burt, R.S. and Camerer, C. (1998). Not so different after all: A cross-discipline view of trust, *Academy of Management Review*, 23(3), 393-404. <https://doi.org/10.5465/amr.1998.926617>
- Saunders, M.N.K., Skinner, D., Dietz, G., Gillespie, N., & Lewicki, R.J. (2010). *Organizational trust: A cultural perspective*. Cambridge: Cambridge University Press.
- Shapiro, D.L., Sheppard, B.H. & Cheraskin, L. (1992). Business on a handshake, *Negotiations Journal* 8, 365.

- Statista (2021). Countries with the highest percentage share of their workforce being members of labor unions worldwide as of 2020. <https://www.statista.com/statistics/1356735/labor-unions-most-unionized-countries-worldwide/> [Last access 27/03/2025]
- Trif A. (2013) Romania: collective bargaining institutions under attack, *Transfer*, 19 (2), 227–237.
- Trif, A., Koukiadaki, A. & Kahancová, M. (2016) Fighting precarious employment in the new member states through industrial relations: comparative report (Croatia, Czechia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia), European Commission: Research project VS/2014/0534.
- Volonciu, M. (2021). Social dialogue and world of work challenges in Romania, 2021. In: Vaughan-Whitehead, Ghellab Muñoz de Bustillo Llorente (Eds.) *The new world of work: Challenges and opportunities for social partners and labour institutions*, pp. 406-428, Available at https://www.ilo.org/global/publications/books/WCMS_833561/lang--en/index.htm
- Waddington, J., Müller, T., & Vandaele, K. (2019). Setting the scene: collective bargaining under Neoliberalism (Chapter 1). In: Müller, T., Vandaele, K., & Waddington, J. (eds). *Collective bargaining in Europe: towards an end game* Volume I, : ETUI aisbl, Brussels, 2019, pp. 1-32.
- Wicks, A.C. & Berman, S.L. (2004). The effects of context on trust in firm-stakeholder relationships: the institutional environment, trust creation, and firm performance, *Business Ethics Quarterly*, 14(1), 141-160.
- Zucker, L.G. (1986). Production of Trust: Institutional Sources of Economic Structure, 1840-1920, *Research in Organizational Behavior*, 8, 53-111.

12 Serbia

Mihail Arandarenko & Dragan Aleksić

12.1 Introduction

This report is based on two main types of sources. The first type is desk research, comprising information collected from literature review from published scientific sources, various policy and statistical reports, webpages, available collective agreements (CA) and other documentation. The second type is primary sources, comprising 14 interviews conducted in 2024 and 2025 with representatives from trade unions (TU), employer organisations (EO) and other stakeholders at the local, sectoral and cross-sectoral levels of industrial relations. Our exclusive focus in interviews conducted at the local and sectoral levels was on the issues of trust in sectors of Banking & Finance and Metal sector, while in interviews with cross-sectoral stakeholders, apart from sectoral issues, general issues of trust in industrial relations and collective bargaining were also tackled. Ten interviews were conducted in person, two over the phone, and two digitally. In some cases, there were follow-up interactions. The interviews lasted between 45 and 75 minutes.

Table 12.1 Interviewees: levels and sectors (no. of respondents)

Level	Banking & Finance	Metal	Cross-sectoral	Total
Local Level				
Employee rep.	2	2		4
Employer rep.	1	2		3
Sectoral Level				
TU official	1	2		3
EO official	1	1	1	3
Other (Gov./Civ.)			2	2
TOTAL	5	7	3	15

We interviewed 1-2 representatives in both sectors for the main trade unions involved, at both sectoral and company levels. On the employer side, we interviewed local HR professionals and managers, and a person representing interests of business community in one of the sectors. We managed to have one pair of respondents from the same company in both sectors. At the cross-sectoral level, we interviewed national-level negotiators or others with involvement in negotiations, social dialogue, and collective bargaining. For confidentiality, we refer to the interviewees as # 1 RS, # 2 RS, etc. and have as a rule chosen not to connect specific representatives with the selected sectors.

12.2 Industrial relations at national and sectoral level

In terms of industrial relation system classification, Serbia is often positioned together with either CEE or Southern European countries. The relations are typically described as non-cooperative and conflictual, with a clear power asymmetry in industrial relations. There is strong state intervention, while trade unions are generally weak and fragmented. Also, representative employer association at national and sectoral level are marginalized by national business associations outside of the tripartite or bipartite frameworks⁵.

While the majority of interactions between the state and non-state actors are characterized by acquiescence, there is considerable conflict between employer organisations and unions as well as between different union confederations, which has led to a cycle of fragmentation and weakness among non-state industrial relations actors.

Industrial relations in Serbia are regulated by the comprehensive body of labour legislation, whose cornerstone is the Labour Code. After the political changes that facilitated privatization of former 'socially owned' firms in the early 2000s, there has been a steady decline in trade union density. According to the latest available, although quite obsolete, OECD data, the union density decreased from 33.3% in 2010 to 26.4% in 2014. An estimate produced for Eurofound rounded down the percentage to 25% (Arandarenko 2019). The adjusted bargaining coverage rate, which is a share of employees covered by the collective bargaining agreements, decreased even more from 55% in 2010 to around 30% in 2019, mostly due to legislative changes which made the extension of CAs almost impossible. The employer organisation density stands reportedly at 25% in 2019 (OECD & AIAS 2021). Overall, the data on trade union and employer association's membership are often disputed which is an issue undermining mutual trust and sometimes legitimacy of social partners.

While the public sector continues to have a relatively high (albeit declining) trade union density, in the private corporate sector it is low. Ironically, the sharp decline in private dependent employment in the first decade was the most important factor that slowed down the tendency of overall decline in the unionization rate, due to the composition effect. The reduction of overall union density was accelerated with the expansion of private sector employment after the Great Recession. Since the second half of the past decade, apparently there has been the stabilisation of trade union membership in the private sector because of the increase in employment in large foreign-owned manufacturing firms, where unions are more common than in domestically owned small and medium-sized companies.

⁵ Such associations in Serbia include Chamber of Commerce, Foreign Investors Council, National Alliance for Local Economic Development (NALED) etc.

There are two representative trade union confederations at national level - Confederation of Autonomous Trade Unions of Serbia (CATUS, Savez samostalnih sindikata Srbije, SSSS), and United Branch Trade Unions (UGS Nezavisnost). On the employers' organisations side the only representative association of employers at national level is the Serbian Association of Employers (Unija poslodavaca Srbije).

The criteria for representativeness are defined by the Labour Code. In the case of trade unions, to be considered as a representative in collective bargaining at least 15% of employees of the company must be members of the trade union. The main condition for union representativeness at the national level is that their membership must exceed 10% of total labour force. On the employers' side, the legal requirement for representativeness at the national level is that an employer organisation represents at least 10% of all registered employers and that these employers employ at least 15% of the total number of employees in the country. The representativeness of TUs (particularly at national and specific sectoral levels) is rather a result of an unobjectionable "recognition" than a real verification of data on regular basis. On the other hand, the representativeness - especially in terms of employees covered - of the Serbian Association of Employers (SAE) as a single representative employer organisation is frequently disputed, especially at sectoral level. Since SAE gathers mostly SMEs, it often faces troubles proving to have fulfilled a minimum employee coverage. Because of the SAE representativity issue, sectoral CAs in private sector are quite rare, and at the moment there are only two such agreements (in Construction and for pop artists (sic!) in the hospitality industry).

Collective bargaining in Serbia is present at all three levels, with varying degrees of importance and intensity. The national level of social dialogue is institutionalized within the remit of Social-Economic Council (SEC). It has 18 members, including six from the Government (representatives from the Ministry of Labour, Employment, Veteran and Social Affairs and other relevant departments) six from trade unions (4 from CATUS and 2 from UGS Nezavisnost), and six from businesses (all from the SAE). Although the SEC has a rather broad goal and mandate, in reality, the concertation is limited to setting the minimum wage and occasionally discussing other ongoing socioeconomic issues. The negotiations on the minimum wage are centralised and the decision on the minimum wage is binding for the whole economy.

Sectoral level is the dominant form of collective bargaining only in the public sector. According to the latest available data there are 14 sectoral CAs in this sector (SEC, available at: <http://www.socijalnoekonomskisavet.rs/>). On the employer side, the line ministries act as main negotiators in the public sector bargaining. In the private sector, there is decentralised collective bargaining. It occurs mostly in large unionised companies either foreign owned or locally owned privatised companies. Trade union activity is sporadic among SMEs and locally-owned *de novo* private firms.

According to a recent assessment of the European Commission social dialogue in Serbia remains weak, especially in regard to the participation of social partners in the development

of relevant policies. It concludes that there is still much room for improvement when it comes to strengthening the capacity of the actors of social dialogue in order to foster collective bargaining (European Commission 2022).

Industrial relations in Banking & Finance and Metal sectors

According to the official data⁶, in 2023 registered employment in Banking and Finance was 43,680, while its share in total employment was 1.9%. With a virtually non-existent stock market, most workers are employed in private, mostly foreign-owned commercial banks and the National Bank of Serbia, while some work in insurance and other financial services. Collective bargaining in the Banking and Finance sector is conducted infrequently and exclusively at the company level.

While there are three associations representing the business interests in the sector, including Chamber of Commerce and Industry – Association of Financial Institutions, Association of Serbian Banks, and Serbian Association of Employers, only the last one is a recognized employers' association and may thus in principle participate in sectoral collective bargaining. However, no important employer in the sector is a member of SAE.

On the side of sectoral trade unions relevant to financial services, Republican Trade Union of Employees in Banks, Insurance Companies and other Financial Organisations of Serbia (BOFOS) has widespread activities and relatively big membership, yet it is not representative and thus not eligible to participate in sectoral collective bargaining. Apart from it, there is another sectoral trade union in banking and finance – Trade Union of Financial Organisations of Serbia (SFOS)⁷, yet its activities remain less visible than those of BOFOS. Trade union organisations at the sectoral level also do not see sectoral collective bargaining as a goal worth pursuing: *'We view the importance of sectoral collective bargaining in banks and financial services as inflated to a certain extent'* (#2RS)

Generally, the position of trade unions, both on sectoral level (BOFOS) as well as within companies (i.e. banks) is relatively weak. Trade union power continually deteriorated over the last decade, which also resulted in decreased collective bargaining coverage. Trade unions remained relatively strong only in the National Bank of Serbia (Serbian central bank), the two commercial banks owned by the Republic of Serbia, and in one foreign-owned commercial bank where the tradition of collective bargaining also stems from the period before privatization (#3RS).

Company level CBAs are more frequent in manufacturing industry (including Metal sector) than in services (including Banking and Finance) due to different sizes of the companies (metal

⁶ Statistical Office of the Republic of Serbia, CROSO data.

⁷ Official web site available on <https://www.sfos.org.rs/> (accessed March 26th, 2025)

sector is dominated by big companies) and the nature of work engagement, because banking and finances typically offer higher salaries and better working conditions (#1RS).

Traditionally, manufacturing industry, including the metal sector has played an important role in the economy of the Republic of Serbia. The 2023 data suggest that over 2% of GDP was produced by three NACE-2 subsectors comprising the bulk of Metal sector in Serbia (Basic metals, Fabricated metal products, Motor vehicles and trailers (C25 and C29). However, the sector's contribution to the overall GDP declined in the past decade. Furthermore, in 2022 more than 5.8% of all registered workers were employed in Basic metals, Fabricated metal products, Motor vehicles and trailers. It also accounts for more than a quarter of total Manufacturing employment. In contrast to the shrinkage in contribution to the GDP, the number of registered employed nearly doubled in the past decade, from 78,000 to 131,000. The above-average growth of employment in the Metal sector in the last decade is largely the consequence of the sharp increase in foreign direct investment (FDI). The Metal sector in Serbia has become very attractive for the FDIs in late 2000s and throughout 2010s because of relatively low labour costs and high state subsidies. One recent study found that more than one-third of the country's FDIs during the 2016-2020 period went to the Metal sector. Additionally, over half of all newly created jobs by the FDIs in the same period are located in three sub-sectors of Metal industry (Arandarenko et al 2021).

Trade unions in Metal sector are traditionally among the strongest and most visible unions in Serbia, frequently engaging in industrial actions since the late 1980s. Two nationally representative confederations have strong sectoral organisations – Autonomous Metalworkers' Union of Serbia, and Metalworkers' Branch Union 'Nezavisnost'. Besides, there are two other important union confederations active in the sector – Association of Free and Independent Trade Unions (AFITU) and Industrial Trade Union (ITU).

Despite the long-standing presence of trade unions in the Serbian metal sector, there are no multi-employer collective agreements. The last Metal sector agreement was negotiated in 2011 (available at <http://www.iio.org.rs>). It became ineffective after the enactment of the revised Labour Code in 2014. The revisions restricted the so-called 'extended enforcement' of sectoral collective agreements only to cases where employer organisation covers more than 50% of employees in the sector. This change made most extensions of collective agreements in the private sector unenforceable, as employer organisations do not meet this criterion.

12.3 National and sectoral level interactions and trust

In this section aspects of trust at national and sectoral level are analysed. In Serbia, level of trust among social partners is higher at national than at sectoral level. We find that this is largely because institutionalized power relations - defined as the legally and organizationally reinforced distribution of bargaining capacity among labour, capital, and the state – have been stable over a prolonged period, while there has been a relatively recent shift in these power

relations at sectoral level. The changes in legal mandate for the adoption sectoral collective agreements has negatively affected collective bargaining coverage and the organizational coherence of employer associations, disrupting the development of trust relations based on institutionalized power relations.

Brief historical context

Unlike in well-established Western capitalist democracies, Serbian social partners in general as well as in both Banking & Finance and Metal have undergone several almost tectonic transformations since the first and most decisive among them, the establishment of pluralistic industrial relations in early 1990s. While a single trade union organisation, conceived as a transmission of the ruling Communist Alliance, did exist before 1990, there was no employer association. At the time of introduction of multi-party system in 1990, its role was by law assigned to Serbian Chamber of Commerce, probably the only feasible choice while attempting to build capitalism before having capitalists. A bit earlier, several independent trade unions were formed by the modernist fractions within the old confederation. Until 2001 the transition to a market economy and specifically the process of privatization unfolded very slowly and irregularly, causing some social scientists to call that period 'blocked transformation' (Lazić 2014). In the conditions of international sanctions, hyperinflation and war, industrial relations were rather chaotic, and their main actors were immersed in political and existential struggles and societal cleavages rather than in the orderly processes of collective bargaining (Arandarenko 1998).

After the regime change in October 2000 the process of transformation was de-blocked. The role of new trade unions increased, although the transformed old trade union confederation still had more members. Instead of fully using the short-lived window of political opportunity, the new trade unions continued with their fragmentation. Most importantly, at the advice from the ILO, the Serbian Chamber of Commerce (PKS) was no longer considered an employers' association. Instead, the Serbian Employers' Association, a grassroot organisation of small domestic employers established during 1990s, gained international and eventually national recognition as the only employers' association meeting the ILO criteria of freedom of association, independence and capacity for social dialogue (per ILO convention on Freedom of Association and Protection of the Right to Organise Convention). As put by one interviewee: *'The whole idea of social dialogue is based on voluntarism, and thus organisation with mandatory memberships are typically not eligible to participate in collective bargaining'* (#1RS).

There were several waves of privatization. In the first two waves, during the 1990s, it was carried out mostly via management employee buyouts. The third wave was carried out in 2000s as sales privatization, with tender procedures applied for large firms and auctions for small and medium firms. Besides, the policy of attracting foreign direct investment with relatively aggressive incentives, mainly through various forms of the state subsidies, has been applied since mid-2000s, first dominantly in sectors such as Banking and Finance,

communication services, and later, with the push toward reindustrialization after 2008, in manufacturing, including Metal sector.

The period after 2000 was characterized by the strong deterioration of labour market situation until about 2012 and reductions in individual and collective workers' rights. A significant neo-liberal and pro-business changes in labour legislation in 2001 were followed by a slight correction in favour of labour in 2005. However, the changes of Labour Law in 2014 erased these temporary gains, and cut both individual and collective labour rights across the board, on the pretext of a need to fight unemployment and bring in foreign investment.

This historical summary, far from being complete, is important because it underlines the features of economic and labour market hardship, political instability, unpredictability and institutional temporariness under which the key actors of industrial relations operated in the past several decades. These conditions have largely had destabilizing effects on building and maintaining trust in industrial relations.

Characterizing national and/or sectoral level interactions and trust

Mutual trust is perceived as essential for functioning of national and sectoral-level industrial relations. The level of mutual trust among national partners varies over time, but based on inputs from some of our interviewees the relationships are generally more trustful in good times. This has been reportedly the case in recent years, given the gradual but steady improvement in the labour market and living standard of the population.

For example, after the completion of fiscal consolidation programme carried out between 2015 and 2018, marked by the reduction in public sector wages and depressed minimum wage, the Government started to pursue a more balanced economic policy, allowing the minimum wage increases in real terms. Independently, increased attractiveness of Serbia for FDI and significant reduction in working age population contributed to the tightening of the labour market. More recently, the Government set ambitious goals for the average net wage to reach EUR 1000 by 2025 and EUR 1400 by 2027 – which clearly cannot be met with disapproval by trade unions.

However, such trust seems to be superficial, stemming merely from overlapping interests, rather than from better common understanding and shared values (#10RS). A less critical view of this 'good-times trust' hypothesis would be that trust arises from mutual respect, and this respect comes from more balanced power relations, with two representative trade union confederations stabilizing their membership and taming their conflicts in the much tighter labour market than 10 or 20 years ago.

An alternative and more favourable view would be that the relative stability of institutional set-up of national collective bargaining and repeated interactions among a limited number of key stakeholders have resulted in increased mutual trust. For example, the structure and

remit of SEC has remained the same for more than 20 years, and so were the key institutional actors of tripartism – two representative TU confederations, one employer association, and government representatives. National-level Socio-economic Council comprises of representatives of the Government (6 members), Serbian Association of Employers (6 members) and two trade union confederations (4+2 members). Government is the strongest partner and according to polls most trusted by the public (even when unpopular). Even at the personal level, some actors among trade unionists and employer representatives are the same as 20 years ago.

Repeated and relatively regular interactions and meetings of the SEC, involvement of SEC in international cooperation, participation of social partners in global tripartite events such as annual ILO conferences, peer learning, and similar forms of common activities, have created not only the relational, interpersonal trust, but also possibly the common ideological ground (in Dunlopian sense) and contributed to the stabilisation of national-level interest concertation within the limited scope allocated by law. This stability and relative regularity of interactions should be assessed as favourable for both institutional and personal trust-building.

On the other hand, there is a history of conflict and low trust between employer association and representative trade union confederations (e.g. in questioning other side's representativeness) and similar conflictual relationships among trade union confederations (both representative and non-representative nationally). While the issue of 'true numbers' wouldn't be a major problem in a more trustful and less conflictual environment, it is often brought up not only between established and 'contestant' trade unions (those whose representativeness at national and other bargaining levels is not recognized), but also among representative unions and also between representative unions and SAE. Such claims create further conflicts and distrust among trade unions and union confederations, but also between them and employers and/or their representative organisations involved in social dialogues and collective bargaining. Still, they are being routinely brought up by various social partners: 'There is a problem with data, official statistics, we do not have up-to-date numbers of employees with the right to bargain, trade union members, and other specific data.' (#1RS).

The 'data problem' and its persistence and vagueness is typical of the systemic, or institutionally produced, sources of distrust among social partners. It is especially complicated at the national level, because it is unclear (not stipulated) what categories of workers can be counted toward the representativeness of trade unions, and also what should be the proper denominator. For example, according to current rules, only TU members with employment contracts should be counted toward representativeness, thus excluding those on service and temp contracts, self-employed, apprentices, unemployed members and the like. However, at least some of these categories do appear as the part of the denominator – not only in labour force statistics, but also in administrative records – thus effectively raising the representativeness bar.

The revisions of Labour Code in 2014 restricted the so-called 'extended enforcement' of sectoral collective agreements only to cases where employer organisation covers more than 50% of employees. This change made most sectoral collective agreements in private sector unenforceable as SAE membership does not cover enough private sector employees to secure automatic enforcement in these sectors.

The legal threshold of 51% of all employers and employees for the extended enforcement of sectoral CBAs is elusive, the more so because the official classification of occupation is not adjusted to the real situation in the economy (#1RS).

Before the practical annihilation of the possibility of extension of a sectoral CA, it was tacitly understood that SAE could negotiate sectoral agreements on behalf of employers in the sector even without having them as members, as long as these employers were not actively against the SAE' engagement and the Ministry of Labour was ready to extend the CA to all employers and employees in the sector. This 'implicit recognition' was institutionally erased by the Labour Law changes in 2014, resulting in the deterioration of relations between sectoral trade unions and SAE, because several agreed sectoral CAs could not be implemented and approved due to the acute lack of representativeness of SAE. Furthermore, the SAE was disempowered in its relations with non-member employers in the private sector. This resulted in loss of trust into capability of SAE to deliver binding collective agreements at sectoral level. This is one important example how cross-actor trust at the sectoral level tends to be hampered by institutionally induced actions. It was the Government that was behind the last change in rules governing the extension of collective agreements. It undermined the legitimacy of SAE at sectoral level in most branches dominated by private sector.

As a result, trade unions have strong doubts in capacity of SAE to enforce the agreements signed by its sectoral representatives. SAE's willingness to negotiate without being able to achieve legally required representativeness is perceived by unions as self-serving behaviour and waste of their time and energy (#RS11).

Despite the long-standing presence of trade unions in the Serbian Metal sector, there is no sectoral or sub-sectoral level collective agreement. The last sectoral level collective agreement in Metal sector was negotiated in 2011 (available at <http://www.iio.org.rs>). As mentioned, such an extension is now possible only if signatory employers employ more than 50% of the workforce in the sector. In almost all private sector industries, the SAE membership is well below this very high threshold. Our interviewees from Metal sector (#9RS) recall the difficulties in negotiating the last sectoral agreement in 2011 with SAE, because major employers were not interested in concluding such an agreement. They readily admit that it was understood from the beginning that the Labour Minister's intervention in the form of extension of CA was needed, but this did not help much in either building trust with the sectoral representatives of SAE or in improving trustful relations with employers at local level who were forced to accept the contract they did not participate in negotiating. As described, it was not possible to re-negotiate it after 2014 because of practical impossibility of CA extension.

There is also no sectoral CBA in Banking & Finance. Moreover, no particular initiatives toward sectoral bargaining have ever been reported, regardless of legal possibilities or constraints. Both sides, i.e. employers and trade unions have not shown specific interest in sectoral collective bargaining. *Importance of sectoral level collective bargaining in banks and financial institutions may be viewed as inflated to certain extent (#2RS).*

At national and sectoral level, the relations between social partners in Serbia have faced various challenges, stemming from turbulent social, economic and political environment over the last three decades. This has resulted in rather conflicting relations among the social partners representing different parties in the social dialogue, particularly between trade unions at one side and the state and employers at the other side. However, various political cleavages and unresolved issues of trade union property and representativeness have also resulted in raising competitiveness among trade unions, bordering sometimes to hostility, as well as broadening distrust and cleavages, such as between 'old' (former communist) and 'new' trade unions, or between 'established' (nationally representative, one 'old' and one 'new') and 'aspiring' trade unions, as well among 'new' unions themselves. At some critical points, the entire industrial relations space might resemble the Hobessian 'war of all against all'.

There is also an interesting aspect of within-actor trust, best explored via interviews with union representatives at national and sectoral level in Metal sector. Within a nationally representative trade union styled exclusively as branch (sectoral) confederation, trust between national-level and sectoral-level union actors is high. This trust comes from common experience of most sectoral leaders going back to 1990s, as members of alternative trade union movement ('forged in battle', #RS9). There have been several leadership splits in the meantime resulting in formation of alternative unions. This means that bonds among current leaders have been tested many times. On the other hand, another ('conventional') TU confederation has high trust level between national and sectoral level actors, but it is more of a standard 'business-like' type, built through institutionalized collegial relationships and dedication to a common goal (#RS11).

12.4 Local level interactions and trust

Varieties of local interactions and impact on trust

It is not surprising that in a relatively disfigured and decentralized system of industrial relations, trust at national, sectoral and local level are not as highly correlated as could be expected in a more stable system. In Serbia, while national and sectoral level institutions and relations at higher levels do have some impact on local-level trust-building, they are not typically seen as preconditions or essential for it. The generalized lack of sectoral bargaining outside of public sector is possibly the main reason for such inconsistencies.

Besides, turbulent history of transition and privatization in Serbia has created a variable landscape of local-level industrial relations. From the standpoint of trust relations between local actors, it is useful to distinguish between at least two types of local level employers – ‘old’ and ‘new’. Among old employers, our sample included the management representatives of a public institution in Banking and Finance sector, and a privately-owned firm in Metal sector, privatized early in the transition process in the management employee buyout. On the other hand, new employers in both sectors included foreign-owned firms operating some 10+ years in Serbia.

Larger FDI firms, especially in Metal sector, where unions frequently manage to organise at the local level, tend to protect their interests as employers by circumventing SAE, having their own organisation, Foreign Investment Council, mostly engaged in lobbying for pro-business changes in legislation, and enjoying direct access to central and local governments.

Furthermore, the dynamics of negotiations at local levels is often depersonalized, especially in foreign owned firms, where managers tend to ‘hide’ behind headquarter decisions in their relations with unions.

There is an important personality factor in trust building, serving as a substitute for stable institutions and procedures. From the union perspective, the bar is set relatively low – negotiators who are respectful of unions, “correct” (not bullying or aggressive), and do not breach the agreements are considered trustful (#11RS).

Based on insights from Metal sector, there is somewhat less trust between sectoral and company level trade unions in both confederations. Mechanically, this could be due to a larger number of actors at local level. In the ‘branch’ Metalworkers’ confederation, exclusivist ideology of branch leaders is not always shared by more opportunistic company-level TU representatives, which sometimes creates tensions. In ‘conventional’ confederation, the trust issues are more related to the organisational and coordination problems typical for large, decentralized organisations.

In accordance with the general idea that mutual trust is built in repeated interactions and on solid and stable institutional foundations transcending individual experiences, trust appears to be higher in the ‘old-employer’ setting, even if there is a relatively new negotiating partner on the trade union side (#13RS).

In all cases, the role of HR management strategies is important and at least complementary to the role of employer bargaining strategies. As one employer representative put it:

We take care of employee satisfaction, we have various benefits for our employees - a solidarity fund, benefits for parents, we measure satisfaction based on predefined factors, and it turned out that the key factor with which employees are satisfied is cooperation with management, and this is certainly the basis of building trust. (#8RS).

Such attitude is echoed by an employer representative in Metal sector, similarly praising the advantages of orderly company-level union-employer dialogue:

Now that we have a union, we as company managers now have the opportunity to hear the voices of our workers, to better understand their needs and make better working conditions collaboratively. In the previous period, we had constructive meetings, the directors reacted at the request of the union, addressing the employee demands, providing information about the future projects which has been achieved through regular meetings, apart from the collective bargaining and collective agreements. (#5RS)

Nevertheless, comparing interview accounts from Metal sector and Banking & Finance sector, it becomes apparent that they represent two distinctive cultures of labour relations at the local level. In Metal sector, local interactions are typically characterised by respondents as 'correct', 'business-like', 'at a distance', 'without warmth' (#9RS). While there is a recognition of legitimate interests of other party, cross-actor trust at local level is always conditional, and never getting close to a harmonious approach to industrial relations: 'They want to cut costs, we want to see our wages higher, but we need to find a compromise' (#11RS). Past experience and personality traits of key partners, such as 'correctness' and 'keeping one's word' have been singled out as the most important factors for trustful / distrustful relations at the local level. Mutual trust at local level is perceived as important but is largely lacking, in accordance with conflictual model of industrial relations.

Legal and institutional framework for collective bargaining appears to be important at the local level in a similar, albeit somewhat less decisive way compared with the higher negotiation levels. For example, the revisions of Labour Law in 2014 also undermined collective agreements at the company level since the regulator had prescribed that all collective agreements in force when the new law was passed would become ineffective within a six-month period (Reljanović, Ružić, Petrović 2016). Diminishing bargaining power of trade unions particularly in the companies with weak unionisation has resulted in further deterioration of unionisation at company levels, leaving employees without CAs, while in those companies with traditionally stronger trade unions it has led to development of distrust and conflictual relationships between two sides in collective bargaining.

According to some views it has contributed to change in power among the two sides in favour of employers and establishment of a new business environment more hostile toward trade unions:

The entire business landscape in Serbia has become a bit strange. Still, at company level, it all depends on the director; as they change, so do the relationships. Earlier, we agreed, we had meetings as needed. But, now when they want to implement a new work process, we are not present. Now, the employers meet and agree among themselves within their business club and they simply decide not to increase salaries for anyone. (#4RS)

The rise of individualisation and decline in trust

In Banking and Finance sector, HR strategies tend to be more important compared to the classical bargaining interactions, to the extent that collective agreements have become redundant or soon might become redundant. As one informant put it:

I believe that we are moving towards abolishing collective agreements and having individual contracts instead. This means that workers will be called in, and everything will be individually negotiated. Workers will soon become even more distrustful of unionisation. (#4RS).

In local setting where this is already the case, however, the trade union representatives do not appear to be concerned and sometimes readily embrace cooperative approach:

We have an excellent Rulebook, with provisions better than any possible CA we could negotiate. Thus, we negotiate new perks for employees by suggesting amendments to the Rulebook rather than initiating the adoption of CA. (#13RS).

It should be noted that union representatives at sectoral level perceive individualization of CAs at local level as a more damaging trend than local union leaders themselves.

The attitudes of employers toward the desirability of institutionalized collective bargaining are very diverse. They go from statements such as, 'If employees were to form a union, I would immediately leave the business' (personal discussion with an owner of a medium-sized firm in the Banking & Finance sector) to some large foreign-owned firms nudging their employees to form a union because they are used to working in collective bargaining frameworks.

The representativeness issues on national and sectoral level mentioned before are further replicated on the company level. Various trade unions in companies compete for membership thus trying to achieve the threshold of 15% of all employees, granting them the right to bargain. However, many local employers in private sector remain highly hostile toward unionisation. Among other, this reflects in fostering individual targets and individual achievements rather than collective, creating atmosphere which promotes competition among employees, and in which individual excellence is praised at the expense of mutual trust.

Such an atmosphere is also typically characterised by limited information sharing among individual employees or groups of workers which further contributes to raising distrust and lack of collaboration. This is particularly typical for Banking and Finance sector, in which individual agreements already overshadow collective bargaining. However, similar trend is ongoing in Metal sector:

I believe the direction is moving towards abolishing collective agreements and having individual contracts instead. This means that workers will be called in, and everything will be individually negotiated. Workers will soon become even more distrustful of unionisation. (#4RS)

Trade union members in Banking & Finance are mainly employees with longer work experience, while younger employees, as in other sectors, generally refrain from unionization. Consequently, along with an increasingly competitive labour market primarily regarding the supply side, individual work agreements overshadow collective bargaining in a number of commercial banks. Inflation of managerial positions and job titles as HR strategy to facilitate salary discrimination within the legal framework is also a matter for concern. In such cases, better negotiation power of young graduates and professionals stemming from tightened labour market, leads to growing inequality among company employees. Banks encourage employees to sign individual contracts, thereby demotivating employees to be union members. There are testimonies about blackmail and signing blank resignations. Along with it, younger generations are typically not aware of the necessity of protection of collective rights in addition to individual agreements. (#2SE)

Apart from distrust between the social partners as well as among various trade unions, the distrust has also arisen among employees at company levels. Distrust among individual employees is particularly pronounced in Banking and Finance, where trade unions are weak, and employees convinced and/or even forced to sign disputable individual contracts: ‘

Banks encourage employees to sign individual contracts, thereby demotivating employees to be union members. Employees are thus assigned individual targets, which increases competition to the point of hostility among employees, who now do not shy away from taking over clients from one another. (#2RS)

12.5 Conclusions

The fragmented, state-centred approach, typical of other central and eastern European nations that underwent the transition to a market economy, is roughly comparable to Serbia's industrial relations system. If anything, the disparity in power and legitimacy level between the unions and employer organisations, on the one hand and the state, on the other hand, is much more pronounced in Serbia.

This study deals with the issues of trust in industrial relations at various levels in Serbia as a country that in the past three and a half decades underwent an uneven and turbulent transition from a socialist to a capitalist market economy. This transition was carried out in an unstable political, economic and institutional environment, with frequent changes in labour legislation which have in general tended to reduce the potential for social dialogue and collective bargaining, especially at higher (national and sectoral) levels of industrial relations. Given such unstable conditions, the most desirable institutional and long-standing depersonalized bases of trust between employer organisations and trade unions have been largely lacking. Furthermore, as a clear sign of atomization of industrial relations, the study has identified some levels of distrust among competing trade union at national and sectoral levels, and even some trust issues between sectoral and local levels within the trade union confederations.

This does not mean that trust is not present in industrial relations in Serbia. Almost all interviewees from the ranks of EO or TU acknowledge the importance and positive impact of trust and claim to strive to achieve trustful and respectful relationships with their social partners, and most claim to have achieved such relations, at least to some degree. However, the antecedents of trust are variable across levels and sectors, and the variability would be even larger had we included more sectors and firms. While some of presumably trustful relationships stem from the interactions inherent to the dialogue between autonomous parties recognizing both their common and conflicting interests, others, especially those at the local level, come from the different paradigms. These paradigms include unitary theory of industrial relations, downplaying conflict and insisting on social partners' common goals, as well as human relations approach, emphasizing the role of human resource management techniques in overcoming potential conflicts and creating team spirit and overall satisfaction in labour relations.

At different levels of industrial relations, the sources and levels of trust seem to be to some extent different. At national level, the institutional setup and the actors involved have not changed for over 20 years. Even at the personal level, some actors among trade unionists and employer representatives are the same as 20 years ago. Repeated and relatively regular interactions and meetings, international cooperation, participation in global tripartite events, peer learning, and similar forms of common activities, have all created the common ideological ground (in Dunlopian sense) and contributed to the stabilisation of national-level interest concertation within the limited scope allocated by law. This stability and relative regularity of interactions should be assessed as favourable for both institutional and personal trust-building. Another source of the increase in mutual trust reported by some interlocutors might also come from changing and more balanced power relations, with two representative trade union confederations stabilizing their membership and taming their conflicts in the much tighter labour market than 10 or 20 years ago.

At sectoral level, the situation is more difficult and prospects for trust-building remain weak. In this case, legislative changes inspired by the neoliberal agenda hostile toward higher-level, and especially industry-wide bargaining, have played a major role. Most notably, the labour law changes in 2014 made it more difficult (and for all practical purposes impossible) to extend the sectoral agreements to non-signatory employers, effectively blocking the possibility to conclude sectoral CA as the main vehicle of building trust at that level.

While the lack of a reliable representative partner at the employer side is the main source of trade unions' frustration in Metal sector, in Banking and Finance it seems that there is not much interest on either side in concluding sectoral CA. The main sectoral trade union has apparently adopted the cooperative stance consistent with the unitary and human resources approaches to industrial relations and have given up efforts to work toward the conclusion of sectoral CA.

At local level, trust relations between employers and TUs are difficult to generalize, since various factors on both sides can be at play. Trust expectedly tends to increase with the

duration of relations. In the absence of institutionalized patterns of communication and negotiation, which is still an exception rather than a rule, personal traits enabling trustful relations between the partners in industrial relations remain very important.

References

- Arandarenko, M. (1998) *Labour market in transition: the emergence of industrial relations in Serbia*. Doctoral thesis at the Faculty of Economic and Business, University of Belgrade.
- Arandarenko, M. (2019) *Living and working in Serbia*. Dublin: Eurofound.
- Arandarenko, M., Aleksić, D., and Lončar, D. (2021). Expansion of direct investment and resilience of Serbian labour market: A regional and sectoral perspective. *Ekonomika preduzeća*, 69 (3-4), 203-216.
- European Commission (2022) *Country Report: Serbia*. Brussels: Directorate-General for Neighbourhood and Enlargement Negotiations.
- Lazić, M. (2014) Konsolidacija liberalno-demokratskog poretka i formiranje nove političke elite u Srbiji in M. Lazić ed. *Ekonomika elita u Srbiji u periodu konsolidacije kapitalističkog poretka*. Beograd: Čigoja štampa.
- OECD and AIAS (2021) *Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts*. Paris: OECD Publishing.
- Reljanović, M, Ružić, B, Petrović, A. (2016). *Analiza efekata primene izmena i dopuna Zakona o radu*, Beograd: Fond centar za demokratiju.

13 Lithuania

Inga Blaziene & Julija Moskvina

13.1 Introduction

This country case study on Lithuania is based on (a) desk research of relevant literature, institutional reports and national database of collective agreements, and (b) 15 interviews conducted in 2024 with representatives of TUs and employers in three sectors (Table 13.1). The interviews were conducted both face-to-face (8) and by telephone (7).

Table 13.1 Interviewees: levels and sectors

Level	Banking & finance	Metal	Transport	Cross-sectoral	Total
Local Level					
Employee rep.	2	2	3		7
Employer rep.	1		2		3
Sectoral Level					
TU official		1			1
EO official					
National level					
TU official			1	1	2
EO official				1	1
Other (Gov./Civ.)				1	1
TOTAL	3	3	6	3	15

Interviewee selection was conducted using the nearest-agent approach and the snowball sampling method. Most of the interviewees represented the local-level social partners. A higher proportion of local-level representatives were partially related to the specificity of the industrial relations/CB in selected sectors (for more details see Table 13.2). On the employer side, we recruited local HR professionals. The interviewees from the transport sector represented the subsector of public transport.

13.2 Industrial relations at national and sectoral level

Industrial relations in Lithuania are attributed to the *fragmented/state-centred* regime with a low union density and collective bargaining coverage, predominant company-level bargaining, and the dominant role of the state. In recent years, the situation has changed significantly in the public sector, while the private sector has remained largely the status quo.

In Lithuania, a traditionally important role is attributed to the Tripartite Council of the Republic of Lithuania (TCRL) – the main social dialogue institution acting at the national level.

All the most important labour market-related regulations and other decisions important for employees are discussed there. Three national trade unions and six employer organisations are represented at the TCRL. The trade unions are the Lithuanian Trade Union Confederation, the Lithuanian Trade Union “Solidarumas”, and the Joint Republican Trade Union. The employer organisations are the Lithuanian Confederation of Industrialists, Confederation of Lithuanian Employers, the Association of Lithuanian Chambers of Commerce, Industry and Crafts, the Chamber of Agriculture of the Republic of Lithuania, the Investors’ Forum, and the Lithuanian Business Confederation. These unions and employer organisations participate regularly in national-level social dialogue at the TCRL.

The National (Public Sector) Collective Agreement (NCA) signed in 2022 (valid for three years until the end of 2025), caused the attraction of public-sector employees to trade unions. The NCA provides some benefits (e.g. additional rest and/or holiday days) for union members only. Moreover, provisions of the agreement are reviewed and updated annually by the national trade union organisations and the Ministry of Social Security and Labour (MSSL), representing the employer in the public sector. In 2025, the NCA applies to 72,000 employees, while in 2024 it covered around 66,000 and in 2023 – around 58,000 public-sector employees (15min.lt, 2024; MSSL, 2024). This increase is caused by several factors: it applies to those union members who became members after the date of signing the agreement; and the scope of the application of the agreement is also extending. It also applies to municipal companies from 1 January 2024.

Collective bargaining coverage in Lithuania’s private sector remains below 10%. Only one sectoral collective agreement exists in the private sector, signed in 2019 in the furniture production subsector. The near absence of sectoral collective (wage) bargaining is due to several factors. One is the mismatch between the structures of sectoral trade unions and employers’ organisations (e.g. strong unions in public transport, but employers’ organisations mainly representing freight transport). This has hindered social partner negotiations. Another key reason is employers’ organisations’ reluctance to act as sectoral partners or sign agreements, citing a lack of mandate from members. In companies with active unions, bargaining occurs and employee-friendly agreements are signed, though it remains particularly weak or absent in sectors like agriculture, construction, and HORECA.

Industrial relations in banking & finance, metal, and transport

As part of the TRUE EUROPE-project in the banking & finance sector, we have selected to analyse banks, as there are several CAs signed at the company level. In the metal sector, there is only one sectoral trade union, therefore we selected to analyse/interview this sectoral union and its local affiliates. As the transport sector is rather wide and heterogeneous, we have chosen to analyse the public (passenger) transport subsector. The choice was based on the principle of the “closest actor” and on historical reasons: municipal companies have rather long social dialogue traditions.

The **metal sector** has one of the oldest TUs (over 30 years). However, TUs are steadily losing members at both company and sectoral levels, and CB coverage declines. There is neither sectoral-level collective agreement, nor sectoral-level collective bargaining. Trade unions have poor relations with employers both at company and sectoral levels, but there is a strong relation with national TUs, as well as close interrelations between sectoral and company-level trade unions.

The **Banking sector** is also very atypical in terms of industrial relations and TUs. TUs in the banking sector are a rather new phenomenon, which emerged from previous works councils (approx. 5-6 years ago, when works councils lost their right to conclude collective agreements). Sectoral industrial relations are characterised by relatively good relations between TUs and employers at the company level. There is no sectoral TU, and company-level unions do not have relations with the national-level TUs.

In the **public (passenger) transport** sector, there are rather strong TUs in some companies, but no strong sectoral trade union. There is a rather high CB coverage, but only at company level. There are also a lot of specificities due to the regulation of the public sector: CB takes place at the company level, whereas remuneration is set at the municipal level. Moreover, the national public sector CA also applies, as the founders of the public (passenger) transport sector are municipalities.

In Table 13.2 below, we have summarised the aforementioned specificities to show how complicated an analysis of trust between different partners and different levels is due to the absence of some particular partners and/or levels.

Table 13.2 Specificity of the CB in the selected sectors

Sector		Partners		CB/Dialogue		Trust	
		Company	Sectoral	Company	Sectoral	Company	Sectoral
Metal	TU	Yes	Yes	Yes	NO	NO	NO
	EO						
Banking	TU	Yes	NO	Yes		Yes	
	EO		Yes				
Transport	TU	Yes	Yes/NO	Yes	NO	Yes	
	EO						

Light blue – present, but very few/weak; blue – absent; dark blue – non-existent/not possible.

Table 13.2 reads as follows:

- In the metal sector, there are only few, rather weak trade unions at the company level; collective bargaining takes place rarely, and there are only few company-level CAs. Though there formally are social partners at the sectoral level, they are not engaged in collective bargaining. Given the minimal interaction between the social partners, there is little opportunity for building mutual trust.
- In the banking sector, there are unions and company-level CAs in some banks. However, there is no sectoral trade union and, therefore, sectoral-level CB is non-existent/not possible.

Without sectoral bargaining, we can accordingly not speak about the trust between social partners at the sectoral level.

- In the transport sector there are company-level unions, company-level CB takes place, and CAs are signed. However, there is no trade union or employer organisation at the sectoral level and therefore collective bargaining does not take place at the sectoral level. Without sectoral bargaining, we cannot talk about the trust between social partners at the sectoral level.

13.3 National- and sectoral-level interactions and trust

Despite the presence of an institutionalised tripartite social dialogue at the national level, cooperation at the sectoral level remains weak in the private sector in Lithuania, with low bargaining coverage and limited engagement from employers.

Characterising national- and/or sectoral-level interactions

The main social dialogue institution acting at the national level – the Tripartite Council of the Republic of Lithuania – has relatively long traditions and long-lasting cooperation between national social partners. Relations and trust among the social partners represented at the TCRL have developed from rather distant and conflicting to more cooperative during 30 years of functioning of the TCRL.

While there is national-level dialogue in Lithuania, it does not translate into meaningful sectoral agreements (Blažienė, Gruževskis, 2017). According to the interviewed representatives of the national unions and employers (#13 LT, #15 LT), trust between partners at the national level has increased significantly, however, when it comes to sectoral or company level, employers try to avoid commitments. Sectoral-level EOs argue that they do not have mandate from their members to negotiate sectoral-level CAs, whereas employers at the company level often try to avoid signing collective agreements, arguing that the labour legislation is strict enough and/or that all important aspects of working conditions are agreed in the individual (employment) contracts. To some extent, this situation is determined by other factors as well, such as rather strict strikes regulation, or often insufficient capacities of trade unions. Nevertheless, CB takes place and collective agreements are signed in the majority of private companies with active trade unions.

As collective bargaining coverage in the private sector in Lithuania is less than 10% and sectoral collective bargaining (in the private sector) is absent, **there are practically no fora for interaction between sectoral-level social partners, and in some sectors there are no sectoral social partners at all.** There are several sectoral committees and commissions under the Tripartite Council, but they mainly cover the public sector (e.g. education, culture, civil service) and actually do not play any significant role in the area of interactions between the social partners at the sectoral level.

The low bargaining coverage as well as the generally weak role of industrial relations and the dominant role of the state in setting standards for employment and working conditions indicate a deficit of trust between all levels of social partnership. On the one hand, strict state regulation means that the state does not trust social partners' abilities to agree and, on the other hand, low collective bargaining coverage generally shows low trust between national, sectoral and company-level unions and employers (#14 LT). Surveys also indicate a general lack of trust in public authorities (Gaižauskaitė, 2019).

None of the three sectors analysed have sectoral/branch-level collective agreements, and no attempts are taken to engage in sectoral/branch-level collective bargaining.

In the **metal sector**, the Lithuanian Association of Metal Workers Trade Union (affiliated with LPSK) represents around 750 individual members. No sectoral agreement exists, mainly due to the union's very limited representation (#3 LT). Other barriers include employers' dominant position and scepticism about union competence (negotiation capabilities). The union itself acknowledged that confrontational behaviours ("shouting from the rooftops" #3 LT) could have also suppressed the willingness of the employers to cooperate.

In the **banking sector**, no sectoral employee organisation exists. According to respondents, the lack of need is linked to minimal representation—"we are too small" (#6 LT). In the absence of a partner in the sector, the Lithuanian Banking Association, uniting all main banks operating in Lithuania, is not engaged in collective bargaining.

In **public (passenger) transport**, trade unions and EOs are fragmented, and no single entity acts as a sectoral social partner. As in other sectors, sectoral bargaining is absent. However, one very specific feature of the sector was highlighted by the interviewees (#7 LT, #8 LT, #12 LT): passenger transport companies, representing workers from the public companies are covered by the National (Public Sector) Collective Agreement. The application of the NCA to public transport companies had some positive impact on the conditions set at company-level CAs. To avoid discrimination, some company-level agreements extended union-specific NCA benefits to all employees. It should be also noted that, despite the desire to increase TU density in the public sector, the national collective agreement has not led to an increase in the number of TU members in passenger transport companies. This is explained by the fact that public transport companies have already had existing TUs and employee-friendly CAs in place (#8 LT).

In recent decades, there have been some attempts to initiate sectoral collective bargaining and signing of a sectoral CA in the public passenger transport sector. However, the process was stalled due to several reasons (those reasons were highlighted by both TU and employer representatives):

- The absence of clear bargaining partners. As public transport services in municipalities are provided by both private and municipal service providers, it is not completely clear who might be the main bargaining partner at the sectoral level. Moreover, employees in the private sector are not organised;

- The sufficiency of the existing national and company-level collective agreements. Company-level agreements in municipal firms often surpass national standards. Thus, TUs do not see clear advantages of the sectoral CA;
- Regional/territorial disparities. Municipalities are in very different situations both economically and financially: the budgets of public passenger transport companies vary considerably, as do the fares applied in various regions/territories, the guarantees offered to employees in the companies, etc.

Anchoring trust in institutions and trusting lower-level actors

Given the fragmentation of collective bargaining and the absence of sectoral-level institutions, both horizontal and vertical cooperation between workers' and employers' organisations is extremely difficult, if possible at all, in Lithuania. For example, local-level employer representatives participating in the study could not recall any prominent and/or more frequent cases of interaction with higher-level employer organisations. However, the trade unions' situation is varying, depending on the sector and social dialogue traditions.

Representatives of different levels of employees in the **metal sector** develop active cooperation at all levels. As regards cooperation between national-level and sectoral-level TUs, respondents from the metal sector highlighted very strong trust. Trust stems from a deep tradition of communication, where a considerable amount of time is spent on strengthening informal contacts (trips, seminars, trainings, projects, etc.). According to one of the respondents, the concern of the representatives of the unions, both at the national and sectoral levels, is to create a sense of togetherness, of belonging to the TU's community when speaking about the national level, and to the metal community when speaking about the sectoral/company level. Interpersonal communication between metalworkers, based on traditions and values of professional communion, can thus be described as an identification-based trust.

On the other hand, the strong long-standing links between higher and lower level TUs in the metal sector have not led to the strengthening and growth of the TUs themselves: union density in the sector is continuously declining. Thus, the strong trust between unions at different levels has not translated into trust in the unions (at the local or sectoral level) per se. According to a sectoral union representative, generational change is a key factor, with younger workers preferring individual over collective strategies ("individualist generation", with "no trust in the collective", #3 LT). This reflects broader trends in the Baltic region, where according to World Values Survey interpersonal trust remains low Gaižauskaitė (2019).

The **transport sector** has collective agreements at both national and local levels. However, the initiation of the national CA seems to have undermined the trust in the government from both the TU and the employer sides. Though NCA offers benefits to public sector union members (e.g. additional days off for training, health care), the costs are borne by employers, causing internal friction in companies (such as resistance between union and non-union members (#8 LT)).

Still, the level of trust can be assessed as high as regards sector-level and national-level TU cooperation. In the transport sector, there are close links with national-level trade unions. However, trust in the transport sector is not as unconditional as in the metal sector. The cooperation between the sectoral unions and the national level unions of the transport sector is rather based on relational trust (Lewicki et al., 1998; Rousseau et al., 1998).

In **banking**, the foreign ownership of major companies shapes social partner dynamics. The employee representatives have a stronger orientation towards cooperation with foreign rather than domestic employee representatives. And representatives of both – local-level unions and local-level employers do not communicate with higher-level employees' or employers' organisations. The "other" side's activities of sectoral- or national-level actors are also not reflected at the company level.

A representative of the banking sector TU (#5, #6 LT) noted that consultations with national associations of TUs and some sectoral unions took place at the initial phase of local union activities, but that the specificities of the sector and the much greater progress made in the field of workers' guarantees did not give any further grounds for cooperation with higher-level "same-side" partners (unions). On the other hand, given the specific nature of the sector, where a large market share is taken up by Scandinavian companies, the TU maintains contacts with employee representatives of the parent company (Sweden) or with a European-level workers' association.

A representative of the national-level union (#13 LT) mentioned that national-sectoral cooperation and trust is often influenced by financial/material factors. The interviewee mentioned several cases when emerging sectoral unions, while small and weak, need (and receive) significant support from the national unions, but once they grow and become big and strong, they often try to be as independent as possible, and "they forget what the national union did for them" (#13 LT). There were cases when such unions refused to share their funds or cooperate in other ways with the "parent" TU, thus destroying a relationship of trust built up over many years.

Effects of trust according to national- and/or sectoral-level actors

During the interviews, respondents at both the national and sectoral levels recognised the importance of trust; however, mainly generalised outcomes were articulated: loyal members, better conditions, predictability, higher productivity, and "good for the economy" in general. We presume that the importance of macro-level trust is still not recognised or not reflected enough among the social partners. This might be explained by the actual absence of sectoral-level dialogue in the private sector and, therefore, by the lack of real experience and/or good practice examples. On the other hand, according to the expert opinion (#14 LT), private-sector unions might see some examples and learn experience of social dialogue in the public sector, where trustful relations and cooperation resulted in employee-favourable working conditions.

Long-term (vertical) relationships between unions in the metal sector are based on affective (relational)-based trust, relying on emotional investments and identification-based trust (Dietz and Den Hartog 2006). Long-term professional and personal relationships between trade union representatives at different levels allow lower-level unions for direct communication on issues that need to be addressed at a higher level. Usually, such issues are referred to the sector's trade union, trusting that they will be considered at the sectoral or (if necessary) national level.

Dimensions and bases of trust at national/sectoral levels

As mentioned, the Tripartite Council of the Republic of Lithuania plays a significant role in discussing labour market policies and legislation in Lithuania. It creates a real and effective institutional basis for social partners' interrelation and cooperation. Nevertheless, informal relationships, alongside with the institutionalised framework, also plays an important role: "National-level tripartite negotiations have also been strongly influenced by the informal relationships" (Blažienė, Gruževskis, 2017).

The TCRL, functioning in Lithuania for already 30 years, initiated cooperation-based relations between the national-level social partners, and created some networks and even "patterns" of cooperation. For many years, the Tripartite Council has been bringing together individuals who know each other well, are familiar with each other's positions, and are aware of each other's strengths and weaknesses. The social partners are therefore often able to predict which proposals will be accepted and which will be rejected, and which decisions will be taken by the Tripartite Council. The reliance on the formal structure and processes of the institution, developed over time, builds institutional trust. This solid institutional framework provides a foundation for interaction, while informal relationships and personal knowledge enhance and influence the processes within that framework. This creates a "mixture" of cooperation and trust based on institutional and personal relations.

At the sectoral level, representatives of the metal sector trade union (#3 LT) emphasise the importance of fostering cooperative relations through relational-based trust. The union invests considerable effort in strengthening personal ties among different levels of workers' organisations, organising training, seminars, and informal events to cultivate a sense of community and shared identity within the metalworking sector. Similar efforts have been directed towards building trust with sectoral employers' representatives; however, these attempts have not yielded results, as the lack of reciprocity from employers' organisations has led to a breakdown in communication. While the cultivation of close personal relationships among union members remains an important activity of sectoral unions, these efforts have not consistently translated into measurable outcomes, such as increased union membership or the signing of collective agreements.

13.4 Local-level interactions and trust

Collective bargaining in Lithuania is decentralized, with low coverage and a prevalence of local-level agreements, especially in the private sector. Trust and cooperation between employers and unions vary by sector, influenced more by employer attitudes than specific issues. Regular communication, including meetings and direct dialogue, is crucial for fostering trust. Consistent dialogue and unions' professionalism help overcome employers' biased views and build trust.

Characterising local-level interactions

Despite the low levels of union density and collective bargaining coverage, bargaining takes place and employee-favourable collective agreements are concluded in companies with strong TUs. According to the analysis of collective agreements in Lithuania, conducted by the Ministry of Social Security and Labour in 2023 (MSSL, 2023), parties in collective agreements manage to agree on various provisions beneficial to employees (e.g. flexible and individualised working hours, payment for study leaves, additional vacation days, days to improve health, transportation of employees to work, measures to support social partnership) as well as on various provisions beneficial to employers (e.g. different or greater overtime hours than those established in the national legislation); they also establish the obligation of trade unions to conduct various surveys of their members regarding measures to reduce stress at work, to publish the number of their members, etc.

Sector-specific differences are notable. In the **metal sector**, TU's representatives play the role of a "controller", supervising whether the employer consistently complies with the provisions established in the national labour legislation. The sector's health risks pose challenges, with unions struggling to address them due to employers' claimed lack of funds (#2 LT). Remuneration issues also face stagnation, particularly in remote areas with limited job opportunities. Issues that are not related to or have little to do with larger employer investments, such as workplace improvement or H&S equipment, are resolved between employees and employer representatives in the metal sector quite quickly. The easiest issues to agree in companies between the TU and the management in the metal sector are various "social guarantees/benefits" aimed at supporting individual employees under specific personal life/family circumstances (anniversaries, funeral benefits, etc.).

Remuneration is also a sensitive issue in **public passenger transport** companies. First of all, the issue of remuneration is not resolved at the company level, but in the municipalities, which are the owners of public transport companies. However, during the interviews, not a single case was mentioned where representatives of the unions would start negotiations on remuneration with the municipalities. Paradoxically, both the unions and the company managers qualify the remuneration issue as a relatively easy-to-solve one, as "employees know that they cannot ask for more" (#8 LT). We can make two assumptions in this regard: (a) employees trust company managers and municipalities about maximum possible salaries, (b)

by not demanding higher salaries, trade unions and company managers do not trust municipalities, fearing that the municipalities will decide to use only the services of private sector carriers. It is important to recall that the NCA does not apply to the private sector, and company-level collective agreements are uncommon in the private sector, where working conditions are less favourable than in municipal transport but service prices are lower. The avoidance of wage increases in the public transport sector is justified by the claim that raising wages may cause the municipality to contract cheaper private companies. Discussions on issues that can be resolved locally, such as work organisation and improvement of working conditions, are carried out more smoothly.

Respondents from the **banking sector** noted that it was difficult to resolve overtime issues, whereas wages were settled quite quickly. Discussions on skills and training, as well as digitalisation/new technology issues, are not very important for banking sector employees, since the valid collective agreement or established company practices ensure sufficient conditions for employees to learn and master new technologies ("do not use as many hours for training as planned" #4 LT). Occupational health and safety issues are also considerably less relevant in the banking sector.

In general, relations in the surveyed companies range from partnership to conflict. However, the nature of the relations depends less on the content of the issues under discussion, but more on the attitude of the employer and employee representatives to cooperation and their value propositions. It is also worth noting a certain level of TU vigilance towards the employer regarding final decisions and final versions of collective agreements (in the words of the unions, local-level survey participants: "employer representatives "accidentally" forget the agreement" (#5 LT).

Perception of trust

The interviews showed that the concept of trust is not familiar to the social partners. It was obvious that they do not use the concept of trust in their daily activities or when reflecting on the relations between the social partners. This is especially noticeable from the concise, generalised answers, without specific details, to the question about the benefits/positive outcomes of trust.

Trust is often identified by the interviewed representatives of local- and sectoral-level unions and employers with the presence or absence of personal relationships and the quality of these relationships. Yes, close personal relationships are often identified with trust (this is especially noticeable in the answers of local-level TU representatives). However, the lack of contact and/or good relations means the opposite, i.e. the absence of trust. For example, conflicting relations with managers/directors were assessed by TU representatives as a lack of trust. Judging from the responses received, it can be assumed that, at the local level, trust is more associated with positive emotional interactions between people (individual personalities, groups of people).

We noted that the concept of trust/distrust is used more often in cases where the relationship between TU and employer representatives evokes certain emotions. However, the more defined, regulated, formalised the relationship between the TU and the employer is at the company level, the less emotions it evokes and, accordingly, the less it is seen from the trust/distrust angle. Such a conclusion can be made by comparing the responses received from representatives of the banking sector and representatives of other analysed sectors, as well as by analysing conflict and non-conflict situations between TUs and employers in the banking sector. The less definiteness/uncertainty when the social partners are looking for a solution to a new problem, the more respondents rely on the concept of trust/distrust when describing the situation. By contrast, respondents talk about already solved problems or formalised procedures without using the concept of trust, although in their language trust is expressed indirectly, describing a state of stability, certainty, and predictability.

When it comes to the positions of TUs and employers in terms of trust, different interpretations of the concept of trust and the corresponding methods of building trust are observed. When analysing the foundations of trust, it was noted that TU representatives trust employers who are attentive, ready for dialogue, and do not avoid informal contact. In this way, identifying trust with a warm relationship, TU representatives themselves devote more attention and effort to the formation of long-term friendly relations. In the workplace, they assume greater responsibility for the formation of trust based on emotions, i.e. a close relationship between employees, between the union and the employer, and between TUs at different levels. It should be noted that the latter vertical relationship between different levels of TUs is particularly relevant in the metal sector and partially relevant in the transport sector.

As for employer representatives, the relationship of trust with TUs for them means employees' loyalty to the workplace, a non-confrontational approach, and a non-demanding attitude, i.e. "not demanding more than the employer can offer" (#4 LT). There is also a lack of trust in strong TU leaders, who "can ruin the company" (#8 LT). Thus, the way in which employers' representatives build trust has little to do with maintaining emotional connections. Trust-building practices usually involve formulating clear positions on performance expectations and communicating potential benefits to employees.

The insights gained from the responses of TU representatives are partly consistent with the results of the study by Oleszkiewicz, Lachowicz-Tabaczek (2016), which show that warm personal relationships are a necessary condition for trust in the workplace, and managers' behaviour directly influences the level of trust or distrust: "Trust was conditioned by both competence and warmth to an equal, high extent. At the same time, warmth expressed by supervisors led to higher results in liking, respect and trust in them than warmth expressed by subordinates." Our results indicate that TUs' efforts alone to create warm relationships, without being mirrored by employers, are not sufficient for mutual trust-building in companies. The research by Pučėtaitė et al. (2010) on trust in Lithuanian companies applying the UN Global Compact confirms that employees' involvement in ethical organisational practices is important in building organisational trust.

It was also possible to notice that it was difficult for respondents to use the concept of trust in assessing the attitudes towards state institutions. The respondents almost did not use the concept of trust/distrust here as well. Despite the fact, that both employer and TU representatives periodically contact the relevant institutions (usually the State Labour Inspectorate), commend the quality of the institutional services/consultations received and recognise the importance of these institutions, the relations with them are not described by interviewees as relations of trust. Thus, in essence, the relationship with institutions based on trust is described without using the concept of trust itself. We assume that in the absence of a warm relationship component, where “TRUST = COMPETENCE + WARMTH” according to Oleszkiewicz and Lachowicz-Tabaczek (2016), trust in institutions will never be placed a high value. Moreover, these are probably the trust components characteristic of Eastern Europe, which, together with other factors, determine low trust in institutions. As Sztompka (2003) argues, cultural values and historical experiences shape trust through normative rules and familiar environments. Eastern Europe may experience distrust due to historical upheavals, leading to reliance on alternative mechanisms like vigilance and externalisation of trust.

The responses from interviews confirm the difference described in the scientific literature between the concepts of trust and perceived trust. While trust can be defined as the willingness to take risks based on the positive expectations of another party, perceived trust refers to the subjective feeling (Xiao, Wu, 2020). The differences in trust representations between managers and union representatives (Harrison, 2003) was also confirmed.

Anchoring trust in higher-level institutions

Compared with the strong trust of the local-level TUs in the higher-level TUs in the **metal sector**, trust in state institutions can be described as rather weak. Trust in institutions in this case can be attributed to calculus-based trust in the sense that unions are addressing them only in extreme cases. As was noted by representatives in the metal sector, employees do not always address the TU to defend their interests: they “do not trust the collective” (#3, #1 LT). Instead, employees often directly apply to the State Labour Inspectorate (SLI). However, according to the respondents, the Labour Code is not always a sufficient instrument to protect/ensure employees’ interests. Respondents shared their observations that employees’ addressing TU or joint addressing of the employee and TU to the SLI yields more positive results in solving employees’ problems than individual application to SLI. However, these facts cannot change the employees’ attitude to trust or distrust in the unions.

In the **banking sector**, cooperation between local employers and employee representatives and higher-level institutions and social partners is practically non-existent. When specific issues arise, both employee and employer representatives use the services of the SLI to resolve employee problems. The decision to address the SLI and other state institutions or the company’s TU to resolve emerging issues is based not on trust/distrust, but on the established procedures and rules. Collective agreements signed in the banking sector

significantly exceed the minimum standards provided for in the Labour Code. That is, “the Labour Code is created for the worst employer” (#6 LT).

For the interviewed employers in the **transport sector**, the Labour Code seems to be a tool that imposes many obligations on employers, and that “It would be easier to organise work if the Labour Code was more flexible and simpler” (#7 LT). The long-lasting social dialogue traditions enable easier resolution of emerging issues, but at the same time, according to the employer’s representative, they become an obstacle to competing with private passenger transport companies, which usually do not conclude CAs in their companies and apply lower standards of working conditions. In addition, the requirements applicable to municipal companies do not apply to private carriers: “Operational policy, strategy, finances must be publicly announced. ... They [private companies] know everything about us, we know nothing about them” (#7 LT). In this way, private carriers gain a competitive advantage. These circumstances often limit TUs’ possibilities to bargain for higher wages and/or better working conditions, requiring additional financial investments. On the other hand, they undermine trust of both unions and employers in their higher-level partners, i.e. municipalities.

One more factor mentioned by interviewees as reducing trust of the unions and employers in higher-level institutions is encoded in the Labour Code procedures: the employer is obliged to participate in collective bargaining, but is not obliged to complete it (#9 LT).

Effects of trust according to local-level actors

At the local level, personal trust is valued for greater efficiency in resolving issues: “You call, you make an agreement - it happens quickly” (#7 LT). Collective agreements are also an important factor in building trust: in the words of one of the respondents, it is “a verbal agreement embedded on paper” (#6 LT). Having unwritten practices documented in writing builds greater employee confidence and trust, and creates a sense of partnership.

Trust at the workplace is also important for respondents because of the maintenance of a favourable emotional atmosphere, which in turn is associated with employee productivity. Local-level TU representatives direct their activities to maintain a working atmosphere, seeking to avoid emotions incompatible with productive work (“when an employee is in a bad mood” #2 LT). Mutual trust is also beneficial for the employer when the TU communicates decisions to employees that are likely to cause dissatisfaction or resistance in the team.

Dimensions and bases of trust at local level

In the metal sector, union leaders with extensive experience prioritize vertical networking and cultivate a sense of community and trust among colleagues through various events and support initiatives. Their established work traditions are largely based on the development of networking between local and higher-level union representatives, creating a sense of community, belonging to the trade union family, and trust in colleagues from other unions.

Events, trips, and support campaigns are organised for this purpose. TU representatives work intensively to create warm interpersonal relationships with both employees and employer representatives (in case employer's representatives are eager to communicate). Such work tools/methods include joint anniversaries/events, professional or personal celebrations, acknowledgements, invitations to participate in events, commemorations, gifts, professional/merit recognition. However, not all employer representatives share this approach to cooperation, and other objective obstacles to developing dialogue may also arise. The following obstacles to cooperation are the **high turnover of employer representatives, language barriers, cultural differences, and challenging personal qualities of some managers**. Despite the listed obstacles to mutual trust, company-level TU representatives consistently develop relationships rooted in knowledge-based trust (regular ongoing communication with employer representatives) and personal-based trust.

Personal qualities of TU and/or employer representatives as a trust factor are also important in the **transport sector**. Personal qualities of employer representatives that hinder cooperation in the eyes of TU representatives: unethical behaviour, rudeness, disregard for the opinions of other people and open declaration of this position. A representative of the employer in the transport sector noted that the incompetence of TU leaders is the main factor destroying trust. Also, the aspiration of TU leaders for a political career reduces trust in them from the employer's side.

Continuous (regular and constant) communication as a basis for trust-based relationships is admitted by all participants, but the organisation of communication in companies may differ slightly (by choosing different periodicity of meetings). In this way, the aim is to avoid miscommunication, unequal treatment of issues as factors that promote distrust. The form of cooperation, when decisions are made collegially, is considered an important element of successful activities by both unions and employers.

Respondents from both the **metal and banking sectors** emphasised that employers view work councils more favourably than TUs. An example can be given when members of the works council created a TU and this change caused distrust on the part of the employer. According to the respondent, the process of restoring trust took several years. Factors for building trust relationships: favourable attitude of company owners/top managers (Scandinavians were mentioned as a good example) towards TUs; constant and regular communication between employees and employer representatives; sensitivity to the current situation. An important factor for trust is the form of regular mutual communication – periodic meetings and the possibility of directly contacting the CEO if necessary. In this way, collegial consideration and adoption of possible decisions and the possibility of directly involving the top manager create more trust.

The dynamics of mutual trust between employees and the employer since the moment of the transformation of the works council into a trade union in one of the surveyed companies demonstrated an example of knowledge-based trust (Shapiro et al., 1992). Considering that the works council, as a form of employee representation, is usually more favourable to the

employer (this is noted by both the banking and metal sector unions), the emergence of a TU in the company was initially perceived by the employer as a sign of threat. However, the constant activity of union representatives in inviting employer representatives to participate in discussing issues important to employees (i.e. regular communication) suppressed the tension over time. Currently, much higher trust in unions on the part of the employer is observed. Employer representatives highly appreciate the professionalism and maturity of union representatives when their efforts are focused on achieving the best result under the existing conditions.

13.5 Conclusions

Our research showed that the concept of trust is not explicitly recognised or actively used by social partners in their daily interactions in Lithuania. Instead, trust is indirectly understood through personal relationships and the quality of interactions between TU and employer representatives. At the local level, trust is associated with positive emotional connections. In uncertain situations, trust becomes more relevant in discussions, whereas structured processes tend to minimise its role. The research shows that Lithuanian unions build trust through personal warmth, informal communication, and long-term relationships, while employers associate trust with employee loyalty, non-confrontational attitudes, and predictable workplace behaviour. Despite frequent interactions with state institutions and positive evaluations of their services, the social partners also do not describe these relationships as one of trust. This phenomenon may be explained by the absence of emotional warmth as a key component of trust (Oleszkiewicz and Lachowicz-Tabaczek, 2016).

Based on the interviews, we may conclude that “employees’ willingness to be sensitive to the organisation’s actions and employer’s confidence in employees’ commitment and intentions” are often recognised as the source/basis of trust between the local-level social partners. This is in line with the results of Guerrero & Herrbach (2009). However, employers and employee representatives differ in how they define trust. In the statements of TU representatives about trust or distrust, the key words are “relationships” and “communication”. Even if formal relations are maintained between the employer and employees’ representatives, such a situation is assessed by TU as a lack of trust if there is a lack of personal communication and/or informal communication. By contrast, trust in employees’ representatives arises from the certainty that the requirements will not exceed a certain limit set by the employer. In this case, trust/distrust is not related to the frequency and/or immediacy of relations.

Vertical trust among TUs in the analysed sectors differs significantly. Strong identification-based trust was identified among unions at different levels in the metal sector. Relational trust between lower and higher levels of TUs was identified in the transport sector. In the banking sector, the vertical cooperation develops with foreign parent companies’ TUs or European-level associations. While vertical trust within TU levels can be strong in terms of emotional bonds and traditions in the metal sector, this does not contribute to the overall strength of TUs.

The size and dynamics of TU membership can reveal the extent of employees' trust in trade unions. Although the interviews presented some cases of growing TU membership in some companies, the overall situation in the country, where TU representation is seen as insufficient for more active social dialogue, is consistent with the low trust in workers' organisations in CEE. Growiec & Growiec (2014) indicate that citizens in Central and Eastern European countries often experience a "low trust trap," where deficits in bridging social capital and trust negatively impact their economic performance and happiness, highlighting a significant perception issue regarding social partners.

Foreign ownership affects trust at the company level in different ways. In the metal sector, frequent ownership changes and managerial turnover hinder sustained trust-building, compounded by language and cultural barriers. In contrast, in banking, foreign ownership—particularly from Scandinavia—has fostered trust through management's positive attitude towards unions and the transfer of social dialogue traditions from Nordic countries to Lithuanian firms.

In employer-employee relations, the consistency of communication is crucial and often depends on the personal qualities and attitudes of TU and employer organisation (EO) representatives. Constant communication is considered a key factor of trust, but its organisation in companies may differ in its intensity and periodicity. Collegial decision-making between the social partners and the employer is seen as an element of successful cooperation.

Reaching agreement on matters requiring significant employer investment is often challenging. However, the nature of the relationship itself depends less on the content of the issues under discussion (wage, training, health and safety, etc.) and more on the employer and employee representatives' approach to cooperation and their values.

References

- Blažiene I., Gruževskis B. (2017) [Lithuanian trade unions: from survival skills to innovative solutions](#), European Trade Union Institute.
- Dietz, G., & Den Hartog, D. N. (2006). Measuring trust inside organisations. *Personnel review*, 35(5), 557-588.
- Gaižauskaitė, I. (2019). Socialinio ir politinio (ne) pasitikėjimo kaita Baltijos šalyse 1990-2018 m. In *Lietuvos socialinė raida* (No. 8, pp. 145-166).
- Growiec, K., & Growiec, J. (2014). Trusting only whom you know, knowing only whom you trust: The joint impact of social capital and trust on happiness in CEE countries. *Journal of Happiness Studies*, 15, 1015-1040.
- Guerrero, S., & Herrbach, O. (2009). Organizational trust and social exchange: what if taking good care of employees were profitable?/La confiance organisationnelle au coeur de l'échange social: et si bien traiter ses employés était payant? *Relations Industrielles/Industrial Relations*, 64(1), 6-27.
- Harrison, D. (2003). [Trust Representations between Managers and Union Representatives: A Qualitative Analysis](#). Social Science Research Network.

- Lewicki, R. J., McAllister, D. J., & Bies, R. J. (1998). Trust and distrust: New relationships and realities. *Academy of management Review*, 23(3), 438-458.
- 15min.lt (2024). [Pasirašyta atnaujinta nacionalinė kolektyvinė sutartis bus taikoma daugiau darbuotojų](#).
- MSSL (2023) [Kolektyvinių sutarčių stebėsenos pristatymas](#), Ministry of Social Security and Labour.
- MSSL (2024) [Socialinio dialogo ir kolektyvinių derybų skatinimo 2024-2028 metų veiksmų planas](#), Ministry of Social Security and Labour.
- Nacionalinė kolektyvinį sutartis Nr. PV3-626. 2022 m. spalio 10 d.
- Oleszkiewicz, A., & Lachowicz-Tabaczek, K. (2016). Perceived competence and warmth influence respect, liking and trust in work relations. *Polish Psychological Bulletin*.
- Pučėtaitė, R., Lämsä, A. M., & Novelskaitė, A. (2010). Building organizational trust in a low-trust societal context. *Baltic Journal of Management*, 5(2), 197-217.
- Rousseau, D. M., Sitkin, S. B., Burt, R. S., & Camerer, C. (1998). Not so different after all: A cross-discipline view of trust. *Academy of management review*, 23(3), 393-404.
- Sztompka, P. (2003). Trust: A cultural resource. In *The moral fabric in contemporary societies* (pp. 47-66). Brill.
- Xiao, Y., & Wu, S. (2020). [A Review of Research on Perceived Trust](#). *Proceedings of the 5th International Conference on Social Sciences and Economic Development (ICSSED 2020)*, 342-346.

14 Comparative Conclusions

Bengt Larsson, Margaret Heffernan and Aurora Trif

14.1 Introduction

The overall objective of the TRUE EUROPE project was to identify the determinants of trust and connect them with the functioning and outcomes of trust in both local and sectoral employment relations. We specifically aimed to understand and explain the bases, forms, and effects of trust by examining local and sectoral employment relations and how they are embedded within the formal structures of sectoral and national industrial relations. While Chapters 6-13 provided analyses of each country separately, this chapter provides an analysis based on comparisons across countries. In doing so, we will also connect the country case studies to the quantitative comparative analysis in Chapter 5 while revisiting the theoretical concepts from Chapter 2, the literature review in Chapter 3, and the contextual overview of industrial relations regimes presented in Chapter 4.

We begin by examining whether trust in local and national or sectoral industrial relations matter, specifically the perceived effects of trust between social partners at local, sectoral and national levels as reported by the actors involved. We also examine the factors that correlate with trust arising from the quantitative analyses. We then examine the dimensions and bases of local level trust between employers and employee representatives, drawing on examples from the various country case studies to illustrate how trust is built, maintained and stabilised in practice. Next, we turn to dimensions and bases of trust between social partners at the sectoral and/or national level, which, to some extent, mirrors the findings regarding local level trust. A recurrent secondary theme throughout these sections is the 'other side' of trust, that is what effects and bases there might be for *distrust* between the social partners. Finally, we close this comparative conclusion by highlighting the main findings and discussing implications

14.2 Does trust in local and national industrial relations matter?

One of the most widely known definitions of trust is the 'willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that party' (Mayer et al. 1995: 172). Previous research has shown that trust is essential to initiate, establish, and maintain social relationships (Lane and Bachmann 1998; La Porta et al. 1998). Trust is also said to have beneficial effects on the functioning, efficiency and performance of different institutions and organisations, and positively affects organisational performance and economic growth (Algan and Cahuc 2013; Beugelsdijk et al. 2004; Dincer and Uslaner 2010).

Both previous research and European Commission statements emphasise that effective and sustainable social dialogue, negotiation, and cooperation between social partners at European, national, and local levels depend on the establishment and maintenance of trustful relations. According to the European Commission (2010: 5) social dialogue is said to be carried out through ‘trust-building, information sharing, discussion, consultation, negotiation and joint actions.’ Trust is therefore regarded as central to the effective functioning of local-level employment relations within firms - between managers, employee representatives, and employees - as well as impacting the functioning of sectoral and national-level industrial relations between employer organisations and trade unions (e.g. Brandl 2020; Fox 1974; Korsgaard et al. 2010).

Our overview of previous research in chapter 3 gives some evidence of benevolent effects of trust between management and employees, and, to some extent, also between management and employee representatives. Employee trust in management tends to improve employee and organisational performance, and increase employee satisfaction with both management, the organisation, and local worker representatives (e.g. Korsgaard et al. 2010; Yunus and Mostafa 2022). When management trust employees and employee representatives - especially if there is mutual trust between management and employee representatives - it tends to improve employee access to training and shape constructive and influential (‘integrative’ mutual gains-) bargaining (e.g. Brandl 2021a; 2021b; Elgoibar et al. 2021).

It is very difficult to isolate and measure the effects of trust, and there are few studies of trust between employee representatives and management. This project has therefore taken an exploratory approach, by combining quantitative analyses based on the European Company Survey (ECS) and additional in-depth interviews with local, sectoral and national level representatives for employers and trade unions. Both data sources are therefore mainly based on ‘subjective data’ expressing the experiences and information given by the participants themselves. Although this approach has certain limitations, trust is in its essence subjective, and the experiences of the actors involved are important. This stems not only from the fact the actors involved may be expected to have, if not a fully objective or aggregated overview, then at least good knowledge of these issues, but also because the ‘Thomas Theorem’ highlights how the actors’ perceptions of a situation affects their behaviour: ‘If men define situations as real, they are real in their consequences’ (Thomas & Thomas 1928: 572).

Effects of trust in local level industrial relations

The quantitative data from the ECS concerns trust between local level representatives of management and trade unions and is thus related to trust in local company level industrial relations (see Figure 1.1 in chapter 1). The main conclusions of the analyses in chapter 5 in terms of ‘effects’ of trust are two-fold: *First*, management trust in employee representatives correlates with a greater influence from employees and their representatives on workplace decisions. This is measured as a combination of influence on decisions concerning skills,

training, pay and occupational health and safety. *Second*, employee representatives' trust in management correlates with both greater satisfaction with relations with management and with lower risks of strikes. Whilst the actual causal relationships in these correlations cannot be specified, it seems reasonable to assume that the relationship goes both ways, where high levels of local level trust increase employee influence and satisfaction with management, and in turn, help reduce the risk of strikes. These results add to those of Brandl (2021a; 2021b), who found that strong mutual trust between management and employee representatives, which is very rare, is positively related to increased profitability in companies.

These quantitative findings indicate that there are both procedural and material (or substantive) effects from trust between employer and employee representatives at the local level. Procedural effects relate to improvements in the interaction between the two parties (e.g. how things are done), while material/substantive effects refer to outcomes that are beneficial for one or both sides (i.e. what is achieved). This is confirmed by the qualitative studies in the eight country-case studies. Although the extent of reported positive procedural and material effects varied somewhat across the eight countries, and to some degree across the three sectors, interviewees generally highlighted similar types of effects. This indicates that local-level trust is associated with some common outcomes, even if we cannot determine their intensity or how much they vary across countries or sectors. Notably, differences in trust between sectors and the related effects were more marked in Central and Eastern European countries than in Austria and Sweden.

The procedural effects associated with local level trust between local employer and employee representatives (where such trust exists) included the development of a negotiation culture that helped bridge ideological and structural tensions between the interests of management and labour. This facilitated 'integrative' bargaining and labour peace, rather than reinforcing conflictual positions. Trust enhances the ability to engage in constructive dialogue based on mutual understanding, leading to both greater predictability and flexibility in negotiation and problem solving. It also allows for dialogue that covers a broader range of topics, including sensitive issues, making negotiations faster and more effective than they would be in the absence trust.

The material effects that follow from this are that both parties may avoid time-consuming and costly conflicts and strikes. In addition, the solutions and outcomes produced by partners who trust each other are said to be more flexible and easier to implement and maintain. For employees, this can lead to benefits such as increased access to information, greater influence in decision making, and consequently improved job security, job quality, and working conditions. For management, this may have positive effects such as increased legitimacy for organisational changes and fostering a culture with less absenteeism. Combined with reduced conflict, these factors may even have consequences such as gaining a competitive advantage and increased productivity (Brandl 2020).

Some interviews in countries and/or sectors with lower levels of trust, reported some negative effects of distrust. These largely mirror the benevolent effects of trust. If there is

distrust, this is said to lead to a lack of consultation, dialogue, and negotiation, with few and tense interactions between the employer and employee representatives. As a result, this leads to consequences such as a lack of predictability, weakened internal cohesion and a push towards individual contracts for employees, factors considered detrimental for employees' job quality and working conditions.

Effects of trust in sectoral and national level industrial relations

Whereas the effects above are associated with the existence of local trust at the company level, there may also be trust effects between employer organisations and trade unions at sectoral and/or national levels (see Figure 1.1 in chapter 1). In contrast to the effects of trust at the local level, the effects of trustful relations in sectoral or national-level relations, varies more significantly across country cases. This is largely due to a key distinction between Industrial relations regimes: whether there is strong and well-functioning sectoral and national level dialogue and bargaining or not. Since it is reasonable to find positive effects more from regular and institutionalised interaction than from sporadic or non-existent interaction, we begin by examining the effects of higher-level trust as identified in the interviews from the Austrian and Swedish country case studies. Both countries represent regimes with strong (bipartite) sectoral and national bargaining and interactions. Austria is frequently associated with the Social Partnership regime, which shares some similarities with the Organised Corporatism regime of Sweden (see Chapter 4). We then turn to the other six country cases, where sectoral or national level bargaining is less developed and unions are comparatively weaker, and the interviews provided fewer insights into the effects of trust at higher levels.

In both the Austrian and the Swedish case, the respondents highlight both strong procedural and material effects of trust between the social partners at sectoral and national levels. The procedural effects of trust are said to be similar to those observed at local level. Trust between social partners at the sectoral level fosters a negotiation culture in which bargaining and cooperation between employer organisations and trade unions can be based on openness. This shapes constructive dialogue characterised by predictable and transparent positions and facilitates the development of outcomes that are flexible and adjustable to variations in circumstances (as compared to legislation). In some cases, trust may even make it possible to solve acute issues and problems quickly.

The material effects that follow from this are seen as beneficial for both employer and employee sides, and the country at large. For both parties, a trust-based process is said to produce more feasible and mutually beneficial outcomes while also increasing the possibility for each side to influence working and employment conditions. For the employee side this secures favourable work conditions and social safety, while for employers, it supports competitiveness in terms of talent recruitment and contributes to stability in both the labour market and the economy overall. In addition, as trust is said to shape flexibility in the

bargaining process, it strengthens a country's capacity to overcome crises and can even promote long-term solidarity.

In the remaining six country case studies, the situation is more decentralised and fragmented (to varying degrees), which led respondents to offer fewer insights on the effects of trust at sectoral or national levels. Although collective organisation and bargaining are present in some sectors, or parts of them, and all countries have tripartite bodies at the national level, opinions of benevolent effects of trust were scarce. These views were typically tied to specific contexts or previous history within the sectors or companies, and from respondents' perspectives. However, there were a few respondents, mainly from the trade union side, that highlighted the value of trust at higher levels for fostering social cohesion, more predictability, order and stability and harmonisation in employment, working conditions, and wage setting, and possibly even increased productivity, competitiveness and fairness. With the exception for Ireland, a key argument was that low institutional support, particularly the absence of bargaining at the (cross)sectoral level, hindered the building and maintenance of trust between local social partners

14.3 Local level trust – dimensions and bases

The quantitative analyses in Chapter 5 show that the levels of trust between local management in employee representatives and vice versa, as measured in the ECS, differ across countries. First, employee representatives trust in management is lower in western (liberal pluralist) regimes, and to some extent also in the southern (polarised/state centred) regimes, than in the other regimes. Second, management trust in employee representatives is stronger in the Nordic (Organised Corporatism) regime, and weaker in the southern (Polarised/State centred) regimes, compared to the other regimes. These results match Brandl's (2020) mapping of mutual trust between the two parties, indicating that such trust is high in the Scandinavian countries and rather low in the southern European countries.

Whereas the central western (Social Partnership) regime tends to be in a mid-position on these aspects of trust, the most difficult regime(s) to pinpoint are those of the central eastern European countries. They score surprisingly high on trust in the ECS data, but on the other hand, the results are heterogeneous with much variation between and within countries. In addition, given the limited presence of local employee representation in many CEE countries, the ECS findings may be less generalisable in those contexts.

To some extent, these quantitative findings are supported by our qualitative studies, which indicates relatively high levels of trust in the Swedish and Austrian country case studies, as compared to the varying levels reported in the other countries. Many of the central eastern country case studies reported low levels of local trust within the sectors studied. Though these countries are somewhat a mixed picture, with much variation both across countries and sectors within them. In some cases, trust was evident at local level within companies, while in others less so. This is clearly illustrated in the Lithuanian case study, where the

concept of trust appears unfamiliar to social partners and is generally not a factor they consider when reflecting on their relationships. It was also exemplified by the Serbian case where mutual trust at local level is reported to be largely lacking, due to historically conflictual industrial relations. Overall, the qualitative case studies in the three sectors of banking and finance, metal and transport, did not provide evidence of the rather high levels of local level trust in the central eastern European countries as indicated by the quantitative ECS-bases studies in Chapter 5 and Brandl (2020).

The role of repeated interactions in building trust

Interviewees in the country case studies reported varying levels of local level trust across sectors or companies, with the exception of the Austrian and Swedish cases. In contexts marked by low trust, interactions, if they occurred at all were characterised by either open distrust or by the existence of the weak forms of 'deterrence based or 'calculus based' forms of trust (see chapter 2). These latter two indicate that the more powerful party (the employer side) is expected to act benevolently only where there is a threat of sanctions, when the cost for being benevolent is low, or when short terms gains for dishonesty or refusing to interact is outweighed by potential long-term gains of interaction and bargaining.

Such calculus-based action was illustrated in the Irish case study, where a company in the banking sector gave 'strategic concessions' on issues such as domestic violence, menopause and mental health, areas that involved minimal cost but improved the company's attractiveness. In more extreme cases, there may also be 'deterrence based' distrust. One example of this emerged in the Lithuanian country case study, where some employer representatives only trusted 'loyal' TU representatives, while they distrusted 'strong' union representatives that could 'ruin' the company. Other examples of distrust were evident in the Irish report, where both parties accused each other of taking advantage of, or speaking ill of the other party publicly, and in the Serbian case, in which a banking employer stated that if the employees would form a union, he would leave the business.

Such distrustful relations may, however, change and become at least partially trustful if the two sides engage in repeated interactions over time. The case studies indicate that the best way to build mutual trust is through repeated interactions over a long period of time between the employer and employee representatives. In some countries, particularly those with Social Partnership or Organised Corporatist systems characterised by high union density and bargaining coverage, such as Austria and Sweden, this has long been the norm in most companies. In the other countries examined, there are at least certain sectors or companies in which such repeated interactions already exist. The country case studies also show that transitioning into such trust-building interactions does not necessarily require significant change. For instance, in Slovakia's banking sector respondents described how management appointing a new representative responsible for negotiations initiated more frequent and regular meetings, that lead to improvements in trust and the development a stable process of collective bargaining. Another example comes from Czechia where a strike in a banking

company in Slovakia prompted the employer to express distrust in trade unions. However, the social dialogue intensified in the Czech bank after the trade union had made clear that they did not intend to strike. As a result, years of conflictual relations gave way to a deeper mutual understanding of each other's preferences.

Repeated long term interactions contribute to the development of 'knowledge based' trust where actors openly exchange information and get to know each other's wants, preferences and approaches to problems. Over time these repeated interactions may foster 'process trust', build on past experiences that create expectations that interactions will result in mutually beneficial outcomes. It may even shape 'relational trust', which is based on mutual beliefs in the other side's positive intentions and genuine ambition to compromise, leading to negotiations in good faith.

Most of the country case studies provide examples of such trust, built through repeated interactions, often facilitated through regular meetings. In these examples, formal bargaining and meetings, and more open and honest informal communication and discussion, enable both sides to get to know and understand each other's approaches, strategies, roles, interests, demands and limits. This can foster the development of a 'common language', as noted in the Romanian case study. Alternatively, as illustrated in the Swedish case, it may lead to a mutual understanding that allows parties to agree to disagree - using that recognition as a starting point for integrative bargaining focused on compromise, rather than becoming bogged down in fixed positions leading to conflict. In the Irish case, trust developed through repeated interactions, grounded in reliability and dependability from both sides, where each could expect honesty, fairness, consistency and respect. This dynamic not only enables the sharing of information and demands but also a certain degree of control. It also builds an organisational culture rooted in trust. Over time, this can lead to a process of positive spirals of trust, as reported in the Czechia case, where trust deepened with each successive collective agreement signed. Similar patterns are evident in the Austrian and Swedish cases, where actors draw upon long histories of successive collective agreements at both local and higher levels.

Without the support of strong institutional structures and organisations at sector and national levels, such trust built by interactions is rather fragile, and may break down fast. Trust building spirals can be disrupted by conflict and strikes, but also by changes in local management or a change in the political climate. In addition, the Lithuanian case study described how a works council which initially enjoyed a trustful relationship with management, saw that change to distrust when they established a local trade union. This tension was, however, suppressed and relations improved after the union invited management representatives to repeated discussions, highlighting once again the importance of ongoing interactions in building trust.

While repeated interactions can build trust, external crises can have a mixed impact. A negative impact was evident in both the Serbian and Irish case studies. In Serbia, trust was seen as functioning only in times of stability due to a backdrop of historical conflict. In Ireland,

the Covid-19 pandemic disrupted not just daily operations between actors but also the trust that had been built between them. In contrast, other examples from the Irish and Romanian case studies suggest that company crises can sometimes foster 'identity based' forms of trust with a shared purpose (a collective 'we'). However, as will be discussed in the next section, trust can be severely damaged by unacceptable behaviour from individuals involved in the management-employee representation relationship, by lying, cheating, or breaking formal or informal agreements.

The role of personal behaviour in maintaining trust

Although trust is mainly developed over time through repeated interactions between the employer and employee representatives, illustrating the importance of 'knowledge-based' and 'relational trust', the 'personal trustworthiness' of representatives also plays a crucial role. Trust encompasses not only relational aspects, but also a 'personal' dimension, as often discussed in the literature (Colquitt et al. 2007; Dirks and Ferrins 2002; Mayer et al. 1995). Three personal characteristics or behaviours are often mentioned as important for fostering trust: ability, benevolence and integrity. That is, if the counterpart is to be trusted they must behave in a way that shows they have adequate knowledge and interpersonal skills needed for the interaction ('ability'), they must show that they are not only concerned with their self-interests from the interaction ('benevolence'), and they must show they adhere to certain acceptable and expected principles or norms of interaction and behaviour ('integrity').

Being trustworthy is thus a fundamental element of trust. It lays the foundations on which 'personal trust' is based, and as our case studies indicate, this is very important not only in establishing, but also in maintaining mutual 'knowledge based' and 'relational' trust. Even if this element of trust is not explored in equal detail in all country case studies, the consistency of the information provided allows us to draw some conclusions. In some cases, the ability and benevolence of the actors involved in the interactions are said to be important. For instance, the Romanian case study emphasized the extent to which local TU representatives possessed adequate knowledge or competencies regarding compensation and HR policies. Meanwhile, the Swedish case study pointed to qualities such as listening skills, being nice and fair, and having a good tone, humour, and being open-minded.

However, the main frequently cited theme across the country cases related to integrity, that is adhering to certain principles or norms guiding behaviour and interaction. Some of the key terms mentioned included being 'respectful', 'correct', 'honest' and 'professional', implying not behaving aggressively or breaching agreements. By keeping one's word and honouring promises or agreements, actors make it possible to sit down and share opinions and information informally while maintaining a constructive professional relationship that does not become overly personal. An important aspect of trustworthiness is to show consistency in behaviour over time, which is important in building 'knowledge based' trust, since you can then form expectations on future interactions from previous behaviour.

The importance of integrity is also shown by examples of behaviours that could undermine personal trust: typically, by lying, trying to cheat the other side, revealing confidential information, or being ruthless or showing disregard for others. In the Austrian case study, a respondent noted that even the attempt to alter terms after an agreement was made was seen to constitute a breach of trust. The importance of personal behaviour to maintain relational trust is also why it may become difficult when new representatives are introduced. This was illustrated in the Slovakian case study, where frequent turnover of management disrupted continuity and, as a result, trust had to be rebuilt from scratch. A similar problem emerges when there is an 'impersonal' relationship with the other side, for example if the firm is foreign owned and the management is located abroad. Another incident reported in the Serbian case study, involved diminished trust in management as they were seen as 'depersonalised' and 'hiding' behind headquarter decisions. This was also evident in one of the Irish cases where frequent changes in senior management disrupted personal relationships.

The role of institutions in facilitating and stabilising trust

To some extent, the factors that shape trust-building and trust-maintenance discussed above are connected to social and industrial relations institutions. This is because the identities, roles, strategies, behaviours, and interaction of employers and employee representatives are shaped by national and sectoral institutional contexts (Müller-Jentsch 2004). This means that legislation and policies, established power relations, together with traditions and culture, influence the goals, strategies, norms, and expectations that guide behaviour and interactions. When institutions affect trust, this is conceptualised as 'institutions based' trust (see Chapter 2; Dietz 2011; Bachmann and Inkpen, 2011).

Institutional bases of trust can often only be examined indirectly, for example through variations in trust across industrial relations regimes, countries or sectors. It is also difficult to separate and control for the effects of different institutional aspects. As shown in the quantitative analyses in Chapter 5, while national and regime differences were evident in local level trust in the ECS, they did not correlate in a simple way to generalised trust levels in the countries, a variable often seen as an indicator of cultural variation. Neither did local level trust show a straightforward correlation with indicators of power resources and balance, such as union density and collective bargaining coverage.

Because local level trust is built on repeated interactions, its scope and durability depend on whether national industrial relations systems support such interactions over time and across companies. This was to some extent confirmed in the case studies, particularly in Austria and Sweden, where strong and overarching national level institutions for social partner organisation, social dialogue and higher-level bargaining support ongoing interaction. Additionally, the country reports highlight a closely related dimension of 'institution based': trust in the belief that institutionalised interactions and institutions at higher level delivers

outcomes and support beneficial to the local level - also known as 'system trust' (Fox 1974; Fulmer et al. 2024).

In the Central and eastern European countries where there is predominately decentralised local company bargaining, and where trade union density and higher-level employer organisations are limited, trust in higher level interactions and institutions tended to be weaker than in Austria and Sweden. Although tripartite bodies for social dialogue and coordination exist in all countries studied (except Sweden, where social dialogue and collective bargaining at sectoral and national level are mainly bipartite), sectoral-level structures tend to be weak in Ireland and in the neoliberal countries of Lithuania, Romania, and Serbia. In many sectors there are no corresponding (and recognised) social partner organisations, often due to a lack of employer organisations at sectoral level, but sometimes also because employers are unwilling to negotiate with trade unions or because there are no sectoral TU organisations. In contrast, the embedded neoliberal regimes of Czechia and Slovakia have more established sectoral collective bargaining, with a greater number of sectoral CAs in place (for details see the next section).

Nonetheless, national legislation, higher-level institutions and social partner organisations and tripartism, may still be important for local level trust in both neoliberal and liberal decentralised regime countries. For example, both Ireland and Lithuania demonstrate high trust in government or state established institutions such the Labour Court and Workplace Relations Commission (WRC) in Ireland, and the Labour Inspectorate and the Labour Code in Lithuania. These provide a basic framework for interactions and bargaining at local level, offering stability and providing possibilities to resolve local level disputes and conflicts with the help of a third party. Although interactions with these higher-level institutions may be infrequent, they serve as important mechanisms of last resort and play a key role in maintaining existing local level trust. In Serbia, the recent political and legal changes that have weakened trade union power and undermined collective agreements, have been given as a reason for a lack of trust in such higher-level institutions, suggesting that broader contextual changes may negatively impact both institutional trust and local level trust.

Both employers and trade unions reported that trust, which was already low in some parts of the sectors studied, was deteriorating further. In the Romanian transport sector for example, low trust in higher-level institutions was perceived as harmful to local level interactions. However, the overall picture in Romania was more complex, with trust in higher level institutions varying by sector. Although trust in higher-level institutions generally appeared to have declined since the decentralisation of the industrial relations system in 2008, the banking sector showed stronger trust. Here collective bargaining at the sectoral level was seen as having a stabilising and supporting function for local level interaction, keeping it 'professional' and offering benchmarks to work towards.

In the embedded neoliberal regimes of Czechia and Slovakia, where sector-level bargaining and agreements are more common, trust exists in (cross)sectoral institutions. Nevertheless, the level of trust between social partners and the quality of tripartism and sectoral bargaining

have fluctuated over time. There is also evidence of strong trust vertically within the trade union side, based on information sharing and support between higher level unions and local unions. There are few indications of similar vertical trust existing within employer organisations.

In the organised corporatism and social partnership regimes of Austria and Sweden, trust in higher-level institutions and social partner interactions is notably stronger in comparison to the other country cases. Both countries have long and relatively stable histories of collective bargaining, and even cooperation between the social partners at higher levels. There is strong vertical coordination between levels in the IR system, as well as horizontal coordination between the social partners at different levels. Frequent interaction and communication on a broad range of issues occur at both local and higher levels. Consequently, trust in sectoral and national institutions is extensive among local parties, positively influencing the trust between them. This occurs because local level actors feel committed to a system believed to both shape stability in local level relations and collective agreements and support the effective functioning of the labour market and national economy.

The long historical tradition of the Austrian and Swedish industrial systems affects how local level actors view themselves as 'social partners', that is working in a transparent and regulated way to reach compromises through integrative bargaining even if conflicts of interest remain. As in other countries, there is also a sense of support from higher level organisations, especially vertically within the trade union side, getting help in solving or containing emerging local conflicts by higher level institutions overall. However, trust levels vary between companies, and to some extent between sectors, issues and specific circumstances. In both countries, some actors report being worried about a trend towards decreasing trust at local level. This is attributed to perceived negative political interference which has harmed industrial relations systems, along with reports of decreased understanding, activity and support from employees for social partnership and in taking on employee representation tasks.

14.4 Sectoral and national level trust

Where the previous section examined local level trust *in* and trust based *on* the functioning of higher-level institutions in industrial relations, we now turn to the presence of trust between the social partners at sectoral and/or national level (see Figure 1.1. for a model over these levels). The existence of such trust varies considerably depending on country differences in industrial relations regimes and the extent to which there is frequent and functioning sectoral and national level bargaining and communication, similar to the patterns observed for local level trust in higher level institutions discussed in the previous section. To a large extent, the bases of trust at sectoral level mirror those identified at local level. This is an important, if not surprising, result, and thus worth reporting, as it gives some further stability to the analysis and conclusions regarding dimensions and bases of trust at the local level.

As noted earlier in the discussion of trust in sectoral and national level industrial relations, we have more information on the dimensions and bases of trust between social partners at sectoral and national level in countries where interaction at these higher levels is frequent and institutionalised specifically Austria and Sweden, than in countries with more sporadic and fragmented interactions at higher levels. Therefore, the following conclusions primarily draw on the country case studies in Austria and Sweden, supplemented by insights from the other countries. Since higher level trust tends to mirror that at local level, this strengthens the validity of the results and allows for more concise conclusions.

Dimensions and bases of sectoral and/or national level trust

As at the local level, it seems that repeated interaction within multiple fora is a fundamental basis for trust-building between employer organisations and trade unions at both sectoral and national levels. The recurrent bargaining rounds are one example of this, and in both Austria and Sweden there are reports that negotiators can meet up to once a week during intense bargaining. Since many officials involved in negotiations participate over several years, they get to know each other. In both countries trust is further built by sharing information and meetings, both in negotiation and in arenas focused on joint interests.

This cooperative approach, emphasized particularly in the Swedish case, includes collaboration on industry concerns and other areas of mutual interest. There are also examples highlighting the importance of informal meetings to discuss various issues and exchange bargaining demands before the bargaining rounds. In Sweden, this can even include activities to just get to know each other, aimed at building relationships for effective bargaining. Together these recurrent meetings across various fora shape 'knowledge based' trust by enabling the parties to understand each other's approaches and strategies while maintaining transparency in activities and information. By adhering to the traditions and principles of social partnership, seeking compromise rather conflict, cooperating on issues of joint interests and engaging in informal meetings they also build 'relational trust' based on an understanding of the others perspective, good intentions and willingness to compromise. In this way negotiations are shaped in good faith and on stable foundations. This fosters 'process-based trust' as bargaining occurs regularly and has a long history, leading partners to form strong expectations and commitment, confident that issues things will be resolved and acceptable compromise reached, as in previous bargaining rounds.

It is not surprising that trust at the sectoral and national levels between social partners also relies on, and is maintained through, trustworthy personal behaviour. Trust must also be built and maintained at a personal level by demonstrating trustworthiness, by showing that you deserve it; through being honest, keeping your temper, behaving well, keeping a good tone and being friendly. While this does not imply becoming personal friends, it does involve cultivating a professional relationship grounded in mutual respect. Both the Austrian and Swedish case studies highlight the importance of personal characteristics and behaviours that signal ability, benevolence and integrity. In Austria, this concept is even captured in the

saying 'quality of the handshake' reflecting the value placed in personal integrity during professional interactions. At this level, relationships and interactions are viewed as more formal and 'professional' than those at the local level. The Swedish case further demonstrates that, although interactions and processes are not solely dependent on individual actors, they still place significant demands on them. Breaches of 'person based' trust at this level are typically signified by disrespectful behaviour, such as revealing confidential information from negotiations in advance, failing to keep one's word, lying or being dishonest, discrediting the other party behind their back, losing one's temper or adopting a tone that could be damaging if it spreads horizontally or down to the local level.

In Austria and Sweden also trust *in* institutions is strong at the sectoral and national levels of social dialogue and bargaining. In both countries, actors from these higher levels report the existence of a strong 'process based' and 'system' trust. They refer to the long historical traditions of industrial relations as a foundation for mutual norms, practices and expectations, reinforced by an experience of outcomes that are good for both parties and the interests of companies, employees and the economy at large. The value of continuity and institutional stability was thus highlighted as a basis of both 'knowledge based' and 'relational' trust. To some extent 'relational trust' between the social partners extended into a form of 'identity based' trust, where employer associations and trade unions perceived themselves as being a 'we' with joint interests. This was particularly evident when comparing their industrial relations systems to those in other parts of Europe and globally, or when being critical towards national political interference with established regulations and traditions of bipartite bargaining and cooperation.

In both countries, alongside the constructive horizontal relationships between the social partners, strong vertical relations with local level representatives and bargaining were also emphasised. Positive and constructive relations and outcomes at sectoral and national level also have a supporting and unifying function for local level relations and bargaining. This does not imply that everything is thought to be universally positive at the sectoral and national level. The quality of relations and outcomes varies depending on cyclical factors, different issues and various sectors. In both Austria and Sweden concerns were also raised regarding the future of this higher-level trust particularly considering recent negative political interference, which risks undermining the functioning of the industrial relations systems.

Overall, the sectors studied in this project in the neoliberal and liberal country cases (i.e. Lithuania, Romania, Serbia and Ireland), offered few examples of trust and trust-building at the sectoral and national levels. This is largely due to the limited and fragmented nature of collective bargaining structures at these higher levels within these countries. In Romania, however, the banking sector stood out as having more collective bargaining activity than the other sectors studied, with relatively high levels of 'knowledge based' trust, based on a history of agreements within that sector.

Similarly, the embedded neoliberal countries featured also offer only limited examples of trust and trust-building, despite having a comparatively higher number of sectoral-level

collective agreements: 24 in Czechia and 18 in Slovakia. Slovakia exhibited a limited presence of collective bargaining at sectoral level in the sectors studied. In manufacturing, collective bargaining was said to have declined due to employer resistance, and now only occurs in certain subsectors. In the road transport sector, bargaining has been sporadic since the loss of an important trade union in 2000, while in banking there was no collective bargaining at all. The situation seems to be better in Czechia, however. Even if the automotive part of the metal sector is characterised by decentralised and local bargaining, some degree of trust between the partners was reported, particularly information sharing that built mutual trust in targeting the government. In the transport sector relations were described as constructive and cooperative in the regional transport subsector, while the urban public transport subsector showed signs of deterioration. In banking there is sector level bargaining, and the sector represents a good example of trust-building relations, which is beneficial for both parties.

14.5 Concluding remarks

Trust may not be the first thing that comes to mind when thinking about the functioning of industrial relations at sectoral or national level, or when examining local-level employment relations between managers and employee representatives. More conventional topics in the industrial relations research field tend to focus on power relations, strategic action and conflict. However, the results of our TRUE EUROPE project confirm research claiming that trust is of importance for the quality of both the process and the outcomes of such interaction (cf. Brandl 2020; Fox 1974; Korsgaard et al. 2010). In doing so, this study addresses an aspect of industrial relations research that is often overlooked.

The overall objective of the TRUE EUROPE project was to identify the determinants of trust and connect them with the functioning and outcomes of trust in both local and sectoral employment relations. Our aim was to understand and explain the bases, forms, and effects of trust by studying local and sectoral employment relations and their embeddedness in formalised structures of sectoral and national industrial relations. Before summarising the conclusions, it is important to note one key delimitation. qualitative studies presented in Chapters 6-13 focused on general *mechanisms* of trust, not on the empirical *levels* and *distribution* of trust in different countries and sectors. The same caveat applies for the quantitative analysis in chapter 5, although in some respects this also applies to the descriptive analysis by Brandl's (2020; 2021a; 2021b) of the European company survey, discussing levels of trust across countries.

Although our studies suggest that trust may be higher or lower in certain sectors or countries, we cannot claim these findings to be fully representative, as trust levels vary considerably depending on situational, relational, and contextual factors. What we can make more general statements about, however, are the dimensions of trust, how trust is built, maintained and stabilised and conversely, how trust can be undermined or breached. In addition, we also

draw insights from the participating actors' own experiences and beliefs of why trust is important including what they perceive the effects of trust to be.

The importance of trust

To begin with, the questions of why trust is important, we distinguish between procedural and substantive (material) effects of trust. These two trust effects appear to be broadly similar for local, sectoral and national levels. Our study also supports previous research showing that trust is not only important for initiating, establishing, and maintaining social relationships (Lane and Bachmann 1998; La Porta et al. 1998), but also material effects influencing the functioning, efficiency and performance of organisations and institutions (Algan and Cahuc 2013; Beugelsdijk et al. 2004; Dincer and Uslaner 2010).

In terms of procedural effects, the existence of trust between the social partners improves negotiations, whether these take place at local, sectoral or national level. When the parties trust each other, to a high, or at least to some, degree, this facilitates an integrative (mutual gains) bargaining culture, by making it easier to bridge ideological and structural tension and enhancing the tendency for an open and constructive dialogue based on mutual understanding on a broad set of issues. The existence of trust therefore provides social dialogue and negotiations with both more flexibility and predictability for both parties involved.

The material effects that follow from the procedural improvements are, first, that much time and costs from conflicts and strikes may be saved. Second, the solutions and agreements produced are said to be more flexible and easier to implement and maintain. The benefits for employees are that they get more information, influence and in the end improved job security, job quality and working conditions. For local employers the benefits of trust include increased legitimacy for organisational changes, reduced absenteeism, and indirectly the potential to gain (or at least maintain) a competitive advantage (cf. Brandl 2020). In contexts where trustful relations and interactions exist at sectoral or national level, these are thought to also strengthen the countries capacity and even promote long-term solidarity.

Dimensions and bases of trust

Our examination of the dimensions and bases of trust highlights the key roles played by repeated interactions, personal behaviours and industrial relations institutions. *Repeated interactions* play a central role in building trust. They allow parties to go beyond both pure distrust and weak forms of 'deterrence based' or 'calculus based' trust, which are primarily instrumental, relying on the risk for being sanctioned and the calculations of long- vs short-time costs and gains. With repeated interactions the chance of building mutual 'knowledge based' trust increases. That is, the actors get to know each other and openly exchange information about their wants, preferences and approaches. Repeated interactions also

foster 'process trust', where the parties come to expect the interaction itself to deliver mutually beneficial outcomes, as well as 'relational trust' based on a shared belief that each party has good intentions and a genuine willingness to compromise. As a result, they may conduct negotiations in good faith. In some cases, this may even develop into the strong form of 'identity based' trust, where parties share a common purpose and a 'we' – e.g. by considering the joint interests of the industry or the economy. This 'ideal' progression from distrust or weak forms of trust towards stronger forms of trust is inherently fragile however and can be interrupted by contextual changes and crises or by actors overplaying their hands or breaching confidences.

This latter point highlights the crucial role of *personal behaviour* and trustworthiness in maintaining trust. While both the abilities and benevolence of key actors appear important for maintaining trust built in repeated interactions, the findings suggest that integrity is the most critical aspect of trustworthiness. Actors are expected to behave in a correct and honest way, honouring promises and agreements, and avoid aggression, lying and cheating, to protect emerging or established trust from breached.

Both trustworthy behaviour and the repeated interaction processes are, in turn, facilitated (or not) by the national and sectoral *industrial relations institutions* and traditions. The existence of local, sectoral and national traditions of bargaining, as well as multilevel systems of two- or tripartite bargaining, or at least stabilising legislation or government bodies, help establish behavioural norms and expectations. They also provide information and support and help manage tensions or resolve conflict.

Variations in trust across countries, sectors and issues,

Caution is needed in generalising about the levels of trust across countries and sectors. According to previous research and the quantitative analyses presented in chapter 5, trust in local-level relations between employers and employee representatives varies across Europe in complex ways. The ECS data in Chapter 5 indicates that there is more trust in the 'organised corporatist' industrial relations regimes in the Scandinavian countries than in the polarised/state centred regimes of Southern Europe, and the liberal pluralist regime of western Europe (cf. Brandl 2020). The social partnership regime of central western Europe and the more neoliberal regimes of central eastern Europe ranks in between these extremes. While the indications of relatively strong trust in central and eastern Europe may be somewhat surprising, these results are also difficult to interpret due to considerable variation within countries.

The qualitative case studies in chapters 6-13 confirm some of these patterns, but not all. While local-level trust is influenced by sectoral and national institutions, it does not simply mirror them; the qualitative studies add nuance to the quantitative data by highlighting how local contexts shape trust. At the same time, the small sample size means the findings cannot be generalised to whole sectors or countries.

The case studies of Sweden's organised corporatist regime and Austria's social partnership regime confirmed that institutions help foster relatively high trust between social partners. Nevertheless, the findings also revealed some variation and challenges to trust in both countries, with some employers displaying limited benevolence towards unions, even in countries with strong supportive institutions. In the liberal pluralist regime of Ireland and the more fragmented and embedded liberal and neoliberal regimes of Czechia, Lithuania, Slovakia, Romania and Serbia, the findings indicated that weaker institutional support resulted in more variation in trust between and within sectors, often contingent on personal relations between the social partners. Nevertheless, the institutions still played a critical role. Somewhat surprisingly, there was high level of trust in national institutions in some countries with liberal pluralist (e.g. Ireland) and embedded liberal (e.g. Slovakia) regimes.

Our case studies clearly show that, in many countries and sectors, trust levels vary across companies, over time, and between management and different unions within a company. Regardless of the industrial relations regime and sector, trust between social partners also depends on the issue negotiated. Across all countries, trust appears easier to establish in matters of health and safety than in wage negotiations. This higher level of trust regarding health and safety issues may be attributed to the relatively strong EU and national occupational safety and health legal frameworks, as well as the shared interests of both parties in achieving high health and safety standards. In contrast, wage bargaining involves more conflicting interests making trust harder to develop.

Challenges in building and maintaining trust in collective bargaining

Several challenges emerge that can hinder the building and maintenance of trust between social partners in collective bargaining. These challenges span organisational, institutional, and contextual factors.

Declining union density and weak member attachment to unions present significant challenges to building and maintaining trust in collective bargaining. In several countries in this study, low union membership was found to reduce the legitimacy and representative capacity of unions, making it more difficult to engage with employers to establish trust. This challenge is made more difficult by generational changes in the workforce, as younger employees are seen to be less likely to join unions, reducing opportunities for long-term relational trust to develop.

A further challenge is the lack of employer support for collective bargaining and/or employer organisations at the sectoral level. In contexts where employers are sceptical of or view unions as adversarial, trust is difficult to establish. Limited benevolence from some employers makes it harder for trust to form and be sustained over time. We also found that political interference can undermine confidence in the industrial relations system by creating uncertainty and weakening trust, particularly at sectoral and national levels. Changes in legislation or government priorities can destabilise established norms and expectations even in countries where there are strong institutional frameworks.

Economic cycles and crises, such as recessions or sector-specific downturns, are shown to place pressure on both employers and unions, increasing the potential for conflict over resources and undermining trust. This economic instability can also disrupt long-term processes of relational trust-building that were previously established.

In countries with weak legal frameworks or inconsistent enforcement of collective bargaining legislation, social partners cannot rely on formal rules to maintain trust. Without institutional 'backstops', trust becomes more dependent on individual personal relationships, increasing the risk of breach. Unions in Slovakia and Czechia were shown to be facing additional challenges in foreign-owned firms where language barriers complicate communication, further impeding the establishment of trust between employers and employee representatives.

Finally, leadership changes, both within unions and employer organisations, can disrupt established relationships and slow the development of trust. New staff may not be familiar with existing agreements or norms, increasing the risk of misunderstandings and breaches of trust.

Practical recommendations

Drawing on the empirical findings regarding trust in industrial relations across different levels the challenges outlined above, and the input from co-creative workshops with invited employer and employee representatives from local, national and European levels, the following section outlines practical recommendations for strengthening trust between employers and employee representatives.

Consolidate social partners/capacity building

Building trust requires relatively strong social partners who demonstrate ability, benevolence, and integrity in negotiating working terms and conditions. Accordingly, a fundamental precondition for building trust between social partners at various levels is to strengthen or establish social partners capable of meaningful social dialogue and negotiations. For example, trade unions can enhance their internal power resources by increasing membership and/or support, including their ability to mobilize workers. Unions can also support benevolent employers in forming employer organizations that address sectoral issues of mutual interest, as demonstrated in Romania's banking sector. Additionally, both social partners need leadership and/or negotiating teams with relevant competencies, benevolence to consider the interests of their counterparts, and integrity in their actions toward members and counterparts.

Training for negotiation and social dialogue

To strengthen negotiation skills, a key trust-building competency, social partners should receive systematic training in negotiation, communication, conflict resolution, and trust-building, with a focus on integrity, transparency, and achieving mutual gains. These skills should also be embedded in Industrial Relations, Human Resource Management, and management degree curricula, along with trade union training initiatives to ensure future practitioners are equipped with the requisite skills needed to foster constructive social dialogue and build trust.

Promote integrative bargaining by broadening the agenda

Based on our findings, collective bargaining is often more integrative on issues such as health and safety, where employers and employee representatives have shared interests. It is recommended that actors build integrative bargaining by expanding the collective bargaining agenda beyond wages to include issues such as health and safety, digitisation, work-life balance, skills development, or industry policy. Tackling these 'low conflict' topics first helps partners build relational trust before moving to more contested areas. This 'ladder of trust' approach encourages gradually broadening joint problem-solving from common-interest issues to more difficult ones, letting partners find shared interests and build and strengthen trust along the way.

Cultivate a culture of social dialogue

To strengthen trust in collective bargaining, it is crucial to cultivate a culture of social dialogue and create institutionalised spaces that allows for repeated interaction. Establishing regular, multi-level forums at the company, sectoral, and national levels allows social partners to engage beyond formal bargaining rounds, fostering familiarity and mutual understanding. Informal encounters alongside formal negotiations can further build relational trust, reducing reliance on deterrence-based mechanisms and supporting knowledge- and identification-based trust. In particular, working together on joint initiatives which address shared challenges, such as training, health and safety, or digitalisation, can encourage cooperation and a sense of shared purpose, particularly in contexts where sectoral or national frameworks are weak. Highlighting and sharing examples where trust-driven dialogue has led to successful or innovative outcomes can reinforce positive norms and encourage replication in other contexts. Additionally, facilitating cross-country and cross-sectoral exchanges allows social partners to learn from environments with stronger traditions of trust, supporting the development of a culture of cooperative problem-solving.

Ensure continuity and responsibility in representation

We know that trust in collective bargaining is strengthened when negotiation teams remain stable over time. Frequent changes in representatives can erode relational trust and slow progress in long-term cooperation. To safeguard trust developed over time, both trade unions and employer organisations should encourage continuity in negotiation teams.

Continuously monitor and actively maintain trust

Trust in collective bargaining is dynamic and requires ongoing attention and care. Social partners should actively monitor trust levels and respond quickly to breaches or misunderstandings to prevent long-term erosion of trust. Developing clear protocols for managing breaches such as structured mediation or reconciliation mechanisms, can help restore trust following conflicts. Additionally, social partners should be encouraged to explicitly commit to norms of honesty, promise-keeping, and respectful behaviour in collective agreements and codes of conduct.

Enhance institutional frameworks that stabilise trust

Institutional frameworks (often at national level) play a crucial role in building and stabilising trust between social partners by providing a reliable structure within which interactions can occur. Strong institutions, such as tripartite bodies, formal collective bargaining systems, workplace relations authorities and labour courts can create predictable rules, procedures, and enforcement mechanisms that underpin institutional trust, giving actors confidence that agreements will be honoured and processes respected. In countries with weaker or fragmented institutions, trust is more fragile and dependent on personal relationships, so governments and social partners should invest in these institutional frameworks for dialogue to fill these gaps. Nevertheless, even in countries where institutional support is weak, local social partners can enhance or establish an institutional 'trust ladder' - a set of procedural rules for managing conflicts of interest at work - that stabilizes trust by providing predictable rules, procedures, and enforcement mechanisms at the company level, as demonstrated by a case study in Ireland.

References

- Algan Y. and Cahuc, P. (2013) Trust and Growth, *Annual Review of Economics* 5, 521-49.
- Bachmann, R. and Inkpen, A. C. (2011) Understanding institutional-based trust building processes in inter-organizational relationships, *Organization studies* 32:2, 281-301.
- Beugelsdijk, S., de Groot, H.F., and van Schaik, A.B.T.M. (2004) Trust and Economic Growth: A Robustness Analysis, *Oxford Economic Papers* 56:1, 118-134.
- Brandl, B. (2020) Variations and (a)symmetries in trust between employees and employers in Europe, *European Journal of Industrial Relations* 26:3, 313-329.

- Brandl, B. (2021a) Trust as the cement in the employment relationship? *Journal of Organizational Effectiveness* 8:1, 80-96.
- Brandl, B. (2021b) Trust Relationships in Employment Relationships, *International Journal of the Economics of Business* 28:1, 139-161.
- Colquitt, J.A., Scott, B.A., & LePine, J.A. (2007). Trust, trustworthiness, and trust propensity: a meta-analytic test of their unique relationships with risk taking and job performance. *Journal of Applied Psychology*, 92(4), 909-927. DOI: 10.1037/0021-9010.92.4.909.
- Dietz, G. (2011) Going back to the source: Why do people trust each other? *Journal of Trust Research* 1:2, 215-222.
- Dincer, O. and Uslaner, E. (2010) Trust and Growth, *Public Choice* 142:1-2, 59-67.
- Dirks, K.T. and Ferrin, D.L. (2002). Trust in leadership: meta-analytic findings and implications for organizational research. *Journal of Applied Psychology*, 87(4), 611-28. DOI: 10.1037//0021-9010.87.4.611
- Elgoibar, P., Munduate, L. Medina, F. J. and Euwema, M. C. (2011) Are employment relations in Europe based on trust?, *Psychologia* 55: 255-272.
- European Commission (2010), *Commission Staff Working Document on the Functioning and Potential of European Sectoral Social Dialogue*, Brussels: European Commission.
- Fox, A. (1974) *Beyond Contract: Work, Power and Trust Relations*. London, Faber & Faber
- Fulmer, C.A., Gillespie, N., Ferrin, D.L. and Denison, E. (2024) Culture and Trust in Organizational Contexts. *The Oxford Handbook of Cross-Cultural Organizational Behavior*.
- Korsgaard, M.A., Pitarui, A.H. and Jeong, S.S. (2010/2008) *The SAGE Handbook of Organizational Behavior*. online version updated 2010. London: Sage.
- La Porta, R., Lopez-de-Silanes, F., Schleifer, A., and Vishny, R.W. (1998) Trust in Large Organizations, *The American Economic Review* 87:2, 333-338.
- Lane, C. and Bachmann, R. (1998) *Trust within and between Organizations*, Oxford University Press.
- Mayer, R.C., Davis, J.H. and Schoorman, F.D. (1995) An integrative model of organizational trust, *Academy of Management Review* 20, 709-34.
- Müller-Jentsch, W. (2004) Theoretical Approaches to Industrial Relations. in Kaufman, B.E. (ed) *Theoretical perspectives on work and the employment relationship*. Ithaca: Cornell U.P.
- Thomas, W. I. & Thomas, D. S. (1928). *The Child in America. Behavior Problems and Programs*. New York: Knopf.
- Yunus, S. and Mostafa, A.M.S. (2022) Flexible working practices and job-related anxiety: Examining the roles of trust in management and job autonomy, *Economic and Industrial Democracy* 43:3, 1340-1368.

