

LABOUR RELATIONS AND POLITICAL CHANGE IN EASTERN EUROPE

A Comparative Perspective

Edited by
John Thirkell, Richard Scase
and Sarah Vickerstaff

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and Sarah Vickerstaff



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Introduction

John Thirkell, Richard Scase, Sarah Vickerstaff

It is the contention of this book that labour relations are a key constituent element in the transformation of eastern European and Russian society. At the national level, governments' strategies of "shock therapy" or "gradualism" are tempered by the threat or potential for industrial unrest, and the trade unions have often played a critical role in mobilizing consent for economic reform. At enterprise level, attempts to transform the property structure and the relations of production are constrained and conditioned by the traditional approaches of management and workers developed over the long period of the command economy. The strength and persistence of these enterprise based patterns and habits varies from country to country, according to recent past policies of economic reform and the specific processes of regime collapse in each case. Nevertheless, in all cases labour relations at enterprise level remain of critical significance in the success or failure of different change strategies. The need to restructure the labour process and to introduce capitalist patterns of labour control are the necessary corollary of the attempt to transform the economy into a largely privately-owned market system. The difficulty of doing this in practice is what makes labour relations a key issue for regime change.

Thus we have sought to focus upon changes in patterns of labour relations associated with privatization and organizational restructuring in the selected countries of Bulgaria, the Czech and Slovak republics, Hungary, Poland and the Siberian region of Russia. The dramatic changes that are occurring in these countries are becoming more central to academic debate. However, there are two features of the existing body of

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literature which are problematic. First, most discussions tend to be excessively theoretical and often empirically unfounded. Secondly, when research has been undertaken it has tended to focus upon particular trends *within* specific countries. The purpose of this book is to focus upon trends as they are occurring *between* countries drawing upon detailed *empirical* research studies.

This book arises out of a collaborative research project, over the three years up to 1994, which has investigated enterprise level changes in labour relations in eastern Europe. The research design and methodology was agreed by the international research team at the beginning of the project. The empirical research is based upon in-depth enterprise case studies in each of the countries and has been guided and developed throughout by the frequent meetings of the team. The fieldwork was undertaken by local researchers in each country, regular reports on the progress of case studies were given to the international team, and members of the British group made regular visits to the individual eastern European countries. At the outset of the research it was agreed that local fieldworkers would provide the best means of covering a broad range of enterprises across six countries. Each of the chapters in this book is interrelated by shared theoretical, methodological and empirical perspectives derived from the collaboration of the contributors.

The project was funded by a grant from the Economic and Social Research Council (ESRC) under its East-West Initiative and has provided a unique opportunity for comparative research into labour relations changes in eastern Europe. In connection with the eastern European research initiative, the ESRC has run a series of workshops in which recipients of grants have benefited from contact with each other and from early access to research results.

At the beginning of the research project it was agreed that at this point in the transformation of eastern European societies it is not possible, or fruitful, to use western European models of labour relations as benchmarks against which the developing systems can be evaluated. Although such attempts provide some useful insights (see, for example, Slomp 1992; Moerel 1994) they tend systematically to underplay the differences between the countries of eastern Europe and the "path dependent" character of their transformation. As we discuss below, we do not see these societies as being simply in transition to an already existing model of a market economy. Indeed, the trajectories of their transformation

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leaves uncertain the relevance of industrial relations models drawn from other parts of Europe.

It was decided to focus the research, therefore, upon a number of key issues associated with the period of transformation. These themes provided both the hypotheses for the research and the basis for structuring the case study enquiries. These are as follows: in the command economy, enterprises had very little room for independent action. It is, therefore, to be expected that the privatization and restructuring of the economies will lead to greater autonomy of enterprises in which emerging processes of corporate strategy formulation will be critical. Our first research theme was to consider the development of enterprise strategies, how they are shaped, both by broader external and internal organizational forces and by the extent to which these are leading to a redefinition of labour relations issues. Within this context, the role of middle management is vital, since, as part of the strategy implementation process, it plays a key role in emergent forms of labour relations within enterprises. The second research question is to explore the manner in which organizational restructuring is changing the role of middle management in labour relations.

Our third area of interest is the impact of privatization and restructuring on the role of trade unions at both national and corporate levels. The strategies of trade unions towards ownership change and its consequences will provide a major source of support or constraint on transformation processes. Fourthly, we would expect forms of collective bargaining to develop as trade unions are transformed from transmission belts into more independent forces in political and economic management. In view of the eastern European state tradition, legislative changes at a national level are likely to have a variable impact within enterprises, depending upon the constellation of bargaining forces, the market position of enterprises, and many other factors. With privatization and the restructuring of organizations, other forms of interest articulation are appearing as traditional patterns of organizational control disappear. This applies both to managers and to shopfloor employees. The fifth theme the research explores is emerging sources of interest differentiation and how these are being articulated through various institutional and non-institutional mechanisms. We also consider the survival of earlier forms of "self-management".

In addition to these largely enterprise-based issues, the research focuses upon two broader themes which we believed will be critical in

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defining or constraining the enterprise arena. Changes within enterprises are being driven by a range of external processes within which political parties, national government processes and labour unions play key roles. The research also explores the extent to which new forms of tripartism and corporatism develop to condition enterprise level labour relations. Finally, many of the changes, as these are affecting labour relations, have as their "model" the practice of some Western countries. Such models are often promoted by international agencies such as the World Bank or the International Monetary Fund (IMF) as part of macro-economic stabilization measures. Certain models may also be encouraged by the International Labour Office (ILO) and international trade unions. At enterprise level, Western consultants, joint ventures or foreign take-overs may result in the transference of Western ideas and practices in labour relations. These processes of transference are another area of our research enquiry, although they do not figure largely in this book.

Given the nature of these research themes it was agreed that a case study methodology, as opposed to large-scale survey techniques, would provide the best means by which to track changes in enterprise-level labour relations. Although surveys may have provided broader quantitative data they could not have provided the opportunity to look at the processes of change. Hence, using case studies it is possible to explore the interplay between external and internal organizational forces as these affect patterns of labour relations. Continuities and discontinuities can be investigated and, particularly, the extent and likelihood of emerging patterns becoming institutionalized. The period over which the research was undertaken enables a qualitative assessment of the process of organizational change.

In deciding upon the choice of case studies, a number of factors were significant. It was first considered whether to try and match the sample of enterprises in terms of their stage in the privatization process. This was rejected because the progress of ownership change was extremely variable from country to country and the governmental programmes for privatization were still in a considerable state of flux. Within each country it was decided to try and find a range of enterprises which represented the traditional areas of "socialist industry", namely state enterprises in manufacturing, especially engineering. Although very interesting, the emerging private small service sector was rejected as a focus because of the traditional weakness and underdeveloped nature of the

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service sector in the communist eras. The real task of transformation in these economies will be to change the industrial structure, and within this the viability of existing large enterprises is a critical issue. For both economic and ideological reasons the survival of such enterprises raises fundamental issues in the sphere of labour relations. The ease with which large organizations can be privatized and the broader employment implications of this suggest that these enterprises are likely to play a key role in public perceptions of economic policy. The traditional view of the enterprise as community and the emphasis on industrial workers as the vanguard of socialism also suggests that the task of transforming labour relations in prominent industries will be critical. We therefore sought case study enterprises which were illustrative of these themes. We do not claim that the cases are representative of all sectors, but rather that they are indicative of key change processes. The choice also includes some critical or prototype cases. Basic information about the case study enterprises is provided in Table 1.

The case study research proceeded by regular visits to the chosen plants. In the initial phases researchers identified key informants at each level; senior, middle and junior management, trade union leaders, other

Table 1 Case study enterprises.

BULGARIA	BOS AIR Air transport	FLEX TOOL Hand tools, motors	STARTCOM Electric motors	FERROMOULD Foundry
CZECH/ SLOVAK	SPRINGS Mechanical springs	SLOVCAR Car manufacturer	FLOORPLAST Plastic products	
HUNGARY	HUNGAIR Air transport	PROMED Medical equipment	FERROCOR Steel	
POLAND	COLD CUTS Food	MEDEX Medical equipment	POLTOOLS Industrial tools	POWCOM Electro-techniques
RUSSIA (Primary cases)	ELMACH Metal rolling	LEBAGS Leather haberdashery	SIBERTURB Large electrical machines	MATOOLS Machine tools
RUSSIA (Secondary cases)	AERO Air transport	ALMETAL Aluminium ingots	FOUNDRY Foundry equipment	

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worker representatives, and shopfloor workers. These contacts were maintained over subsequent visits and new informants were used where appropriate. It was also necessary to develop a brief historical picture of recent past developments in the enterprise as the backdrop to recent developments. Documentary sources and interviews furnished this material and in some cases researchers had previous experience of the enterprise. During return visits field workers were also able to observe production processes and attend workers' meetings or management sessions. Researchers also had the opportunity to follow up issues which the international research group as a whole identified as being important or of comparative significance.

In addition to developing the case study material the national teams of researchers also collected information about the broader economic and political context of labour relations changes. This included documentary sources of various kinds (for example, laws, collective agreements, contracts) and in some cases interviews with trade union officials, employers and commentators outside the enterprises. Throughout the research project the team collectively and individually took every opportunity to present papers to conferences and have benefited greatly from the critical comments and queries of other researchers engaged in similar and related fields.

Chapter 1 provides a comparative overview of changes in labour relations in the different countries and is focused mainly at the national level. Subsequent chapters consider the developments at enterprise level by reference to a detailed analysis of the case study organizations in each of the selected countries. Changes at this level are also situated in the context of wider national political and economic issues. The final chapter concludes by reviewing the key processes of change in labour relations at enterprise level focusing upon emergent tendencies and the degrees of similarity and difference between the countries.

CHAPTER 1

Changing models of labour relations in eastern Europe and Russia

John Thirkell, Richard Scase, Sarah Vickerstaff

This introduction provides a comparative framework for the discussion of transitions in labour relations in a number of selected countries in the former eastern Europe; Bulgaria, the Czech and Slovak republics, Hungary, Poland and Russia. The following chapters take as their subject the changes within each of these countries. Under the former political regimes, the common features of state ownership of enterprises, party political control and central planning shaped the general character of labour relations models, but with the transition to market economies and political pluralism there are a number of concomitant changes in labour relations which are occurring at both the national and enterprise levels. We begin with an overview of the theoretical and empirical issues associated with the comparative study of labour relations in contemporary eastern Europe. We then proceed to consider the key themes that constitute the bases for analyzing changes in labour relations in the different chapters. The discussion also attempts to identify emerging similarities and differences in trends within the different countries. It argues that in the transition to various forms of market economy, labour relations models in each of the countries will be characterized by contrasting features, linked as they are to prevailing economic and political conditions.

Transition or transformation?

The contemporary literature on eastern Europe tends to be concerned with the nature of the “transition” that each country is facing. The complexity of the task of attempting to create democratic political institutions while transforming the nature of property relations dramatically is without precedent in recent world history. It is hardly surprising, in this “test bed” or “laboratory” for theorists of political democracy and societal transformation, that changes in labour relations have been somewhat neglected. Most contemporary discussions focus upon either political changes or macroeconomic developments, with labour relations receiving considerably less attention. The development of new patterns of labour relations is highly dependent upon the prevailing economic conditions, which in turn are conditioned by political processes. This “contingent” nature of labour relations changes would suggest that it is too early to determine the character of labour relations at the enterprise level, because new patterns have yet to be consolidated. However, developments in labour relations are constituent elements in a jigsaw of transformation processes because, in the past, the economic enterprise was the institutional articulation of political control. Hence, attempts to transform the polity are constrained by an “underdeveloped” civil society. Equally, attempts to transform the relations of production are hampered by the habits of management and workers which have evolved over a long period under the conditions of the former command economy.

The concept of *transition* has been challenged by some commentators as value-laden and deterministic, implying that each of these societies is “on the road” to capitalism. Stark (1992) has argued that the concept of *transformation* is preferable because it highlights *differences* between the eastern European countries and does not prejudge the likely outcomes. In the field of labour relations we would argue that this notion is valid in the sense of transition *from* a particular model of “Soviet” labour relations. However, the issue of transition *to* remains an open question. The concept of transformation is useful for describing the dynamic processes unfolding in each country but it needs to be operationalized in order to be useful both analytically and theoretically. We take it to refer to issues of continuity and discontinuity, and to similarities and differences between countries and, as such, it refers generally to broad issues of societal change.

THE CONTEXT OF CHANGE

Comparative labour relations has tended to be concerned with the extent to which models converge, or not, depending upon the level of development of the economy of which they are a part. The collapse of the Soviet-derived models of labour relations raises questions of the extent to which marketization and privatization of the eastern European economies will, in the longer term, result in a convergence with models of the western European pattern. Of course, convergence can be engineered to a certain extent by policy transference, that is, as a result of the behest of international agencies such as the (IMF) or the World Bank, or it may result from the implementation of management techniques associated with company take-overs and joint ventures. However, although policy transference may be significant, it is largely conditioned and constrained by indigenous development within the various countries of eastern Europe.

The context of change

The general elements of the model of labour relations under the previous political regimes are well known. They tended to conform to an economic model of central planning, party political control and state ownership. Trade unions operated within these parameters with job grades and associated pay rates fixed nationally by "tariff scales". Although there were collective agreements, there was no recognition of the right to collective bargaining or to strike. Trade union structure conformed to that of the branch (industry) ministries and operated on the principles of "democratic centralism". However, institutions for employee participation in management, and in some countries "self management", were highly developed, either through the structures of enterprise councils or at lower organizational levels such as with the brigades in Bulgaria and Czechoslovakia. Indeed, despite cross-national similarities in the centralization of political control, there were significant variations in the nature of enterprise-level employee participation, and these differences may well be reflected in contemporary developments. Stark (1992), for example, makes a parallel point with regard to processes of privatization; he argues that the key factors which condition the *direction* of transformation are patterns of political mobilization prior to regime collapse and the particular paths of extrication from the stranglehold of the Communist Party.

Consideration of the emerging models of labour relations in eastern Europe has to recognize that these have been contingent upon three factors. First, that political attention to processes of transition has centred on issues of democracy and marketization, that is, on the parallel processes of change in the political institutions and of changes in the management of the economy. Secondly, that the economic and social context has been one of inflation, rising unemployment and reductions in living standards for many sectors of the population. For post-communist governments, the central political issue has been to set up structures and mechanisms for the creation of market economies while at the same time maintaining a minimum level of social and political integration. Specifically this has meant them choosing the pace and sequence of macroeconomic measures - either the shock treatment of rapid change (the liberal market) or a more gradual approach (the social market). In such economic conditions trade unions often function as agencies of social integration through their informal relations and negotiations with governments. Attempts to establish political pluralism have meant the replacement of old Party organizations by a plethora of political parties which are often little more than "elite vehicles", in which popular membership is low by comparison with that of the communist parties they have replaced (Kolankiewicz 1993). Consequently, trade unions as organizations with *mass* memberships are in a position to fulfil a representational function for their rank-and-file members that is only partially undertaken by political parties. Thirdly, privatization has taken various forms - including intermediate forms of state ownership - and has progressed at different rates in the various countries. However, in each case the state remains - directly or indirectly - the main employer as well as the major agency for mechanisms of macroeconomic policy. Indeed, the privatization process requires state-driven social engineering on an unprecedented scale, which an ideology of "liberal" marketization tends to obscure. As Offe (1991) has commented, privatization in eastern Europe involves a process of "political capitalism" or "capitalism by design". Consequently, emerging models of labour relations are highly contingent upon patterns of political mobilization and upon a minimum level of political consensus. The institutionalization of new models of labour relations in these unstable conditions is, therefore, uncertain and in some countries complicated by governments' attempts to introduce normative frameworks in advance of economic reform and privatization. To investigate the transformation of labour relations we need to consider both

changes at the national level (that is, the developing legislation and national framework and its impact on the enterprise level), and the relative autonomy of enterprises in responding to and initiating changes. We begin by looking at the process of ownership change as one factor of change in labour relations.

Marketization and ownership change

The constraints on enterprise autonomy within the planned economy meant that the scope for enterprise strategy was limited, that is, the choice of markets, the design of enterprise structures and the nature of labour relations. The market economy in theory enlarges the scope for enterprise strategy, although in the context of eastern Europe and Russia the concept of "marketization" is a complex one. In part, it involves processes of deregulation, price liberalization, and relating prices more closely to costs. In the centralized economy the most important source of state revenue was a turnover tax on enterprises and this can still be important as, for example, in Bulgaria. In general, processes of marketization can be seen as involving five main stages: (a) the exposure of state owned companies to market forces by the reduction (though not necessarily the abolition) of state subsidies and state orders, and with it a reduction in the allocative function of ministries; (b) deregulation of prices and wages and giving enterprises more autonomy in these areas; (c) competition in product markets and suppliers; (d) organizational restructuring, typically involving degrees of decentralization and divisionalization; and (e) changes in ownership. However, it is important to stress that these processes were under way in some countries before the collapse of the communist regimes and that, further, this sequence varies in different orders and at varying speeds between the different countries. There are often elements of continuity in some of these processes such that it is difficult to refer simply to "before" and "after" phases of regime collapse.

In the process of marketization, ownership change is only *one* aspect, despite the primary role it tends to be given in both Eastern and some Western approaches to economic reform. State ownership has normally been regarded as the fundamental basis of both the economy and of labour relations in state socialist countries. From this it is deduced that the pre-

requisite for changing the nature of enterprises and the behaviour of managers and employees is to change patterns of ownership on the assumption that changing the economy has to be based on transforming property relations. However, the relationship between ownership change, enterprise behaviour and labour relations is *in reality* more complex, and privatization is only one, and not always the most important, aspect of the process of marketization.

In considering the relationship between privatization and labour relations it is necessary to draw a distinction between the privatization of large industrial enterprises and that of small enterprises whether engaged in production, retail or other services. As Kozek (1993) and Cziria & Munkova (1991) show, in the latter there is often a sharp fall in union membership, with relations between management and workforce becoming "individualized". In larger state organizations there are three direct questions relating to labour relations. First, whether employees - or their representatives - are formally allocated a role in the process of ownership change. Secondly, whether employees - or their representatives - are accorded any proprietorial status following privatization. Thirdly, whether in such cases "formal" change has any substantive significance.

In relation to the first question, the national models fall into two groups. In Russia and Poland, endorsement from employees or their representatives is required for changes of ownership, whereas in Hungary, the Czech and Slovak republics and Bulgaria it is not. The consent of the labour collective is required in Russia while in Poland the agent is the Employee Council. At present, the predominant form of ownership change is to that of the joint stock company based on share ownership. In practice there are a variety of options which include both individual and institutional mechanisms in varying combinations. Individual shareholders may be employees, managers and citizens in general, while institutional forms include state agencies, other enterprises and banks. From the standpoint of labour relations the basic division is between those which include employee share ownership as a matter of legal right and those which do not. Again, Russia and Poland are in this category with the Polish model - unique in eastern Europe - having provision for union representation on supervisory boards. In Hungary and the Czech and Slovak republics there is, at present, no provision for employee shareholding as such, although in the Czech and Slovak republics employees may hold some shares acquired by them as citizens. How-