Labour relations and political change in eastern Europe

A comparative perspective

Edited by

John Thirkell, Richard Scase and Sarah Vickerstaff
University of Kent
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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 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 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, its 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 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 macroeconomic 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 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 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.

Table 1 Case study enterprises.
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.
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.

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 (Kolankiewcz 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 relautonomy 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 prerequisite 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. However, in relation to the general issue of enterprise autonomy, a key issue is the nature of institutional share ownership and control. With the exception of the Czech republic there are, as yet, no share concentrations among financial institutions of the kind found in Britain and the United States.

Processes of marketization are complex, and a rapid and smooth transition to what is normally regarded as “the market economy” in the West is far from being achieved. Exposure to marketization, which in the first instance often means the reduction of state orders, is frequently associated with the internal restructuring of enterprises, usually initiated by enterprise management but sometimes in collaboration with state agencies. Such restructuring, whether directly or indirectly related to changes in ownership, is usually geared to breaking up the enterprise into different product areas. This process—often of
divisionalization and decentralization—gives management the opportunity, usually for the first time, to develop business strategies. That is, to develop specific markets and products, and to implement appropriate organizational structures and mechanisms of enterprise change. Senior managers become engaged in a sequence of strategy and structural change, often in the direction of divisionalization, in order to secure more effective relations with product markets (Chandler 1962). Internal restructuring and divisionalization also have implications for labour relations since they can lead to the segmentation of internal labour markets.

The relationship between ownership change—as a stage in marketization—organizational restructuring, and changes in labour relations is often complex, for three reasons. First, processes of ownership change vary significantly both between and within countries. The principal forms affecting large state enterprises include: state leasing agreements; the creation of joint stock companies with the state as the only shareholder; foreign take-overs; joint ventures; and companies owned by large numbers of individual shareholders. Sometimes there are provisions for employee share ownership, for both managers and workers. In the longer term the balance of control between internal and external stakeholders is likely to have a significant influence on enterprise strategy. The third reason is that in eastern Europe, though much less so in Russia, new frameworks, institutions and mechanisms have been established at national level for the regulation of industrial relations (Thirkell et al. 1994). These include new and reconstructed trade union confederations, the legal recognition of strikes and of collective bargaining, and the development of national and occasionally local tripartite institutions. General Agreements negotiated at national level in Hungary, Bulgaria and the Czech and Slovak republics have been significant forces influencing the conduct of labour relations and therefore of managerial strategies at the enterprise level.

In practice, the pace of privatization varies considerably from country to country, and since it has generally been slower than was anticipated, the state remains a very significant employer. In addition, the state is likely to continue to be a major player in economic reform in the foreseeable future. However, as the following chapters suggest, even in the absence of ownership change, most enterprises have begun to restructure either in the face of changing markets for their products and/or in preparation for privatization. Offe (1991) has identified a
“dilemma of simultaneity” in the political sphere where new nations, new constitutions and new party politics have to be created simultaneously. In the field of labour relations we can identify similar problems of trying to reconstruct labour codes and normative frameworks suitable for a market economy and pluralist democracy. This may result in what has been characterized as pre-emptive normative regulation (Offe 1991). We might therefore expect a continuing tension between the national and enterprise levels of labour relations. To some extent trade unions are a vehicle for this potential dissonance and it is to them we turn next.

The role of trade unionism

Generally, except in Russia, the first changes in existing models of labour relations occurred with the emergence of specific alternatives to already established trade union organizations. This was the case with Solidarity in Poland in 1982 and the emergence of new trade unions in Hungary in the autumn of 1988 affiliated to the Democratic League, facilitated by the law on associations and political pluralism. This was equally so in Bulgaria, with the emergence of Podkrepa in November 1989. Laws on strikes and disputes were an early feature of changes in the model of labour relations, as in Poland in 1982, Hungary in March 1989, Bulgaria in March 1990 and Czechoslovakia in early 1991.

Trade unionism has a number of features in relation to the transitional models of labour relations. First, their significance as agents in strategy formulation at both the national and enterprise levels. This relates to shifts in the relationships and the balance of forces between political and industrial interests. Secondly, their key role in interest representation, especially at the national political level, in a period when many new political parties are emerging and multiplying. Trade unions are organizations with mass memberships and claim to represent the interests not only of employees but also of other large sections of the population such as pensioners and the increasing numbers of unemployed. Przeworski (1991) argues that the role of trade unions in the process of economic reform is crucial because, on the one hand, they incorporate workers who are a potential source of wage pressure and hence of inflation; and on the other, through their centralized organizational features they can persuade their members to wait for various reforms to bear fruit. For these reasons, he argues, it is functionally necessary for labour unions to be centralized and all-
encompassing. Thirdly, there are changes in the internal organization and functions of trade unions brought about by their formal separation from both party and state institutions. Solidarity in Poland, as the prototype of the independent alternative to the established unionism, was, in a sense, a social movement in that its goals were as much political as they were industrial. Since 1989 Solidarity has been faced with the dilemma of choosing between the specialized role of defending employee’s interests in questions of wages, working conditions and employment and the more general role of “umbrella” for various post-Solidarity governments; that is, of taking joint responsibility for ruling the country (Morawski 1992b). In a similar fashion to Solidarity, the trade union alternatives established in Hungary and Bulgaria were also social movements in that they functioned at national and industrial levels because of their opposition to the Party and its affiliated unions. However, it is important to recognize that, in both Bulgaria and Hungary, initial support for these newly created unions was mainly concentrated in the non-manufacturing sectors of the economy. Hence they obtained their support among teachers, scientific workers and employees in areas of the health service. Underlying such patterns of “alternative” or “independent” support were the pre-revolutionary state socialist wage policies which gave priority to heavy manual work in productive industry rather than to the professional, non-productive activities undertaken by employees in the service sectors (Petkov & Thirkell 1991:212–17).

No significant independent trade union movement has emerged in Russia, although some professional groups, such as airline pilots, have recognized their bargaining position and developed forms of collective organization (Clarke & Fairbrother 1993a: 91–120). In general, Russian trade unions have not emerged as an important political force in the process of economic change, either nationally or at enterprise level; they remain tainted as institutions associated with the past regime. Russian workers do not appear to conceive of independent trade unionism as a vehicle for mobilization. As Clarke (1993a: 24) comments: “The trade union within the enterprise was and is effectively a patronage network, integrated into and working alongside the management structure.” However, for this reason, membership levels do not appear to have declined dramatically.

The advent of Solidarity in Poland and of political pluralism in Bulgaria and Hungary, and the challenges from alternative unions, have brought about changes in the organization, design and operation of the
existing established union centres. This has led to their independence from the Communist Party, the end of democratic centralism as an organising principle, and the creation of confederal structures. In both Bulgaria and Hungary the reformed trade union centres have retained the largest membership (Thirkell et al. 1994; Hughes 1994). The duality of political and industrial functions of trade unionism relates to their operation at different levels of the economy: at the national political level, where decisions about macroeconomic policy are made; and at the enterprise level, where their members are employed. At the national level, the political function has been expressed mainly through tripartite forums. In specific political conditions, such as in Bulgaria in 1991–2, the national trade union confederations have operated as agencies of strategy formulation on major issues of economic policy, including the pace and content of measures for economic reform.

This national political role of trade unions has sometimes predominated over industry-level concerns, and this may help to explain the reduction of membership interest at the enterprise level. Linked to this there has often been an intermediating or “controlling” role, such as that of Solidarity, for example, in the Silesian mining dispute of 1992–3. Similarly in Bulgaria, the Confederation of Independent Trade Unions in Bulgaria (CITUB) has frequently been an agent of mediation in important disputes that have arisen in particular industries or enterprises. Such a role inevitably creates contradictions and tensions among rank-and-file members, since trade unions appear to function both as agents of government and as representatives of worker interests. This poses the question for trade unions of whether keeping governments in office is more important than representing rank-and-file demands, and whether there could be a “backlash” from members if redundancies increase and living standards fall. The experience of CITUB in Bulgaria suggests that although workers in specific sectors or enterprises may be dissatisfied with their conditions, the leading role of the trade union confederation as the chief agency for representing member interests has so far maintained a large measure of support. This is mainly because key decisions on minimum wages and the setting of budgets for social security—unemployment benefits and prices for key items such as food—are taken through negotiations and agreements at the national level.

Trade union density in socialist countries was extremely high, typically over 90 per cent. This was mainly because the availability of enterprise social funds for housing, holidays, kindergartens, transport
and other social welfare benefits were distributed through the trade unions. Increases in unemployment, privatization programmes, especially of small service organizations, and the disappearance (except, at the time of writing, in the Czech and Slovak republics) of Social Funds is likely to lead to a reduction in union membership. In Poland, membership of both Solidarity and OPZZZ appears to be in significant decline. However, figures for the Czech and Slovak republics suggest that this may not be inevitable (Brewster 1992). In addition, despite declines in Bulgaria and Hungary, membership of the confederations remains substantial.

**Tripartism**

It is clear from this discussion that there is a major difference between Russia and the eastern European countries with regard to the evolution of the trade union movement. This is also reflected in the development of tripartite forums which have been established in Bulgaria, the Czech and Slovak republics, Poland, Hungary and Russia. A number of questions arise in relation to the development of these: namely, the timing and the context in which the relevant institutions were established; the scope of issues covered; and their legal standing and degree of institutionalization. The prototype of a national tripartite council was created in Hungary in October 1988 while the Socialist Workers Party was still in government. A key agent in this process was the Research Institute of Labour attached to the Ministry of Labour which contributed to the design of appropriate structures. The context for the establishment of tripartism was the process of economic reform emerging at this time, associated with increasing enterprise autonomy and some decentralization of control over wages, requiring the replacement of bureaucratic methods of wage determination by mechanisms more appropriate for a market economy (Héthy & Csuhaj 1990).

In Bulgaria, on the other hand, the National Commission created in February 1990 was the outcome of the economic crisis and industrial unrest that followed the political changes of November 1989. In January 1990 the reformed official trade unions (CITUB) demanded that the government should negotiate with them a General Agreement as a mechanism for securing political, economic and social consensus. Following the change of government in January 1990, a National Commission for the Reconciliation of Interests was established in order
to negotiate this agreement. Thus, the CITUB was a leading agency in the creation of this structure and it also played a key role in the formation of an organization of state employers as the third party of tripartism.

The establishment of the Council for Czechoslovakia in the autumn of 1990 at the federal level was requested by the trade union confederation with the ready acquiescence of the government. The Council negotiated the first general agreement for the year 1991. In Poland, however, the creation of tripartite institutions was avoided until September 1992, although discussions of the relevance of a “corporatist” model had been common for several years. Hitherto, there had been informal and separate bipartite discussions between successive governments and the two confederations, Solidarity and OPZZ. Jacek Kuron, as Minister of Labour, was a leading agent in the process of trying to negotiate the state Enterprise Pact. This development took place against increasing strike pressure, which was only halted pending the outcome of the Pact, and evidence of widespread popular alienation from the political process (Tyszkiewicz 1992). In Russia a Federal Commission and some branch Tripartite Commissions were established at the end of 1991 and the beginning of 1992. The General Tripartite Agreement for 1993 is of a very general and all encompassing nature, being more of a list of preferred practices than a binding undertaking (Gerchikov, ch. 6 in this volume.)

Whether the range of issues covered by tripartite discussions is broad or narrowly defined depends largely upon the balance of power between governments and trade unions, and the socio-political context at specific periods of time. The most common area—with the exception of Russia has been agreements on minimum and maximum wage increases, pensions, and the basis of wage indexation with relation to prices. This has been the case in Hungary since 1989, Bulgaria from 1990, and the Czech and Slovak republics after 1991. This will also be a key function of the Polish National Commission. The range of issues covered by tripartism has also broadened in these countries. In Hungary in 1991 and 1992, the National Council for the Reconciliation of Interests (NCRI) played a significant role in securing agreement on the social security provisions for the budget and in reform of the principles of enterprise taxation. In Slovakia towards the end of 1992, the main focus of discussions was the allocation of social expenditure from within the state budget: for example, unemployment benefits, food and

Issues of privatization are, of course, central to economic reforms. The great innovation of the Kuron Pact in Poland is the agreement for the involvement of trade unions in the process of privatization and the distribution of shares to workers. In Hungary, and the Czech and Slovak republics, privatization has been a governmental process operating outside both tripartite forums and negotiations with trade unions. In Bulgaria during the period of the coalition government (December 1990–October 1991), privatization was officially within the scope of the National Council, although it was not acted upon. The institutional status of tripartite forums varies. In Hungary, the National Council was given formal legal status by the Employment Act of 1991 and the Labour Code of 1992. In Bulgaria, the election of a coalition government in December 1990 to introduce price liberalization meant that the government was dependent on trade union support to maintain social peace. In these conditions the tripartite council operated as a standing body in which there was both consultation—typical of the period of the socialist government—and joint decision-making, with agreements binding on state organizations at lower levels. Of course, tripartism, by definition, requires organizations to represent the interests of employers. With the exception of Poland, where the Confederation of Polish Employers was established at the end of 1989, the development of employers’ organizations has been related closely to the creation of tripartite institutions. Thus in Hungary in 1988, the already existing Chamber of the Economy became a partner in the National Council. In Bulgaria, the initiative for facilitating the organization of state employers in March 1990 came from the CITUB. Changes in the structure of property ownership brought about through privatization are obviously leading to a plurality of employers’ organizations in different economic sectors, and the ease with which genuinely private employers can be incorporated into corporatist agreements is at this stage largely untested.

**Collective bargaining**

In all six countries, collective bargaining is a new feature of the transitional model and generally it is supported within a legal framework. The issues that arise relate to its coverage, to shifts in content from social welfare to wages, and to the legal framework as
privatization proceeds. Contemporary discussions of collective bargaining tend to focus upon the negotiation of substantive collective agreements on terms and conditions at enterprise level. In the past, collective agreements at this level did not deal with terms and conditions of employment. There are many other issues such as the numbers and selection of employees for redundancy which may be the subject of collective bargaining by the trade unions, or of informal bargaining between individuals or work groups and line management (Thirkell & Tseneva 1992). There is legal-provision for collective agreements at enterprise level in all of the countries, although the significance of this varies in accordance with national conditions. Understanding of the actual processes of negotiation at the enterprise level is constrained by a lack of survey data. However, the Czechoslovak Federal Research Institute of Labour and Social Affairs conducted a survey of collective bargaining and employee participation in 90 enterprises in mid-1991 (Cziria & Munkova 1991). This found that in 90 per cent of the enterprises collective agreements had been negotiated and, of these, 86 per cent were the result of trade union initiatives. In 1992, branch agreements were still used as a source of standards in the enterprises studied. In Bulgaria, the development of collective bargaining has been connected closely with initiatives from the National Tripartite Commission which issued Guidelines on Collective Bargaining in April 1990 and again in April 1991. In 1990, the coverage of workers by collective agreements was patchy and varied significantly between branches of industry.

Survey data on collective agreements in Bulgaria was compiled in November 1991 by the Confederation of Independent Trade Unions. The 1991 survey showed that by July 1991 only 37 per cent of state enterprises had negotiated collective agreements. The main stimulus to collective agreements came from the Decree on Wages and Collective Bargaining of 5 July 1991. This decree, which was passed in the context of the National Tripartite Agreement on Social Peace negotiated in June 1991, required collective agreements to be negotiated at enterprise level by September. This made enterprises the only level for collective agreements and thus removed the role of branches, except for the social sectors of health and education. The decree was accompanied by abolition of centralized control over enterprise wage funds based on the centrally determined wage rates for different grades of employee and the plan target for manpower. A national survey of 120 enterprises in November 1991 showed that 79 per cent of enterprises had signed
agreements, and a further 14 per cent had completed the preparatory work (Thirkell & Tseneva 1992). In Poland, some branch agreements from the 1980s are still operative at the time of writing, although their significance is doubtful.

The development of wage bargaining in state enterprises has been tightly constrained by the high levels of taxation that have been levied on enterprises which allow wage increases. The creation of national machinery for wage negotiations in the state sector has been a major issue in the negotiations over the Kuron Pact. Private employers have been exempted from this taxation, but since they are mainly non-unionized there is no collective bargaining (Kozek 1993). It appears that current developments in collective bargaining in all the countries are primarily conditional upon the national mechanisms of economic management as applied to enterprises: for example, the tax mechanism in Poland and the 1991 Decree in Bulgaria. It is also clear that many new, small, privatized companies are outside the emerging model of collective bargaining.

**Participation and consultation**

The socialist enterprise has been conceptualized as having three internal vertical structures (Petkov & Thirkell 1991). The first was the structure of operational management; the second was the structure of the party and the trade union; and the third the structure of worker participation in management and/or “self management”. The most usual institutions of the latter were a general assembly of employees (or of their representatives) and an elected council at the top of the enterprise. In the 1980s the general trend was to increase the scope and powers of this third structure and the empowerment of employees who were theoretically conceptualized as “co-owners”. After the collapse of the old regimes there were two main questions to be considered at the political level. First, whether such institutions of the third structure needed to be preserved, destroyed or replaced. Secondly, what should the relationship be between institutions of participation and those of collective bargaining. The comparison between the countries of what has happened since the end of state socialism shows different patterns of development.

The Polish Enterprise Council of 1981 survived formally until the new provisions for the privatization of state enterprises. An initial stage was to transform the legal status of the enterprise into a “state treasury
company”, and for this the consent of the enterprise council was required. Once such a transfer is completed however, the enterprise council is dissolved so that the legal and institutional basis of participation disappears. In Russia the Council of the Labour Collective has also survived and it is required to agree plans for ownership change. However, in some enterprises the change to a joint stock company has been accompanied by the dissolution of the Labour Collective. It has sometimes been replaced by other enterprise councils, although the power of such bodies appears to be negligible. In Czechoslovakia, the State Enterprise Act of 1988, which included provisions for an enterprise council elected from the general assembly—that also elected the director—as a principal structure for participation, was repealed in May 1990. Its participative provisions were officially condemned as a “relic of socialism”. Cziria and Munkova’s survey showed that the provision of information and the process of consultation continued to occur in the majority of enterprises, but through trade union channels (Cziria & Munkova 1991). The Labour Code does not, however, prohibit the establishment of Works Councils and it is of interest to note that in two case study enterprises, managements set up Works Councils. In Bulgaria, the powers of the enterprise council were modified by Decree 56 of 1988. The Labour Code was revised at the end of 1992 after negotiations between successive governments and the trade union confederations had continued since 1990. This provided for the general assembly of employees to elect representatives to decide questions of enterprise management, but did not specify any structure or mechanisms for this. In Hungary, the Labour Code of 1992 covering employees participative rights replaced the previous enterprise councils with Works Councils. It sets out in detail the provisions for these, which are required in every firm or establishment with more than 50 employees, although the rights are mainly consultative. In both Bulgaria and Hungary the issue of the relationship between the institutions of participation and those of collective bargaining have been the subject of dispute between the government and the trade union confederations. In the former, towards the end of 1991, the newly elected government of the Union of Democratic Forces proposed that a revised Labour Code should provide for a Works Council which would be the bargaining agent for the collective agreement rather then the trade union. Similarly, in the initial drafts of the Hungarian Labour Code, the government sought to make the Works Council the bargaining agent,
but in Hungary, as in Bulgaria, the trade unions were successful in resisting the government’s proposals.

Thus the previous rights of employees to participate in management have been eroded significantly in the transitional models. In socialist theory, employees were co-owners of the state property of their enterprises. Now, however, in all countries there are varying forms of provision for employee share ownership so that they have possibilities for some financial participation as shareholders in their privatized enterprises. The evidence from some Polish enterprises suggests that workers are willing to accept routes to privatization which destroy workplace mechanisms of participation because privatization is presented as the economic salvation of enterprises and therefore also of employment, and accordingly strategies of survival predominate at company level. Solidarity as a national organization is committed to the consolidation of single channel representation in which the trade union is the sole bargaining agent at enterprise level. Trade unions have been prepared to concede the dilution of mechanisms of employee participation in management because they have been concerned to secure and consolidate their position as the sole bargaining agent in collective bargaining. Hungary is exceptional in that Works Councils are constituted legally. However, the elections to Works Councils in May 1993 demonstrated that in many enterprises the trade unions were successful in securing the election of their own candidates on these bodies.

In general, we can say that changes in Labour Codes, which provide the framework for a reform of collective bargaining, have acted as “anticipatory frameworks”, in the sense of the attempt to devise a system appropriate for a market economy before that economy exists (Thompson & Smith 1992). In Western capitalist countries, labour law more typically has developed organically or pragmatically in response to emerging labour relations configurations. By contrast, pre-emptive labour legislation in eastern Europe may serve to structure and limit the possibilities of development at enterprise level. Offe makes a similar point about the problems of simultaneity in trying to create a constitution, a democratic process and “normal politics” in one operation: “As a consequence the decisions made on all three of these levels may easily turn out to be incompatible so as to obstruct each other rather than forming a coherent whole” (Offe 1991).

At the enterprise level, labour relations are affected, obviously, by emerging managerial strategies, with these, in turn, being shaped by
three main factors. First, a central condition for a large number of enterprises in eastern Europe has been the disintegration of the Soviet market which was traditionally a major outlet for production, organized through COMECON (Council for Mutual Economic Assistance). In these conditions, business strategy, in the sense of seeking to maintain a share of existing markets or to find new ones, has become a major issue for the management of many enterprises. In particular instances the market crisis has been so acute that the future of an enterprise has been threatened and the central task of management has been to attempt to devise a survival strategy by whatever means possible. This can be through shorttime working or even by keeping workers on payrolls but without wages. In production industries, the general picture is one of managements trying, with varying degrees of success, to find new markets in the West or elsewhere. This process sometimes involves joint ventures; alternatively, it has included trying to maintain some part of the former Soviet markets, often through complex barter deals. The second factor is that privatization is the officially declared objective of all governments and, at enterprise level, ownership change can present management with threats, in the form of external financial controls, or opportunities, such as investment for improved technology, and, in some cases, chances to secure substantial blocs of shares. In situations where there is an opportunity for employees to obtain shares in their enterprises, privatization may affect labour relations by changing the status of at least some employees. The prospect of ownership change, sometimes combined with the search for new markets, has led frequently to a third form of change: that is, the internal restructuring of enterprises, initiated by top management. This has often resulted in increases in the operational autonomy of enterprise-owned plants, workshops and departments. Although enterprise restructuring before privatization is common it can also occur after privatization, for example, when the ownership of different parts of the enterprise is broken up. All these changes have implications for labour relations and may trigger or constrain management’s articulation of labour relations strategy.

Conclusions

A general point is that emerging institutions are fragile, precarious and unstable. The absence, presence or threat of pressure from employees has been a major condition for institutional development and change.
The different routes from Communist Party domination, involving either capitulation, compromise or electoral competition, persist in affecting the emerging labour relations models in the countries studied; this is notwithstanding the common pattern of ideological influences from abroad and the encouragement of Western models of social partnership and the social market model of corporatism. Not surprisingly, governments have viewed the development of new labour relations institutions as secondary to economic reform and privatization.

The role of trade unions in the immediate aftermath of the collapse of communist regimes seems to vary from country to country. Arguably, they have been a driving force of social and political change in Poland and Bulgaria. In the Czech and Slovak republics, reform has been more consensual, whereas in Hungary governments have taken a more positive lead role. In Russia the historical image of the trade unions has not encouraged workers to view independent trade unionism as a potential force for representing their interests. Despite these differences, however, trade unions in all the countries have been orientated towards the state as the agent of reform. Trade unions are compelled to act on the national political stage since their demands cannot be pursued solely at the enterprise level. In the past, trade union control of the social funds of enterprises provided the pay-back for individual membership. Now that social security and benefits are no longer primarily provided by enterprises, these issues have shifted to the national political stage. Trade unions in these countries claim to represent not only the employed, but also the unemployed and pensioners, in national negotiations over social fund and social security issues. This may help to explain the tendency for trade union membership levels to decline, since the pay-off for individual membership has changed. If the focus is national agreements, the individual at enterprise level can free-ride on tripartite agreements without needing to belong to a trade union. However, in Russia, the persistence of a trade union role in enterprise-based patronage systems may have served to maintain membership levels, if not active participation by members. In the other countries, the salience of national economic issues and tripartite negotiations have limited the development of trade union functions at both branch and enterprise levels. If corporatist arrangements fail and are discredited, the legitimacy of trade unions can be compromised. Thus trade unions can
run the risk of becoming once again “transmission belts”, but this time for government austerity measures.

In all the countries—with the possible exception of Russia—tripartism or corporatism has arisen as a government response to the real or perceived threat of political and industrial instability. Trade unions are a major basis for consensus building and legitimation in a context where political parties are weak and fragmented. Governments have faced choices between the alternative strategies of confirming and strengthening tripartite institutions, or of seeking to avoid them (Héthy 1991). The evidence shows that up to the mid-1990s in Hungary and the Czech and Slovak republics there has been an incremental development of tripartism. The Kuron Pact initiative in Poland was motivated by industrial unrest, but prior to that, the fact that Solidarity was already enmeshed with the government may have obviated the need for formal corporatist arrangements. In Bulgaria, the government tried to extricate itself from tripartism in 1992 but was successful only for a short time.

The crucial future issue for corporatism in these countries is whether tripartite agreements are substantively underwritten. Can the parties to political exchange deliver their sides of the bargains? Experience from western Europe would suggest that corporatism needs delivery mechanisms at lower levels; for example, collective bargaining structures or works councils must be capable of relaying interest intermediation to enterprise level (Crouch 1992). Certainly in Russia the institutions for such intermediation are largely absent. This suggests that the degree to which corporatist arrangements may be articulated from national to enterprise levels is of critical importance. In relation to this process of articulation there are a number of potential problems. First, the weakness of employers’ association questions whether trade unions or governments will be able to make agreements enforceable, as an increasing proportion of employment is located in both private and small-scale organizations in which union membership is likely to be low or nonexistent. Secondly, can trade unions intermediate their members’ interests successfully without losing rank and file support, especially if economic restructuring programmes prevent governments from delivering social benefits?

As discussed earlier, collective bargaining or collective agreements have been incorporated within the labour legislation of all the countries. These represent a “top-down” approach which raises the question of the likelihood of collective agreements being implemented
at the level of the enterprise. There are several factors that may influence this. Evidence from Bulgaria suggests that the major impetus for the development of collective agreements can emerge from the outcome of national tripartite negotiations—as was the case in 1991 when these were drafted in a form which provided for explicit articulation from the national level down to the level of the enterprise. Similarly, the development of enterprise collective agreements in Czechoslovakia in 1990–1 was dependent partly on the content of the national General Agreement, although this articulation was not backed by legal requirements. At this time the enterprises were state property so that the state at national level could instruct, if necessary, state managers at enterprise level to implement the agreements. As the process of privatization proceeds, the issue of collective bargaining at lower levels becomes an issue of strategy by managers who are no longer state employees. It is clear from the experience of Poland, and the Czech and Slovak republics, that in small firms in the retail, trading and service sector, employers frequently do not recognize trade unions and consequently there is no collective bargaining (Kozek 1993). The prospects for collective bargaining in larger enterprises as they are privatized remains uncertain. Whether these employers will seek to withdraw from collective agreements will depend upon the contingent conditions such as the strength of union organization in the enterprise, and the influence of the union externally—and especially on the nature and coverage of national tripartite agreements. In relation to the latter, much will depend on the development or decline of industrial conflict and on the perceptions of the prospect for social peace.

Collective bargaining through trade unions has provided one channel of representation; employee or Works Councils can provide a second. However, as discussed above, only Hungary has legal provisions for works councils and has thus formalized dual channel representation. In Poland, the processes of privatization are leading to the elimination of the old employee councils, a process not mourned by Solidarity trade unions who want trade unions to be the sole channel or representative. An interesting test of the importance attached by employees as well as trade unions to such mechanisms took place in Hungary in May 1993, when the provisions of the Labour Code relating to the election of Works Councils members came into effect. In practice, unions were generally able to secure the election of their members to the councils and the success of unions affiliated to the National Association of Hungarian Trade Unions (MSZOSZ) was generally much greater than that of the
more recently formed unions. Thus, although there are clear differences between the Labour Codes in the different countries with regard to participation mechanisms, in practice trade unions remain the most significant channel for worker representation at enterprise level. Nevertheless, the pre-emptive nature of the new Labour Codes may serve to limit or constrain more organic developments in the future.

At enterprise level there is growing evidence that senior management may seize the opportunity to dismiss or ignore participative mechanisms. In case studies conducted in companies in Russia and Poland there are examples of Directors operating outside the legislation or on the borders of legality: for example, in Poland in advance of ownership change disestablishing the Employee Council, and in Russia, using changes in ownership as a chance to get rid of the Council of the Labour Collective (Kozek et al., ch.5 in this volume; Gerchikov, ch. 6 in this volume). This reinforces the importance of enterprise level strategy and the developing role of management. The relative autonomy of the enterprise and the scope for the development of enterprise strategies will remain a critical element in the emerging labour relations models.

Clearly, an important factor shaping the character of corporatism and of labour relations models is the changing role of the state, which in turn is shaped by conjunctures of different political forces. In all the east European countries, political processes remain semi-structured as numerous competing political parties struggle to mobilize popular support. The absence of dominant parties of the kind found in Western countries results in weakened political legitimacy, with the effect that the role of the state as an ideological integrative mechanism is underdeveloped. This strengthens the appeal of corporatism as a means of securing political consent, although the degree of popular support for this is uncertain. Even so, state institutions remain highly influential within the countries of eastern Europe because of their functions in the provision of health, education and welfare, as well as other economically productive services. As yet the nature of state institutions and how these are likely to emerge within ongoing programmes of privatization is unclear, but undoubtedly it will have outcomes for the character of tripartism and the role of labour relations models. Without the emergence of political mobilization, competing political parties and the construction of highly legitimized state institutions, social pacts incorporating the interests of both workers and corporate owners are likely to remain unstable.
The outcome of the current wave of tripartism will certainly play a key role, and the level and manner of articulation of bargains will help to structure the relationships between the different levels of labour relations: the national, the branch and the enterprise. Perhaps the most interesting question, and the most difficult to answer, is the extent to which current developments, especially in the field of privatization, may be foreclosing certain labour relations approaches or options for the future. The explanation of developments will come from the comparison of processes in countries and this will facilitate the mapping of alternative scenarios, in which the counter-factual—what does not happen—will be as significant and as interesting as what does. However, the purpose of this volume is to offer an introduction to the changes that are occurring in labour relations within the differing circumstances of Bulgaria, the Czech and Slovak republics, Hungary, Poland and Russia. Only upon such a descriptive basis is it possible to search for explanations that account for similarities and differences within the fundamental societal transformations confronting the countries of central and eastern Europe.
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