

HUMAN RESOURCE MANAGEMENT UNDER CHANGES IN CENTRAL AND EASTERN EUROPEAN COUNTRIES

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Summary: It is important to note that many publications on HRM in and outside the CEE region have studied this important management function rather superficially. Very few research attempts such as Cranet were conducted in the region. It could also be said that this is a single longitudinal HR research in the region. The primary aim of this article is to draw attention to the similarities in the historical background and transitional period of 9 post-socialist CEE countries, making this region a distinctive cluster in Europe in light of the Cranet¹⁰ survey conducted round 2008/2009. The lack of space, here only the importance and location of personnel functions are analyzed.¹¹

Keywords: Human Resource Management, CEE region, socio-environment, national culture and labour environment

1. INTRODUCTION

Before the political changes at the end of the 80s, the HR practice in most Central and Eastern European (CEE) countries was under a very strict state control. Personnel – meaning: HR – issues were closely supervised by the Communist Party and the government. Certainly, there were significant differences among the countries of the region in this respect, but Western like Personnel Management could only be found in traces in these countries under the socialist regimes.

One of the first big challenges the HR departments of transition countries had to face after the fall of the Soviet regime was to cope with the massive layoffs after privatization. According to the research conducted, local managers and HR professionals followed more humane dismissal practices (e.g. offering early pension or retraining) than those coming from the Western world (Koubek and Brewster, 1995 and Elbert and Karoliny, 2005). International companies have redrawn the characteristics of the labour market and the HR practice in the former socialist countries. Empirical research unequivocally confirms that HR has become obviously strategic in CEE subsidiaries at international companies. First time ever in history of Personal Management in CEE region, HR managers were promoted as board members at foreign owned subsidiaries or local big firms as well (Farkas et al., 2008).

The Eastern European transition has created a rather special situation in the development of the HR function, despite the fact that local SMEs, or traditionally managed local large companies, have substantially neglected this activity vital to development of HRM. Nevertheless, a gradual change in the approach to employee management can be particularly observed in the case of the foreign owned local subsidiaries and modern way managed local

¹⁰ Cranet (www.cranet.org) is now the largest HRM network in the world and the only one that has been collecting comparative data on HRM in different countries for more than two decades (www.cranet.org). All authors of this contribution are members of Cranet HR network.

¹¹ This contribution is based on the following research paper: Poór, J., Karoliny, Zs. and Szlávicz, Á. (2011). Transformation of Human Resource Management in Central and Eastern European Region. (unpublished manuscript)

big firms. In his book about the role of international companies in Eastern Europe, Lewis (2005) states that multinational companies have *redrawn* the labour market map of the former socialist countries in many respects. Among other things, they have finished egalitarianism and introduced basic salary system based on the importance of the type of job. Excessively high performances were rewarded with excessively high salaries. Besides technical knowledge, the importance of speaking foreign languages was emphasized.

Therefore, it is considered a milestone in the long-standing collaboration between scholars, which Cranet framework has realized. Within this global HR network many publications have been produced by Eastern and Western colleagues to reveal the colourful transformation that takes places in the field of HR in the CEE region. Last three Cranet surveys (2000, 2004-2005 and 2008-2009) covered six and lately nine countries of CEE region.

There are several ways (e.g. size of the firm, ownership and management approaches etc.) of reviewing the development of human resource management (Brewster et al., 2004). . As a result of internationalization and globalization was created , and one of the characteristic - and most frequently used - methods of illustrating this in Europe describes the development of HRM in relation to the most important *management cultures (American, Asian and European)* (Brewster et al., 2004). We also take this approach throughout the article.

2. GENERAL CHARACTERISTICS OF COUNTRIES EXAMINED

2.1. SOCIO-ECONOMIC DEVELOPMENT

There are many opinions can be found in the literature on the closer history of this region. The outside world was of the opinion that the whole region was similar in the shadow of communism. It is the fact that the Soviet system existed in this region nearly 80 years. The communism was implemented in Russia in 1917. Very simplistically other nations, which HR practices are analyzed in this article met with this system after the Second World War.

After the collapse of the socialist system democracy is similar but separate ways began to build in these countries. These special tours wholly or partly related to the specific endowments of these peoples. Finally, all countries except Russia - sooner or later - an EU member or candidate (Serbia) members became. NATO membership is realized - except for Russia and Serbia - in case of seven countries discussed in this paper.

The EU countries studied, but also Serbia, not to mention Russia, as a result of the rapid progress achieved in 2008 half the EU average regarding GDP per capita.

Not convince to emphasize that the rich and long history of these nations contradict to the eloquent opinion in Western media on homogeneous treatment of the region (Berend, 1996). Recent global economic and financial crisis has drastically impacted all countries in the region. GDP decrease and high unemployment, with the exception of Poland, Slovakia and Romani has been a typical trend in the region.

2.2. CULTURAL CHARACTERISTICS

For some time, the Western public treated and considered the former socialist countries as a homogeneous block. The Czech-Slovak peaceful split, the secession of the Baltic States from the former Soviet Union and last but not least the disintegration of the former Yugoslavia after the Balkan civil wars all show that such an assumption is not appropriate.

In light of the data, the CEE region should not be considered as a culturally homogenous region. Even more, it can be observed as a heterogeneous region, where in some cases cultural co-movements, as well as divergent tendencies can be observed (Jarjabka, 2010).

The findings show similarities between the Bulgarian, and Russian cultures, which are based on the cultural ties of these countries, their geographic proximity and Greek Orthodox religious roots.

The similarities between Estonian and Finnish cultures and the differences between the Estonian and Russian cultures also indicate a relationship to the Scandinavian value system, which replaces the centuries-old assimilation aspirations of the Swedish state.

The Czech and Slovak cultural differences are surprising due to living together in a common state and speaking almost the same language. Hofstede's data (2001) clearly shows that Czech culture is more similar to the German or the Austrian culture rather than Slovak. This cultural co-movement demonstrates that the constituent nations of Yugoslavia created not an imposed and artificial state but rather a relative cultural melting-pot. These examples very well ground that this region is not homogeneous.

2.3. LABOUR ENVIRONMENT

In the years of the socialism, the trade unions (TU) in respective countries played a role in the fulfilment of the Communist parties and state performance goals of the one and five-year plans on national, sectoral and company levels (Alas, 2004). Main activities of trade unions included distribution of welfare benefits, overseeing employee housing, social event organization and provision of catering services (Kazlauskaitė and Buciuniene, 2010). There were many cases where the trade union officials played key roles in the ruling communist parties.

Therefore, the unions were not prepared for the new political and economic situation, which occurred after the fall of regime. Trade union representatives lacked experience in modern industrial employee relations. The majority of workers and employees wanted to escape from the constraints of the union membership and the payment of union membership fees. Therefore, the level of the unionization started eroding in many industries, except for the traditional industries and public sector. The trade union movement was unprepared to be involved effectively into the different forms of privatizations implemented in different countries of the CEE region (Zupan and Kase, 2005).

The position of trade unions was also hampered by the fact that the employee relations (ER) were driven by the company management. For instance, the emergence of high unemployment (15-20%) is explained in the literature as follows: (1) a decline in labour intensive activity; (2) new market demand and inadequate job skills; (3) the unpreparedness and rigidity of the transition countries' labour market (Svejnar, 2002; and Arandarenko, 2004).

In the meantime, especially with the external influences (e.g. European Union, International Monetary Fund, World Bank and International Labour Organization) evolution of labour market institutions began, initially mainly as passive tools (for instances employment protection, new Labour Code, Unemployment Law etc.) and later on as active devices (e.g. Teleworking, part-time employment).

Horowitz (2011) points out that the multinational firms and their local managers in many cases have been overlooked in view of various contextual factors. They underestimated unique characteristics of local labor markets and limited the influence of trade unions.

Later the new forms of ER began to emerge in different CEE countries (Toth, 1997). Today, the nine countries use some kind of a tripartite collective bargaining (employer, employee and government) system.

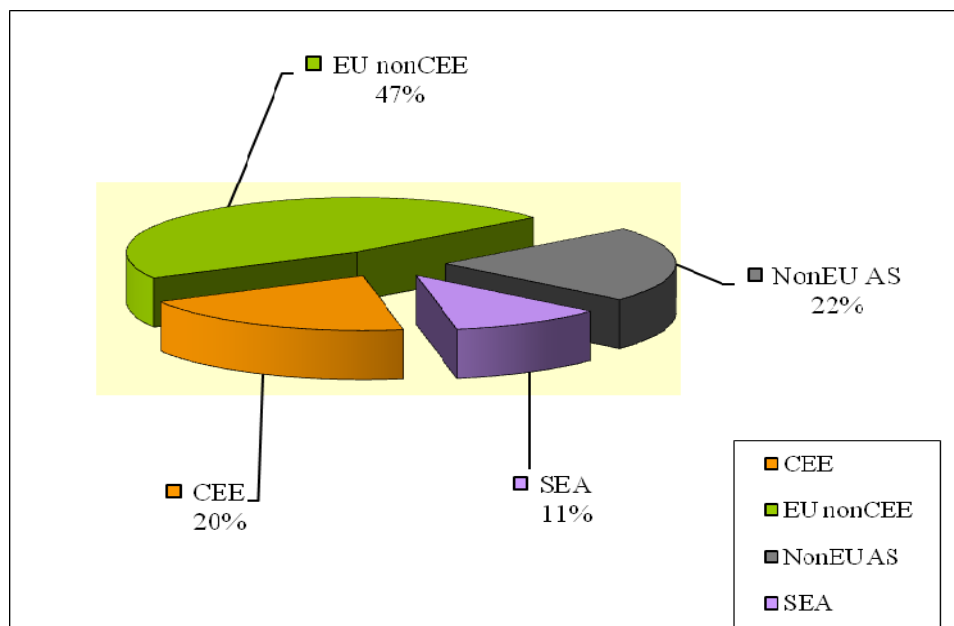
3. RESEARCH QUESTION AND SAMPLE

What follows is a comparison of the characteristic features of the investigated area in the samples of the Cranet 2008/9 survey round. Consequently, our analyses will be based on the information gleaned from the data - comparable due to the uniformity of questionnaires - of organizations from 30 Cranet-network countries of the world .

Figure 1 shows the proportions the 6 039 organizations and institutions from 30 countries, which constitute the total sample, are represented in the analysis.

- *Subsample I. of the CEE countries* in the focus of our investigation represents 9 countries (20% of total sample) (Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Russia, Serbia, Slovakia and Slovenia)
- We classified those 16 European countries – including some others close to the geographical Europe – into our *Western European II. subsample* which are not former socialist countries. These are: Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Israel, Norway, Sweden, Switzerland, Turkish Cyprus, and United Kingdom. The total number of organizations in this subsample, called European Non Central and Eastern European (EU nonCEE). It represents 47% of the total sample.
- The countries in the *Anglo-Saxon III. subsample* is Australia, South Africa and the USA which represents 22% of the total sample and it is called Non-European Anglo-Saxon (None AS).
- *Asian subsample IV.* contains the answers given by 11% of organizations from the three South-East-Asian (SEA) countries (Japan, Philippines, and Taiwan).

Figure 1: Proportions of the organizations in the four examined management cultures in the 2008/9 Cranet survey



Source: Poór, J., Karoliny, Zs. and Szlávicz, Á. (2011). *Transformation of Human Resource Management in Central and Eastern European Region*. (unpublished manuscript) Gödöllő-Pécs.

The standardized Cranet questionnaire, which served as the basis of our research project, includes seven sections with nearly sixty questions exploring the key HR areas. The section I-VII examining *on* Importance of the HR function, Staffing, Employee development, Compensation and benefit, Employee Relations and Communication. To be able to describe and understand the supposedly varying importance and outcomes of it, the analysis builds on several answers from Section VI. and VII. too, where the questions are designed to obtain information about *the organization* completing the questionnaire.

Our current article focuses on the answers of Section I examining the key items of Importance of the HR function, The research data were processed using SPSS software.

Before we analyze the characteristics of the role and importance of HR function in the five different samples, let us highlight the similarities and differences between the subsets in terms of the main contextual factors – economic activity, size, and ownership – of the responding organizations.

The *sectorial distribution* of the total sample shows almost balanced position between manufacturing and service sectors. While the proportion of service provider companies is dominant (47-52%) in the samples of the EU nonCEE and the NonEU AS countries, the organizations of the CEE and SEA countries are rather representatives of the industry (49-60%). (Table 1.)

Table 1: Sectorial distribution of the samples (%)

Sectors	Samples				
	I. Central-Eastern European	II. European Non-CEE	III. Non-European Anglo-Saxon	IV. South-East Asian	V. All surveyed
Agriculture	4	2	2	0	2
Manufacturing	49	40	28	60	42
Services	38	47	52	17	44
Other	9	11	19	23	12
Total	100	100	100	100	100

Source: Poór, J., Karoliny, Zs. and Szilávicz, Á. (2011). *Transformation of Human Resource Management in Central and Eastern European Region*. (unpublished manuscript) Gödöllő-Pécs.

The composition of the analyzed samples by *organizational size* are summarized in Table 3.

Table 3: Distribution of the samples by organizational size (number of employees) (%)

Size category (Number of employees)	Samples				
	I. Central-Eastern European	II. European Non- CEE	III. Non-European Anglo-Saxon	IV. South-East Asian	V. All surveyed
1. - 250	60	33	25	34	35
2. 251 - 1000	27	39	54	36	41
3. 1001 - 5000	10	19	12	22	17
4. 5001 -	3	9	9	7	8
Total	100	100	100	100	100

Source: Poór, J., Karoliny, Zs. and Szilávicz, Á. (2011). *Transformation of Human Resource Management in Central and Eastern European Region*. (unpublished manuscript) Gödöllő-Pécs.

The EU nonCEE and the SEA samples show similarities to the total sample in which smaller organizations (fewer than 250 people) account for only a little more than one third of the respondents. The typical size within these samples is 251-1000 people but we can also find here a considerable proportion (~40%) of companies bigger than that size among the respondents. While two thirds of the respondents from the NonEU AS countries employs more than 250 people, about 60% of the CEE sample represents companies smaller than these.

4. IMPORTANCE OF THE HR FUNCTION

Two factors that supposed to be noticeably indicating the importance and role of the HR professionals or department in the organization are related to the position of the *people responsible for HR matters in the organizational hierarchy*. Whether he/she is:

- a member of the Board of Directors or the top management team,
- involved, and in which stages in developing the business strategy.

As the data in Table 4, show, the role and importance of person in charge of HR in organizational life is substantial. Although the average numbers of the CEE region are slightly below the others, but the evolution of its figures can be considered remarkable. Different studies not only from mid 90s (Koubek and Brewster, 1995; Tung Havlovic, 1996), but also from the new century (Zupan and Kase, 2005; Svetlik at al., 2010) reported from Czech Republic, Poland and Slovenia much powerless position of HRM.

Table 4: The position and role of the HR function and the HR department

Country(ies)	HR gender division male: female%	Labor cost ratio (%)	Head of HR* in Board of Directors (%)	Involvement of head of HR* in strategy development (%)	Existence of strategies (%)	
					Business w+unw	HR w+unw
I.CEE	13:87	36	62	88	91	77
II. European Non-CEE	28:72	47	69	91	94	84
III. Non-European Anglo Saxon	25:75	49	66	87	83	83
IV. South-East Asian	28:72	25	67	94	95	86
V. All surveyed	28:72	44	67	90	91	81

* or person responsible for HR , ** w+unw=written and unwritten strategies

It is evident from the first column in Table 4 those female employees *are prevalent in HR jobs* in all subsets of the sample. However, just like in the total sample, both in EU non-CEE, and SEA samples their dominance reaches 72 per cent while in the NonEU AS it reaches 75 and it almost reaches 90 per cent in the CEE sample. According to several research findings (Zupan and Kase 2005, and Poór et al. 2007) this feature here seems to be stable in this region.

5. CONCLUSION

Due to lack of space we were able to show only a part of our research results. Here only the importance of the HR function was analyzed. The analysis on II-VI parts of Cranet questionnaire is complete. It will be published in an separate article.

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