

LABOUR TURNOVER AND THE ECONOMIC ORGANIZATION: SOCIOLOGICAL DATA ON AN APPROACH TO THE QUESTION

Lajos Héthy and Csaba Makó

Hungarian industry has more or less overcome the difficulties caused by large scale labour turnover. However, the nationwide social debate on the subject has not so far resulted in a systematic clarification of the phenomenon seen as a special but certainly not unique and isolated type of behaviour. We have not yet managed to see it as a dialectical system of relationships in which every element can be considered as a motive, every indirect and direct relationship having its place and weight.

It is no longer the social problem of labour turnover which primarily justifies our attention to the subject, but precisely the feeling of inadequacy experienced in the face of evaluations and measures related to the phenomenon. What we lack is systematic analysis and concepts which could have come from the debate over this critical phenomenon. We lack this because in addition to needing an evaluation of large scale floating from one working place to another, we also lack a starting point to handle and analyse other difficulties still appearing in industry, as for example problems related to the organization of labour and workshop discipline. In this paper we use organizational sociology to seek to contribute to an overdue, but still necessary, systematic account.¹

Organizational Phenomena²

When labour leaves one enterprise and enters another this can be analysed within the enterprise—an economic organization which itself cannot be interpreted without both theoretical and practical knowledge of organizational and human relationships. Leaving a particular enterprise voluntarily is an expression of absolute or relative dissatisfaction with the organization, felt by an individual, group or stratum. This expression manifests itself in practice as an open refusal to continue co-operation. A person leaving his work is an extreme case in the wide range of types of behaviour expressing dissatisfaction with the organization, namely: deliberately retarded output, passive slacking, work on the side, waste of material, deterioration of quality, and the like. As with other so called negative types of behaviour, this is

not limited to those directly employed in the field of production.

From a sociological point of view, economic organizations always find themselves facing the same basic problem, which is also the most essential problem of their operation. Under the complicated conditions brought about by the division of labour, they have, in order to pursue organizational goals, to establish co-operation and means of uniform control over and between individuals, groups and strata of different interests. Co-operation must be achieved by official regulation through the hierarchical organizational structure. This will stress: the necessity of unity of control, relationships of subordination, superordination and co-ordination, functions and related tasks, decisions and responsibilities, as well as the channels of information connecting them. All these organizations create a specific mechanism expressly to serve control purposes; namely, economic and non-economic stimulation that strives to guide the people employed by the organizations towards co-operation, using rewards and sanctions, financial and non-financial. In our country the efforts of economic organization are complemented and controlled by the trade union on the one hand and by the Party on the other.

Although many believe in the possibility of realizing smooth co-operation—'harmony'—this, in fact, appears to be an ideal that can be approached but never completely attained. Company interests and goals are directly economic and only indirectly social, irrespective of whether, under the pressure of circumstances, organizations strive to achieve 'maximum' rationalism and efficiency on the one hand or on the other implicitly seek 'a relatively acceptable product' and 'survival'. By contrast the interests and goals of those working within the company are directly social; they strive to meet their own economic and other requirements and only indirectly consider the economic point of view of the organization. Under socialist conditions the two types of interest are not antagonistically opposed to each other but there are a number of circumstances working against the establishment and maintenance of 'harmony' and compromise.

Obstacles in the Way of the Compromise of Interests

Economic organizations are artificial social formations that are by their very nature relatively rigid and inflexible. Even if they actually aim at rationalism they can adapt themselves to the requirements of changing reality only with delay and difficulty. A typical example of

Labour Turnover and the Economic Organization

this is the often out-of-date piece rating and wage categorization system of economic incentives, which may be one of the obstacles in the way of successful motivation and implementation of the principle of payment by results. They may also generate dissatisfaction among workers. At the same time, companies are organizations reflecting the process of technical progress and the development of the division of labour established in the service of a special goal. For this reason they are simply unable to meet certain human interests. For example, it would be vain for an enterprise to seek to meet the aspirations of all the workers of the organization to advance in their careers, if because of its hierarchic organization it only had a limited number of leading posts. So, at best, the economic enterprise can only make use of limited possibilities of compensation.

At the same time, many people ignore the fact that the economic organization is not the only environment which gives rise to and fulfils workers' interests. Individuals, groups and strata fill varying social and economic positions outside the factory. They therefore enter the organization with aspirations which are significantly at variance not only with the interests of the organization, but also amongst themselves. These are of such complexity that an organization may find it almost impossible to arrive at an understanding with them. In our own research, for example, we found a large number of strata and groups with different economic interests—although these were not derived ultimately from differentiation of social-economic background outside the factory. Interventions and central regulators originating outside the factory from central organizations are not always adequately based on reality. These sometimes, therefore, present problems to the organization in the sphere of harmonizing interests. As in every social-economic process, there is resistance against any modification of the pre-existing human and interest relations.

Since complete harmonization of interests within an organization is impossible, the process of leaving places of work is normal within rational quantitative limits. However, we believe that large scale labour mobility in recent years has expressed economic and non-economic dissatisfactions, felt by large groups of workers.

Economic and Non-Economic Motives

When people consider to what extent they can achieve their interests in an organization of which they are members, irrespective of how

conscious this consideration is, they think of both economic and non-economic questions. Therefore, in our evaluation of the phenomenon of labour turnover it is wrong to attach an exclusive significance to either economic or non-economic reasons, since in any case economic and non-economic factors can only be distinguished with difficulty. In our country today money is not only the basis of increased welfare, but also the most obvious symbol of social prestige, of the apparent importance in the complex system of the division of labour of the work performed. (An entirely different question is to what extent wage and income proportions really reflect the value of importance of the work performed.) Naturally, this train of thought cannot lead us to take a 'this is important, that is also important' kind of stand when we are evaluating the motives of why people leave their places of employment.

Our research activities have convinced us that in the present stage of our social and economic development, economic considerations play a decisive rôle in the labour mobility of both manual workers and employees.³ There are numerous examples of the most valuable skilled workers of our major companies changing their jobs to enter agricultural co-operatives and small factories for significantly higher wages. Similarly both trained and unskilled workers float from company to company with their hourly wages gradually increasing by a few 'fillérs' each time. These people do not view their situation only in a static way; at the same time and most realistically they consider their future as well.

In the period between 1968-71, in a major machine industrial plant where, as elsewhere, the main factor in wage increases was seniority, we observed that after a period of ten to twelve years of service the increase of wages definitely stopped. In other words, approximately up to the age of thirty, people 'ate their future'. By this is meant that their personal hourly wages stopped increasing when they arrived at the peak of their mental and physical abilities. They faced the alternative of either trying to find further financial perspectives 'to create their future' within the enterprise, or else they left. Their decisions were of course never free from non-economic motives, because the possibility of trying for higher wages was always closely related to the kind of workers collective to which they belonged, as well as the degree to which an individual was 'united' with his colleagues.

Labour Turnover and the Economic Organization

The same process can also be observed in the opposite direction. We had a chance to keep track of how various members left a mass communication organization. Although they occupied what were relatively well-paid posts in a generally pleasant collective and their work was relatively varied and interesting, one after the other they left the organization, because—due to its special nature—it forced them to remain anonymous. Their motive for changing their place of employment—a kind of prestige requirement—was non-economic. At the same time, however, we could not ignore the fact that these people never entered positions worse paid than their previous one. So financial motives also appear as a kind of temptation among what are seemingly non-economic motives.

The constellation of circumstances on the basis of which people (more or less consciously) evaluate their present or future situation within the organization is always a conglomeration of economic and other factors. And in this conglomeration, the positive aspects of certain elements can only compensate to a limited extent for the strong negative aspects of other factors.

A new type of 'money-mindedness' is now a frequent topic for discussion. Such discussion centres around cases in which people change their work-place in the hope of increased income. A certain 'money-mindedness' or the emergence of justified financial interests, while sometimes exaggerated, can indeed be experienced in this country. The new system of economic management provides a field of action for those interests which in the past sometimes acted destructively under the surface; it releases a strong motivational force which was partially restrained and now begins to find the field in which it can assert itself. In our view, the appearance of justified financial interests is the outcome not so much of the special features characterising the economic management of the past few years, but much more of the fact that economic development has reached a level when it is possible to consume a wide selection of both everyday and durable consumer goods.

The Effects of the Lack of Organization on an Enterprise Level

It would be wrong to regard the enterprise alone as responsible for large scale labour mobility, but it would be equally wrong to relieve the enterprise from its responsibility entirely.⁴ The familiar excuse made by some economic leaders seems to be unfounded; they say

that the central regulation must bear the 'exclusive' (although they do not usually apply this word the structure of arguments still requires it here) responsibility for the high rate of labour turnover. The development of labour turnover is inseparable from the operation of internal mechanisms within the enterprise, both partial and total. The whole structure of the enterprise, the operation of its internal organization, has a significant impact on the development of relations between individual, group, stratum and company interests. From one view-point, the nature of the organization limits and determines the emergence of compromises of interests and the possibility of co-operation within the organization to attain its goals. So these factors cannot be unrelated to whether people stay with an enterprise or leave it.

The most comprehensive shortcoming of the mechanism of control, the system of economic and other incentives determining how people act within the organization, originates from the inadequate implementation of the principle of payment by results. On the one hand, this means that the means of deciding on awards, as well as of calling people to account, are weak. On the other, the use of the available means is not related from the point of view of the organization to the positive or negative action of people. In other words, control is weak and inconsistent. In these circumstances the financial aspect may change from a symbol of the social importance of the work performed into an empty symbol of prestige. For instance, in a building industrial plant we examined, production results showed a strong deterioration while there was no change in capacity and there was an annual increase in the incomes of managers over a three year period. We also discovered that the financial advantages enjoyed by the various levels of leadership (e.g. shop foremen, site architects, chief site architect, section and department heads with functional departments) were not at all proportionate to the extent of their burdens or of their contribution to company results, but depended on their hierarchical positions. This unambiguously illustrates that the operation of the mechanism deciding the distribution of income may sometimes, although not always sharply, cross the principle of payment by results.

Since an economic organization is a complex structure in which the various elements are characterised both by motion independent in a limited way from its components and also by their close inter-

Labour Turnover and the Economic Organization

twining, the distortions of the mechanism of control could not be and were not solitary phenomena. They were related to the strong distortions appearing in the mechanism of decision-making, the system of the assumption of responsibility, and the like. In the building industrial plant, we found that many of the tasks, including the supply of material, the supply of machinery and the ensuring of a labour force, which formally would have been the duties of the functional departments, fell on the worst-paid staff group of foremen or site architects instead of on the heads of functional departments. The 'collective irresponsibility' of some of the departmental heads in the most important questions (such as deadlines, quality, adherence to technological discipline, insurance of labour safety conditions, and so on) was often replaced by a serious individual responsibility falling on those in charge of local production.⁵

When the actual operation of the enterprise thus deviates from its 'declared' operation, quite obviously we have a case of disorganization: the organizational structure of the enterprise has become obsolete, it no longer meets the requirements of changing reality. It lacks flexibility and for the time being is very slow to change. So the state of disorganization, the distortions of the inner mechanism of the enterprise—especially the system of incentives—contribute to the emergence of a situation in which certain groups and strata within the organization bear disproportionately heavy burdens in comparison to the advantages they enjoy. Their interests are not met. In this situation—if demand for labour overall makes it feasible—one possible extreme reaction of the individual is to leave his job. It is no accident that it was precisely from amongst the ranks of production managers bearing the heaviest burdens that several foremen and site architects were drawn who left the plant and joined other enterprises to enter 'quiet' posts involving less nervous tension but providing equal or even less pay. The same motive led skilled workers in a machine tool plant to change their work-place. They worked under extremely hard physical conditions and, in addition, had to wage a monthly struggle against company efforts aimed at reducing their incomes through inadequately based piece rate cuts, withdrawal of reward bonuses and of payment for overtime work.

From this point of view, large scale labour mobility is a typical symptom of disorganization at the company level.

The Rôle of the Informal Organization

The most direct and sharpest criticism of the operation of an economic organization is the wide-spread existence and influence of informal organizations. An informal organization is a collectivity of those individuals and groups that, in addition to their officially regulated contacts within the enterprise, are also connected by unofficial links. These unofficial links, however, are always based on real unity of interests, shown in a co-ordinated, although often not conscious, action. The greater the rôle of the unofficial organization is, the more rigid and out-of-date is the formal organization of the enterprise. The unofficial organization is an indispensable promoter and stabilizer, but at the same time it may also be an enemy and source of distortion of the operation of the formal organization. The rôle played by the informal organization in the field of labour mobility not only calls attention to the present lack of organization within a number of enterprises, but also to the fact that it is wrong to regard leaving a particular job as an individual action. For, precisely because of the existence of the informal organization, we found collective action in a significant portion of all cases. This was carried out not only by individuals but by such groups and strata as, for one reason or another, found themselves in a temporarily or extendedly unfavourable situation. We will illustrate this with an example from the building industry.

The building industrial enterprise X came to life from a merger of enterprises A and B in 1967 and the merger took place in such a way that nearly the complete staff of workers and all the posts of production management (i.e. shop foremen, site architects, chief site architects) were preserved and the new enterprise was even completed with various specialized industrial departments. On the other hand, higher managerial posts were reduced to half their original number. There had to be immediate bargaining about the top posts. Agreement was reached on a kind of 'parity' system. The general manager came from enterprise A, the chief accountant from enterprise B. No agreement was reached concerning the person of the chief engineer, who finally came from outside the two enterprises in question. The secretary of the Party committee was from A; the trade union secretary from B; some of the functional departmental heads from A, others from B, and so on. Because of the limited number of posts the process had its winners and losers, and so a fierce struggle started

Labour Turnover and the Economic Organization

between the groups in question to change the situation. As a result of the struggle between the informal groups, in the period between 1967 and 1969, a number of leaders of B origin were manoeuvred out of the enterprise headquarters and actually left the company. Meanwhile production deteriorated and superior organizations felt it was time to intervene: the superior Party organization removed the Party secretary of A origin, who had taken an active part in the 'struggle'. There was then another temporary compromise between camps A and B, but it did not last long and there was no improvement in production either. The next step was taken by the ministry, which intervened in 1970 and removed the general manager and appointed an outside person to the post. This resulted in an improvement of the situation. However, the new general manager brought with him a number of new leaders and now it was the turn of leaders of A origin, who had previously enjoyed a privileged position, to feel slighted and to leave the enterprise in large numbers. As formulated at the enterprise: the new general manager brought along, and the old one took with him, his own 'suite'.

Protection of Individual and Collective Interests

People often change jobs to protect their own interests because of the lack of a compromise of interests within the organization. Large scale labour mobility is therefore an indicator of the existence of problems concerning protection of individual interests within the enterprise. Of course, it would be a mistake to draw the tempting conclusion from this that—as some leaders believe—everything used to be in order in the past and conflicts of interest are of recent origin, generated by the new system of economic management which shatters the previously existing 'united' interests of workers of the same enterprise. On the contrary: the gradual abolition of central limitations impeding the free movement of labour and the emerging demand for large-scale labour have brought to the surface tensions that had previously also existed (see below) and they made visible existing short-comings in the field of 'official' interest protection. A large-scale demand for labour has opened the possibility of people leaving their place of work and armed some strata of workers, especially young people, and trained workers, with a new and unofficial means of protecting their interests, which they do not hesitate to use.⁶

Trade unions are often still not able to protect effectively workers'

interests, particularly since they ignored the problem for a long time and since under changing conditions of economic management reform the situation is dynamic. This is true despite their rights of veto and the vehement debates conducted with many factory managers since 1968.

In economic organizations trade unions usually adopt the correct stand in principle: that they act in the service of enterprise interests since they work to promote co-operation within the enterprise. This outlook is useful if it is based on the realistic recognition that interests differ and clash within the enterprise because of the complicated social and economic causes and that conflicts of interests are natural phenomena, requiring compromise. In these circumstances trade unions play the very useful rôles of explorer, co-ordinator and equalizer. Unfortunately, for many trade union leaders the 'service of company interest in general' stands for a kind of evasion of the actually existing concrete problems.

We have often experienced how embarrassing it is for trade union committees to be forced to take a stand in a conflict between workers and management. This is because the trade union members include both managers and workers. Furthermore the trade unions cannot judge the situation because despite their full-time leaders they have no independent apparatus. Officials (including workers, shop foremen, works managers and even higher managers) view the various problems and take their stand not so much from a trade union point of view but from that of their own 'status'. They cannot therefore provide the full-time leaders with an objective orientation. 'The trouble is'—workers often say—'that the trade union officials are also on the company payroll.' This can lead to a situation in which the full-time trade union leadership does not and cannot know what is actually happening in the factory. The trade union organization itself becomes a battlefield of conflicts of interests.

At the same time it should be remembered that the protection of interests is not confined to action against the company management. This is only a part of the problem of the trade union not representing the interests of the workers forcefully enough. Another often neglected source of difficulties is that the interests of certain strata and groups of workers are not adequately protected against those of others. For as long as the amount of distributable wages is fixed, financial advantages and privileges won by various methods (including the threat

Labour Turnover and the Economic Organization

or actuality of leaving by some strata of workers) are gained—as in the past—at the expense of the financial situation of others. This of course applies not only to the workers but to employees of the enterprise as a whole. Financial advantages obtained by strength in bargaining may appear as a healthy correction of an obsolete state of affairs. However, these advantages may not relate to the level of work performed. Trade unions often take no interest in this.

It is therefore no accident that the trade unions' function of protecting individual interests is often taken over by professional management, which tries to balance conflicting interests and to establish cooperation, since it is the professional management that has to produce measurable results. Occasionally these tasks fall to the already overburdened Party organization. Trade unions often—ignoring the existing realities—deny and try to veil conflicts and instead of protecting the just interests of strata of workers who are actually in a poor situation, claim to be protecting the interests of the 'workers' in general. Meanwhile large-scale labour mobility goes on unaffected by trade union activity.

What is certain is that both deficiencies in company organization and shortcomings in trade union activity have contributed in more than one place to the informal organization becoming very strong. For example personal 'contacts' assume great significance within various enterprises, and the unofficial organization—side by side with its other functions—becomes a most effective forum to ensure the protection of individual interests. To some extent this is a positive phenomenon, for some people are thus provided with an effective forum of interest protection. But it is also partly negative, since an uncontrollable informal organization can never be a substitute for an effective formal organization for the protection of individuals, established for the workers as a whole.

Labour mobility throws light on constructional and operational shortcomings within both the organization of the enterprise and the trade union. However, we should emphasise that, once again, we are not describing a negative situation of recent origin. The trade unions still bear the marks of the period in which declarations about unity of interests served to hide the existing conflicts of interests and there was no official acceptance of individual or collective protection of interest. When the new system of economic management was in preparation, the central bodies took into consideration the possibility

of conflicts of interests under socialist conditions and that therefore there was a need for trade unions to protect the collective and individual rights of the workers and to represent their everyday interests.⁷

The organizational shortcomings of enterprises are also inherited from the past. The system of central directives and the one-sided requirements to produce the set quantity of products, set very low requirements for the modernization of the inner mechanism of the enterprise. They also held back its development and at the same time concealed its out-of-date features. Today, in contrast, the requirements of complex economic efficiency demanded by development and emphasised by the new system of economic management, together with the increased independence of managers in combining the factors of production, pre-suppose an up-to-date, highly developed inner mechanism and precisely as a result of labour mobility will, sooner or later bring to the surface the existing accumulated insufficiencies. To abolish these, a number of central resolutions have been adopted.⁸

The central resolutions envisage and pave the way towards a renewal of the operations of our organizations. For reasons that will now be apparent, the process of transformation will not be easy or rapid but its first phase, the exploration of the situation, has already started.

The Emergence of Speculation

Seen from the viewpoint of the organization, the necessarily extended nature of hidden, informal interest protection which was once closely related to many people leaving their places of work and is still related to a number of negative forms of collective behaviour, remains dangerous, because it is difficult to survey, let alone control. This is clearly illustrated by the fact that in the past few years, labour mobility was not only an expression of the dissatisfaction felt within the enterprise by certain individuals, groups and strata and a means of putting an end to dissatisfaction, but that it has also become a source of speculation.

Speculation emerged among nearly every stratum of workers and on the part of the organizations as well. This should be emphasised because it has become customary to shift the moral responsibility for speculation on to the shoulders of 'floaters'. In a large number of cases it was not only vulnerable individuals and groups who changed

Labour Turnover and the Economic Organization

their work-place, but also those workers in strong positions who sought to change their favourable situation for an even more favourable one. As a typical example, in the building industry teams of bricklayers and carpenters of outstanding ability have often collectively left one working place after another, each time screwing yet a little higher their originally high hourly wages. The special new stratum of manpower recruiters played an active part in this process. Under the pressure of circumstances, speculation was accepted and practised by enterprises. In the building industry it happened on several occasions that individuals were appointed to high positions in production management only because they pledged to bring with them some hundreds of workers. At the same time, in a certain sense the economic organizations also initiated the process. For instance, it can be regarded as nothing but speculation when, with the exclusive intention of improving (by lowering) the average wage level, an enterprise employed workers in low-paid posts without expecting anything but their presence and without being prepared to grant them anything on top of their low hourly wages. It is not surprising that these 'filling-men' soon left the company.

Enticement of labour by the enterprise is also consistent with certain attitudes. It is common knowledge that our economy is in a period of transformation in which a relatively dynamic growth must be assured. We no longer however have the means previously at our disposal, including labour reserves. Company leaders, however, not yet fully aware of this situation, have overestimated their possibilities of labour acquisition, as is manifested in the plans of a significant number of enterprises. Accordingly, they fight to obtain manpower—sometimes by dubious means.

As in other unrelated processes already described, speculation by workers and organizations is an important component of the large scale labour mobility. As a result many have come to the conclusion that administrative action taken against speculation is an effective means against large scale mobility, and such measures have actually been taken. We do not deny that, under certain conditions, administrative interference may be successful, but we believe that the nearly uncontrollable speculation with manpower is just as much the product of a complex and wide system of social and economic relations, as is that floating which is rooted in a just feeling of injured interests. It can therefore hardly be abolished by administrative action alone.

All this of course does not relieve of responsibility those ministries and branch organizations that contribute to the preservation of negative phenomena at enterprises precisely through their incompetent administrative measures and their loose control over the measures that they do take.

The Impact of Central Regulators

In no economy is the enterprise 'an island of its own', and even less is it an 'island' in a centrally planned socialist economy; in other words, the whole construction and operation of the enterprise is exposed to powerful outside influences. The same applies to the workers in the enterprise: they are affected by their surroundings not only within but outside the enterprise. Although it is difficult to define exactly the rôle of its various components, large-scale labour mobility in our country was the outcome in equal measure of the organizational and operational shortcomings of the various enterprises, the insufficiencies of the system of economic regulation, and, above all, the historically established social and economic realities that define both.

The central economic regulators always embody certain preferences, which means that they give priority to certain aims on the basis of the realistic evaluation of social, economic and, indeed, international potentialities. This is certainly true for those measures—control of average wages and the free movement of the labour—that used to be the main macro-factors of labour mobility. The control of average wages is intended to prevent the new system of economic management from resulting in temporary unemployment, a disproportion in supply and demand on the consumer market, and a process of rapid inflation, while freeing the movement of labour. In some respects these factors provided a more or less good substitute for the above-mentioned shortcomings of the institutionalized protection of the workers' interests. We are here arguing only that the accompanying negative aspects were not reduced to a minimum by the maximum attainment of preferred aims.

As a matter of fact, the difficulty for enterprises did not lie only in the existence of average wage control but in the fact that the per capita wage level was fixed in a undifferentiated way and at a relatively low level (compared with non state industry) at the same time as free movement of labour was allowed.

Obviously, there is no economic organization in the world that

Labour Turnover and the Economic Organization

would allow unlimited movement of wage levels. As limits to the movement of wage levels, the point of 'maximum' fixed by bourgeois economy⁹ indicates the level above which the enterprise will be insolvent, while the point of 'minimum' indicates the level under which the enterprise is unable to attract manpower. Although the points of minimum and maximum cannot be adapted to the Hungarian economy in their original interpretation, they do provide some food for thought along parallel lines.

At the machine industrial enterprise we examined in 1968-1971 we were aware that the enterprise could not raise its wages level because its profits were insufficient for significant wage increases, but, at the same time, it was unable to attract manpower. In other words, the enterprise found itself in a situation in which the two extreme points set by the existing realities of the movement of wage levels fell very near each other, and one could even say that the point of maximum fell below the point of minimum. From the point of view of the enterprise, under the given conditions, the given state of average wage control made it impossible for the organisation to employ the well paid labour force required for its operation. Instead, it substituted the unutilised but necessary mental and physical abilities of some 'idlers' at the enterprise by the employment of new manpower whose mental and physical capacities would also not be fully utilised. This, on the other hand, means that 'unemployment has assumed a permanent character within the factory', or, in other words, the enterprise set an artificial demand for labour. The state of average wage control also had its unfavourable consequences for some of the workers of the enterprise. Workers were trying to find a financial perspective and to attain this they were able and willing to work more. In this situation, however, they received more or less the 'average' income irrespective of whether they worked more and better, or less and worse, for the enterprise was unable to pay more even if it wanted to. A significant portion of people fiercely fought against this and searched for a possibility of escape.

Central regulation contributed to the proportion of people changing their places of employment being high. Thus the dissatisfaction workers felt concerning their financial perspective increased the large-scale supply on the labour market. Its rôle was also shown in that enterprises could not take the appropriate steps to overcome the problems arising from the lack of organization and so they could not

develop effective systems of incentives. Thus they were unable to bring to the surface the necessary reserves of their employees through a strengthening of discipline at work and intensity of labour and they created a large-scale partially artificial demand for labour. The regulation also contributed to largely identical development arising from the levelling up of the average wage level of the 'soundness' of state enterprises. This meant that they had no possibility of keeping labour by offering lasting advantages. In other words, once started, the cycle can only come to a halt in the long run when the level at which wages are regulated has been corrected. Its effect was also felt in that the co-operative undertakings (subsidiary enterprises of agricultural co-operatives) unaffected by the regulation of average wages, entered into strong competition with state enterprises, which the latter often could not cope with. They thus suddenly found themselves in a most difficult situation. This situation may be improved to a great extent by the wage increases and other measures granted to workers in industry, including in the first place the building industry.

Other shortcomings of central control have also contributed to the fact that the expectation of the new economic management concerning the re-grouping of labour to effective branches has not been adequately fulfilled. For example efforts aimed at establishing an adequately close and strong relationship between the possibility of wage increases, profits and company efficiency have not been, and in the short period at our disposal perhaps could not be, successful under present conditions.

Changed Relations of Interest¹⁰

The evaluation of labour mobility as an important social and economic phenomenon cannot lack historical consideration. For instance, as already mentioned, large scale floating in the ranks of manual workers was not just a symptom of dissatisfaction and of organizational conflicts of interests of a more recent origin (although it was this as well), but rather of such long-stifled divergencies of interests that previously had also found their expression in other negative forms of behaviour. At this point in time, the liberation of labour mobility, it emerged to the surface in a demonstrative way. We can hardly undertake the task of describing the whole system of complex 'historical' contradictions that occurred in the inner relationships of workers in the past twenty years, but we still feel we should

Labour Turnover and the Economic Organization

point to some of these.

As a precondition of the industrial development project in the fifties, there emerged a requirement on the part of enterprises to possess qualified staff groups of skilled workers. As a result of rapid training, a sometimes highly, sometimes very poorly qualified stratum of skilled workers came into existence that still forms the backbone of the staff group of skilled workers. In this period there were enormous differentials between these skilled workers and the group of trained and unskilled workers in relation to both wages and social prestige. This often expressed not so much the actually existing differences in professional knowledge and production results, but rather was a manifestation of the realistic endeavour of industry to create—on the side of the labour force—a guarantee of the fulfilment of tasks; i.e. to possess a stable staff-group of workers.

Meanwhile the situation has changed in a number of respects. The industry trained more and more workers who were significantly better qualified than a proportion of the old ones. At the same time, in contrast to the old well-paid workers living in financially sound circumstances, the much worse paid young skilled workers, trained workers and unskilled workers often have to face the grave burdens of acquiring and furnishing a home of their own. All this has resulted in a large number of tensions.

By levelling up the previously significant differentials in the wages of the various strata of workers, large scale labour mobility showed that privileges enjoyed by a part of the old staff were out-of-date and unjustified. This has brought about in practice such a levelling off in wages that the basis of differentiation in future may well be based on realistic production results. At the same time it has eased the conflicts of interest between various strata of workers within the enterprise and has paved the way for the superficial lack of conflicts to be replaced by well-founded compromises of interests.

From the point of view of the economy and organizational sociology, large scale labour mobility has resulted in a number of temporary damages. These losses cannot be expressed in terms of the forint-value of the lost working hours caused by a person leaving the enterprise or in the loss of some of the cost spent on training manpower. As far as we can judge, it has affected our economy most at two points: on the one hand, as is well-known to economic leaders, because of a lack of an adequate differentiation of economic regulators, well-qualified

labour streamed from the efficient branches to less efficient branches. On the other hand, it impeded the much needed improvement of the level of organization with various enterprises. According to Taylorian experiences, far-reaching reorganization of an enterprise requires some four to eight years. However, if the composition of workers and especially that of the leadership is in a process of permanent transformation and, consequently, urgent daily problems push long-range problems into the background, then the period of time required for organising the enterprise will be even longer.

On the other side of the picture, however, labour mobility undoubtedly also had its positive consequences. It has called attention to the insufficient and long standing state of health of the enterprises and the economy: to the out-of-date character and rigidity of certain organizational forms, to the lack of organization that can be experienced with a number of enterprises, to the shortcomings of the institutionalized forms of interest protection, to the insufficiently differentiated character of the central regulators, to the inadequacies of certain organizational ideologies, and so on. At the same time, although partially and in a number of its features in a distorted way, the process of labour mobility corrected the relations of interest within the enterprise in such a way that some of the conflicts which came to the surface were eased and sometimes solved; in other words, there has been an improvement within the various enterprises in the conditions for co-operation that is of basic importance with regard to organizational objectives.

Hungarian Academy of Sciences.

First received 12th May 1974

Finally accepted 20th November 1974

¹ We know of a single systematic analysis of a decisively economic nature: by the team of the Economic Institute of the Hungarian Academy of Sciences: 'The Motives and Effects of the Migration of Labour in the New System of Economic Management', *Economic Review*, Vol. 18, July-August 1971.

² For a more detailed Hungarian theoretical discussion of the relationships of organizational sociology, see L. Héthy and C. Makó: 'Behaviours of Workers and the Economic Organization', *Sociological Studies*, 13, Akadémiai Kiadó, Budapest, 1972.

³ The same tendency is being reported on by the Central Statistical Office: 'those changing their places of employment mostly strive to obtain higher incomes.' *KSH Statistical Publications*, Vol. 196, Budapest, January 1971.

Labour Turnover and the Economic Organization

⁴ L. Sz Bljahman, A. G. Zdravomiszlov and O. I. Skaratan: 'Work and the Development of Personality', *Industrial Sociology*, K.J.K., Budapest, 1969.

⁵ L. Héthy and C. Makó: 'The Mechanism of Control of Enterprises and Lack of Organization', *Publications of the Sociological Research Institute of the Hungarian Academy of Sciences*, Budapest, 1972. However, we must also call attention to the fact that, especially in the building industry, the undisturbed functioning of the inner mechanism of the enterprise is to a great extent influenced by often very unfavourable outside conditions; for example, difficulties in planning the supply of materials, multilateral co-operation contacts, the obtaining of construction sites on the part of those making the investment, the scattering of sites, lack of complex mechanization, and so on.

⁶ This peculiar 'wage struggle' of young people usually means at least one, and possibly as many as four changes in their place of employment. They only cease moving when they reach an income level which they regard as a temporary peak. *Econ. Institute of the H.A.S.: op. cit.*

⁷ See resolutions adopted by the Tenth Congress of the Hungarian Socialist Workers Party.

⁸ Previous resolutions urging a perfection of company management and an improvement of factory and labour organization were once again strengthened by the November 1972 session of the Central Committee of the Hungarian Socialist Workers Party.

⁹ L. G. Reynolds: *Labour Economics and Labour Relations*, Prentice Hall, New York, 1949.

¹⁰ In this section, we based some of our thought on ascertainments made by László Bertalan at a debate on organizational sociology that took place at the Sociological Research Institute of the Hungarian Academy of Sciences.