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**SHOPFLOOR DEMOCRACY AND THE SOCIALIST ENTERPRISE**

**A Hungarian Case Study**

In this context we should mention that in our department the study of work life as a special field of sociology is very significant.

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Erkki Asp

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## Current issues

In the sixties, in socialist countries, social scientists were paying a great deal of attention to problems related to the structure of society and to alienation. From the middle of the 70's on, however, a new topic came to the forefront, that of industrial democracy and the conditions necessary for this to function effectively. The increasing interest in this subject is shown by the numbers of articles, books and dissertations appearing in recent years. There are a number of reasons for this debate.

First, the structure and composition of the Hungarian working class has been changing. After the Second World War Hungary developed its socialist industry and this process established and stabilized working class power and produced new organizational forms of worker participation. At the same time, between 1949 and 1973, the number of industrial workers, as compared with the number of all active earners, increased from 37 % to 58 %.<sup>1</sup>

Changes have also occurred in the structure of the working class with a major increase in the proportion of skilled workers and managers. The structure of the labour force was also altered by the numbers of young people who became wage earners. In 1973, for the first time, the number of young people under 30 exceeded one million.<sup>2</sup> These changes not only increased the importance of industrial workers in the Hungarian economy and raised living standards, but also changed the nature of workers' needs and expectations. These became more differentiated.

Today while there are people who see work in narrow instrumental terms, as a means of earning a living, and are not interested in social relations or job content; others wish to participate in the decision taking activities of the enterprise. Industrial democracy has been stimulated by these new attitudes to work and this desire for involvement.

Economic factors have also played a part in the increased interest in participation. Since the end of the sixties Hungary has experienced a shortage of labour as traditional sources such as agriculture and young people have dried up. This meant that economic growth could no longer be a result of increasing the size of the industrial labour force. In consequence manpower policy and an improved utilization of manpower became a key question for management as only in this way could productivity be raised.

Worker participation is at the same time a concrete exercise of power by the working class that demonstrates the presence or absence of participation in public affairs. As a result of Hungary's increasing prosperity, the question of "what to live on", is being superseded by that of "how to live";<sup>3</sup> in other words by an emphasis on the quality of working life.

#### Job versus power oriented participation

Before describing Hungarian experience with shopfloor democracy, we shall discuss briefly what we mean by the term participation.

Interest in worker participation goes back to the early studies in industrial sociology. On the fiftieth anniversary of the Hawthorne experiments Dr. R.L. Kahn re-examined the

results of that research and suggested that the change in attitudes within the work groups was not solely a consequence of the greater attention paid to the workers. It was strongly influenced by the fact that those taking part in the experiment were allowed to make decisions about their work and working conditions. Therefore it was not because the workers were the centre of attention, the so-called "Hawthorne effect", that favourable group reactions occurred; it was the opportunity for participation and for exercising control. Kahn reported that: "During the 5-year test, people working in the experimental workshop took part to an increased degree in making decisions that affected their work and working conditions directly /i.e. establishing of time of rest and of the wages/, and they reacted to these possibilities as stimulation by displaying definite activity".<sup>4</sup> But, although the concept of worker participation is not new, discussion of how to introduce and structure this form of democracy is still very active, and has become increasingly active during the 70's. Both theoreticians and practitioners expect positive results from the application of the "participation principle". In Hungary it is seen not only as a means for increasing job satisfaction but also as a way of assisting the success of socialist democracy. All specialists in participation are agreed on this point even though they are interested in different aspects of industrial democracy. For example, some scholars are particularly concerned with the institutions of participation; others regard their primary task as determining the types of decisions to which the workers may most usefully contribute. A number see participation as contributing to the harmonization of workers' needs

and expectations in work.

There are two principal philosophies of participation. One focusses on participation in work activities, or "job oriented participation". The other takes a wider view and views participation as a means for controlling work performance and working conditions. This is the so-called "power /interests/ oriented participation". The subscribers to the "job oriented participation" philosophy believe that participation in work activities and in the design and control of tasks may have positive effects, such as increased job satisfaction, higher achievement, or a lower level of labour turnover. This belief is based on two sets of theories. First, on theories of job design,<sup>5</sup> second, theories derived from psychology.<sup>6</sup>

F.W. Taylor can be ranked among the pioneers of job oriented participation even though he called his principles and approach "scientific management" and certainly did not have an increase in worker control as one of his objectives. Taylor regarded the workers' role in industry as similar to that of a cog-wheel and he saw management-worker collaboration as a way of improving its efficiency. The central idea of scientific management was to improve the efficiency of the job. Therefore, management analysed and structured the job of each worker with great accuracy and thoroughness. In most cases the workers received written instructions concerning how they should do their work. The improvement of efficiency was seen as a product of the combined efforts of the management and workers. The workers carried out the task but were told not only what to do and how to do it but how long to spend on each task.<sup>7</sup>

Since the beginning of this century two major changes

of the Hawthorne experiments Dr. S.L. Kahn re-examined the

have occurred in the social-economic conditions of industry. These changes have influenced the nature of workers' needs and expectations, as well as of the requirements of the organization. For example, the educational level of the workers has considerably increased, while the meeting of basic human needs is today virtually guaranteed. Therefore, it is no longer acceptable to let the structure of jobs be determined solely by the demands of technology and of efficient administration. Consideration must also be given to the needs and expectations of the workers. Here the philosophies of the Socio-Technical and Job Design schools of thought provide useful guidance. These differ from the traditional concept of job satisfaction<sup>8</sup> - which implies that the worker will adapt to his job - in that they strive to meet the workers' needs through the way in which technology is used and jobs are structured. The requirements of technology are no longer given priority over the workers' social needs.

Although the use of socio-technical principles does nothing to destroy the logic of mass production, it at least shows an awareness that the nature of workers' needs has undergone a considerable change during the last half century.

The idea of job oriented participation takes an unusual form in the work of Hungarian scholars interested in shopfloor democracy. This defines worker participation as an active and regular participation in all production activities with increased involvement leading to greater responsibility. This view implies that the development of worker participation depends upon two factors: first, the workers' maturity and awareness and, second, on the effectiveness of communication.

Management's principal task is to keep the workers clearly and adequately informed of the most important issues affecting their work. The workers are then in a position to express a view on even the most difficult and complicated questions. Scholars interested in identifying the conditions necessary for effective participation have dealt chiefly with questions such as the following: the relationship between managerial autonomy and collective leadership; the difference between the officially accepted and actual competences of management; the nature of worker participation at different stages of decision taking - i.e. the first proposal to the final decision, and the amount of contact needed with different management levels and functions - to ensure that participation is effective. This research has produced many theoretical ideas of assistance to management thinking.<sup>9</sup>

Hungarian adherents of job oriented participation have called attention to several important aspects of shopfloor democracy; for example, to the need for different kinds of participation at different stages of decision making; to the necessity for clear and effective systems of communication, and to the need for determining an equitable division of managing rights and responsibilities. This research generally focusses on problems of interest to management.

Less attention is paid, however, to other aspects of industrial democracy. There is little examination of participation in practice and little investigation of how different organizational structures and objectives assist or hinder the satisfaction of workers' needs. Production efficiency and high level work performance are viewed as important objectives for all socialist

enterprises and it is assumed that workers will automatically identify themselves with these. If this does not happen then it is due to workers not fully understanding the nature of these objectives and it is management's task to inform and convince them. But it is not solely a lack of understanding that impedes successful worker participation, more complex questions are involved, many of which relate to the nature of work itself.

Job oriented participation therefore focusses upon only one aspect of the workers' participation, although a very important aspect, namely the improvement of work efficiency. It does not consider questions of different or conflicting interests or of power. Yet these explain much of the resistance with which initiatives aimed at introducing new forms of work organizations are received. Often it is not the trade unions, but the workers themselves who refuse opportunities for more influence and independence in their work activities. The basis of their objections is usually that greater responsibility will not lead to higher earnings.<sup>10</sup> The reaction has been encountered, for example, when a work group is allowed to decide on how wages shall be divided within the group but is unable to control those factors that affect the amount the group can earn - availability of raw materials, machine stoppages etc. Also, giving work groups responsibility for decision taking impinges on management's interests and power. Certain levels of management such as foremen may feel their job is losing its status and importance. This can explain managerial opposition to increased worker participation; and can lead to attempts to preserve traditional methods and philosophy. All of these

reactions emphasise the need to take a broader view of job oriented participation. In order to understand the conditions for successful participation, we have to go outside the narrow dimensions of work and examine power and interest relationships within the organization and even within society.

This approach is called power oriented participation. Its objective is to increase workers' influence within socialist enterprises in those areas of decision making which affect their interests. It will be asked why the concept of power oriented participation has relevance in a socialist society where there are no irreconcilable and fundamental contradictions between the interests of the various social groups. Surely job oriented participation will meet the needs of the socialist enterprise.

However, it is a well-known and established fact that the objectives of socialist society and the socialist enterprise do not coincide automatically with the interests and aims of individuals and groups. Because of the division of labour, differences and conflicts can occur between central and local organizations, between different functions and between different groups of workers within the same plant, as well as between workers and management. It follows that a fundamental question for socialist enterprises is how to maintain the co-operation of individuals and groups while internal and external conditions are constantly changing.

Since co-operation is a product of common interests, the main task of management is the reconciliation of different interests.

The stable functioning of an organization requires both technological and economic efficiency and an ability to meet

the interests of different groups of employees. Technological and economic efficiency is usually catered for in the way in which the enterprise is structured. But this structure affects the interests of the individuals and groups responsible for production. Management can assist the satisfaction of workers' interests through its personnel policies and reward systems.<sup>11</sup> Although the satisfaction of workers' interests is also influenced by the opportunities for action outside the organization. The social-economic environment of the enterprise not only stimulates needs and interests but also contributes to the satisfaction of these.

Interests: the relationship between socio-organizational conditions and employee needs

Interests are defined as attitudes which are a product of socially defined human needs and of the socio-organizational conditions which determine their satisfaction, for example, work organization and promotion and financial reward systems. Different human needs and socio-organizational conditions produce different structures of interests. Hungarian research shows that financial-economic factors dominate workers' needs /e.g. the level of earnings/.<sup>12</sup> This does not mean, however, that workers are only interested in what they can earn and place little importance on other aspects of work. Their need structure is a constellation of factors in which each has its own degree of emphasis. For instance, in addition to economic rewards, workers place great importance on the social circumstances in which they work "to earn their money". The results of the Hungarian contribution to an international study on "Automation



Participation opportunities and requirements

In the life of the enterprise everything directly or indirectly affects working conditions, and changes in these, in turn, influence the nature of workers' interests. But recognition that "everything connects with everything" does not assist understanding. We need to know which factors are of greater and lesser importance to workers and appreciate how different socio-organizational conditions affect worker satisfaction. We can then attempt to establish the most appropriate subjects for participative decision taking.

To summarize, in the present stage of Hungarian socio-economic development the workers' economic needs are still the most important influences on satisfaction. Workers are extremely interested in how changes in working conditions will influence their wages and financial prospects. This emphasis on economic factors influences workers' attitudes to participation in decision taking.

The workers' view of opportunities for participation broadly corresponded with that of the managers. Both workers and managers indicated an absence of opportunities for participation in questions such as: the development of the production plan, the introduction of new machinery and equipment, personnel planning and the hiring of workers.

Workers' and managers' opinion of the opportunity for participation<sup>xx</sup>

Types of Decisions	Workers' opinion			Managers' opinion <sup>xx</sup>		
	Opportunity for participation			Opportunity for participation		
	Yes %	No %	Doesn't know %	Yes %	No %	Doesn't know %
1. Work organization and work conditions	75	24	1	60	40	-
2. Selection of workers for training courses	64	28	8	96	-	4
3. Allocation of over-time work	61	36	3	90	10	-
4. Determination of bonuses and other incentives	57	40	3	100	-	-
5. Workers' job classification and pay scale	49	48	3	97	3	-
6. Promotion of workers	48	45	7	100	-	-
7. Determination of basis and methods of wage payment	46	52	2	63	37	-
8. Lay-off and discharge of workers	45	45	10	83	17	-
9. Disciplinary measures	44	48	8	80	20	-
10. Transfer to other work places	42	52	6	87	13	-
11. Development of production plan	30	59	11	10	86	4
12. Introduction of new machinery and equipment	24	65	11	7	93	-
13. Personnel planning /planning of future workforce demands/	13	76	11	17	83	-
14. Hiring of workers	11	82	7	10	87	3

<sup>x</sup>Source: Hethy, L-Mako, Cs.: Az automatizacio es a munkastudat /Automation and How the Worker Thinks About It/ A Publication of the Sociological Research Institute of the Hungarian Academy of Sciences and the Scientific Research Institute for Labour Safety of the Hungarian TUC. Budapest, 1975. pp.96-97, and the Plates of Research Instrument II. /Management Questionnaire/ Non published data.

<sup>xx</sup>Workers and managers worked in the same departments. Thus the workers were the subordinates of the managers in the Table.

Both workers and managers perceived opportunities for selecting workers for training courses, the allocation of overtime work and of bonuses, and the determination of other incentives.

Differences in the opinions of workers and managers are to be found in questions such as: workers' job classification and promotion, the determination of the basis and methods of wage payment, the discharge of workers and matters relating to discipline and job transfer. In these decision areas the workers suggest that decisions are taken by managers alone, or jointly with the workers, in equal proportions. Managers however believe that these decisions are all made jointly.

Workers' and managers' opinions on opportunities for participation are therefore similar. They perceive joint decisions on questions which directly affect the workers' job but little participation in matters which have a less direct influence on workers.

The willingness of workers to share in plant-wide decision-making is related to opportunities for participation. In the research on 'Automation and Workers' a majority of respondents /52 %/ expressed a willingness to participate in decisions affecting their own work, and two-thirds of the most skilled workers /machine-adjusters/ were prepared to do this. However,

the percentage of workers who would like to participate in all plant-wide decisions hardly exceeds one-third /33.5 %/ of the respondents, and only one-fifth of the most qualified workers desired such extensive participation.

Desired participation is, therefore, closely related to opportunities for participation. But research on shopfloor democracy suggests that successful participation requires more from workers than a willingness to participate. First, shared decision-making requires particular social and psychological skills; second, it requires a level of motivation higher than that traditionally expected of workers. Until now such skills and motivation were regarded as management's prerogative.

#### Worker participation: required skills and motivation

Power oriented participation requires from the workers individual or collective skills which enable them to recognize, and also to press and enforce their interests. They need to possess the knowledge, means and opportunities for action through which they can achieve their individual or collective interests within the enterprise. This means that they must be clear about their needs, and also appreciate the social-organizational conditions which permit the satisfaction of these needs. In addition, the workers have to choose, and get management and other groups of workers to accept, the strategies most likely to assist the realization of their interests.

The ability of a group to achieve its interests<sup>14</sup> is influenced by such factors as: the level of general and professional education, length of service, intelligence, etc.

These are, however, necessary but not sufficient conditions. The critical factor is the action alternatives permitted to the group by other groups. Therefore the ability of a group to realize its interests requires both personal abilities and support from other groups.

We have suggested that opportunities for change within an organization play a major part in developing the necessary skills to achieve change. Since the 60s, the demand for labour has grown in Hungary, whilst the supply of labour has remained static or decreased. As a result, labour turnover has increased. This has provided the workers with opportunities for securing wage increases.<sup>15</sup> From a sociological point of view, leaving a firm can be regarded as the utilization of one of the many alternatives for action available to the workers; it is also an effective strategy for achieving their interests. Increased labour turnover has called attention to the "price" of workers' participation.

Managers sometimes regard the right to intervene in decisions of various types as a "gift" presented to the workers. Those who hold this view expect that workers will accept opportunities for participation without questioning the scope or nature of these. In their view the workers will be glad to take advantage of increased opportunities for participation. Sociological studies of worker participation, and other research, does not, however, support this optimistic assumption.

Evidence suggests that workers do not always make use of the new opportunities afforded to them. And in those workshops where workers have accepted the opportunity for participation,<sup>16</sup> managers-workers relationships have not taken

a "donor-donee" form. In these situations management was aware that the coordination of different interests required effort and motivation from both managers and workers, with workers willing to assume responsibilities very different from their traditional ones. But worker participation which involves the reconciliation of different interests will always have its winners and losers. The social-economic position of one work group will become stronger or more stable, while that of another will weaken. Inevitably this will lead to strained relations. Therefore management has to recognize that a form of shopfloor democracy which requires the coordination of different interests must also involve social conflict.

Management without participation does not require this kind of motivation from workers. Only those with managerial responsibilities are required to handle social conflict. Therefore worker participation based on achieving consensus and agreement requires both a new structure of tasks and responsibilities and new ways of handling power. Workers will have to be able to cope with the psychological stress associated with mediating between different attitudes and demands. They will also have to accept the risk that their suggestions, if implemented, may not produce the improvements they seek. Unsuccessful ideas will almost certainly directly or indirectly affect the social-economic position and interests of other managers and workers. For example, if at a consultative meeting, workers ask for an improvement in the standards of machine maintenance, they then effectively take on the role of the maintenance section supervision, and even that of the maintenance men themselves. This criticism of maintenance will affect the

relationships between machine operators and maintenance staff and supervision and can cause bad feeling. In this way reducing worker solidarity. It is these kinds of social conflicts that "raise the price"<sup>17</sup> of worker participation in plant-wide decisions, and management must recognize this when extending shopfloor democracy. Moreover, workers will not always express their doubts openly about management's proposals, preferring to assume a position of "wait and see". Workers who are reasonably satisfied with their social-economic position may not be interested in participating in decision taking and this may slow down the length of time required for management to reach agreement with the workers. Even when management proposals are seen as unacceptable, workers may prefer to leave the plant rather than enter into open conflict with management. From their point of view this is a 'cheaper' way of looking after their interests than arguing with management about plant decisions.

However, socialist industrial relations do assist the reconciliation of different interests, and difficulties are not as great as the previous section might suggest. The socialist enterprise is structured in such a way that the technical, economic and organizational requirements of production can be achieved through cooperative effort. Shortages of labour and the need to increase efficiency make company management take account of workers' interests, but, in addition the socialist enterprise has an organizational structure that assists cooperation. In this the trade union and party organization have a major role in maintaining the level of cooperation necessary for effective production. If management overstresses

the technical and economic requirements of production, the enterprise's trade union and party organization must emphasize human needs. Moreover, it is the party organizations and the trade unions that are responsible for shopfloor democracy and worker participation.

### Decentralization of the wage plan: a case study

#### The problem

In Hungary wage levels are still the most important issue for workers. Because of this, great weight is attached to all programmes and initiatives that try to bring together workers' demands and management's requirements in this area. The decentralization of the wage plan is one mechanism for achieving this harmony of interests, and this approach means that a decision role in determining wages is given to the workers. Effectively this extends the responsibilities of workers as they were asked to perform tasks previously seen as management's prerogative.

The initiative described in the following section took place in one of the most dynamic and expanding factories of the public vehicle industry.<sup>18</sup>

At the end of the 60s, due to a change in market requirements, management had to rapidly alter the structure of the firm's products. At the same time as introducing new products, Diesel engines, the management of the company set high priority on the more economic manufacture of its old products, railway coaches. In addition to increasing efficiency management also wished to reduce the high rate of labour turnover and both of

these problems focussed management's attention on questions of organization and incentives. Labour turnover in recent years had increased to such an extent that certain work groups had experienced a complete change of members.

### The research situation

In the factory where the wage plan was to be decentralized, the middle stage of railway coach construction was performed; the assembly of the body. The work was carried out in three workshops: 1/ a spare parts workshop where sheets of metal were cut to the required size, and brackets etc. were produced for the assembly shop. 2/ The assembly shop where the body was fitted together on the chassis. 3/ The finishing shop where fitters removed flaws from the sheet metal by heating and hammering. All fitters and welders used hand tools and very simple machines and appliances. The basis for a group system of wages was provided by the co-operative character of the work process. Where a group system was not appropriate, 'high paying' and 'low paying' jobs were designated. For a long time therefore, management had used a group system of payment in which workers were allocated an hourly rate of pay.

Management wished to increase the efficiency of production by changing the basis for dividing up the earnings at a work groups disposal. Personal rates were to be replaced by earnings which were more related to individual output. The workers themselves were now authorized to set new personal wage rates, whereas formerly the criteria for these were determined by the Personnel Department on the basis of professional qualifications, length of service, job difficulty etc., rather than

the actual output of individual members of the work group.

The hopes of management and the reactions of the workers

Management hoped that the level of earnings within each work group would more closely reflect personal effort and skill. In this way the new wage structure would provide more incentive and increase the motivation of the workers. Furthermore, it was expected that the workers' willingness to participate in decision taking would grow as in setting wage rates they were making decisions that directly affected their personal interests.

Contrary to the management's expectations, the workers did not unanimously welcome their greater independence in the setting of wage rates, and two divergent sets of attitudes were encountered. The majority of the work groups - fourteen out of nineteen - made use of the opportunity offered by the company and changed the previous system of wage rates. Unfortunately, in contradiction to management's objectives, the new wage rates led to more uniform levels of earnings and failed to reflect individual differences in output. The other groups did not change the existing structure of personal hourly rates and refused the new opportunity for decision. In these groups the workers did not wish to alter the established pay hierarchy.

How is it that despite a thorough and careful preparation by management the workers did not identify with the aim of gaining an increase in output by decentralizing the wage plan? Why were they not eager to make use of increased autonomy in the area of wage decisions?

Different interests and different abilities to enforce these interests

It appeared that worker participation in wage decisions was influenced by the socio-organizational conditions under which they lived and worked. This led to a differentiation of interests with the interests of some groups being very different from those of others. Similarly, there were considerable differences in a group's ability to achieve its interests. These social factors led to the differences in response to the opportunity for participation in wage decisions.

Relationships within those groups rejecting the opportunity for participation in wage decisions were characterized by homogeneity /Type "A"/. Behaviour was directed at achieving group solidarity and frequently these groups had a powerful unofficial nucleus made up of a number of cliques.<sup>19</sup> Members of these groups recognized their common interests and were able to enforce these interests officially and unofficially. To understand this behaviour we need to know something of the economic needs of these workers and of the social organization that produced such strong feelings of collectivity.

Before answering these questions, we shall describe briefly the structure of the work groups that accepted the opportunities for decision taking offered to them. In those work groups that identified with management's objectives /Type "B"/ there was much less solidarity. There was no nucleus of cliques to co-ordinate different interests and establish common interests. The informal structure of these work groups was unstable and undeveloped and they were characterized by internal conflict;

the tendency to disagree was stronger than the tendency to agree. Therefore they are unable to oppose any management initiatives. The social and economic characteristics of the members of groups of type "A" and "B" differed considerably. In the following section we shall describe these differences.

The influence of different socio-economic backgrounds

Workers who belonged to work groups of type "A" differ considerably from workers belonging to type "B". Their personal wage rates were higher and more uniform for differences in skill level were minimal. The proportion of long service workers, more than 10 years with the firm, greatly exceeded that of workers belonging to type "B". This is shown in the following table.

Socio-economic Backgrounds of Work Group Members

Type of Group	Personal Wage Rate /forints/	Average Coefficient of variation	Skilled Company Service /above 10 years/	Age	Thirty
"A"	8.35	0.64	80.3	53.0	65.1
"B"	7.85	1.20	78.2	25.2	32.8
Difference /A-B/	0.50	- 0.56	- 2.1	27.8	32.3

Attitudes and behaviour are also influenced by the socio-economic environment outside the firm, for workers bring with them into the factory a number of different orientations towards work.<sup>20</sup> Therefore in order to fully understand workers' reactions to the decentralization of the wage plan, we have to go outside the firm. Worker expectations which are a product of their socio-economic backgrounds also affect their attitudes and these influences may be stronger than social and organizational factors within the firm.

In work groups of type "A", a majority of the workers had a family and about two-thirds of them were flat-owners or tenants. In contrast in work groups of type "B", the proportion of married and single workers was equal, while only one-third had a flat.<sup>21</sup> There were also differences in the age structure of work group members. A majority of workers opposing management's suggestions were over thirty, whilst the greater part of those identifying themselves with company objectives were under thirty. We recognized here that once workers reach thirty considerable changes occur in their social-economic position both inside and outside the firm.

An understanding of workers' attitudes to financial incentives requires a knowledge of how the wage plan developed. Taking skilled fitters as an example, we examined the differences between the old and new system of personal wage rates. These are shown in the following table.

It appears from the table that the wage system suggested by management and agreed by the workers reduces the workers' opportunities for pay increases, for the ceiling wage is reached more rapidly. This was apparent only to long service employees,

since during the first ten years of employment the new incentive system allowed higher wage increases than the old one. It therefore strengthened short-term interests to the detriment of long-term interests, although the younger workers did not consider this important.

Wage promotion of skilled workers

Company Service /years/	The rate of wage increases			
	In the old system of personal wage rate		In the new system of personal wage rate	
	Forints <sup>x</sup>	%	Forints	%
0-10	3.0	76.9	3.56	96.1
10-20	0.80	20.5	0.12	3.3
20-30	0.10	2.6	0.02	0.6
0-30	3.90	100.0	3.70	100.0

<sup>x</sup>Forint is the Hungarian money and the means of payment.

To sum up, management endeavours to alter the wage structure produced the following responses:

A. Negative reactions, or a refusal to accept the decentralization of the wage plan or the equalization of wages. This marked the behaviour of members belonging to work groups of type "A". These groups were characterized by group cohesion and a recognition of common interests. A minority of these groups rejected management's suggestion of decentralizing decisions, because this would not lead to higher earnings, merely to a redistribution of current earnings. However, a majority of groups appeared to accept management's objectives, but used their increased independence in decision taking in

a manner contrary to the suggestions of management. Thus instead of earnings becoming more related to output, in fact they became more equal and uniform. The workers took as their main objective an increase in the earnings of workers with low wages so that group inequalities would be diminished. The intention here was to reduce any sources of conflict within the work group.

Greater equalization of wages emphasized common interests and increased feelings of solidarity; this in turn increased the work group's power and ability to enforce its interests. In this way they have strengthened their future negotiating position and will be better able to accept or reject management proposals on their merits.

#### B. Positive reactions

Working groups of type "B" were characterized by lack of unity and conflicts of interest and these workers experienced considerable pressure from their financial responsibilities outside the firm. The majority bore the burden of founding a family and were either saving money for major future investments such as home building, the purchase of furniture, etc. or were paying off previously incurred credits. The new incentive system meant that they would receive a wage increase. They had little industrial experience and were unable to collectively pursue their interests. These groups also contained young people who lived with their parents and were not under financial pressure. Leisure time was the most important factor in their lives and

they required from work only "pocket-money" and an easy time. In work groups of this kind the spread of interests was so great that common interests could not develop. Collective interests and a collective capacity for enforcing these interests did not exist.

A lack of power characterized these groups and therefore they could not resist the ideas of management, nor were they anxious to oppose these. Young married workers with heavy financial burdens were interested in higher wages for higher output and nothing else. Single workers were indifferent to what happened in the work situation. Yet it was only in these work groups that the management could realize the objectives associated with the decentralization of the wage plan: a differentiation of wages and an increase in output.

#### Some lessons

This case study on the decentralization of a wage plan draws attention to the following lessons. Measures that are logical from an incentive point of view may produce unforeseen consequences. Even when new ideas are carefully prepared and ideologically supported, we have to recognize that workers will not respond to them in the same way.

Innovations that combine a desire for higher production with more worker authority and autonomy are not always given a "good reception". Differences of opinion between managers and workers can be understood by examining both group interests and the capacity of a group to enforce its interests. Workers are willing to assume decision making responsibility which involves greater responsibility and risk

only if this implies a greater ability to project and enforce individual and collective interests within the group.

In work groups where there are few common interests, a compromise between individual interests and company's interests may be more easily brought about. For the majority of workers in the case study the new incentive system would lead, in the short term, to increased wages. In contrast, cohesive work groups with perceived common interests can use participation and decision taking opportunities provided by management to further their own interests at the expense of management. In the case study they used such an opportunity to decrease the wage differences of group members.

The case study shows that the concept of job oriented participation - that workers wish to take decisions about their own work - is not sufficient to explain participation behaviour. Ideas for co-ordinating workers' needs and management's requirements generally fail to consider differences in individual and work group interests and in the ability to enforce these interests. This approach is based on the belief that workers' actions can be deduced from a broad understanding of their needs; once these needs are known then it is possible to influence behaviour. We do not deny the usefulness of participation programmes based on an identification of needs; for example, needs for discretion, autonomy etc. But we argue that participation behaviours cannot be deduced directly from needs. Human needs are always influenced by the social-organizational conditions which determine their satisfaction.

If the case study management had taken into account not

only the workers' needs but also those social and organizational factors which influenced the way in which these needs could be satisfied, then a compromise of interests might have been possible. Job oriented participation would then have coincided with power oriented participation. Changes in the wage plan had to fit both with needs for participation and with the desire of powerful work groups to increase group cohesion and reduce potential areas of conflict between group members. Hungarian industrial sociology is paying increasing attention to these problems.

#### Models of Human Behaviour - management - participation

The development of concepts of worker participation cannot be separated from models of human behaviour. In the case study firm management permitted participation only in the execution phase of the wage plan and saw the workers as "homo-oeconomicus". It believed that by taking actions it could produce certain responses. Yet it took account of financial motives only and designed and applied the incentive systems accordingly. This kind of approach was first set out in the principles of the Scientific Management. F.W. Taylor described such an approach, although without worker participation, when he declared that there was only "one best way" of performing certain tasks. This philosophy renders unnecessary all dialogue between workers and managers. If management works out scientifically - by means of time and motion studies, etc. - the best way of performing tasks, then there is nothing left but the selection and training of

workers, and there is no need to bring the workers and management together. Suitably selected and trained workers, once they receive the correct wage for their level of output, will be ready, without reserve, to carry out the requirements of management.

In contrast to Scientific Management's view of man, the Human Relations movement emphasized that "human beings have not only hands, but heart as well". It emphasized non-financial factors, such as social relationships, style of supervision, etc. This approach led to new theories of motivation and "homo psychologicus" appeared on the management scene. According to this theory, organizations function efficiently if both the financial and psychological needs of workers are satisfied. The main task of management is then to co-ordinate organizational requirements and individual psychological needs.

While the Scientific Management saw human co-operation as a response to economic factors, motivation theories underlined the importance of psychological needs.<sup>22</sup> A management which accepts the "homo psychologicus" concept welcomes worker participation in decisions concerning work activities. Job oriented participation theory is based on this human model. Through making worker participation possible, management expects in return a positive response to its suggestions.

Economic or psychological models of human behaviour are not, however, sufficient to enable us to understand all the phenomena associated with functioning of an industrial organization. These models remove human beings from the complexity of the social-organizational relations. They associate human co-operation with individual needs and

responses. They ignore the fact that human co-operation must be seen in a multi-dimensional organizational context.

The nature and content of the social conflicts accompanying attempts to achieve co-operation has drawn attention to the complexity and instability of social processes within an organization. Worker behaviour is not only influenced by position in the organizational hierarchy and membership of a work group, but also by social relations outside the enterprise. The influence of these external pressures can make workers impervious to management influence.

These social-organizational relations are less affected by needs than by interests and interests are the main motivating factor in industrial organizations. Therefore it is mainly by influencing interests that management can affect behaviour. However, management has only a limited ability to mould interests within the organization and can exert no influence outside. The workers, too, have an ability to enforce their interests which is outside the control of management. This guarantees for them a considerable autonomy of action within the firm or workshop. Therefore the process of co-ordinating interests to secure co-operation cannot take place when only management plays an active role and the workers are seen as passive by-standers.

In the case study management tried to increase worker participation through a decentralization of the wage plan. Yet because this did not coincide with the workers' interests they were able to frustrate management's intention. The responses of workers were determined both by their interests and by their ability to enforce these interests. Some work groups had the power to totally reject the suggestions of

management, and to refuse to accept the opportunities for increased participation offered to them. Even those groups which accepted a new decision making role used this in a way that did not fit with management intentions. Instead of increasing the differentiation of wage rates, they decreased this.

Management alone cannot create and influence the conditions for co-operation within an organization. Theories of "homo oeconomicus" and "homo psychologicus" can only influence worker behaviour to a restricted degree. Only by mutual effort can management and workers influence the social-organizational conditions affecting their interests. The co-ordination of interests requires negotiation and bargaining between the two groups. Through power oriented participation it is possible to gain an understanding of different interests and to work out a mutually acceptable compromise.

To achieve this more is required than creating the conditions for job oriented participation. This wider type of participation guarantees for the workers not only control of work activities, but also an influence on the interests and power relationships of the enterprise. At the same time it implies a form of management that not only permits, but also requires, continuous bargaining with workers and the reconciliation of different interests. In this way management is able to gain an understanding of the complex social-organizational conditions that determine what can and cannot be done. Considerable progress can only be expected when we no longer see job and the power oriented participation as mutually exclusive, but as preconditions for each other. The long-term commitment of workers to participation can only be guaranteed in this way.

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