

From Centralized Corporatism to Divided Unionism?

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1. Introduction

The Hungarian society was among the first in Central and Eastern Europe which tried to cut off the political and ideological bounds of the soviet-type political and economic system. Soon after the failure of the 1956's revolution, the Hungarian Socialist Workers Party (Communist Party), launched the policy of gradual, reform style changes. Via the politics of the step-by-step compromises, the Hungarian society gradually developed in the direction of a mixed-economy. For instance, the growing importance of the second economy since the late 1950's, the different waves of decentralization-centralization in the state and the cooperative sectors, and finally the introduction of the "inside contracting" within the state firm's sector and the policy-package aimed to create small business from the early 1980's on, altogether, produced a combination of a mixed economy and a political system of the so-called "soft-communism"¹⁾. Due to the cumulative character of the economic and political changes, we could notice without surprise the flexibility and radical pragmatism of the last communist government, under the pressure of the forces of opposition and the changing pattern in the super power's relations. This government, officially, declared the revolutionary character of the 1956, initiated the negotiations about the departure of the soviet troops stationing in Hungary since the end of the World War II, demolished the "iron curtain" and within the extremely short period of time introduced a democratic constitution and accepted the multi-party system.

In the following chapters, I try to illustrate the main dimensions of the creation and the erosion of the centralized autocratic type corporative Industrial Relations System in the centrally planned command economy. During this attempt, I try to avoid the so-called "label-type" approach, such as "communist"- "post-communist" society. At this moment, it is difficult enough to know in advance the social-political outcome of the current changes in the ex-socialist countries. These societies are still in the phase of political and economic changes. However, whatever will be the

course of events and the pathway followed, it is clear that the new systems of values, norms and patterns of individual and collective behaviour are emerging.

2. The centralized corporatism based on the system of political-ideological and economic monopoly

After the World War II - more exactly from 1949 - a particular system of political-ideological and economic monopoly has been created in Hungary, under the auspices of the soviet political-ideological influence and military presence. The economic monopoly has been based, first of all on the almost full nationalization of the industrial, trade and service sectors. To illustrate the degree of changes in the country's property structure, I would like to note that, before the WWII, only 10% of the industrial assets were state owned²⁾. The nation-wide nationalization was accompanied by the introduction of branch-oriented economic policy and the introduction of the centralized ("socialist") planning. (The key function of the socialist planning was to replace the market allocation of resources by the bureaucratic-redistributive system of regulation.)

The economic monopoly based not only on the almost exclusive nationalized (state) ownership and the centralized planning, but also on the extremely concentrated organizational structure of the business firms. The following table illustrates the degree of centralization in the Hungarian manufacturing sector³⁾.

The centralized planning and the nationalization process have touched not only the industrial and service sectors but also the agriculture. The first campaign of the collectivisation was carried out during the first half of the 1950's, the second one at the end of 1950's. As a result of these forced campaigns of collectivisation and the organizational concentration in this sector; the

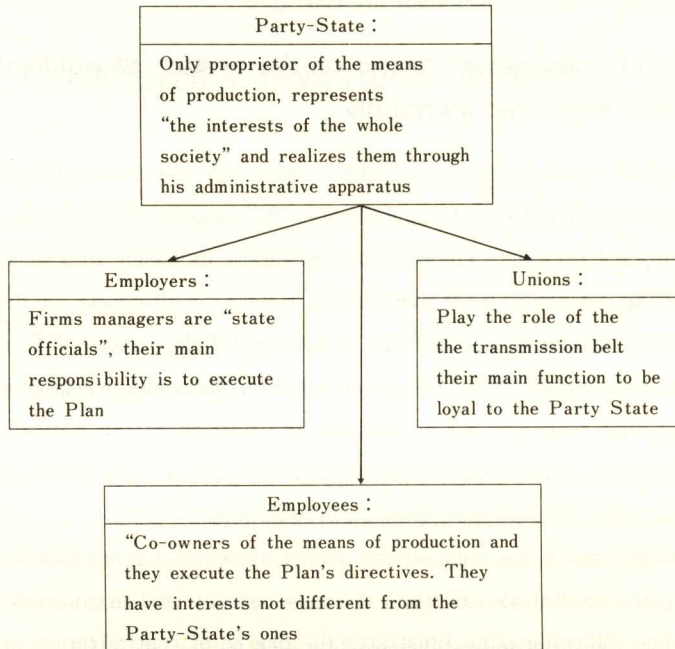
Table 1. The size of the manufacturing firms

	Hungary Capitalist economies (sample)	
Average No. of employees per firm	1 8 6 *	8 0
Percentage distribution of employee by size categories (%)		
1 0 — 1 0 0 persons	1 4	3 5
1 0 1 — 5 0 0 "	2 6	3 3
5 0 1 — 1 0 0 0 "	1 9	1 3
over 1 0 0 0 "	4 1	1 9

*In the USSR the average number of employees at the 47,000 industrial enterprises (investigated) surveyed is over 800. (in) Kabalina, V. Komarovskiy: The Transformation of Industrial Relations and Trade Union, Reform in the USSR Conference on "Industrial Relations and Trade Unions in the Former Socialist Countries, Vienna, *Institute for Advanced Studies*. 14-17 October, 1991.

Source: Kornai, J. (1989): The Hungarian Reform Process, (in) Nee, V.-Stark, D. (1989): Remaking the Economic Institutions of Socialism: China and Eastern Europe Stanford: Stanford University Press, p.47.

Note: the figures refer to average of various years in the 1970's. The capitalist economies sampled are Austria, Belgium, France, Italy, Japan and Sweden.

Fig. 1 The "Stalinist" model of I.R.S. in Hungary (1950-68)⁴⁾

majority of agricultural cooperatives and state farms's activities embraced more than one village. This also means, that the key political actor in the Hungarian villages was the cooperative president and not the local community (government) leader, or party secretary.

The briefly described economic monopoly was completed by the political-ideological monopoly of the Communist Party. During 1950's, the traditional partners of the Industrial Relations-government, employers, employees and their respective organizations - have the only obligation to execute the decrees of the ruling Communist Party (in Hungary called; Hungarian Socialist Workers' Party). In this quasi-orwellian world, the Communist Party and its leadership tried to develop and maintain an image of the omnipotent and ever reaching power. The following slogan describes this approach: "The Party knows everything, is present everywhere and capable to do everything". According to such kind of ideology system, conflicts of interests do not exist, therefore the autonomous social actors and institutions being concerned with the interest representations of employees and employers are unnecessary. This explains, among others, why the autonomous institution of Industrial Relations is missing in the ex-socialist countries.

At the macro (national) level, a centralized and autocratic version of corporatism has functioned; this means that the far reaching decisions on the social and economic future of the country have been made in the highest decision-making body ("Politburo") of the Communist Party.

The Industrial Relations partners: government officials, union leaders and firm's managers had

only the obligation to execute the party's resolution, translated into plans and indicators. This centralized and autocratic model of Industrial Relations, is often called the "Stalinist" variant of the I.R.S. in the centrally planned command economies⁵⁾.

The next figure presents the main characteristics of this model, functioned in Hungary, till the end of the 1960's.

In this system of Industrial Relations, the conflicting interests of different social-occupational groups were oppressed. But, in 1956 at national wide dimension and during the 1970's in the various forms of illegal strike ("quota restriction") demonstrated the individual and collective forms of worker's resistance⁶⁾.

3. The erosion of the centralized-autocratic corporatism

Industrial Relations System, according to the following broader definition, can be understood as the totality of actors, institutions and procedures being concerned with the wage determination and controlling working conditions (substantive rules) and with the structuring of the bargaining process (procedural rules). The cumulative character of the political and economic changes in the Hungarian society have had important effects on the actors, institutions and procedures of the Industrial Relations Systems. The most important elements of these changes were, firstly, the development of the second economy (economic activities organized outside the official economic institutions) from the end of the 1960's. Secondly, at the beginning of the 1980's, the government launched a decentralization movement in the "first" economy. The growing economic importance of the second economy became visible from the mid-1970's. At the end of this decade, one third of the household income was generated from the second economy. The role of this kind of economic activities were extremely important in the agriculture, housing construction and the service sectors⁷⁾. The existence of the second economy generated not only extra income but enlarged the opportunities for individual and collective actions. So, an important segment of the employees could realize their interests and learned to manipulate the social relations out of the official Industrial Relations institutions. Finally, the growing acknowledgement of organizational conflicts and interests relations has led to careful measures—on national and firm level—of coordination and representation of interests.

This means, that, within the official Industrial Relations System "core" workers gained and important bargaining power in relation to plant's managers at the expense of the "peripheral" workers. The different socio-economic factors constituting employer's environment and the various positions occupied by worker's groups in the labour process and in the labour market are reflected in the constellation of their interests and power relations⁸⁾.

The first important step in the decentralization of the Hungarian economy—without organiza-

tional decentralization—was the introduction of the “New Economic Mechanism” in 1968, which aimed at the regularization of the economy using economic tools instead of administrative ones.

The following four types of indirect (economic) regulators replaced the administrative tools of the Central Planning⁹⁾:

- 1: Financial regulations
- 2: Wage regulations
- 3: Price regulations
- 4: Foreign trade regulations

In spite of the relative success, these changes could not solve the wellknown efficiency problems in the former socialist countries. To increase the flexibility and adaptability of the economy and to stop the further deterioration of the living standard of the Hungarian population, after the massive borrowing the foreign loans, at the beginning of the 1980's, the government launched the policy of further decentralization. For instance, in the big state-firms, employees had the right to negotiate with the company management about the ratio of their input and output.

This practice of the “inside contracting”—which functioned only after the official working time—was not supervised by the unions. Blue and white color workers participating in this kind of “inside contracting”, are autonomous not only in organizing and controlling their work, but in their negotiation with their superiors about the ratio of their effort and wage. More than 10% of the full-time industrial wage earners have got experiences in this kind of “high involvement working system”. The high level of participation in the second economy, and in such kind of organizational innovations as the “inside contracting” revealed that, “... in Hungary very different social groups have experiences not only to be adopted to an interventionist, bureaucratic state but to the market mechanisms as well, through their social relations which opened channels for actions on the basis of reciprocity¹⁰⁾.”

4. Company union as a transitional element of the emerging new Industrial Relations System?

The briefly described changes into the direction of a mixed economy, gradually eroded the centralized and autocratic corporatism in Hungary. Within the labour market context of the full employment, important socio-professional groups disposed a strong—very often informal—bargaining positions in relation to the state owned company's management. Manpower policy in the former socialist countries produced a constant manpower shortage, in which individual workers have in important bargaining position in the form of the “exit-option” within the organization.

From the late 1960's till the late 1980's according the well known slogan of the labour movement—“the tight labour market was the best friend of the workers¹¹⁾”. Furthermore, in many cases, workers formed coalition of interest with the state firm's managers for the purpose to

evade the central wage control. The unions, at the firm's level, supported in general the above mentioned coalitions. Gradually, the centralized corporatism transformed into the company ("in house") unionism.

The results of an international survey, carried out in the middle of the 1980's in the electric and electronic industry, support also, the existence of the above mentioned social-pattern of the "company unionism" in Hungary¹²⁾

The data collected in ten countries, show that there are no clear differences between the capitalist and the ex-socialist countries concerning the workers' identity towards the firm. However, a significant difference can be noticed in relation of the Western European and other countries regarding the identity with the firm and the unions. For instance, the identity with the firm among the Western European workers (German, Italian, French, English, Swedish workers) means exclusively an identity with the company's management. While, in the case of the ex-socialist countries (Hungarian, Polish and Yugoslav firms participated in the survey)—as well as in Japan and Hong Kong, this identity includes the identity with the co-workers. Summing up the particular type of identity in the Hungarian firms investigated, we could say that it extends to the whole community of the firm; including not only the identity with the co-workers but also with the management. The identity with the whole community of the firm may be explained in the following way.

Worker's thinking and attitudes towards the different roles of the management and the unions are not deeply rooted in the class-based interest and organizational structure. This tendency was reinforced by the introduction of the Enterprise Council (E. C.) system in 1985. This body of "quasi-self management", carried out the strategic decisions in the big and medium sized state firms. One half of the E. C. members was elected directly by the rank and file employees, the other half were members (ex officio) of the management or delegated by the company's director. In practice, the E. C. became the new tool of the managerial control and accelerated the "deregulation" of the union—otherwise also weak—role in the long-term business decisions¹³⁾.

The increasing economic and the related social importance of the employees' participation in the second economy, and in the activity of the "inside contracting" etc. within the state firms strengthened the amorphous and diffuse type social relations among the partners of the Industrial Relations System. Such constellation of the social relations in the economy, facilitates both the development of the company's level corporatism and the non-cooperative type union activities. Plus, the growing uncertainty in the economic situation (uncalculable effect of the COMECON, fast increasing unemployment etc.) results move up and down of in the relative power of trade unions and employers.

In Hungary, the birth of the independent, autonomous union movement preceded the 1990's free election, and the collapse of the communist political system.

To great surprise of some new union leaders, these changes did not produce any clear cut

changes in the above mentioned identity pattern. Instead of the massive support of the new, independent union, we had to assist a development of the well-known phenomenon of "social-anomie". This means that the employees are refusing to cooperate with both new and old unions and with the management. The growing anomie among the rank and file employees contradicts to such kind of generally accepted view that the decline of union power would strengthen the management integrative power or vice versa.¹⁴⁾ In the next part, we try to examine some sources of this "social anomie" or legitimacy crisis of the emerging, new Industrial Relations System.

5. The road of the independent union movement is paved by chaos?

The 1980's were the years of erosion of the monolithical communist political systems combined with command economy¹⁵⁾. The Central and Eastern European societies are still in the period of rapid changes. It is difficult enough to know in advance the results of this process in the different ex-socialist countries. However, the 1990's will be the years, in which social scientists will assist, study, evaluate and shape the emerging civil society.

The less visible and less dramatic, but long-term devastating social consequence of the "real-socialism" was the dissolution of the civil society and its replacement with the illusion of it.

On "civil society" we mean institutions, based on voluntary memberships, organized to express the individual and collective aspirations and interests of their members. For instance, among the constituent elements of the civil society, free trade unions, or in a more general sense, the autonomous Industrial Relations was missing. The democratically elected new Hungarian government—the free elections were held between the 25th March, and 8th April, 1990—has had to confront with numerous urgent economic and social problems, such as a huge foreign indebtedness of the country, industrial restructuring, high inflation rate, fast growing unemployment etc. Unfortunately, until present, the development of the autonomous system of Industrial Relations has got relatively few attention. Political forces in power or in opposition are dealing with this social institution according to the constellation of the power struggle among them. (The parliamentary decision concerning the trade union's property—in July 1991—illustrates this phenomenon.) Following the broader definition of the Industrial Relations System, negligible efforts were made to elaborate the "procedural rules" regulating the relations among the government, employers, employees and their respective organizations. For instance, the so-called Council for Interest Reconciliation—tripartite institution functioning in Hungary—has no obligatory agreements, resolutions, which could create rules and obligatory norms for the participating partners. However, this institution of "Council for Interest Reconciliation" functions at national, regional and firm level and in the long run could develop social rules for the cooperation among the social partners of Industrial Relations.

The following indicators illustrate the amorphous relations prevailing in that field¹⁶⁾:

- 1: On the side of the employers and government, rules are confused. For instance, in the state sector—which still is the largest employer of the country—it is not clear, what is the role of the state as an owner and as a neutral mediator during the conflicts between the employers and employees in the state firms.
- 2: The employers and their organizations are uncertain concerning the government intention to respect their mutually accepted agreements. Their problems of cooperation reflect the "minimum trust relations" between them. One main resource of the existing law trust relations between the government and company's managers is the slowly changing and still unclear property relations.
- 3: The divided and paralyzed Hungarian trade union movement on the side of the employees interest representation, have also enormous difficulties in the creation and respect of the "substantive" and "procedural" rules of the new Industrial Relations System.

In the last part of this paper, we would like to concentrate only to the issue of the paralyzed and divided union movement and its possible social outcomes.

Shortly after the collapse of the centralized and autocratic corporative style I.R.S. in Hungary, the social scientists could assist a process of the decentralization and deconcentration of the union movements. For instance, officially there are 800 registered unions, but in reality they count in general about 150. The general trend observed is the declining union membership.

In spite, the above mentioned great number of unions, seven important union organizations are the following¹⁷⁾:

	%	Number
1: Democratic Ligue of the Independent Unions:	3,3	130,000
2: National Alliance of the Workers' Councils:	2,7	106,000
3: Solidarity Workers' Alliance	1,8	75,000
4: Autonomous Unions	9,4	374,000
5: Block of the Intellectual Unions	1,6	63,218
6: Cooperative Forum of the Unions	14,0	557,295
7: National Alliance of the Hungarian Unions	67,2	2,682,753

(At present, we have to use these data carefully, more reliable statistics concerning the union membership will be available, after the union election, planned to be held within a year.)

The current crisis of the Hungarian trade union movement represents a multidimensional social and ideological phenomenon. Firstly, the political-legitimacy crisis is an "effet pervers" of the forty years of centralized-autocratic corporatism. This political legitimacy crisis concerns mainly the largest employee's organization, the National Alliance of the Hungarian Unions (MSZOSZ).

Secondly, the newly emerged "independent" unions of other type of employee's interest organiza-

tions (for instance "Solidarity Worker's Alliance") were unable to increase their membership in an important rate. Thirdly, the government do not want to continue a serious dialogue with these unions. The approach of the government varies according to the type of unions.

In the case of the largest union alliance—more than two million members—the lack of political legitimacy is responsible for the government non-willingness for cooperation. The newly emerged independent unions have a low membership rate, therefore for the government they are not enough "heavy" to represent the employee's interest, they have weak bargaining positions. The fourth, the Hungarian Parliament, recently—in this summer—has frozen all union property by the majority vote. The union property will be divided according to their "election performance" during the union election to be held within a year.

Finally, we have to mention another—in general underevaluated—component of the union crisis: from the 80's in the Hungarian economy we can see an important shift in the employment structure and the productions methods—or in a more general sense in the production paradigm. Among others, this means for instance the growing importance of the service sectors, the expansion of the non-standard employment, decentralization of the manufacturing sector, fast growing small firms¹⁸⁾. Without the analysis and the evaluation of these dimensions of the Hungarian union movement, it would be impossible to produce an appropriate diagnosis and policy for the creation of the new Industrial Relations System.

6. Some risks of the new Industrial Relations System in Hungary

Nowadays, we can observe an important shift from the hegemonic marxist ideology (partly based on the exclusivity of the state ownership) into the direction of the liberal-conservative kind one (based on the supremacy of the private ownership). In relation of that changes, we share the anxiety expressed by an expert of the Hungarian economy: "... les changements politiques ont amené au pouvoir de nouvelles majorités libérales ou conservatrices qui cherchent à se débarrasser rapidement de toutes les institutions économiques mis en place par le pouvoir précédent, cet engouement pour le libéralisme n'est pas sans présenter certains dangers: la croyance que la seule privatisation permette à atteindre l'économie de marché et à travers elle, l'abondance, laisse peu de place à l'analyse du possible échec du marché dans plusieurs secteurs¹⁹⁾."

The one year experiences of the privatisation—following the political collapse of the socialist political system in 1990—are supporting the above mentioned ideological one-sidedness and its alarming social consequences on the emerging trade union movement. For example, according to the first account of the privatisations, the Hungarian unions are playing a diminishing role both at national and local (firm) level. The key institution of the privatisation process, the State Property Agency (SPA), like other government institutions, try to neglect the weak, divided and therefore

low profile unions²⁰⁾.

Only some militant and well prepared unions can reach, in a large extent, the so-called "collective agreement" which includes some guarantee concerning the employment, wages and other working condition issues.

The need for innovative solutions in the field of the Hungarian Industrial Relations System, could be satisfied by using the various national experiences within the European "laboratories"²¹⁾ The current process of the European integration creates both challenge and opportunity for the renewal of the Industrial Relations System in the ex-socialist countries. Implementing the new political and economic systems in these countries, we should learn from each other's success and failure. Such kind of "collective learning" and the cooperation based on it, probably would play an important role in the mutual understanding and the co-creation of the new European social institutions.

Notes

- 1) These changes could not produce an important privatization. The share of the private sector represented only 3-4% within the property structure.
- 2) Bakos, G.(1991): Privatization in Hungary the private paper presented for International Studies Association, 32nd Annual Convention, 20-23, March, Vancouver
- 3) Kornai, J. (1990): *Du Socialisme au Capitalisme*, Paris: Gallimard
- 4) It is hard to define the meaning of corporatism. According Göran Therborn, the concept corporatisme" has become a bit like God: many people believe that it is an important phenomenon but nobody really knows what it looks like ... his conclusion is that corporatist theorists have hit upon something which is very important but difficult to analyse because corporatism remains a moving target, being subject to various definitions and specifications. (Pekkarinen, J.-Pohjola M-Rowthorn, B. (1991): *Social Corporatism and Economic Performance*. (in): Pekkarinen-Pohjola-Rowthorn (eds.): *Social Corporatism-A Superior Economic System?* Oxford Univ.Press
- 5) Héthy, L.-Csuhaj, V.I. (1990): *Labour Relations in Hungary*, Budapest: Labour Research Institute, P.10.
- 6) Mako, Cs. (1990): *Worker's Behaviour and Interests in Socialist Society*, Communist Studies, Vol. 4. P.186-87.
- 7) Gábor, R. I.-Horvath, T. D.-Lae, J. F.-Murard, N. (1990): *Archaïsme et modernité. Travail noir dans l'artisanat et artisanat dans l'économie secondaire*, (in) Dubois-Koltay-Mako-Richet (Eds.): *Innovation et Emploi à l'Est et à l'Ouest*, Paris: L'Harmattan
- 8) Héthy, L.-Mako, Cs.(1989): *Patterns of Worker's Behaviour and Business Enterprise*, Budapest: Institute of Labour-Institute of Sociology
- 9) Richet, X. (1989): *Hungary: Reform and Transition towards a Market Economy*, Communist Economies, Vol. 2. No. 4. P. 513.
- 10) Mako, Cs.-Simonyi, A. (1990): *Regulative Mechanism of Social Changes in the Hungarian Society*, Milano: 3rd International Karl Polányi Conference, 9-11, November, P. 15.
- 11) Dubois, P.-Mako, Cs. (1988): *Penurie de main-d'oeuvre et flexibilité de l'emploi en Europe de l'Est*, Paris: La Documentation Française, No. 17-18., p. 39-40.
- 12) In 1985, Denki Roren, the Japanese Trade Union of the Electric and Electronic Workers, initiated and financed an international survey on the worker's attitude related to work, firm and the union activities.
- 13) Mako, Cs. (1987): *Enterprise Council in Hungary: Tools of Management or tools of Workers?*, Pap-

- er Presented at the 200th Anniversary of the Pittsburgh University, Pittsburgh, 14-18 April
- 14) Ishikawa, A. (1990): Identity with Firm or the Union? (in) Thurley, K. (Ed.): The End of the Class Struggle? (A Question of Identity), London: L. S. E. (Manuscript)
 - 15) Kornai, J. (1980): Economics of Shortage, Amsterdam: North-Holland
 - 16) Bossányi, k.: A szociális béke örzőrendszere; Garzó, L.: Tisztázatlan szerepek; Kovács, G.: Semmire sem Kötelező játékszabályok, Népszabadság, 1991. Április, 19. P. 6.
 - 17) We have obtained the statistical data about the union membership, in an interview, conducted together with Guy Groux, a French union expert, with the president of the National Alliance of the Hungarian Unions. Budapest, 15th April, 1991. It is extremely difficult to know the real picture of the present union membership. For instance, according to the latest information, the Democratic Ligue of the Independent Unions—according to the deputy-president—has 250,000 members. After the Decision of the Hungarian Parliament (August 1991) about the renewal of union membership, the National Alliance of the Hungarian Unions (MSZOSZ) lessened many members but still the larger some with 1,000,000 members.
 - 18) For instance, in 1988, firms employing maximum 20 employees, represented 14,5% of the economic organizations in Hungary. By 1990, the number of firms with the same size reached 55,9%.
 - 19) Xavier, R. (1991): Privatisation, reorganization industrielle et strategies d'entreprises, quelques enjeux de la transition vers le marché en Europe de l'Est, Paris: Université Paris I.-Université de Rennes
 - 20) Némumann, L. (1991): Privatizacio, munkavállalók, szakszervezetek, Budapest : Munkügyi Kutató Intézet
 - 21) Dubois, P.-Koltay, J.-Mako, Cs.-Richet, X. (Eds.) (1990): Innovation et Emploi á l'Est et á l'Ouest, Paris: L'Harmattan

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